

Internal Audit Report

of

ULB: Mahua Nagar Panchayat

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

Internal Audit Conducted by:

GKSureka & Co.
Chartered Accountants

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From 31-08-2019 to 09-09-2019

Report Issued on: 18-09-2019

Executive Summary

1. Introduction

Name of the Municipality	Nagar Panchayat Mahua.
Period Covered under Current Audit	01.04.2018 to 31.03.2019
Name of the Chief Municipal Officer for the period under Audit	Executive Officer Mr. Ravi Shankar Prasad

2. Results and Findings

<p>Strength observed during the audit engagement</p>	<ul style="list-style-type: none"> ➤ General Cash Book, Subsidiary Cash Book, Inventory and stock register is maintained. ➤ Staff Co-operation during the Audit period was very good. ➤ All municipal transactions shall be identified with funds in accordance with rule 5, and separate accounting records have been maintained for each fund. ➤ Office infrastructure is sufficient for operation.
<p>Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement.</p> <p><i>The comments under these two categories should summarize each significant Audit observation in the order of materiality. The summary should be as brief as possible and draw on the observations under the Para on Consequence/ Effect/ impact of each Audit observation. It should also include a summation of outstanding statutory and internal audit observations.</i></p>	<ul style="list-style-type: none"> ➤ Municipality has not been maintaining its books of accounts using double accounting system of book keeping following accrual system of accounting principles guided by the Bihar Municipal Accounting Manual, while UDHD has appointed KRA & Co Chartered accountant vide letter no 07/16/2018,849 but contract is not signed till the date of audit. ➤ Statement of outstanding liabilities for expense in BMAR Form-55 is not maintaining by the municipality. ➤ The property tax register and demand collection register is not maintained by ULB so they have not been provided to us to ascertain the Total Demand and Arrear at the end of audit period. ➤ Taxes and other revenue collections from internal sources are not deposited in bank on same day. ➤ Nagar Panchayat is not maintaining the demand register for various types of Taxes and Rent to be collected from the revenue resources i.e. Holding Tax, Tower Tax, and Shop Rent etc. ➤ Assessment of Property Tax, Rent and other resources has not been conducting on regular intervals.



3. Opinion

Overall opinion of the Audit team about the functioning of the Municipality	<p>The functioning of the Municipality is very weak due to following reasons:</p> <ul style="list-style-type: none">➤ Internal Control w.r.t. collection of taxes, monitoring of grant, monitoring of advances, monitoring of schemes etc. is very poor.➤ Grant received for various purposes are not utilized on timely basis.➤ Manpower of Nagar Panchayat is not adequate specially in holding tax collection
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4. Audit Recommendations

The recommendations of Audit team on the observed weakness	<p>We recommend the followings:</p> <ul style="list-style-type: none">➤ Books of Accounts need to be maintained on double entry accounting system.➤ All the prescribed books of accounts and Registers should be prepared on real time basis.➤ Cashier Cash Book should be written on daily basis.➤ Collection by tax collector should be deposited on daily basis.➤ Assessment of property should be conducted on regular intervals.➤ 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.➤ AG Audit is not conducted till the date of internal audit .
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5. Comments from Management

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

We thank Mr. Ravi Shankar Prasad (Executive Officer), Mr. Ajit Kumar (Accountant) and Mr. Vivek Kumar (Tax collector) for their support during the period of our audit. We are also thankful to Head Clerk (Mr. Veer chandra Kumar and support staffs of the municipality for their cooperation extended to us during the period of our audit.

Place : Patna

Date :

For G.K.Sureka & Co.

Chartered Accountants

FRN.-513018C


(CA G.K. Sureka)

Partner

M.N.- 091380

UDIN! 20091380AAAAADH2727

Date! 24-06-2020

Detailed Audit Report

1. Introduction

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

- i. CA. Anoop K Singh
- ii. Md. Irshad Siddiqui
- iii. Mr. Lal Kumar

2. Administration

The present body of the ULB has taken charge on 03-04-2019. The incumbency in the key administrative and executive position was as under:

- i. Chairman : Smt. Kaushalya Devi, from 03.04.2019 to till date,
- ii. Vice-Chairman : Smt. Nilam Devi, from 03-04-2019 to till date.
- iii. Executive officer : Shri Ravi Shankar Prasad, from 21-01-2019 to till date.



