

# Internal Audit Report

of

**ULB: Lalganj Nagar Panchayat**

**For the period from 01-04-2017 to 31-03-2018**

**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 04-07-2019 to 13-07-2019**

**Report Issued on: 10-08-2019**

## Executive Summary

### 1. Introduction

|   |  |
|---|--|
| <b>Name of the Municipality</b>                                       | Lalganj Nagar Panchayat                          |
| <b>Period Covered under Current Audit</b>                             | 01.04.2017 to 31.03.2018                         |
| <b>Name of the Chief Municipal Officer for the period under Audit</b> | <b>Executive Officer</b><br>Mr. Vijayshil Gautam |

### 2. Results and Findings

|   |  |
|---|--|
| <p><b>Strength observed during the audit engagement</b></p>   | <ul style="list-style-type: none"> <li>➤ General Cash Book and subsidiary cash books has been written.</li> <li>➤ Staff Co-operation during the Audit period was very good.</li> <li>➤ All municipal transactions shall be identified with funds in accordance with rule 5, and separate accounting records have been maintained for each fund.</li> <li>➤ Office infrastructure is sufficient for operation.</li> </ul>   |
| <p><b>Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement.</b></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"> <li>➤ Municipality has not been maintaining its books of accounts using double accounting system of book keeping following accrual system of accounting principles guided by the Bihar Municipal Accounting Manual.</li> <li>➤ Statement of outstanding liabilities for expense in BMAR Form-55 is not maintaining by the municipality.</li> <li>➤ Taxes and other revenue collections from internal sources are not deposited in bank on same day.</li> <li>➤ Nagar Panchayat is not maintaining the demand register for various types of Taxes and Rent to be collected from the revenue resources i.e. Holding Tax, Tower Tax, and Shop Rent etc.</li> <li>➤ Assessment of Property Tax, Rent and other resources has not been conducting on regular intervals.</li> <li>➤ Most of the prescribed Books of accounts are not maintained i.e., Ledger, Advance Register, Earnest money and security money Deposit Register, Daily Collection Register, Grant Received Register, Fixed Asset Register, Stock/Inventory Register, Procurement Register, Holding Tax Register, Statutory dues deduction and deposit register etc</li> </ul> |



### 3. Opinion


|  |  |
|--|--|
| <b>Overall opinion of the Audit team about the functioning of the Municipality</b> | <p>The functioning of the Municipality is very weak due to following reasons:</p> <ul style="list-style-type: none"><li>➤ Most of the prescribed Books of accounts needs to be maintained, such as-Ledger, Advance Register, Earnest money and security money Deposit Register, Daily Collection Register, Grant Received Register, Fixed Asset Register, Stock/Inventory Register, Procurement Register, Holding Tax Register, Statutory dues deduction and deposit register etc</li><li>➤ Internal Control w.r.t. collection of taxes, monitoring of grant, monitoring of advances, monitoring of schemes etc. is very poor.</li><li>➤ Overall monitoring of collection from owns source is very poor.</li><li>➤ Grant received for various purposes are not utilized on timely basis.</li></ul> |
|--|--|

### 4. Audit Recommendations

|   |  |
|---|--|
| <b>The recommendations of Audit team on the observed weakness</b> | <p><b>We recommend the followings:</b></p> <ul style="list-style-type: none"><li>➤ Books of Accounts need to be maintained on double entry accounting system.</li><li>➤ All the prescribed books of accounts and Registers should be prepared on real time basis.</li><li>➤ Cashier Cash Book should be written on daily basis.</li><li>➤ Collection by tax collector should be deposited on daily basis.</li><li>➤ Assessment of property should be conducted on regular intervals.</li><li>➤ Grant Register should be prepared.</li><li>➤ Demand Collection Register of all the wards should be prepared.</li><li>➤ Property tax register should be prepared as per new assessment.</li><li>➤ Collection from own sources should be improved.</li><li>➤ BRS should be Prepared monthly basis.</li><li>➤ Advance Register Should be Prepared.</li></ul> |
|---|--|



### 5. Comments from Management

|                                       |   |
|---------------------------------------|---|
| <p><b>Comment from Management</b></p> | <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> <div style="text-align: center;">  <p>For Nagar Panchayat Lalganj<br/>(Executive Officer)<br/>Nagar Panchayat Lalganj<br/>Vaishali</p> </div> |
|---------------------------------------|---|


### 6. Acknowledgment

We thank Mr. Vijayshil Gautam (Executive Officer), Mr. Geeta Prakash (Head Clerk Cum Accountant) and Mr. Ravi Prakash Tripathi (Cashier) for their support during the period of our audit. We are also thankful to Shambhu Nath Pandit (Tax Daroga) 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 ANNAcy4099

Date- 24-06-2020



## Detailed Audit Report

### **1. Introduction**

The Internal audit of Lalganj Nagar Panchayat covering period from 1<sup>st</sup> April 2017 to 31<sup>th</sup> March, 2018 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. Irshad Siddiqui
- iii. Mr. Kundan Kumar Raja

### **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 : Mr. Naveen Kumar, from 09.06.2017 to till date,
- ii. Vice-Chairman : Mr. Ajay Kumar Thakur, from 09-06-2017 to till date.
- iii. Executive officer : Mr. Vijayshil Gautam , from 18.01.2019 to till date.



