

Internal Audit Report

Of

ULB: Khagaul Nagar Parishad

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

Internal Audit Conducted by:

GKSureka & Co.
Chartered Accountants

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From 14-06-2019 to 11-07-2019

Report Issued on: 22-07-2019

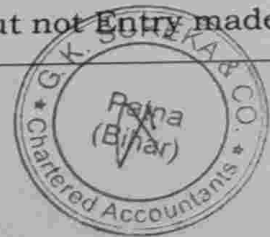
Executive Summary

1. Introduction

Name of the Municipality	Nagar Parishad Khagual.
Period Covered under Current Audit	01.04.2017 to 31.03.2018
Name of the Chief Municipal Officer for the period under Audit	Executive Officer Mr. Samir 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 (Manually) has been maintained. ➤ Nagar Parishad is focused in implementation of double accounting system in Nagar Parishad for recording and updating its books of accounts. For this purpose they have appointed TROS Consultancy for accounting purpose. Further the implementation of DEAS is in process. ➤ Staff Co-operation during the Audit period was 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</i></p>	<ul style="list-style-type: none"> ➤ Municipality has not been maintaining its books of account following accrual system of accounting principles guided by the Bihar Municipal Accounting Manual. ➤ The Books of accounts are not updated even after the appointment of TROS Consultancy and implementation of DEAS system of accounting. There is some transaction in FY 17-18 which were not recorded in Tally. For Example, <ol style="list-style-type: none"> 1. Property tax received through net banking (Card payment) in HDFC bank A/c (7676) not recorded in Tally data provided by TROS Consultancy. 2. TDS deducted and deposited but not Entry made in



of each Audit observation. It should also include a summation of outstanding statutory and internal audit observations.

Tally.

- Statement of outstanding liabilities for expense in BMAR Form-55 is not maintaining by the municipality.
- The property tax register has not been provided to us to ascertain the Total Demand and Arrear at the end of audit period.
- Taxes and other revenue collections from internal sources are not deposited in bank on same day.
- Nagar Parishad 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, etc.
- Assessment of Property Tax, Rent and other resources has not been conducting on regular intervals.
- Taxes have not been collected from 7 wards (i.e.2, 3, 11, 12, 13, 14, 15) of Nagar Parishad out of total 27 wards. Reportedly these 7 wards comes under the railway, so they are not collecting taxes in these wards. No evidence has been placed before us to know the reason for not collecting the Taxes under these wards.
- Records of sairats have not been properly maintained.
- Advertisement tax has not been collected by Nagar Parishad.
- In many instances, we have observed that the security deposit amount received against awarded tenders has not been deposited in bank, further the records of these DD's has not been maintained and provided to us for verification.

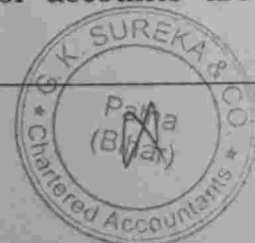
(Details as per Para J of Chapter XV)
- Nagar Parishad is not in practice of filing the TDS Return and depositing the TDS.

3. Opinion

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

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

- Most of the prescribed Books of accounts are not maintained.



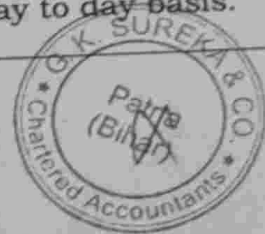
- Internal Control w.r.t. collection of taxes, monitoring of grant, monitoring of advances, monitoring of schemes etc. is very poor.
- Collection from own sources is very poor.
- Grant received for various purposes are not utilized on timely basis.

4. Audit Recommendations

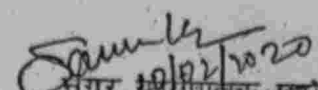
The recommendations of Audit team on the observed weakness

We recommend the followings:

- All the prescribed books of accounts and Registers should be prepared on real time basis. As Nagar Parishad prepared books on cash basis of accounting system.
- Cashier Cash Book should be written on daily basis.
- Collection of tax by tax collector should be deposited on daily basis.
- Assessment of property tax should be conducted on regular intervals.
- Grant Register should be prepared.
- 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.
- Compliance of TDS should be done.
- Collection and monitoring of Advertisement and Tower Tax should be followed up by authorised persons.
- Accounting shall be done on day to day basis.



5. Comments from Management


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

We thank Mr. Samir Kumar(Executive Officer), Mr. Manoj Kumar (Accountant cum Cashier) for their support during the period of our audit. We are also thankful to Tax Daroga Mr. Ravi Kumar, Mr. Kaushlesh Kumar Singh 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 = 20091380AAAADD1232

Date - 24-06-2020



Detailed Audit Report

1. Introduction

The Internal audit of Nagar Parishad Khagaul covering period from 1st April 2017 to 31st 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. Mr. Piyush Singh
- iii. Mr. Sujeet Kumar
- iv. Mr. Pankaj Gupta

2. Administration

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

- i. Chairman : Smt. Rinku Kumari, from 21.06.2017 to till date,
- ii. Vice-Chairman : Mr. Kumar Pintu Avinash, from 21-06-2017 to till date.
- iii. Executive officer : Mr. Samir Kumar, from 22-01-2019 to till d



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

SR. 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 paras where recovery cash 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.	C&AG Report No.106/2018-19 FY 2017-18	28	28	-	-	-	28	Not Complied.

The Major observations of AG audit report are as under:

- Miscellaneous receipt had been collected but not deposited to cashier or bank. amounting to Rs.1, 67, 348. (Para-6)
- Huge losses amounting to Rs.43,62,000 had been suffered by Nagar Parishad due to hiring of daily wage workers more than the required workers and loss due to given high wage rate is Rs.9,41,000.(Para-1)
- Excess amount has been deposited in respect of Electricity bill amounting to Rs.6,16,099.(para-3)
- Amount of Rs.10,96,800 had not been recovered as per door to door scheme.(Para-7)
- Labour cess had not been charged on development permit map of building amounting to Rs.3,34,273(Para-9)
- Irregularity in payment of purchase of water tank amounting Rs.4,20,000. as no agreement held between nagar parishad, khagaul and supplier.(Para-10)
- No consent had been taken from appropriate authority in purchase of fiberglass, vehicle mountable thermal fogging machine, potable thermal fogging machine, stainless steel water tanker total amounting to Rs.10,55,000.(Para-11)
- There is no provision for Advance amounting Rs.3,68,045.(Para-14).