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

Sl. No.	Particulars of Audit and date of report	Total No. of Audit Paras.	Total No. of audit paras necessary improvement/ corrective measure is required	Total No. of audit paras where recovery cash proposed	Total No. of paras where recovery has been made	Total amount of Recovery	Total No. of outstanding paras where no action has been taken	No. & date of Compliance report
1.	It has been replied by the concerned staff that no any AG Audit was done in ULB since start. No comment required on it.							

The Major observations of AG audit report are as under:

C&AG audit is not conducted since the establishment of Nagar Panchayat Mahua.



4. Finance

I. Budgetary provisions and expenditure for the last three years

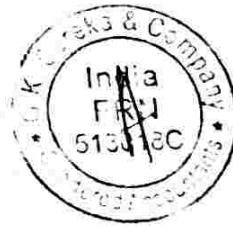
Year	2016-17	2017-18	2018-19
Final/ Revised Budget	N.A	36,65,30,700.00	69,91,95,700.00
Actual Expenditure	N.A	5,09,32,144.00	10,55,25,660.50
Savings (+)/ Excess (-)	N.A	31,55,98,556.00	59,36,70,039.50

II. Volume of transactions

Period	Budgeted 2018-19	Previous year (2017-18)	Correspondin g period of 2016-17	Current Period	Cumulative for the current Period
Opening Balance (Cash Book)	14,06,16,983	10,27,63,219	NA.	9,28,41,779	9,28,41,779
Balance in SBM					
Receipts	70,20,63,500	4,10,10,704	N.A	15,44,36,671.00	15,44,36,671.00
TOTAL	84,26,80,483	14,37,73,923	N.A	24,72,78,450.00	24,72,78,450.00
Net Expenditure	69,91,95,700	5,09,32,144	N.A	10,55,25,660.00	10,55,25,660.00
Refund to Treasury			N.A	1,69,56,150.00	1,69,56,150.00
Advance to staffs				66300.00	66300.00
Closing Balance (Cash Book)	14,34,84,783	9,28,41,779	N.A	12,47,30,340.00	12,47,30,340.00
Balance in SBM					

(C.B) :- Cash book

*Nagar panchayat has returned the amount of E-Governance amt Rs.150/- and Administrative Building amount Rs. 1,69,56,000/- to UDHD, and Advance to staffs is Rs. 66300.00.



III. Bank Reconciliation

S.N	Bank Name	Account No	Name of Scheme	Balance as per bank statement as on 31-03-2019	Balance as per Cash Book as on 31-03-2019	Difference
1	Canara Bank	32000072	House for All	70838719.00	65838719.00	5000000.00
2	Canara Bank	32000066	14th Finance	174081.00	174081.00	Nil
3	Canara Bank	32000071	13th Finance	132511.00	132511.00	Nil
4	Canara Bank	32000064	Kabir Antiyosti Yojna	422137.00	422137.00	Nil
5	Canara Bank	32000065	SBM	71216.00	71216.00	Nil
6	Canara Bank	69	NULM	130178.00	130178.00	Nil
7	UBGB	35652	SBM & E-GOV	281700.00	281700.00	Nil
8	UBGB	35669	Internal Source	2700529.50	2700529.50	Nil
9	P/L Account	257	4th,5th, Nali Gali & Eight Others Scheme	54530584.00	54530584.00	Nil
10	CBI	458666	Misc	41059.70	41059.70	Nil
11	ICICI	1084	SBM Online Transfer	407624.00	407624.00	Nil
Total Bank Balance as on Year end 2018-19				129730339.20	124730339.20	5000000.00

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

The closing balance of Main cash book is Rs. 12,43,22,715.20 and Closing Balance of Cash Book SBM Online Payment is Rs. 4,07,624.00. So, the Total Balance of Both Cash Book is Rs.12,47,30,339.20 and the total balance of Bank Balance dated 31-03-2019 is Rs.12,97,30,339.20 the difference between cash book and Bank is Rs. 50,00,000.00 the difference between cash book and Bank is reconciled. Amount of Rs.50,00,000.00 credited in bank on before 31.03.2019 while this amount has been debited in in cash book after 31.03.2019.