**3. Review of outstanding audit paras : Status of AG Audit Observations (Last Audit Report) are as under:**

| Sl. No. | Particulars of Audit and date of report | Total No. of Audit Paras. | Total No. of paras necessary improvement/ corrective measure is required | Total No. of audit where recovery of cash is proposed | Total No. of paras where recovery has been made | Total amount of Recovery | Total No. of paras where no action has been taken | No. & date of Compliance report |
|---------|---|---------------------------|--|---|---|--------------------------|---|---------------------------------|
| 1.      | 868/13-14/22-12-2014                    | 27                        | Nil  | Nil   | -   | -                        | Nil   | 1311/29-11-2018                 |

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

- 1 Nagar Panchayat Lalganj has purchased the solar light of R.s 17,82,000.00 from Messer Energy point New Zero Mile Muzaffarpur, but the Nagar Panchayat has not published advertisement and not invite tender which is against the Rule of Purchase.
- 2 Laboure Cess has not deducted in 2011-12 & 2012-13 which is total 20966/-
- 3 Non-Collection of Stamp Duty: - According to Chief Secretary Bihar Letter no 1920 dated 14-08-2002 that at the time of Endowment of Sairat the Nagar Panchayat has to Collect the Stamp Duty 3% of Endowment amount which is Rs. 2,24,769/- is collectable from responsible person.
- 4 Nagar Panchayat has not maintained the Grant Register therefore this is not possible to ascertain the un-spent amount of grant for the year end 31-03-2013.



#### 4. Finance

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

| Year                    | 2015-16 | 2016-17 | 2017-18         |
|-------------------------|---------|---------|-----------------|
| Final/ Revised Budget   | N.A     | N.A     | 51,95,65,970.00 |
| Actual Expenditure      | N.A     | N.A     | 8,75,30,256.00  |
| Savings (+)/ Excess (-) | N.A     | N.A     | 43,20,35,714.00 |

##### II. Volume of transactions

| Period           | Budgeted 2017-18 | Previous year (2016-17) | Corresponding period of 2015-16 | Current Period  | Cumulative for the current period (2017-18) |
|------------------|------------------|-------------------------|---------------------------------|-----------------|---|
| Opening Balance  | 7,31,570         | N.A                     | N.A                             | 10,89,57,304.00 | 10,89,57,304.00                             |
| Receipts         | 52,70,75,748     | N.A                     | N.A                             | 6,52,35,834.00  | 6,52,35,834.00                              |
| <b>TOTAL</b>     | 52,78,07,318     | N.A                     | N.A                             | 17,41,93,138.00 | 17,41,93,138.00                             |
| Net Expenditure  | 51,95,65,790     | N.A                     | N.A                             | 8,75,30,256.00  | 8,75,30,256.00                              |
| Refund to Gov.   | -                | N.A                     | N.A                             | 28,81,380.00    | 28,81,380.00                                |
| Advance to staff | -                | N.A                     | N.A                             | 1,57,985.00     | 1,57,985.00                                 |
| Closing Balance  | 82,41,528        | N.A                     | N.A                             | 8,36,23,517.00  | 8,36,23,517.00                              |

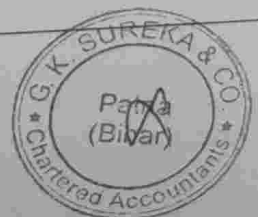
Note : The figure of Receipts and Payments of 2015-16 & 2016-17 has not provided to us.

##### III. Bank Reconciliation

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

##### Closing Bank Balance as on 31-03-2018 with detail

| S.N | Bank Name | Account No  | Balance as on  | Name of Scheme                        |
|-----|-----------|-------------|----------------|---------------------------------------|
| 1   | PLA       | 261         | 4,75,61,824.00 | 4th,5th,14th, CM drinking water & etc |
| 2   | SBI       | 32798612167 | 74,27,938.90   | Own Source                            |
| 3   | SBI       | 35592251085 | 70,36,332.00   | House for All                         |
| 4   | CBI       | 1827599132  | 8,24,440.00    | Own Source                            |



|  |      |             |                       |                                |
|--|------|-------------|-----------------------|--------------------------------|
| 5  | CBI  | 3944285775  | 4,24,766.50           | Swachh Bharat Mission          |
| 6  | BOI  | 110013223   | 8,73,353.00           | Social Security Pension Scheme |
| 7  | UBGB | 4101000215  | 7,07,251.00           | Own Source                     |
| 8  | SBI  | 37611425701 | 90,72,569.10          | C.M Nali Gali                  |
| 9  | SBI  | 36189493946 | 96,87,543.00          | C.M Urban Drinking Water       |
| <b>Total as per Bank</b>                 |      |             | <b>8,36,16,017.50</b> |                                |
| <b>Total as per Cash Book</b>            |      |             | <b>8,36,23,517.00</b> |                                |
| <b>Difference Cash Book and Passbook</b> |      |             | <b>7,499.90</b>       |                                |

- Bank accounts are not reconciled. Difference in cash book balance and pass book balance as on 31.03.2018 shown as above.
- No Bank wise cash book maintained, so balance as per cash book not available separately. Consolidated cash book balance as on 31.03.2018 is mentioned as above.