9. Irregularity in payment made to TROS consultancy amounting to Rs.4,93,500.(Para-18)
 10. Sairat had been not collected by Nagar Parishad amounting to Rs.84, 950.(Para-21)

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	9,47,44,400
Actual Expenditure	N.A	N.A	7,56,43,919
Savings (+)/ Excess (-)	N.A	N.A	1,91,00,481

II. Volume of transactions

Period	Budgeted 2017-18	Previous year (2016-17)	Corresponding period of 2015-16	Current Period	Cumulative for the current period
Opening Balance	19,86,48,990	N.A	N.A	19,86,48,990	19,86,48,990
Receipts	10,68,33,900	N.A	N.A	7,62,74,123	7,62,74,123
TOTAL	30,54,82,890	N.A	N.A	27,49,23,113	27,49,23,113
Net Expenditure	9,47,44,400	N.A	N.A	7,56,43,919	7,56,43,919
Closing Balance	21,07,38,490	N.A	N.A	19,92,79,194	19,92,79,194

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:

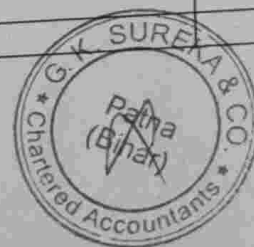
SR. NO.	BANK NAME	A/C NO.	SCHEME	AMOUNT
1.	HDFC	7676	NAGAR NIDHI	20,18,775.75
2.	PNB	089	13 TH FINANCE	15,51,968.44
3.	PNB	098	NAGAR NIDHI	1,64,38,769.49
4.	PNB	3625	SBM	8,53,468.75



5.	SBI	4784	LIC	9,79,294
6.	SBI	550	NAGAR NIDHI	12,55,943
7.	SBI	7201	KABIR ANTHEST	2,14,817
8.	UBI	2247	OFFICE DEVELOPMENT	1,68,692
9.	UBI	3528	NULM	74,06,024
10.	UBI	3545	SOCIAL SECURITES	27,97,860.33
11.	UBI	3623	BUILDING MAP FEE	29,12,498
12.	UBI	3672	HFA	37,63,033
13.	TRESURY PL			16,22,47,934.86
Closing Balance as per pass book as on 31st march, 2018				20,08,09,076.62
Closing Balance as per cash book as on 31st march, 2018				19,92,79,193.62
Difference				15,29,883.00

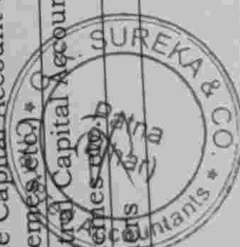
There is a difference between pass book as on 31st March, 2018 amounting Rs.15,29,883.00 mainly due to cheque issued but not presented to bank for payment. Details are as under below:

S. No.	CHEQUE NO.	BANK NAME	DATE	AMOUNT
				10,500
1.	752619	PNB098	25.05.2017	10,500
2.	752619	PNB098	25.05.2017	10,500
3.	752625	PNB098	25.05.2017	10,500
4.	752625	PNB098	25.05.2017	10,500
5.	752631	PNB098	25.05.2017	10,500
6.	752645	PNB098	25.05.2017	60,000
7.	752676	PNB098	18.07.2017	19,008
8.	395157	PNB098	02.08.2017	8,67,000
9.	753540	SBI550	18.01.2017	4,11,600
10.	395217	PNB098	11.09.2017	34,390
11.	395220	PNB098	11.09.2017	45,000
12.	88977	PNB098	30.01.2018	39,600
13.	88982	PNB098	03.02.2018	1,17,700
14.	89022	PNB098	31.03.2018	72,810
15.	89023	PNB098	31.03.2018	14,800
16.	89024	PNB098	31.03.2018	80,000
17.	89025	PNB098	31.03.2018	13,200
18.	89026	PNB098	31.03.2018	6,900
19.	89027	PNB098	31.03.2018	45
20.	A724740		27.02.2018	14,830
21.	AMOUNT DEPOSITED BY DEPOSITER BUT NOT RECORDED IN CASH BOOK			(3,30,000)
22.	PAYMENT DIRECTLY MADE BY BANK NOT IN CASH BOOK			15,29,883
TOTAL				



Income Details (Amounts to be provided in Rupees)

S. No.	Details	2017-18		2018-19		2019-20	
		2017-18	2016-17 Not Available	2018-19 Applicable	2017-18 Not Applicable	2019-20 Applicable	2018-19 Not Applicable
A	Total Receipts (A+B)	7,62,74,123.35					
1	Revenue Receipts (1+2+3)	2,91,16,494.35					
a)	Own Revenue Receipts (a+b)	1,64,52,492.75					
i)	Tax Revenue (levied and collected by municipal body)	1,46,71,160.75					
ii)	Property Tax	1,29,86,286.75					
	Other Tax (levied and collected by municipal body)	16,84,874.00					
b)	Non-Tax Revenue (levied and collected by municipal body)	17,81,332.00					
i)	Fees & Fines	1,04,411.00					
ii)	User Charges	33,900.00					
iii)	Other non-tax revenue (levied and collected by municipal body)	16,43,021.00					
2	Other Revenue Receipts	34,05,426.60					
a)	Income from interest/investments	14,72,283.60					
b)	Other Revenue Income	19,33,143.00					
3	Transfers/ Grants/ Assigned Revenues	92,58,575.00					
a)	State Assigned Revenue	--					
b)	State Finance Commission (SFC) Grants/Devolution	--					
c)	Octroi Compensation	--					
d)	Other State Government Transfers	81,39,040.00					
e)	Central Finance Commission (CFC) Grant	--					
f)	Other Central Government Transfers	11,19,535.00					
g)	Others	--					
B	Capital Receipts	4,71,57,629.00					
1	Sale of Municipal Land	--					
2	Loans (from State Govt. or Banks etc.)	--					
3	State Capital Account Grant (under Central Schemes etc.)	3,16,33,111.00					
4	Central Capital Account Grant (under Central Schemes etc.)	1,55,24,518.00					
5	Others	--					