Income Details (Amounts to be provided in Rupees)

S No.	Details	2017-18		2018-19		2019-20	
		2017-18	2016-17	2018-19	2017-18	2019-20	2019-20
	Total Receipts (A+B)	4,10,10,704	Not Available	154436671	4,10,10,704	Not Applicable	154436671
A	Revenue Receipts (1+2+3)	12,29,983	--do--	21867797	12,29,983	--do--	21867797
1	Own Revenue Receipts (a+b)	8,43,709	--do--	1500856	8,43,709	--do--	1500856
a)	Tax Revenue (levied and collected by municipal body)	8,43,709	--do--	1500856	8,43,709	--do--	1500856
i)	Property Tax	843709	--do--	1500856	843709	--do--	1500856
ii)	Other Tax (levied and collected by municipal body)	-	--do--	-	-	--do--	-
b)	Non-Tax Revenue (levied and collected by municipal body)	-	--do--	-	-	--do--	-
i)	Fees & Fines	-	--do--	-	-	--do--	-
ii)	User Charges	-	--do--	-	-	--do--	-
iii)	Other non-tax revenue (levied and collected by municipal body)	-	--do--	-	-	--do--	-
2	Other Revenue Receipts	26,158	--do--	511314	26,158	--do--	511314
a)	Income from interest/investments	26,158	--do--	511314	26,158	--do--	511314
b)	Other Revenue Income	-	--do--	-	-	--do--	-
3	Transfers/ Grants/ Assigned Revenues	3,60,116	--do--	19855627	3,60,116	--do--	19855627
a)	State Assigned Revenue	3,60,116	--do--	12177777	3,60,116	--do--	12177777
b)	Grants for Salary & DA	-	--do--	-	-	--do--	-
c)	Octroi Compensation	-	--do--	-	-	--do--	-
d)	State finance commission	-	--do--	7677850	-	--do--	7677850
e)	Central Finance Commission(CFC) Grant	-	--do--	-	-	--do--	-
f)	Other Central Government Transfers	-	--do--	-	-	--do--	-
g)	Others	-	--do--	-	-	--do--	-
B	Capital Receipts	3,97,80,721	--do--	132568874	3,97,80,721	--do--	132568874
1	Sale of Municipal Land	-	--do--	-	-	--do--	-
2	Loans (from State Govt. or Banks etc.)	-	--do--	-	-	--do--	-
3	State Capital Account Grant (under Central Schemes etc.)	1,43,75,703	--do--	13843196	1,43,75,703	--do--	13843196
4	Central Capital Account Grant (under Central Schemes etc.)	2,54,05,018	--do--	118725678	2,54,05,018	--do--	118725678
5	Other Capital Receipts	-	--do--	-	-	--do--	-



Expenditure Details (Amounts to Be provided in Rupees)

S. No	Details	2018-19		2019-20			
		2017-18	2016-17	2017-18	2018-19		
	Total Expenditure (A+B)	5,09,32,144	Not Available	105525660	5,09,32,144	Not Applicable	105525660
A	Revenue Expenditure						
1.1	Administrative Expenses, Establishment and Salaries (All Departments- Regular and Contractual Staff)	3,74,75,477 13,21,338	--do--	63113402 1805325	3,74,75,477 13,21,338	--do--	63113402 1805325
1.2	Operation and Maintenance (O&M)	61,850	--do--	505439	61,850	--do--	505439
1.3	Loan Repayment (Interest payments)	-	--do--		-	--do--	
1.4	Others (any other revenue expenditure which is not salaries O&M or Interest Payment)	3,60,92,289	--do--	60802636	3,60,92,289	--do--	60802636
1.5	Advances to other agency	-	--do--		-	--do--	
B	Capital Expenditure						
2.1	All developmental works under Central/ State specific Schemes	1,07,73,577	--do--	42412258 33997315	1,07,73,577	--do--	42412258 33997315
2.2	Loan Repayment (Principal Amount)	-	--do--		-	--do--	
2.3	Other Capital Expenditure	26,83,090	--do--	8414943	26,83,090	--do--	8414943