**IV. Revenue & Capital Receipts  
Income Details ( Amounts to be provided in Rupees)**

| S. No.   | Details  | 2017-18               |               | 2017-19        |                | 2018-19        |                | 2019-20        |                | 2019-21        |                |
|----------|--|-----------------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|          |  | 2017-18               | 2016-17       | 2018-19        | 2017-18        | 2018-19        | 2019-20        | 2019-20        | 2019-20        | 2018-19        | 2019-21        |
|          | <b>Total Receipts (A+B)</b>                                    | <b>6,52,35,834.40</b> | Not Available | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable |
| <b>A</b> | <b>Revenue Receipts (1+2+3)</b>                                | <b>94,79,835.40</b>   | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| <b>1</b> | <b>Own Revenue Receipts (a+b)</b>                              | <b>69,10,847.80</b>   | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| a)       | Tax Revenue (levied and collected by municipal body)           | 69,10,847.80          | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| i)       | Property Tax   | 69,10,847.80          | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| ii)      | Other Tax (levied and collected by municipal body)             | -                     | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| b)       | Non-Tax Revenue (levied and collected by municipal body)       | -                     | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| i)       | Fees & Fines   | -                     | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| ii)      | User Charges   | -                     | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| iii)     | Other non-tax revenue (levied and collected by municipal body) | -                     | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| <b>2</b> | <b>Other Revenue Receipts</b>                                  | <b>4,95,431.60</b>    | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| a)       | Income from interest/investments                               | 4,95,431.60           | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| b)       | Other Revenue Income   | -                     | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| <b>3</b> | <b>Transfers/ Grants/ Assigned Revenues</b>                    | <b>20,73,556.00</b>   | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| a)       | State Assigned Revenue   | 12,37,556.00          | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| b)       | State Finance Commission (SFC) Grants/Devolution               | -                     | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| c)       | Octroi Compensation  | -                     | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| d)       | Other State Government Transfers                               | -                     | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| e)       | Central Finance Commission (CFC) Grant                         | -                     | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| f)       | Other Central Government Transfers                             | -                     | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| f)       | Others   | 8,36,000.00           | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| <b>B</b> | <b>Capital Receipts</b>  | <b>5,57,55,999.00</b> | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| 1        | Sale of Municipal Land   | -                     | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| 2        | Loans (from State Govt. or Banks etc.)                         | -                     | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| 3        | State Capital Account Grant (under Central Schemes etc.)       | 2,77,25,133.00        | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| 4        | Central Capital Account Grant (under Central Schemes etc.)     | 2,80,30,866.00        | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |
| 5        | Other Capital Receipts   | -                     | --do--        | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         | --do--         |



V. Revenue and Capital Expenditure Information

Expenditure Details ( Amounts to Be provided in Rupees)

| S. No.   | Details  | 2017-18 |                       | 2017-18       |         | 2018-19        |         | 2018-19        |         | 2019-20        |         | 2019-20        |         |
|----------|--|---------|-----------------------|---------------|---------|----------------|---------|----------------|---------|----------------|---------|----------------|---------|
|          |  | 2017-18 | 2017-18               | 2016-17       | 2017-18 | 2018-19        | 2018-19 | 2017-18        | 2018-19 | 2019-20        | 2019-20 | 2018-19        | 2019-20 |
|          | <b>Total Expenditure (1+2)</b>   |         | <b>8,75,30,256.00</b> | Not Available |         | Not Applicable |         | Not Applicable |         | Not Applicable |         | Not Applicable |         |
| <b>1</b> | <b>Revenue Expenditure</b>   |         | <b>4,96,20,715.00</b> | --do--        |         | --do--         |         | --do--         |         | --do--         |         | --do--         |         |
| 1.1      | Administrative Expenses, Establishment and Salaries (All Departments- Regular and Contractual Staff) |         | 1,43,34,468.00        | --do--        |         | --do--         |         | --do--         |         | --do--         |         | --do--         |         |
| 1.2      | Operation and Maintenance (O&M)  |         | 16,90,704.00          | --do--        |         | --do--         |         | --do--         |         | --do--         |         | --do--         |         |
| 1.3      | Loan Repayment (Interest payments)   |         |                       | --do--        |         | --do--         |         | --do--         |         | --do--         |         | --do--         |         |
| 1.4      | Others ( any other revenue expenditure which is not salaries O&M or Interest Payment)                |         | 3,35,95,543.00        | --do--        |         | --do--         |         | --do--         |         | --do--         |         | --do--         |         |
| 1.5      | Advances to other agency   |         | -                     | --do--        |         | --do--         |         | --do--         |         | --do--         |         | --do--         |         |
| <b>2</b> | <b>Capital Expenditure</b>   |         | <b>3,79,09,541.00</b> | --do--        |         | --do--         |         | --do--         |         | --do--         |         | --do--         |         |
| 2.1      | All developmental works under Central/ State specific schemes  |         | 2,79,05,807.00        | --do--        |         | --do--         |         | --do--         |         | --do--         |         | --do--         |         |
| 2.2      | Loan Repayment (Principal Amount)  |         |                       | --do--        |         | --do--         |         | --do--         |         | --do--         |         | --do--         |         |
| 2.3      | Other Capital Expenditure  |         | 1,00,03,734.00        | --do--        |         | --do--         |         | --do--         |         | --do--         |         | --do--         |         |

Note : The figure of Receipts and Payments of 2015-16 & 2016-17 has not provided to us.



**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.

- Appointment of KRA & CO. for DEAS for the year 2016-17 to 2019-20 done but no contract has been signed with Nagar Panchayat.
- For the Year 2017-18 Double Entry Accounting System is not operational in the Nagar Panchayat.

**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 constitution status and meeting minutes of the Municipal Accounts Committee not provided to us.