Expenditure Details (Amounts to Be provided in Rupees)									
S. No.	Details	2017-18		2018-19		2019-20		2018-19	
		2017-18	2016-17	2018-19	2017-18	2019-20	2018-19	2019-20	2018-19
	Total Expenditure (A+B)	7,56,43,919.95	Not Available	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
1	Revenue Expenditure	3,63,07,414.95	--do--	--do--	--do--	--do--	--do--	--do--	--do--
1.1	Administrative Expenses, Establishment and Salaries (All Departments- Regular and Contractual Staff)	3,10,01,580.95	--do--	--do--	--do--	--do--	--do--	--do--	--do--
1.2	Operation and Maintenance (O&M)	37,33,847.00	--do--	--do--	--do--	--do--	--do--	--do--	--do--
1.3	Loan Repayment (Interest payments)		--do--	--do--	--do--	--do--	--do--	--do--	--do--
1.4	Others (any other revenue expenditure which is not salaries O&M or Interest Payment)	15,71,987.00	--do--	--do--	--do--	--do--	--do--	--do--	--do--
2	Capital Expenditure	3,93,36,505.00	--do--	--do--	--do--	--do--	--do--	--do--	--do--
2.1	All developmental works under Central/ State specific schemes	3,36,48,643.00	--do--	--do--	--do--	--do--	--do--	--do--	--do--
2.2	Loan Repayment (Principal Amount)		--do--	--do--	--do--	--do--	--do--	--do--	--do--
2.3	Other Capital Expenditure	56,87,862.00	--do--	--do--	--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.

- Till date Double Entry Accounting System is operational in the Nagar Parishad.
- Till date a Chartered Accountant firm has been appointed by the UD & HD for implementation of Double Entry Accounting System in the Nagar Parishad.

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, Sairat etc;

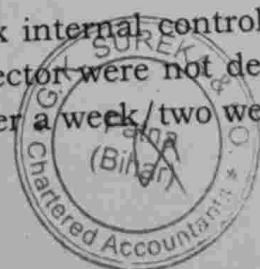
1. Property Tax and other revenue receipts are not deposited by tax collectors to the cashier by 4:30 PM on the same Day.

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/two week



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 financial year 2017-18 had not been deposited in full, we found short deposit of Rs.11,824/- against total collection of Rs. 86,58,206.75/- and deposit of Rs.86,46,382.75/- which was partially deposited in next financial year 2018-19.

NAME OF WARD	NAME OF COLLECTOR	COLLECTION	DEPOSIT	CASH HOLD WITH COLLECTOR
1,4,5,6,7,8,9,10,17,20	KAUSHLESH KISHORE SINGH	41,56,386.00	41,44,562.00	11,824.00
16,18,19,21,22,23,24, 25,26,27	RAVI RANJAN KUMAR	45,01,820.75	45,01,820.75	0
GRAND TOTAL HOLDING TAX		86,58,206.75	86,46,382.75	11,824.00

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 the same day.

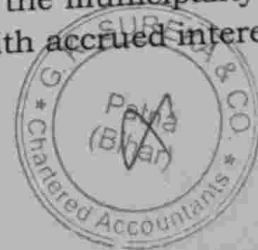
Corrective Action/ Recommendation:

Tax collectors are needs to follows the BMAR and remit the collections to cashier by 4:30 PM on the 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 have to be increased by 25%. Further as per Rule 6(9) of Bihar Communication Towers and Related Structures Rules 2012, in case arrears of registration fees and/or renewal fees for any tower, the municipality reserve the right to seal the tower until the payment is received in full along with accrued interest.



Condition:

Tower tax (Registration and Renewal Fees) is not being collected by Nagar Parishad except from 5 towers of Reliance Jio and no demand register for tower tax has been prepared. Nagar Parishad has not made any efforts for collection of tower tax.

Consequence/Effect/Impact:

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

Cause:

This happens due to non-monitoring the working activities of concerned authorised 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 Parishad is not collecting any advertisement tax.

Consequence/Effect/Impact:

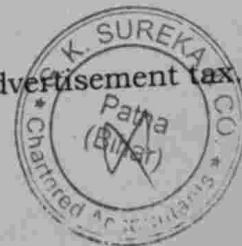
Due to no collection of advertisement tax there is a huge revenue loss to the Nagar Parishad.

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:

Shop rent is not being collected on timely basis. Overdue amount is Rs.2,61,969/-