I. Status of Implementation of Double Entry Accounting System

As suggested by the C&AG, the Ministry of Finance, Government of India has introduced a "National Municipal Accounts Manual" for adoption of accrual system of accounting system of 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.
- Till date KRA & Co Chartered Accountant firm has been appointed by the UD & HD for implementation of Double Entry Accounting System in the Nagar Panchayat. The process of contract is in progress.
- 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 2018-19 Double Entry Accounting System is not operational in the Nagar Panchayat.
- Status of Double Entry Accounting System:
 - 1) Name of Agency Implementing DEAS: KRA & Co.
 - 2) Period: 2016-17 to 2019-2020
 - 3) Status of Report: Not Initiated.
 - 4) Preparation of Fixed Asset Register: Not Initiated.
 - 5) Preparation of Opening Balance Sheet: Not Initiated.
 - 6) Preparation of Financial Statement: Not Initiated.
 - 7) Preparation of Property Tax Register: Not Initiated.
 - 8) Details of Tally Installation: Tally Installed
 - 9) Details of Tally Serial ID. : 745641576
 - 10) Email Id.: fcadhruvbnarayan@gmail.com

II. Status of Municipal Accounts Committee; if meeting held

As per section 98 of Bihar Municipal Act, 2007, it is necessary for the Municipality to constitute a Municipal Accounts Committee at its first meeting in each year or as soon as may be at any meeting subsequent thereto.

Municipal Accounts Committee has been constituted by the ULB. Municipal



accounting committee meeting was held on 18.05.2018.

5. Audit Observations

I. PART- A

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

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

Audit Objective:

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

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

Criteria:

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

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

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.

It has been noted that total holding tax was collected during the year Rs. 9,42,984.00 while deposited in account by tax collector Rs.9,17,790.00 only, so an amount of Rs.25,194.00 was held by the tax collector in hand as on 31.03.2019.

Consequence/Effect/Impact:

As per Rule 27 of BMAR it should be deposited on daily basis otherwise a penalty up to Rs. 5000/- may be imposed for delayed deposit.

Cause:

Non-compliance of BMAR by tax collectors and failure to remit collections to cashier by 4:30 PM on same day.

Corrective Action/ Recommendation:



Tax collectors are needs to follows the BMAR and remit the collections to cashier by 4:30 PM on same day.

b. Irregularities in Mobile Tower Collection

Criteria:

Registration Fees per tower @ Rs. 30,000/- and annual renewal fees @ Rs.8,000/- per annum to be collected. If more than 1 antenna is placed on the tower then an extra registration and renewal fees @ 60% per annum will be collected. Moreover a late fine at 1.5% would be imposed in case of delay in collection after first month of the financial year. Further after every 5 years renewal fees has to be increased by 25%.

Further as per Rule 6(9) of Bihar Communication Towers and Related Structures Rules 2012, in case arrears of registration fees and/or renewal fees for any tower, the municipality reserve the right to seal the tower until the payment is received in full along with accrued interest.

Condition-2

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

Consequence/Effect/Impact:

Due to no collection of TOWER Rent there is a huge revenue loss to the Nagar Panchayat which is shown below -

Sl. no.	Name of Tower Owner	Tower Rent Registration charges uncollected	Tower Rent Due upto 31.03.2019	O/s Tower Rent as on 31.03.2019
1	Bharti Infrastructure Ltd	0.00	160000.00	160000.00
2	Tower vision	0.00	32000.00	32000.00
3	Bharti Cellular Ltd	30000.00	40000.00	70000.00
4	Tata Indicom	30000.00	40000.00	70000.00
5	Viyom	30000.00	40000.00	70000.00
6	Idea Cellular Ltd.	30000.00	40000.00	70000.00
7	Reliance	30000.00	40000.00	70000.00
8	GTL Industries Ltd.	30000.00	40000.00	70000.00
	Total	180000.00	432000.00	612000.00

Total amount outstanding for collection under head tower rent was Rs.612000.00 as on 31.03.2019.

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.

c. 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.

d. Irregularities in Shop Rent Collection:

The Nagar Panchayat has no any shop in ownership.

2. 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.