**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, Sairat etc;

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

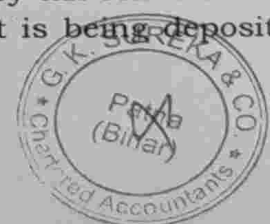
**Criteria:**

Collections should be deposited in to bank on the same day. (Rule-27)

All moneys to be brought to account. (Rule 22)

**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 Panchayat.

Holding tax collected during the of financial year 2017-18 had not been deposited in full, we found short deposit of Rs. 146758/- against total collection of Rs. 757766/- and deposit of Rs. 611008/-

| NAME OF WARD                   | NAME OF COLLECTOR   | COLLECTIN          | DEPOSIT            | CASH HOLD WITH COLLECTOR |
|--------------------------------|---------------------|--------------------|--------------------|--------------------------|
| 6,7,8,9 & 10                   | Mr Jai Kumar Sharma | 4,95,700.00        | 4,45,892.00        | 49,808.00                |
| 11 To 19                       | Mr Devendra Thakur  | 1,70,647.00        | 1,26,446.00        | 44,201.00                |
| 1 To 5                         | Mr Amarkant         | 91,419.00          | 38,670.00          | 52,749.00                |
| <b>GRAND TOTAL HOLDING TAX</b> |                     | <b>7,57,766.00</b> | <b>6,11,008.00</b> | <b>1,46,758.00</b>       |

Late submission /deposit of collected amount resulted loss of interest (revenue loss) to the ULB. This interest amount should be recovered from the concerned responsible person. Inerest amount could not be determined due to non availability of date of collection and date of deposit.

**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.

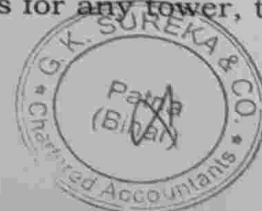
**Corrective Action/ Recommendation:**

Tax collectors need 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. 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 on time. Detail of uncollected tower tax dues are as under-

| S.N          | Owner of Tower | No Of Tower | Year Of Installation | Total Dues as on 31-03-2018 |
|--------------|----------------|-------------|----------------------|-----------------------------|
| 1            | M.T.S          | 1           | 2008-09              | 1,85,160.00                 |
| 2            | VIOM NETWORK   | 2           | 2008-09              | 16,90,400.00                |
| 3            | AIRCEL         | 3           | 2008-09              | 24,27,120.00                |
| 4            | IDEA           | 2           | 2008-09              | 8,65,880.00                 |
| 5            | B.S.N.L        | 1           | 2008-09              | 10,15,680.00                |
| 6            | RELIANCE       | 1           | 2008-09              | 9,77,680.00                 |
| 7            | AIRTEL         | 2           | 2008-09              | 17,66,400.00                |
| <b>Total</b> |                |             |                      | <b>89,28,320.00</b>         |

**Consequence/Effect/Impact:**

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

**Cause:**

This happens due to non-monitoring the working activities of concerned authorized personal 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 Panchayat 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 Panchayat.

**Cause:**

This is happens due to failure of designated staff and non-monitoring of authorized 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:**

Records of shop rent not maintained as per required norms, shop rent is not being collected on time. Details of uncollected amount as shop rent is as under-

| S.No                   | Shop No | Name                   | Father's Name        | Rent Monthly | Dues            |
|------------------------|---------|------------------------|----------------------|--------------|-----------------|
| <b>Old Bus Stand</b>   |         |                        |                      |              |                 |
| 1                      | 4       | Kamleshwar Pd Sah      | Late Raja Ram        | 331          | 26,149          |
| 2                      | 11      | Abhay Kumar            | Vishwanath Ray       | 381          | 48,387          |
| 3                      | 13      | Shambhu Pd Sah         | Rambriksh Sah        | 625          | 10,625          |
| 4                      | 14      | Himanshu Kumar         | Kanhaiya Ji          | 406          | 5,278           |
| 5                      | 15      | Pradip Kumar           | Bhagwan Lal          | 550          | 15,400          |
| 6                      | 16      | Gopal Pd Sah           | Late Raja Ram Sah    | 256          | 9,984           |
| 7                      | 19      | Mithilesh Kumar Sharma | Vasudev Sharma       | 250          | 2,500           |
| 8                      | 20      | Ram Naresh Bhagat      | Bindeshwar Bhagat    | 313          | 13,459          |
| 9                      | 21      | Parshuram Sharma       | Mahaveer Sharma      | 381          | 7,620           |
| 10                     | 22      | Pradhumn Sharma        | Late Dashrath Sharma | 381          | 23,622          |
| 11                     | 23      | Akhilesh Prasad        | Late Rajarm Sah      | 506          | 29,854          |
| 12                     | 24      | Akhilesh Prasad        | Kailash Prasad       | 875          | 6,125           |
| Total                  |         |                        |                      |              | <b>1,99,003</b> |
| <b>Other Shop Rent</b> |         |                        |                      |              |                 |
| S.N                    | Shop No | Name                   | Father's Name        | Rent Monthly | Dues            |
| 1                      | 29      | Ramchandra Sah         | Late Mansha Sah      | 281          | 10,116          |



|  |    |                 |                     |      |                 |
|--|----|-----------------|---------------------|------|-----------------|
| 2  | 13 | Shadab Alam     | Samiuddin           | 1000 | 24,000          |
| 3  | 1  | Jagarnath Singh | Late Mahaveer Singh | 376  | 2,256           |
| 4  | 9  | Sujeet Kumar    | Sohan Varanval      | 376  | 376             |
| Total  |    |                 |                     |      | <b>36,748</b>   |
| <b>Total Shop Rent Due during the period 2017-18</b> |    |                 |                     |      | <b>2,35,751</b> |

**Consequence/Effect/Impact:**

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

**Cause:**

This is happening due to failure of designated staff and non-monitoring of authorized officials on timely basis.