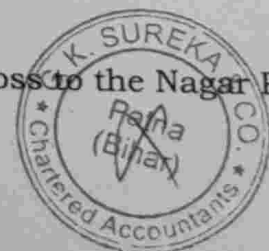
S. No.	SHOP OWNER	ARREAR UPTO 31.03.2017	CURRENT YEAR ARREAR	TOTAL ARREAR	TOTAL COLLECTION	TOTAL ARREAR UPTO 31.03.2018
1.	LAXMAN DAS	14,976	7,488	22,464	21,840	624
2.	ISHWAR KESERA, GOPAL KESERA & DILIP KESERA	3,576	1,788	5,364	5,198	166
3.	SANJAY KUMAR	3,600	1,800	5,400	5,250	150
4.	AMICHAND RAY	5,394	2,697	8,091	5,394	2,697
5.	DHARMENDRA KUMAR	7,032	3,516	10,548	10,238	310
6.	ASHOK KUMAR	4,872	2,436	7,308	7,098	210
7.	SHIV PRASAD SAO	5,232	2,616	7,848	7,613	235
8.	HARI NARAYAN SAO	1,200	600	1,800	0	1,800
9.	RANI DEV	960	480	1,440	0	1,440
10.	MAHINDRA PASWAN	960	480	1,440	0	1,440
11.	GORI SHANKAR	5,832	2,916	8,748	8,505	243
12.	VARINDER KUMR	5,832	2,916	8,748	8,505	243
13.	JUNGLI MISTRI	2,880	2,880	5,760	0	5,760
14.	MOHAMAD KHURSID	2,880	2,880	5,760	0	5,760
15.	BIJENDER PASWAN	13,248	6,624	19,872	19,320	552
16.	MD IKWAL	2,880	1,440	4,320	0	4,320
17.	SANTOSH KUMAR GUPTA	2,880	1,440	4,320	0	4,320
18.	GOPAL PRASAD	9,120	4,560	13,680	13,283	397
19.	SURESH SAO	8,448	4,224	12,672	8,448	4,224
20.	LAXMI RAI & VINOD KUMAR	8,448	4,224	12,672	8,448	4,224
21.	BHOLLA YADAV	3,036	1,518	4,554	0	4,554
22.	AMAN KUMAR	3,036	1,518	4,554	0	4,554
23.	SRI KANTH SHARMA	9,216	4,608	13,824	9,216	4,608
24.	ARUN KUMAR PANDEY	9,216	4,608	13,824	9,216	4,608
25.	TAMJUDIN	12,144	6,072	18,216	17,719	497
26.	SANJAY MEHTA	8,400	4,200	12,600	12,250	350
27.	KAUSHEL KUMAR & ANIL	8,400	4,200	12,600	0	12,600
28.	VISHAL PRASAD & VIKASL	2,700	2,700	5,400	0	5,400
29.	SUNIL KUMAR	2,700	2,700	5,400	0	5,400
30.	MOTILAL RAI	9,000	4,500	13,500	13,125	375
31.	SANJAY KUMAR SINHA	9,000	4,500	13,500	13,125	375
32.	SURYAVATI DEVI	8,640	4,320	12,960	12,600	360
		1,500	750	2,250	0	2,250
		14,688	7,344	22,032	21,420	612
		18,360	9,180	27,540	26,775	765
		5,592	2,796	8,388	8,155	233
		11,880	5,940	17,820	17,325	495
		7,560	3,780	11,340	11,025	315
		5,040	2,520	7,560	7,350	210
		11,880	5,940	17,820	17,325	495



33.	DAYANAND PAL	5,513	3,150	8,663	5,513	3,150
34.	RAM NATH SAO	1,728	864	2,592	2,520	72
35.	RAM BABU PAL	5,000	2,400	7,400	0	7,400
36.	SURESH PRASAD	5,040	4,320	9,360	0	9,360
37.	SUBASH CHANDER GUPTA	9,520	8,160	17,680	0	17,680
38.	PRIMILA DEVI	9,590	8,220	17,810	5,560	12,250
39.	KISHOR KUMAR GUPTA	9,590	8,220	17,810	12,330	5,480
40.	JAI SHANKAR PRASAD G	11,340	5,670	17,010	0	17,010
41.	SHIVRATRI DEVI	16,200	8,100	24,300	22,275	2,025
42.	HARI SHANKAR KUMAR G	11,340	5,670	17,010	0	17,010
43.	Haidar Zamin	11,340	5,670	17,010	0	17,010
44.	SHANKAR PRASAD GUPTA	11,340	5,670	17,010	0	17,010
45.	DEVENDRA KUMAR	19,200	9,600	28,800	28,000	800
46.	PRASHANT KUMAR	16,200	8,100	24,300	23,625	675
47.	RAJU KUMAR	16,200	8,100	24,300	23,625	675
48.	RAJESH KUMAR	11,340	5,670	17,010	0	17,010
49.	NAVENA SAO	16,200	8,100	24,300	23,625	675
50.	SANJAY KUMAR	11,880	11,880	23,760	21,780	1,980
51.	SHIV SHANKAR GOSWAMI	16,200	8,100	24,300	23,625	675
52.	MOHAMMAD JAFAR	27,600	13,800	41,400	40,250	1,150
53.	SURENDER PRASAD'	2,590	2,590	5,180	0	5,180
54.	SABITA DEVI	16,128	8,064	24,192	8,064	16,128
55.	ANTU RAI & SUBASH RAI	8,448	4,224	12,672	12,320	352
56.	ASHOK KUMAR & SUNIL K	7,680	3,840	11,520	11,200	320
57.	SAURAB KUMAR	7,675	3,684	11,359	11,052	307
58.	BINOD KR., DANISH KUMA	7,680	3,840	11,520	11,200	320
59.	ASHOK KUMAR	10,465	3,588	14,053	13,754	299
60.	ASHOK KUMAR	10,465	3,588	14,053	13,754	299
61.	JIT KUMAR	6,240	3,120	9,360	0	9,360
62.	SUNIL KUMAR	7,752	3,876	11,628	11,305	323
63.	RAJ KISHOR PRASAD	7,752	3,876	11,628	11,305	323
64.	ARUN KUMAR	7,752	3,876	11,628	11,305	323
65.	NARAYAN THAKUR	5,760	2,880	8,640	0	8,640
66.	ARUN KUMAR	5,760	2,880	8,640	0	8,640
67.	RAJ KUMAR	4,080	2,040	6,120	0	6,120
68.	CHANDRA DEEP GOSAIN	7,680	3,840	11,520	11,200	320
69.	MANILAL GUPTA	5,520	2,760	8,280	0	8,280
70.	MD. MUSTAFA	12,096	6,048	18,144	17,640	504
71.	VIJAY SHANKAR	12,096	6,048	18,144	17,640	504
	TOTAL	6,21,658	3,29,755	9,51,413	6,89,444	2,61,969

Consequence/Effect/Impact:

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



Cause:

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

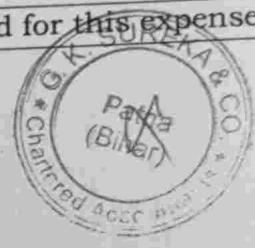
Corrective Action / Recommendation:

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**

Irregularities in payment of misc. expense observed in 3 instances mentioned below:

S. No.	Name of entity to whom payment made	Amount in Rs.	Queries
1	Kala Kendra	700	No voucher/bill found for this expense.
2	Tanya Enterprises	720	No voucher/bill found for this expense.
3	Krishna Choudhary	400	No voucher/bill found for this expense.