3. Report on findings of field survey of Property Tax of minimum 20 high value properties

Sl. No.	Holding No.	Ward No.	Name of Tax Payer	Father's Name / Husband's Name of Tax Payer	Annual Value	Holding Tax	Carpet Area	Type of house
1	37	13	Arun Kumar Shukla	Late Kusheshwar Shukla	162560	14630	7600	RCC
2	95A	10	Prabha Devi	Sri Upendra Pd	133120	11981	8500	RCC
3	426	4	Amit Kumar	Sri Bikhari Singh	128250	11543	3561	RCC
4	A/F	8	Om Prakash Gupta, Jai Prakash Gupta, Vijay Kumar Gupta	Late Vishwanath Prasad	126340	11371	3561	RCC
5	421	6	Shashi Bhushan Kumar	Sri Yogendra Singh	123690	11132	3500	RCC
6	26	11	Binod Kumar Rai	Sri Jimdar Rai	115590	10403	4400	RCC
7	421	4	Suraj Singh	Late Bechan Singh	105750	9518	9600	RCC
8	196	4	Ranjeet Kumar	Sri Bikhari Singh	97280	8755	2900	RCC
9	323	8	Arun Kumar Chaudhary	Late Rajendra Chaudhary	91200	8208	3800	RCC
10	396	8	Raj Kumar Chaudhary	Late Rajendra Chaudhary	91200	8208	3731	RCC
11	103	7	Nathuni Pd. Singh	Late Gonaur Singh	89600	8064	3731	RCC
12	198	4	Suraj Singh	Late Bechan Singh	89600	8064	3469	RCC
13	410_411	4	Dayanand Chaudhary & Pawan Kr. Singh	Late Kapildeo Singh	77440	6970	4000	RCC
14	178	12	Rajendra Pandit	Late Dhora Pandi	76076	6847	3564	RCC
15	126	6	Shyam Nandan Singh	Late Bipat Singh	74240	6682	3564	RCC
16	109	7	Prem Lata Devi	Sri Nathuni Pd. Singh	74010	6661	3613	RCC
17	414	8	Anitesh Anand	Late Ram Kumar Chaudhary	71250	6413	2376	RCC
18	415	8	Amresh Anand	Late Ram Kumar Chaudhary	71250	6413	3400	RCC
19	222	9	Ranjeet Kumar Verma	Late Ram Iqwal Singh	70425	6338	3200	RCC
20	5	10	Satyendra Kumar	Late Dwarika Pd. Yadav	70400	6336	2888	RCC



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

S.No.	Particulars	Status
1.	Ledger Book	Not Maintained
2.	Payroll Register	Not properly maintained
3.	Demand and Collection Register	Not Maintained
4.	Assessment Register	Not Maintained

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.

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,
- Water tax,
- Fire tax,
- Tax on advertisements, other than advertisements published in newspapers,
- 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.

e. Lack of internal Control measures

- 1) There are lack of internal control w.r.t collection of taxes.
- 2) Demand collection Register has not been prepared hence it is not possible to ascertain total arrear of taxes
- 3) Taxes collected by tax collector are not deposited on daily basis we observed that it is being deposited after significant interval which is not proper. As per Rule 27 of BMAR it should be deposited on daily basis otherwise a penalty up to Rs. 5000/- per day may be imposed for delayed deposit.
- 4) Reassessment of holding tax has not been done since long and holding tax is being collected at old rates.
- 5) Due collection of revenue on old rates there is significant loss the N.P. Quantification of loss is not possible at this point of time.
- 6) Advertisement Tax is not being levied by the N.P as a result there is a loss to the N.P of advertisement tax amount.
- 7) Tower tax dues are not collected on time basis.
- 8) Tender of Ghat, Crematorium, Gate, Palm trees and lands are not done on yearly basis.
- 9) Advance Register is not prepared because no any advance given to any other during the audit period.
- 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.

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

- The municipality is regular in depositing statutory dues including tax deducted at source, service tax, VAT/GST; works contract tax, cess payable to the government etc. Detail of tax deduction and deposit is as under-

S NO	Type of Tax Deducted	Tax Deduction Amt.	Tax Deposit Amt.	Difference
1	TDS	453762.00	453762.00	Nil
2	GST	566553.00	566553.00	Nil
3	Royalty	824570.00	0.00	824570.00*
4	Cess	437688.00	0.00	437888.00*

*This tax amount has been deposited by the ULB in Govt.Account on 09.09.2019.

g. Deficiency in Pay-roll System

- The pay-roll system does not contain leave details of employee. PF of employees was not deducted by the ULB during the year 2018-19. PF of Executive Officer was deducted and deposited by the ULB.

h. Utilization of Grant and report on missing Utilization Certificates

- No UCs submitted for the FY 2018-19 while UCs for the year 2015-16 and 2016-17 was submitted as per details given in **point no. (h) Of PART C.**

i. Physical verification of inventory/Stores

Store Register has been prepared and physical verification of inventory/stores has also been done.