**Corrective Action/ Recommendation:**

There should be proper collection and monitoring mechanism for shop rent.

**Consequence/Effect/Impact:**

Due to non collection of rent there is a huge revenue loss to the Nagar Panchayat.

**Cause:**

This is happening due to failure of designated staff and non-monitoring of authorized 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 no irregularities observed.



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:

| S.N | Name of Holder       | Father's/Husband's Name | Ward No | Holding No | Type of House | Type Of Road | Holding Tax | Annual Value |
|-----|----------------------|-------------------------|---------|------------|---------------|--------------|-------------|--------------|
| 1   | Lalganj College      |                         | 1       | 9          | Commercial    | Other        | 1,535.00    | 17,055.56    |
| 2   | Gorakh Sah           | Late Raghunath Sah      | 1       | 126        | Commercial    | Main         | 848.00      | 9,422.22     |
| 3   | Kapildev Bhagat      | Late Foujdar Bhagat     | 1       | 145        | Commercial    | Main         | 880.00      | 9,777.78     |
| 4   | Fakira Prasad        | Late Ramchandra Sah     | 1       | 147        | Commercial    | Main         | 704.00      | 7,822.22     |
| 5   | Subhas Chandra       | Raj Narayan Varanval    | 1       | 223        | Residential   | Other        | 658.00      | 7,311.11     |
| 6   | Shiv Kumari Devi     | Sagar Pd Sah            | 1       | 224        | Residential   | Other        | 830.00      | 9,222.22     |
| 7   | Kanti Devi           | Sahdev Chaudhary        | 1       | 226        | Residential   | Other        | 830.00      | 9,222.22     |
| 8   | Kishun Ji Paswan     | Late Ramvilas Paswan    | 2       | 29         | Residential   | Main         | 712.80      | 7,920.00     |
| 9   | Banarsi Devi         | Ramkrishan Paswan       | 2       | 30         | Residential   | Main         | 738.00      | 8,200.00     |
| 10  | Hemanshu Devi        | Vimal Paswan            | 2       | 31         | Residential   | Main         | 738.00      | 8,200.00     |
| 11  | Nagmani Sah          | Vishwanath Sah          | 2       | 37         | Commercial    | Main         | 816.00      | 9,066.67     |
| 12  | Kedarnath Chaudhary  | Late Birjan Chaudhary   | 2       | 38         | Commercial    | Main         | 2,052.24    | 22,802.67    |
| 13  | Shankar Pd Chaudhary | Late Birjan Chaudhary   | 2       | 38         | Commercial    | Main         | 1,931.48    | 21,460.89    |
| 14  | Kedar Pd Chaudhary   | Late Birjan Chaudhary   | 2       | 38         | Commercial    | Main         | 2,063.52    | 22,928.00    |
| 15  | Ram ukti Shukla      | Jai Narayan Shukla      | 2       | 170        | Residential   | Main         | 515.96      | 5,732.89     |
| 16  | Asfar Ekbal          | Late Ziyur Rahman       | 2       | 176        | Commercial    | Principle    | 1,024.00    | 11,377.78    |
| 17  | Abdul Gani           | Fazal Karim Miya        | 2       | 177        | Commercial    | Principle    | 692.96      | 7,699.56     |
| 18  | Jagdish Mahto        | Late Bihari Mahto       | 2       | 180        | Commercial    | Main         | 527.00      | 5,855.56     |
| 19  | Akikur Rahman        | Motiur Rahman           | 2       | 181        | Commercial    | Main         | 761.00      | 8,455.56     |
| 20  | Kamal Chaudhary      | Late Gopal Chaudhary    | 2       | 380        | Commercial    | Main         | 627.00      | 6,966.67     |



## 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.    | Demand and Collection Register              | Not Provided            |
| 5.    | Assessment Register                         | Not Provided            |
| 6.    | Log Book                                    | Not Provided            |
| 7.    | Earnest Money and Security Deposit Register | Not Maintained          |
| 8.    | Procurement Register                        | Not Maintained          |
| 9.    | Statutory Deduction and Deposit Register    | Not Maintained          |
| 10.   | Contractors Payment Register                | Not Maintained          |
| 11.   | Advance Register                            | Not Maintained          |

### Recommendation:

*We recommend to the Nagar Panchayat 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:

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

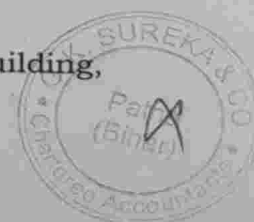
### Recommendation:

*We recommend to the Nagar Panchayat to comply with directives issued 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:-

- Property tax on lands and buildings.
- Surcharge on transfer of lands and buildings,
- 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.

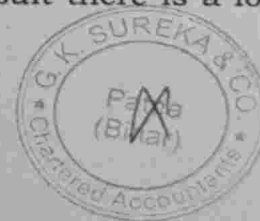
***New Assessment has not been done since long and holding tax is being collected at old rates.***

**Recommendation:**

*We recommend to the Nagar Panchayat 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 to collection of revenue on old rates there is significant loss the N.P. Quantification of loss is not possible at this point of time.
- 6) Advertisement Tax is not being 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.