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

S. No.	NAME	FATHERS NAMES	WARD NO.	TYPE OF CONST.	TYPE OF USES	TYPE OF ROAD	CARPET AREA	ANNUAL VALUE	ANNUAL TAX	REMARKS OF AUDITOR
1.	SHANKAR SWALABI SAHAKARI	VISHAL SINGH	7	RCC	COM./RES.	B	58144	17,44,320	1,49,140	No-variance
2.	JOGINDERJIT AGGARWAL	LATE. PRITAM DAS AGGARWAL	7	RCC	COMMERCIAL	A	18063	12,19,252	1,14,133	No-variance
3.	DHARMBIR SINGH	LATE. SURESH SINGH	8	RCC	COM./RES.	A	27387	15,16,883	1,30,975	No-variance
4.	SHATRUGHAN PRASAD SINHA	BINDESHWARI KUMAR					9046	4,88,483	41,765	No-variance
5.	PATNA JESUT SOCIETY TRUST		4	RCC	RESIDENTIAL	A	5899	3,12,149	34,683	No-variance
6.	SHANKAR SWALABI SAHAKARI	VISHAL SINGH	1	RCC	COM./RES.	B	8400	2,52,000	36,455	No-variance
7.	CHRIST CHURCH DIOCESAN SCHOOL		1	RCC	COMMERCIAL	B	6150	2,29,500	32,038	No-variance
8.	KUMAR VINAY SINGH DEO	ARJUN DAS	1	RCC	RESIDENTIAL	B	12200	1,83,000	15,714	No-variance
9.	V.S.M BUILDER & CONTRACTOR	DIRECTOR, VISHAL SINGH	7	RCC	COMMERCIAL	A	3255	1,75,770	19,954	No-variance
10.	BINOD KUMAR KESARI	JAGANNATH PRASAD KESARI	8	RCC	COM./RES.	A	800	1,38,000	12,420	No-variance
11.	RAMAWATI DEVI	JAWAHAR PAL	6	RCC	COMMERCIAL	B	850	1,30,050	11,120	No-variance
12.	SEEMA DEVI	LATE. SURESH SINGH	8	RCC	COM./RES.	A	1361	1,11,805	9,559	No-variance
13.	DINESH KUMAR AGRAWAL	LATE. RAJESHWAR PRASAD	8	RCC	COM./RES.	A	4292	96,570	8,256	No-variance
14.	SUJEET KUMAR PAL	JAWAHAR PRASAD PAL	6	RCC	COM./RES.	B	1500	82,500	7,058	No-variance
15.	SIA RANI DEVI	SAMBHUNATH SHAH	6	RCC	COM./RES.	B	2268	79,380	6,788	No-variance
16.	PUSHPA KUMARI	NIRANJAN KUMAR	9	RCC	COM./RES.	B	488	87,750	7,505	No-variance
17.	SHATRUGHAN PRASAD SINHA	BINDESHWARI KUMAR					9406	4,88,483	41,765	No-variance
18.	KAMALJEET SINGH	LATE. SARDAR GUJAB SINGH	10	RCC	COM./RES.	B	1361	79,290	6,779	No-variance
19.	BANDEVI KUMARI	S.P. SINHA	7	RCC	COM./RES.	B	2381	60,635	5,727	No-variance
20.	RAM RANI DEVI	DEVAVAND SINGH	5	RCC	COM./RES.	C	2116	58,958	5,232	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 maintained
4.	Log Book	Not Provided
5.	Demand and Collection Register	Not Maintained
6.	Assessment Register	Not Provided
7.	Tower Demand Register	Not maintained
8.	Fixed Asset and Inventory Register	Not maintained
9.	Advance Register	Not maintained
10.	Advertisement tax register	Not maintained

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 follows all directives issued by UD&HD and GOB.



Non Compliance of Act & Rules

d. 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 and shop rent has been collected during the year other taxes have not been collected.

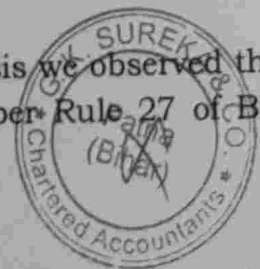
New Assessment has not been done since long and holding tax is being collected at old rates.

Recommendation:

We recommend to the Nagar Parishad to levy the above taxes and user charges, Nagar Parishad should comply all Act and rules of Bihar Municipal Act and Rules and carry out proper collection of various revenue source along with timely assessment of these revenue as per Act and Rule.

e. Lack of internal Control measures

- 1) There is 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 (Registration and Renewal Fees) is not being collected except from 5 towers of Reliance Jio.
- 8) Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.