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.

- k. Any other matters as may be prescribed in due course.**
Staff strength of accounts department needs to be increased.



III. PART- C

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

Chapter-IX: Financial Management of Municipalities

Keeping in view the classification of municipal areas under section 7, the receipts and expenditures of the Municipality has not been kept under the heads of accounts, including those for water-supply, drainage and sewerage, solid waste management, road development and maintenance, slum services, commercial projects and other account heads as specified and the general account head, in such manner, and in such Form, as prescribed, so as to facilitate the imposition of user charges and preparation of any subsidy report under this Act.

Chapter-X: Application of Municipal Fund

Records for Power to incur expenditure within specified limits of the Municipality has not been provided to us.

The state fund grants received during the year were not specifically mentioned the purpose of their utilisation, the funds received as grant during the year were utilised for various purposes.

Chapter-XI: Budget Estimates

No irregularities observed in preparation and presentation of budget estimates.

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 and their subsidiary books.

Chapter-XIII: Municipal Property

We were provided with the Fixed Assets Register 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.
 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.
- Tower tax (Registration and Renewal Fees) is not being collected on time basis.
 - Nagar panchayat is not collecting any advertisement tax.
- b. Auditor should Report in a separate chapter on implementation of SAS of Property Tax in the ULB; internal auditor should witness some assessment procedures to check any in-consistencies in assessment. At least 80 high value properties in the city /town (irrespective of the fact that SAS is received or not) must be surveyed and checked in each quarter and reported variations, if any, in PTRs and Actuals as per internal audits;
- **Field survey of 20 high value properties has been conducted by us and our report as annexed in Part-A Point-3 of this report.**
- c. Auditor should Report on compliance of Bihar Municipal Accounting Manual, Bihar Municipal 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 .
 - 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, Sairat etc;
 - 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 was collected during the year Rs. 9,42,984.00 while deposited in account by tax collector Rs.9,17,790.00 only, so an amount of Rs.25,194.00 was held by the tax collector in hand as on 31.03.2019.
 - Tower Tax (Registration and Renewal Fees) of Rs.6,12,000.00 is outstanding as on 31.03.2019.
 - Nagar Panchayat is not collecting any advertisement tax.
- f. Auditor should Report on adequacy and appropriateness of the documentation, approvals, compliance of procedures etc. of all payments above Rs.10,000 and above.
 - No irregularities observed on test check basis.
- g. Auditor should Report on Procurement made including through E-Tendering and E-Auction indicating exceptions , if any and whether a register is kept for all Procurements with value above Rs. 15,000/-
 - No irregularities observed on test check basis.



- 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.**

Detail of total grant received during the financial year 2018-19 is given below

Detail of Allotment during the Period of 2018-19

S.N	Letter No & Date	Name of Madd	Allotment Amount
1	15/03-07-18	5th Finance	26,53,537.00
2	15/03-07-18	5th Finance	26,53,537.00
3	21/10-07-18	5th Finance	27,13,761.00
4	21/10-07-18	5th Finance	27,13,761.00
5	2685/02-08-18	Stamp Duty	1,17,09,880.00
6	31/31-10-18	Nagrik Swidha Madd	27,78,600.00
7	27/24-10-18	Professional Tax	4,67,897.00
8	32/31-10-18	14th finance	15,11,450.00
9	32/31-10-18	14th finance	15,11,450.00
10	75/25-01-19	14th finance	15,00,880.00
11	75/25-01-19	14th finance	15,00,880.00
12	76/30-01-19	Ward councillor Allowence	3,00,000.00
13	93/28-02-19	State finance Commission (Mal Nikasi aur Nali Nirman for Shedule Cast)	76,77,850.00
14	291/11-08-17	NULM	6,491.00
15	04/HFA-16-2016-631	House For All	75,60,000.00
16	04/HFA-16-2016-630	House For All	7,42,80,000.00
17	67/01-02-2019	House For All	1,16,000.00
18	67/01-02-2019	House For All	33,300.00
19	74/22-01-2019	House For All	1,66,00,000.00
20	54/27-12-2018	House For All	4,20,000.00
21	123/19-03-2019	House For All	21,00,000.00
22		Swachh Bharat Mission	1,15,85,227.00
23	22/07-01-19	Kabir Antiyosti Yojna	30,000.00
TOTAL GRANT RECEIVED DURING THE FINANCIAL YEAR 2018-19			15,24,24,501.00