**Recommendation:**

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

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

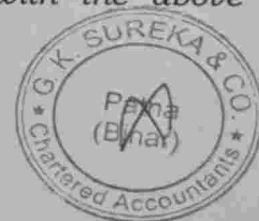
- The ULB is not regular in depositing statutory dues including tax deducted at source, service tax, VAT/GST, works contract tax, cess payable to the government etc. We observed that following amount of all such taxes deducted during the financial year 2017-18 has not been deposited in full to the concerned departments-

| <b>Tax Head</b> | <b>Deducted<br/>(in year 2017-18)</b> | <b>Deposited<br/>(in year 2017-18)</b> | <b>Short Deposit</b> |
|-----------------|---------------------------------------|--|----------------------|
| TDS(Income Tax) | 4,91,554.00                           | 3,29,808.00                            | 1,61,746.00          |
| VAT             | 10,34,250.00                          | 2,82,965.00                            | 7,51,285.00          |
| Royalty         | 6,05,565.00                           | 6,05,565.00                            | 00.00                |
| Labour Cess     | 3,05,465.00                           | 3,05,465.00                            | 00.00                |
| <b>TOTAL</b>    |                                       |  | <b>9,13,031.00</b>   |

Amount of Tax deducted during the FY 2017-18 has not been deposited in full and the balance due as on 31<sup>st</sup> March 2018 is Rs.9,13,031.00/-  
Statutory dues should be paid on time. Action should be taken against the responsible person/authority.

**Recommendation:**

*We recommend to the Nagar Panchayat to comply with the above mentioned statutory duty levied regarding collection and deposit.*



**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. Deductions of PF contribution and pension fund contribution are being deposited in a separate account opened by the ULB.

**Recommendation:**

*We recommend to the Nagar Panchayat to maintain all record related to payroll and comply statutory compliance of Provident fund and Employees State Insurance.*

**h. Utilization of Grant and report on missing Utilization Certificates**

Following are grant whose Utilization Certificate submitted to UD & HD for the period to 01-04-17 to 31-03-2018

| S. No        | Sanction Letter No & date | Name of Grant              | Bill No & Date | Amt of grant drawn | T.V no & Date       |
|--------------|---------------------------|----------------------------|----------------|--------------------|---------------------|
| 1            | 07/23-05-2017             | Salary Of Excutive Officer | 01/2017-18     | 500,000            | T/8448/1/06-06-2017 |
| 2            | 15/15-06-2017             | Ward Counciller Allowence  | 2/2017-18      | 336,000            | T/8448/1/03-07-2017 |
| 3            | 23/30-06-2017             | Professional Tax           | 3/2017-18      | 1,237,556          | T/8448/3/14-07-2017 |
| 4            | 43/24-08-2017             | Nagrik Swidha Madd         | 08/2017-18     | 3,803,400          | T/8448/4/15-09-2017 |
| 5            | 46/14-09-2017             | 5th Finance                | 09/2017-18     | 6,786,474          | T/8448/5/20-09-2017 |
| 6            | 46/14-09-2017             | 5th Finance                | 10/2017-18     | 6,786,473          | T/8448/6/20-09-2017 |
| <b>Total</b> |                           |                            |                | <b>19,449,903</b>  |                     |

Detail Grant whose utilisation certificate not provided by concerned ULB Of Un-Utilized amount for the period of 01-04-2017 to 31-03-2018

| S.No. | Grant Name              | Letter No & Date  | Grant Amount |
|-------|-------------------------|---|--------------|
| 1     | Census Survey Scheme    | 374/11-02-2017  | 119,000      |
|       | Census Survey Scheme    | 1051/27-06-2016   | 9,000        |
| 2     | Kabir Antiyosti Yojna   | 221/03-05-2017  | 604,029      |
|       | Kabir Antiyosti Yojna   | Letter no not available-Fund directly credited in account | 64,239       |
| 3     | House For All           | 270/23-03-2017  | 5,000,000    |
|       | House For All           | 424/13-03-2018  | 9,231,000    |
| 4     | 14th Finance Commission | 34/02-08-2017   | 6,853,855    |
|       | 14th Finance Commission | 98/24-01-2018   | 6,836,010    |



|  |                 |                   |
|--|-----------------|-------------------|
| Chief Minister Urban Nali Gali                               | 39/11-08-2017   | 5,144,337         |
| Chief Minister Urban Nali Gali                               | 69/30-10-2017   | 4,408,451         |
| Swachh Bharat Mission  | 1833/04-08-2017 | 110,000           |
| <b>Total Un-Utilized Amount for 01-04-2017 to 31-03-2018</b> |                 | <b>38,379,921</b> |

**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 Panchayat to maintain all record related to Inventories.*

**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.

On finalization of Receipt and Payment account of the ULB, we noted that following advances given to the employees are unadjusted in books as on 31.03.2018-

| Name                         | Purpose                | Amount             |
|------------------------------|------------------------|--------------------|
| Mr Shambhu Nath Pandit       | Misc Expenses          | 10,000.00          |
| Ravi Prakash Tripathi        | Kabir Antiyosti Yojna  | 36,000.00          |
| Rajeev Ranjan (Advocate)     | Legal Matter           | 26,985.00          |
| Messers Aryan Traders        | Repairing of Generator | 10,000.00          |
| Messers Viskarma Engineering | Tractor Repairing      | 75,000.00          |
| <b>TOTAL</b>                 |                        | <b>1,57,985.00</b> |

**Recommendation:**

*We recommend to the Nagar Panchayat to make proper adjustment of advances given to different person.*

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

Staff strengt of accounts department needs to be increased.



### III. PART. C

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

A record 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

It has been noted that only 16.85 % actual expenditure (Rs.8,75,30,256.00) has been done against the budgeted expenditure (Rs.51,95,65,970.00). It shows that inflated budget estimate for the FY 2017-18 was prepared.