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

Nagar Parishad is not regular in deduction and deposit of TDS. On deduction of TDS, liability is not created hence it is difficult to ascertain tax payable at any point of time. TDS are collected from time to time but its payments are made on yearly basis which is not proper. Also in following instances TDS have not deducted. Details are as below:

SR.NO.	NAME	DATE OF PAYMENT	TOTAL PAYMENT	TDS
1.	Ravi Ranjan Kumar	12.04.2017	1,91,333	1913
2.	Ravi Ranjan Kumar	06.05.2017	14,073	140
3.	Ravi Ranjan Kumar	05.06.2017	5,581	56
4.	Ravi Ranjan Kumar	04.07.2017	52,408	524
5.	Kamlesh Kumar	23.05.2017	6,12,509	6,125
6.	Kamlesh Kumar	20.02.2018	20,24,557	20,246
7.	Kamlesh Kumar	27.02.2018	2,49,778	2498
TOTAL:-			31,50,239	31,502

Recommendation:

We recommend to the Nagar Parishad to comply with the above mentioned all statutory collection and deposit in respective concern official department.



Deficiency in Pay-roll System

There is no record of payroll.

Recommendation:

We recommend to the Nagar Parishad to maintain all record related to payroll compliance and provide these record for audit purpose.

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.

However, Details from 20 points U.C reports are as follows:

Sl. No.	Letter/date	FUND	ALLOTMENT	U.C SUBMITTED	U.C LETTER NO./DATE
1	162/19.10.2016	5TH FINANCE	23,488,224.00	16,441,756.00	1691/25.07.2018
2	353/29.03.2017	5TH FINANCE	17,561,359.00	12,292,951.00	1691/25.07.2018
3	167/25.10.2016	C.M NALI GALI	2,451,551.00	2,451,551.00	1691/25.07.2018
4	07/23.05.2017	E.O SALARY	500,000.00	500,000.00	1691/25.07.2018
5	102/29.01.2018	CITY MANAGER	197,220.00	185,556.00	1482/07.11.2019
6	10/31.05.2017	CITY MANAGER	197,220.00	197,220.00	1482/07.11.2019
7	15/15.06.2017	WARD PARSHAD	666,000.00	666,000.00	1482/07.11.2019
8	23/30.06.2017	PROF. TAX	1,484,874.00	1,484,874.00	1385/11.10.2019
9	33/02.08.2017	14TH FINANCE	7,772,062.00	7,772,062.00	1385/11.10.2019
10	97/24.01.2018	14TH FINANCE	7,752,456.00	7,752,456.00	1385/11.10.2019

Recommendation:

We recommend to the Nagar Parishad to maintained all grant register and provide me that we can can help or assist to Nagar for 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.

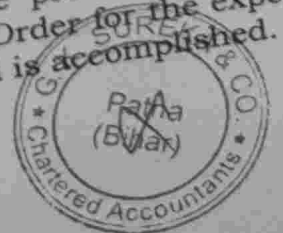
Recommendation:

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.



Recommendation:
Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof. However, the list of advance outstanding with staff has been provided as under.

Recommendation:
We recommend to the Nagar Parishad to maintained register related to advances given to staffs.

Any other matters as may be prescribed in due course.
Manpower of Nagar Parishad is not adequate equipped with required knowledge.

Recommendation:
We recommend to the Nagar Parishad to employ increase the accountants team having required knowledge.

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:

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 those for water-supply, drainage and sewerage, solid waste management, road development and maintenance, Building development and maintenance and slum services, commercial projects and other account heads as specified and the general account head, in such manner, and in such Form, as prescribed.

Chapter-X: Application of Municipal Fund

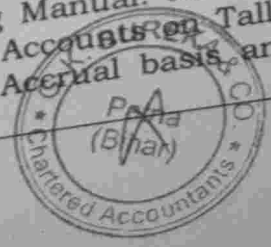
Records for Power to incur expenditure within specified limits of the Municipality have been provided to us.
The state fund grants received during the year were specifically mentioned the purpose of their utilisation.

Chapter-XI: Budget Estimates

No irregularities observed in preparation and presentation of budget estimate for the FY 2017-18.

Chapter XII: Accounts and Audit

Books and Accounts of the Nagar Parishad have not been maintained as per Municipal Accounting Manual. However, the Nagar Parishad is maintaining Books of Accounts on Tally from FY 2017-18 but Tally is not based on Accrual basis, and also inefficient.



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 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. 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 financial year 2017-18 had not been deposited in full, we found short deposit of Rs./11,824- against total collection of Rs. 86,58,206.75/- and deposit of Rs. 86,46,382.75/- which was partially deposited in next financial year 2018-19.

- Signature of tax depositer is not taken by Tax collector on the tax collection receipt.

- Tower tax (Registration and Renewal Fees) is not being collected except from 5 towers of Reliance Jio.

- Nagar Parishad is not collecting any advertisement tax.

- Taxes have not been collected from 7 wards (i.e.2,3,11,12,13,14,15) of Nagar Parishad out of total 27 wards. Reportedly these 7 wards comes under the railway, so they are not collecting tax. No evidence has been placed before us to know the reason for not collecting the Taxes under these wards.

➤ Field survey of 80 high value properties has been conducted by

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;

us and our report as annexed in Part-A Point-3 of this report.

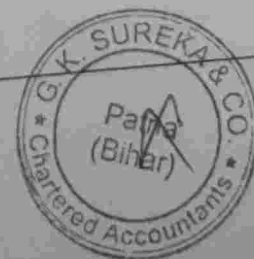
c. Auditor should Report on compliance of Bihar Municipal Accounting Manual, Bihar Municipal Accounts Rules, 2014 and Bihar Municipal Budget Manual with special attention to following Rules of BMAR

- 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:

➤ 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 operational in the Nagar Parishad.
- Internal control for collections of revenue from internal sources is not adequate such as :
 - i. Demand register is not maintained.
 - ii. All collections are not deposited in bank account on same day.
 - iii. Monthly Receipt & Payment Account and Trial Balance has been prepared.