Total grant received during the financial year 2018-19 is Rs 15,24,24,501.00. But there is no any utilization certificate submitted to the UDHD department by the ULB. However UCs related to FY to 2015-16 and 2016-17 is submitted to UDHD as per details given below.



S no	Notification No	Date	Scheme	Acceptance No	Allotment Amt.in Rs.	UC Submitted
1	884	12-07-2017	Chief Minister Urban drinking water	302/24-03-2017	7482750.00	6684323.00
2	884	12-07-2017	13th Finance	125/12-03-2015	1792036.00	688806.00
3	787	20-06-2019	Executive officer Salary	20/23-06-2016	513456.00	133055.00
4	787	20-06-2019	Chief Minister Urban drinking water	92/25-09-2016	6379277.00	6379277.00
5	739	03-06-2019	Chief Minister Urban drinking water	142/30-03-2016	787551.00	787551.00
6	739	03-06-2019	Chief Minister Urban drinking water	142/30-03-2016	2341033.00	2341033.00
7	625	29-04-2019	5th Finance	123/21-03-2016	5466352.00	5466352.00
8	625	29-04-2019	5th Finance	123/21-03-2016	844129.00	844129.00
9	625	29-04-2019	5th Finance	123/21-03-2016	3992217.00	3992217.00
10	495	25-03-2019	Nagrik Swidha Madd	16/17-07-2015	1295400.00	161519.00
11	495	25-03-2019	14th Finance	114/14-02-2015	2960006.00	1031250.00
12	251	12-02-2019	Professional Tax	155/27-09-2016	874351.00	874351.00
13	251	12-02-2019	Professional Tax	23/30-06-2017	360112.00	283149.00
14	756	22-05-2017	Professional Tax	37/28-08-2015	644537.00	644537.00
15	756	22-05-2017	Councillor Allowance	11/18-05-2016	462068.00	312068.00
16	756	22-05-2017	Executive officer Salary	20/23-06-2016	513456.00	380401.00
17	315	15-03-2017	E-Governance	98/09-01-2015	150000.00	150000.00
18	9792	28-12-2016	13th Finance	06/30-04-2015	1792036.00	190000.00
19	9792	28-12-2016	14th Finance	06/30-04-2015	2960006.00	227520.00
20	9797	28-12-2016	Mahila Ward Parshad ko Laptop	114/14-12-2015	180000.00	179850.00
21	9797	28-12-2016	Nagrik Swidha Madd	16/17-07-2015	1295400.00	70646.00
22	9797	28-12-2016	Councillor Allowance	08/19-05-2015	137932.00	12932.00
23	6564	22-09-2016	Sahayak Anudan Madd	125/12-03-2015	1792036.00	1103230.00
24	6564	22-09-2016	Sahayak Anudan Madd	13/13-07-2015	29620006.00	1584415.00
25	6564	22-09-2016	Chairman Vice chairman & WC allowance	08/19-05-2015	137932.00	125000.00
26	6564	22-09-2016	Nagrik Swidha Madd	16/07-07-2015	1295400.00	1063225.00

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.
- > Nagar Panchayat is not collecting any advertisement tax.

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

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

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 Irregularities found.

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.

No Irregularities have found.

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 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.

S. No.	Particulars	Amount	Reason
1	Holding Tax	25194.00	Non collection of holding tax during the Year
2	Tower Tax	612000.00	Non-Recovery/Delay in collection.
3	Advertisement Tax	--	Nagar Panchayat is not collecting any advertisement tax.

n. Auditor will report on that all kind of tax deductions i.e. Commercial tax, Income tax, provident fund etc. Should be deducted from the payments as applicable, deposited properly and also should be properly recorded in appropriate ledgers. Details given as per point no (f) of PART B.