#### Chapter XII: Accounts and Audit

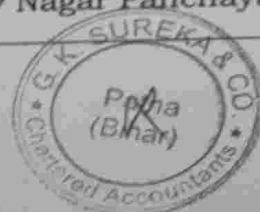
Books and Accounts of the Nagar Panchayat has not been maintained as per Municipal Accounting Manual and not placed to auditor appointed by UDHD. However the Nagar Panchayat is maintaining only cash book.

#### Chapter-XIII: Municipal Property

We were not provided with the Fixed Assets Register for the FY 2017-18 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 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 Panchayat.

b. Auditor should Report in a separate chapter on implementation of SAS of Property Tax in the ULB; internal auditor should witness some assessment procedures to check any in-consistencies in assessment. At least 20 high value properties in the city /town (irrespective of the fact that SAS is received or not) must be surveyed and checked in each quarter and reported variations, if any, in PTRs and Actuals as per internal audits;

➤ Field survey of 80 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 Accounts Rules, 2014 and Bihar Municipal Budget Manual with special attention to following Rules of BMAR**

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

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

- Till date Double Entry Accounting System is not operational in the Nagar Panchayat for the year 2017-18.
- Internal control for collections of revenue from internal sources is not adequate such as :
  - 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.

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

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

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

➤ Nagar Panchayat is not collecting any advertisement tax.

➤ 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 Panchayat.
  3. Daily Collection register is not maintained on regular basis, hence it is difficult to assess total amount of tax collected during the year.
- Trial Balance has not been maintained on monthly basis.

➤ Register for procurement made by Nagar Panchayat not maintained, however separate file for each procurement maintained.

No irregularities observed on test check basis.

➤ Register for procurement made by Nagar Panchayat not maintained, however separate file for each procurement maintained.

No irregularities observed on test check basis

➤ Details of UC is given below

Following are the Utilization Certificate submitted to UD & HD for the period to 01-04-17 to 31-03-2018

| S. No | Sanction Letter No & date | Name of Grant              | Bill No & Date | Amt of grant drawn | T.V no & Date       |
|-------|---------------------------|----------------------------|----------------|--------------------|---------------------|
| 1     | 07/23-05-2017             | Salary Of Excutive Officer | 01/2017-18     | 500,000            | T/8448/1/06-06-2017 |
| 2     | 15/15-06-2017             | Ward Counciller Allowence  | 2/2017-18      | 336,000            | T/8448/1/03-07-2017 |
| 3     | 23/30-06-2017             | Professional Tax           | 3/2017-18      | 1,237,556          | T/8448/3/14-07-2017 |
| 4     | 43/24-08-2017             | Nagrik Swidha Madd         | 08/2017-18     | 3,803,400          | T/8448/4/15-09-2017 |
| 5     | 46/14-09-2017             | 5th Finance                | 09/2017-18     | 6,786,474          | T/8448/5/20-09-2017 |



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

**h. 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/-**

**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.**

|              |                       |                |                |                        |                             |
|--------------|-----------------------|----------------|----------------|------------------------|-----------------------------|
| 6            | 46/14<br>-09-<br>2017 | 5th<br>Finance | 10/201<br>7-18 | 6,786,473              | T/8448/<br>6/20-09-<br>2017 |
| <b>Total</b> |                       |                |                | <b>19,449,9<br/>03</b> |                             |

**Detail Grant whose utilisation certificate not provided by concerned ULB Of Un-Utilized amount for the period of 01-04-2017 to 31-03-2018**

| S. No  | Grant Name                     | Letter No & Date  | Grant Amount      |
|--|--------------------------------|---|-------------------|
| 1  | Census Survey Scheme           | 374/11-02-2017  | 119,000           |
|  | Census Survey Scheme           | 1051/27-06-2016   | 9,000             |
| 2  | Kabir Antiyosti Yojna          | 221/03-05-2017  | 604,029           |
|  | Kabir Antiyosti Yojna          | Letter no not available-Fund directly credited in account | 64,239            |
| 3  | House For All                  | 270/23-03-2017  | 5,000,000         |
|  | House For All                  | 424/13-03-2018  | 9,231,000         |
| 4  | 14th Finance Commission        | 34/02-08-2017   | 6,853,855         |
|  | 14th Finance Commission        | 98/24-01-2018   | 6,836,010         |
| 5  | Chief Minister Urban Nali Gali | 39/11-08-2017   | 5,144,337         |
|  | Chief Minister Urban Nali Gali | 69/30-10-2017   | 4,408,451         |
| 6  | Swachh Bharat Mission          | 1833/04-08-2017   | 110,000           |
| <b>Total Un-Utilized Amount for 01-04-2017 to 31-03-2018</b> |                                |   | <b>38,379,921</b> |

**i. Auditor should report instances of losses, failures or inefficiencies and recommendations and/or measures which can be taken to avoid their recurrence in future.**

**Instances of losses, failures or inefficiencies**

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

- Tower tax (Registration and Renewal Fees) is not being collected on timely basis as Rs.89,28,320 /- is due for collection.

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

Proper monitoring of all transactions and implementation of Bihar Municipal Accounting Manual by authorised persons are recommended.

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.

- No such irregularities observed on test check basis.

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

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

No such FDs held by Nagar Panchayat.

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

As per details given below revenue loss resulted to the ULB- (Amt.in Rs.)

| S. No. | Particulars       | Amount       | Reason                             |
|--------|-------------------|--------------|------------------------------------|
| 1      | Property Tax      | 1,46,758.00  | Short Deposit against collections. |
| 2      | Tower Tax         | 89,28,320.00 | Non collection.                    |
| 3      | Shop Rent         | 2,35,751.00  | Non-Recovery/Delay in collection.  |
| 4      | Advertisement Tax | --           | Nagar Panchayat is not collecting  |

m. 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.

➤ Statutory dues should be paid on time. Action should be taken against the responsible person/authority.

| Tax Head        | Deducted (in year 2017-18) | Deposited (in year 2017-18) | Short Deposit      |
|-----------------|----------------------------|-----------------------------|--------------------|
| TDS(Income Tax) | 4,91,554.00                | 3,29,808.00                 | 1,61,476.00        |
| VAT             | 10,34,250.00               | 2,82,965.00                 | 7,51,285.00        |
| Royalty         | 6,05,565.00                | 6,05,565.00                 | 00.00              |
| Labour Cess     | 3,05,465.00                | 3,05,465.00                 | 00.00              |
| GST (TDS)       | 00.00                      | 00.00                       | 00.00              |
| <b>TOTAL</b>    |                            |                             | <b>9,13,031.00</b> |

➤ Statutory dues deduction and deposit register should be maintained. Deposit challan and acknowledgement about filing return not provided to us for verification.

n. 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.

AG Audit Report has been complied, but internal Audit Report and its compliance not provided to us.


**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 system in Nagar Panchayat is not adequate.

Place : Patna  
Date :

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

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



UDIN:20091380AAAA44099

Date- 24-06-2020



Discussion Note for Internal Audit observation of FY 2017-18

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 2017-18 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.           | Bank Reconciliation statement has not been prepared on regular intervals. i.e. Monthly/Quarterly,<br>Account and Scheme wise Bank reconciliation not prepared and corresponding Book Balance and Pass balance not provided of respective accountls. | Preparation of Bank Reconciliation Statement is in progress. It will be provided as soon as possible.                      |
| 3.           | Implementation of DEAS at ULB for the FY 2017-18.   | DEAS 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.</p>  | <p>a. Holding Tax collected during the FY 2017-18 had not been deposited in full, we found short deposit of Rs.1,46,758/- against total collection of Rs. 7,57,766/-</p> <p>b. Property Tax should be deposited on daily basis otherwise a penalty up to Rs. 5000/- may be imposed for delayed deposit.</p>  |                       |             |        |    |             |                |    |                |                |    |                     |                       |
| <p>6.</p>  | <p>Tower tax (Registration and Renewal Fees) is not being collected on timely basis as more than Rs.89,28,320.00/- is receivable from tower tax.</p>   |                       |             |        |    |             |                |    |                |                |    |                     |                       |
| <p>7.</p>  | <p>ULB is not collecting any advertisement tax.</p>  |                       |             |        |    |             |                |    |                |                |    |                     |                       |
| <p>8.</p>  | <p>Uncollected shop rent for the year 2017-18 was Rs2,35,751.00 /-</p>   |                       |             |        |    |             |                |    |                |                |    |                     |                       |
| <p>9.</p>  | <p>Non-maintenance of books of accounts ,</p> <table border="1" data-bbox="1053 1052 1292 1814"> <thead> <tr> <th>S.No.</th> <th>Particulars</th> <th>Status</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Ledger Book</td> <td>Not Maintained</td> </tr> <tr> <td>2.</td> <td>Grant Register</td> <td>Not Maintained</td> </tr> <tr> <td>3.</td> <td>Assessment Register</td> <td>Not Properly maintain</td> </tr> </tbody> </table> | S.No.                 | Particulars | Status | 1. | Ledger Book | Not Maintained | 2. | Grant Register | Not Maintained | 3. | Assessment Register | Not Properly maintain |
| S.No.  | Particulars  | Status                |             |        |    |             |                |    |                |                |    |                     |                       |
| 1.   | Ledger Book  | Not Maintained        |             |        |    |             |                |    |                |                |    |                     |                       |
| 2.   | Grant Register   | Not Maintained        |             |        |    |             |                |    |                |                |    |                     |                       |
| 3.   | Assessment Register  | Not Properly maintain |             |        |    |             |                |    |                |                |    |                     |                       |



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

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

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

11. 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,
- 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.

12. 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 2017-18 partly has been deposited

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



and partly has not been deposited.

Detail as follows.

| Tax Head        | Deducted     | Deposited   | Short Deposit      |
|-----------------|--------------|-------------|--------------------|
| TDS(Income Tax) | 4,91,554.00  | 3,29,808.00 | 1,61,746.00        |
| VAT             | 10,34,250.00 | 2,82,965.00 | 7,51,285.00        |
| Royalty         | 6,05,565.00  | 6,05,565.00 | 00.00              |
| Labour Cess     | 3,05,465.00  | 3,05,465.00 | 00.00              |
| <b>Total</b>    |              |             | <b>9,13,031.00</b> |

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

Total amount of grant whose UC not submitted of Rs. 3.83.79.921.00  
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. 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 2018 has been provided.

It will be followed from next time.

15. Staff strength of accounts department needs to be increased.

Yes, I will place this matter in meeting board/committee.



|     |  |   |
|-----|--|---|
| 16. | Separate details of schemes of MOHUA (Ministry of Housing and Urban Affairs) and UD&HD (Urban Development and Housing Department) not provided to us for Report on compliance of financial guidelines. | It will be provided from next time.                                 |
| 17. | 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. |
| 18. | 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.                                 |

*[Handwritten signature]*  
10/10/20

For Nagar Panchayat Lalganj  
(Executive Officer)  
Nagar Panchayat Lalganj  
Vaishali



Date: 10/10/20  
Place: Lalganj