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



<p>Monthly Receipt & Payment Account and Trial Balance</p> <p>e) Rule 130: Audit to be completed & reported within 6 month</p>	
<p>d. Report on compliance of financial guidelines of schemes of MOHUA and UD & HD, GoB.</p>	<p>Separate details of schemes of MOHUA (Ministry of Housing and Urban Affair) and UD&HD (Urban Development and Housing Department) not provided to us for Report on compliance of financial guidelines.</p>
<p>e. Auditor should Report and quantify all major own revenue losses and opportunities lost or missed including in the area of Property Tax, Mobile Transmission Towers Tax, Rental of Municipal properties, Advertisement Taxes/Fees, Sairatetc;</p>	<p>➤ Revenue collection process is not satisfactory; in case of property tax internal control is not adequate. We have observed that Property Taxes collected by tax collector were not deposited on the same day or the day after tomorrow but it is being deposited after a week/more than a week.</p> <p>1. 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>➤ Holding tax collected during the financial year 2017-18 had not been deposited in full, we found short deposit of Rs.11,824/- against total collection of Rs. 86,58,206.75/- and deposit of Rs. 86,46,382.75/- which was deposited in next financial year 2018-19.</p> <p>➤ Due to delay in deposit of property tax amount Nagar Parishad has suffer the opportunity loss of interest.</p> <p>➤ Tower tax (Registration and Renewal Fees) is not being collected except from 5 towers of Reliance Jio.</p> <p>➤ Nagar Parishad is not collecting any advertisement tax.</p> <p>Records of shop rent maintained as per required norms but are not being collected on timely basis.</p>
<p>f. Auditor should Report on adequacy and appropriateness of the documentation, approvals, compliance of procedures etc. of all payments above</p>	<p>➤ No irregularities observed on test check basis.</p>



Rs.10,000 and above.

g. Auditor should Report on Procurement made including through E-Tendering and E-Auction indicating exceptions , if any and whether a register is kept for all Procurements with value above Rs. 15,000/-

➤ No register is kept for all procurement with value above Rs. 15000/- by Nagar Parishad. However we verified some procurement made during the year and observed that quotations not held in procurement file.

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.

➤ Grants received and their utilisations during 2017-18 are as follows :

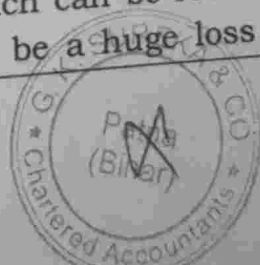
Sl. No.	Sanction Letter/date	FUND	ALLOTMENT	U.C SUBMITTED	U.C LETTER NO./DATE
1	162/19.10.2016	5TH FINANCE	23,488,224	16,441,756	1691/25.07.2018
2	353/29.03.2017	5TH FINANCE	17,561,359	12,292,951	1691/25.07.2018
3	167/25.10.2016	C.M NALI GALI	2,451,551	2,451,551	1691/25.07.2018
4	07/23.05.2017	E.O SALARY	500,000	500,000	1691/25.07.2018
5	102/29.01.2018	CITY MANAGER	197,220	185,556	1482/07.11.2019
6	10/31.05.2017	CITY MANAGER	197,220	197,220	1482/07.11.2019
7	15/15.06.2017	WARD PARSHAD	666,000	666,000	1482/07.11.2019
8	23/30.06.2017	PROF. TAX	1,484,874	1,484,874	1385/11.10.2019
9	33/02.08.2017	14TH FINANCE	7,772,062	7,772,062	1385/11.10.2019
10	97/24.01.2018	14TH FINANCE	7,752,456	7,752,456	1385/11.10.2019

Instances of losses, failures or inefficiencies

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.

➤ 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.

➤ Tax demand register has not been provided for verification, in such a situation we cannot ascertain the actual tax demanded/dues which can be recovered from a single tax payer. This could be a huge loss to Nagar



Parishad.

- Tower tax (Registration and Renewal Fees) is not being collected except from 5 towers of Reliance Jio.
- Nagar Parishad is not collecting any advertisement tax.

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

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

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

- During verification of tender document, we observed that in few instances amount of security deposit is not deposited in bank account of Nagar Parishad. Details are as follows:

S.No.	Date	Tender No.	Name of contractor	Amount in Rs.
1	14.11.2017	02/17-18	Ramji Singh	8,2
2	19.02.2018	02/17-18	Shambhunath Ray	14,2
3	14.11.2017	14/17-18	Maa Kali construction	3,2
4	14.11.2017	02/17-18	Shambhunath Ray	10,8
5	14.11.2017	02/17-18	Kamlesh Kumar	13,5

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

Nagar Parishad has also not prepared security money deposit register.

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

- No such FD.s held by Nagar Parishad.



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	11,824	Short Deposit against collections.
2	Tower Tax -		Non-Recovery in collection.
3	Shop Rent	2,61,969	Short Deposit against collections.
4	Advertisement Tax- advertisement tax.		Nagar Parishad is not collecting any

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.

> Nagar Parishad had been deducted TDS but not deposited properly Further, Nagar Parishad did not file Quarterly TDS Return.

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.

Compliance of AG Audit Report is not done and Internal Audit Report not provided to us, so we are unable to check for compliance.



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.

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

(CA. Gokul Kumar Sureka)
Partner
M.No.-091380

UDIN:- 20091380/AA/01232

Date- 24-06-2020

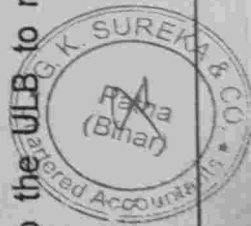
Place: Patna
Date:-



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.	<p>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.</p> <p>Compliance of C&AG Audit Report is pending, please provide status for the same.</p>	<p>Will be provided soon.</p>
2.	<p>Bank Reconciliation statement has not been prepared on regular intervals. i.e. Monthly/Quarterly,</p> <p>Account and Scheme wise Bank reconciliation not prepared and corresponding Book Balance and Pass balance not provided of respective accounts.</p>	<p>Preparation of Bank Reconciliation Statement is in progress. It will be provided as soon as possible.</p> <p>→ Monthly done (BRS)</p>
3.	<p>ULB has not maintained subsidiary cash book.</p> <p>We recommend to the ULB to maintain scheme wise subsidiary cashbook.</p>	<p>Preparation of subsidiary book is in progress.</p> <p>— Subsidiary cash book already available.</p>