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


➤ No AG audit was done since establishment of ULB, hence no comment required. Compliance of Internal Audit Report FY 2017-18 to be provided.

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

➤ Manpower crisis in Nagar Panchayat, we recommend for the appointment of manpower with adequate quality especially in tax collection department.

Place: Patna
Date:

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


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



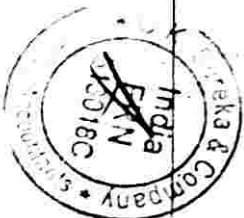
UDIN:-20091380AAAADH8787

Date: 24-06-2020

Discussion Note for Internal Audit observation of FY 2018-19

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

<u>S. No</u>	<u>Audit Observations</u>	<u>Reply of Management</u>
1.	C&AG Audit has not been conducted till the date of Audit?	This ULB is constituted in 2013-14 and not conducted audit by C&AG till date.
2.	Bank Reconciliation statement has not been prepared on regular intervals. i.e. Monthly/Quarterly, Account and Scheme wise Bank reconciliation not prepared and corresponding Book Balance and Pass balance not provided of respective accounts.	Preparation of Bank Reconciliation Statement is completed copy is attached according to account and scheme wise.
3.	Implementation of DEAS at ULB for the FY 2018-19.	DEAS team has been appointed by the concerned department. Implementation of DEAS is in progress, and pending for approval.



Amount deposited into bank is also not available.

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

c. Property Tax should be deposited on daily basis otherwise a penalty up to Rs. 5000/- may be imposed for delayed deposit.

d. Amount held with tax collector dated 31-03-2019 is Rs. 25194/-
Tower tax (Registration and Renewal Fees) is not being collected on timely basis. There is outstanding balance of Tower Tax as at 31/03/2019 of Rs. 6,12,000/-.

Due to staff shortness

b) Tax demand register preparation is in under process.

c) Deposited in bank on weekly basis due to staff shortness.

Deposited in next week

Notice issue to the concerned person copy of notice is attached.

We are working on it.

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

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

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

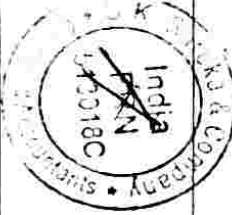
6. ULB is not collecting any advertisement tax.

7. Non-maintenance of books of accounts, subsidiary registers

S.No.	Particulars	Status
1.	Ledger Book	Not Maintained
2.	Demand and Collection Register	Not Properly maintained
3.	Assessment Register	Not Properly maintained

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

9. We observed that only above mentioned tax/Fee has been collected



<p>l.e.</p> <ol style="list-style-type: none"> 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. <p>New Assessment of property tax has not been done since long and holding tax is being collected at old rates.</p>	
<p>10. Deficiency in Pay-roll System</p> <ol style="list-style-type: none"> 1) Contribution of permanent employees and employer towards ESI has not being made. 2) PF account has not been opened with PF department of all the permanent employees. 	<p>We are implementing recommendation which has given by Internal Auditor.</p> <p>PF account opening is under process copy is attached</p>



	Utilization Certificate not submitted to UD & HD of grant utilized. <i>We recommend to the ULB for assist in preparation of utilization certificate.</i>	Utilization Certificate of respective grant till 2016-17 is submitted and for 2017-18 major part of utilized grant is submitted and some part be prepared and submitted to the concerned department as soon as such grant utilized. Help of Internal Auditor will be taken, if required.
12.	Advance Register is not being prepared hence it is difficult to monitor for advances given and adjustment thereof.	No advance is given to any other person.
13.	Staff strength of accounts department needs to be increased.	Yes, I will place this matter in meeting board/committee.
14.	Separate details of schemes of MOHUA (Ministry of Housing and Urban Affair) and UD&HD (Urban Development and Housing Department) not provided to us for Report on compliance of financial guidelines.	It will be provided from next time.
15.	List of directives issued by UD&HD; GOB has not been provided to us for verification of same regarding compliances.	It will be provided from next time.

Date:
Place:



Rajesh Kumar Bhowmik
For Nagar Panchayat Mahua
 (Executive Officer)
 EXECUTIVE OFFICER
 NAGAR PANCHAYAT
 MAHUA, VAISHALI