<p>4. Implementation of DEAS at ULB for the FY 2017-18.</p>	<p>DEAS team has been appointed by the concerned department. Implementation of DEAS is in progress, and pending for approval.</p>
<p>5.</p>	<p>Constitution of "Municipal Accounts Committee" is pending yet.</p> <p>We are working on the constitution of Municipal Accounts Committee.</p> <p>FY (2019-20) onwards - Completed.</p>
<p>6.</p>	<p>a. Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available.</p> <p>b. Tax demand register has not been provided for verification, in such a situation we cannot ascertain the actual tax demanded/dues which can be recovered from a single tax payer. This could be a huge loss to ULB.</p> <p>c. Holding Tax collected during the FY 2017-18 had not been deposited in full, we found short deposit of Rs.11,824/-.</p> <p>d. Property Tax should be deposited on daily basis otherwise a penalty up to Rs. 5000/- may be imposed for delayed deposit.</p> <p>e. Taxes have not been collected from 7 wards (i.e.2, 3, 11, 12, 13, 14, 15) of Nagar Parishad out of total 27 wards. Reportedly these 7 wards comes under the railway, so they are not collecting taxes in these wards. No evidence has been placed before us to know the reason for not collecting the Taxes under these wards.</p>
<p>7.</p>	<p>Tower tax (Registration and Renewal Fees) is not being collected on timely basis. Demand Register for tower tax not maintained by NP Khagaul.</p>
<p>a) Noted for further compliance.</p> <p>b) Noted for further compliance.</p>	<p>Notice will be issue to the concerned person, as and when stay order of High Court will be laps/remove.</p> <p>Noted for further compliance.</p> <p>Register under preparation. Tower Tax is being demanded on priority.</p>
<p>c) Short deposit of Rs. 11,824/- has been deposited in bank.</p> <p>d) Noted for further compliance.</p>	<p>Deposited in late deposited (3-4 days late)</p> <p>All ensure compliance.</p>



8.	ULB is not collecting any advertisement tax.	We are working on it. Department is also working on drafting advertisement form.																					
9.	Demand Register for shop rent has not been maintained by ULB. Uncollected shop rent for the year 2017-18 was Rs. 2,61,969.00 /-	Maintenance of Demand Register for shop rent is in progress and it will be provided from next time. Notice to be issued to the concerned shop tenant. Shop rent demand register has been prepared & shown to govt. audit team.																					
10.	Records of sairats have not been properly maintained.	Noted for further compliance. Is under preparation																					
11.	<p>Non-maintenance of books of accounts, subsidiary registers</p> <table border="1" data-bbox="1007 1016 1437 1899"> <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>Payroll Register</td> <td>Not properly maintained</td> </tr> <tr> <td>4.</td> <td>Log Book</td> <td>Not Provided</td> </tr> <tr> <td>5.</td> <td>Demand and Collection Register</td> <td>Not Provided</td> </tr> <tr> <td>6.</td> <td>Assessment Register</td> <td>Not Provided</td> </tr> </tbody> </table>	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	<p>We are working on the preparation of Subsidiary books and Register, few of them is prepared.</p> <p>Details as below.</p> <p><u>Under preparation.</u></p> <p>Assessment register - not available. Sairat register - 2013-14.</p>
S.No.	Particulars	Status																					
1.	Ledger Book	Not Maintained																					
2.	Grant Register	Not Maintained																					
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4.	Log Book	Not Provided																					
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6.	Assessment Register	Not Provided																					



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.

Stamp duty (Building fee - is being assigned to VLB.

under Refectory considerations

Subsumed under GST

Bison government decision, [-> Chogach has been used for site for pilgrimatics.

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

13. 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.

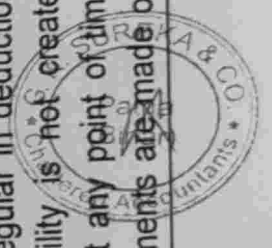
14. Nagar Parishad is not regular in deduction and deposit of TDS. On deduction of TDS, liability is not created hence it is difficult to ascertain tax payable at any point of time. TDS are collected from time to time but its payments are made on yearly basis which is not

It will be followed from next time.

Short Deposit of taxes will be deposited soon.

Stepatory complian w.a I-73
GST is correct

Updated.



proper. Also in some cases IDS have not deducted.

15. Deficiency in Pay-roll System

- 1) The pay-roll system does not contain leave details of employee.
- 2) Contribution of permanent employees and employer towards ESI has not being made.
- 3) PF account has not been opened with PF department of all the permanent employees.

→ We are implementing recommendation which has given by Internal Auditor.

→ Merged grant & pension rules under FSI. ULB not applicable.

→ As per municipal servant rules 1987 PF AC opened with notionalised 60

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.

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

Procurement register also not maintained by the concerned ULB.

Store and procurement register is prepared but not maintained, we are working on it.

It is available in ULB.

Advance Register is not being prepared hence it is difficult to monitor for advances given and adjustment thereof.

It will be followed from next time.

work in progress.

Staff strength of accounts department needs to be increased.

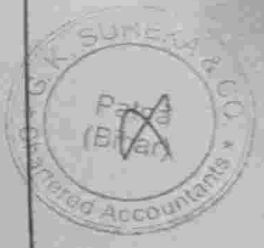
Yes, I will place this matter in meeting board/committee.

Permanent recruitment of ULBs

has been withheld.

on contract basis, private agency

RIP TDS has been billed.



It will be provided from next time.

9/10 is ~~covered~~ under program.

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

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

It will be provided from next time.

List of directive issued by UD&HD, GOB has not been provided to us for verification of same regarding compliances.

Noted for further compliance.

Not applicable - we have separate MC for this.

Noted for further compliance.

We found 3 cases of excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs



Signature
For Nagat Pashad Khagaul
(Executive Officer)

Date:
Place: