

Internal Audit Report

of

ULB: Kanti Nagar Panchayat

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

Internal Audit Conducted by:

GKSureka & Co.
Chartered Accountants
104, Baidyanath Palace, Jagdeo Path,
Bailey Road Pillar No.10, Patna-800014. (Bihar).
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From 26-08-2019 to 09-09-2019

Report Issued on: 18-09-2019

Executive Summary

1. Introduction

Name of the Municipality	Nagar Panchayat Kanti
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 Krishna Bhusan Kumar

2. Results and Findings

<p>Strength observed during the audit engagement</p>	<ul style="list-style-type: none"> ➤ General cash book and Subsidiary Cash Book has been written. ➤ All municipal transactions shall be identified with funds in accordance with rule 5, and separate accounting records have been maintained for each fund.
<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 interna laudit observations.</i></p>	<ul style="list-style-type: none"> ➤ Municipality has not been maintaining its books of accounts using double accounting system of bookkeeping following accrual system of accounting principles guided by the Bihar Municipal Accounting Manual. ➤ Statement of outstanding liabilities for expense in BMAR Form-55 is not maintaining by the municipality. ➤ The property tax register has not been provided to us to ascertain the Total Demand and Arrear at the end of audit period. ➤ There is lack of internal control on deduction and deposit of various taxes. On deduction of taxes liability is not created hence it is difficult to ascertain tax payable at any point of time. Taxes such as VAT, I.T. Royalty etc are collected from time to time but its payments are made on yearly basis which is not proper. Taxes should be remitted to the Govt. account on timely basis otherwise penal action may be taken by the concerned department for delayed deposit of taxes. ➤ Taxes and other revenue collections from internal sources are not deposited in bank on same day. ➤ Nagar Panchayatis 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. ➤ BRS has not been prepared Monthly basis. ➤ Office infrastructure is not efficient for operation. ➤ Staff Co-operation during the Audit period was very poor.



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.
- There are lapses in deduction and deposit of statutory dues such as TDS, VAT, Royalty, Labourcess etc.
- Manpower of Nagar Panchayat is not adequate.
- Nagar Panchayat is not maintaining the demand and collection register for various types of Taxes and nontax revenue under own sources i.e. Holding Tax, Tower Tax, and Shop Rent etc.

Audit Recommendations

The recommendations of Audit team on the observed weakness

We recommend the followings:

- Books of Accounts need to be maintained on double entry accounting system.
 - All the prescribed books of accounts and Registers should be prepared on real time basis.
 - Cashier Cash Book should be written on daily basis.
 - Collection by tax collector should be deposited on daily basis.
 - Assessment of property should be conducted on regular intervals.
 - Grant Register should be prepared.
 - All the statutory dues should be deposited on timely basis and returns prescribed under the statute should also be deposited on timely basis.
 - Demand Collection Register of all the wards should be prepared.
 - Property tax register should be prepared as per new assessment.
 - Collection from own sources should be improved.
 - Last AG Audit report should be provided.
 - BRS should be prepared and provided monthly.
- Taxes and Non-taxes collections from internal sources should be deposited in bank on same day.



5. Comments from Management

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

We thank Mr. Krishna Bhusan Kumar (Executive Officer) and Mr. Pankaj Kumar (Accountant) for their support during the period of our audit. We are also thankful to Tax Daroga (Chandan Kumar) and supporting staffs of the municipality for their cooperation extended to us during the period of our audit.

For G.K.Sureka & Co.

Chartered Accountants

FRN.-513018C

(CA. Gokul Kumar Sureka)

Partner

M.N.- 091380

UDIN:-20091380AAAA DV9757

Date: 24-06-2020



Place :Patna
Date:

Detailed Audit Report

1. Introduction

The Internal audit of Nagar Panchayt Kanti covering period from 1stApril 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. Mr. Mohammad Jawed Akhtar
- iii. Mr. Mohd Jawed Siddiqui

2. Administration

The present body of the ULB has taken charge on 16th February 2019. The incumbency in the key administrative and executive position was as under:

- i. Chairman : Sri Gajendra Paswan, from 09.06.2017 to till date,
- ii. Executive officer : Mr. Krishna BhusanKumar ,from 22.01.2019 to till date.



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

Sl.N o.	Particulars of Audit and date of report	Total No. of Audit Paras.	Total No. of paras necessary improvement/ corrective measure is required	Total No. of audit where recovery of cash is proposed	Total No. of audit paras where recovery has been made	Total No. of audit paras where recovery is proposed	Total No. of audit paras where recovery of cash is proposed	Total amount of Recovery	Total No. of outstanding paras where no action has been taken	No. & date of Compliance report
1	CAG Audit Report No. - 343/2015-16	10	7	2	2	2	2	10574.00	Nil	Letter date 05/02/2019 No.76

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

1. Budget not prepared Para no. 12
2. Purchase of Street light without board approval. Para No.01
3. Holding Tax Demand and collection register not maintained. Para No.03
4. Holding Tax of Kanti Thermal Power was not collected. Para No.04

Internal Audit Report-

Reply of Internal Audit report FY 2017-18 to be provided.



4. Finance

I. Budgetary provisions and expenditure for the last three years

Year	2016-17	2017-18	2018-19
Final/ Revised Budget	Approved budget copy not provided.	Approved budget copy not provided.	13,52,04,400.00
Actual Expenditure	Data has not been provided.	11,16,98,818.00	8,32,47,666.00
Savings (+)/ Excess (-)	NA	NA	5,19,56,734.00

Note: We have not been provided the Budget for the financial year 2016-17 and 2017-18, so we are unable to put figure in above table.

II. Volume of transactions

Period	Budgeted 2018-19	Previous year (For One year) 2017-18	Corresponding period of previous year 2016-17	Current Period 2018-19	Cumulative for the current period 2018-19
Opening Balance	*141886299.19	*188441390.19	N.A	141884299.19	141884299.19
Receipts	77420000.00	65141727.00	N.A	174160168.00	174160168.00
TOTAL	219306299.19	253583117.19	N.A	316044467.19	316044467.19
Net Expenditure	135204400.00	111698818.00	N.A	83247666.00	83247666.00
Closing Balance	84101899.19	141884299.19	N.A	232796801.19	232796801.19

*Current year 2018-19 data has been taken as per cash book.

*Previous year 2017-18 data has been taken from internal audit report of FY 2017-18.

*Budgeted data 2018-19 has been taken from current year budget of FY 2019-20.



Sl. No.	Bank Name	Account Number	Balance 31.03.2019	Name of scheme	Reconciliation position
1.	STATE BANK OF INDIA	30383217516	1356154.00	BRGF	Not reconciled.
2.	STATE BANK OF INDIA	1100050024	133232.00	SJSRY	Yearly not reconciled.
3.	BANK OF INDIA	11645	STATEMENT NOT PROVIDED	12 TH FINANCE COMMISSION	Yearly not reconciled.
4.	BANK OF INDIA	9171	123212.00	IDSMT	Yearly not reconciled.
5.	BANK OF INDIA	465610110002162	2375978.00	SAFAI SWACHHTA	Yearly not reconciled.
6.	BANK OF INDIA	465610110015110	38788.10	4 TH FINANCE	Yearly not reconciled.
7.	BANK OF INDIA	465610110001593	16744.91	SJSRY	Yearly not reconciled.
8.	BANK OF INDIA	465610100011465	7638.00	INTERNAL SOURCES	Yearly not reconciled.
9.	BANK OF INDIA	465610110002161	43753.04	HOLDING TAX	Yearly not reconciled.
10.	CANERA BANK	4189101001512	107719159.00	HOUSE FOR ALL	Yearly not reconciled.
11.	CANERA BANK	4189101000553	1707221.00	INTERNAL SOURCES	Yearly not reconciled.
12.	BANK OF INDIA	465610100011646	46028.00	MATCHING GRANT	Yearly not reconciled.
13.	INDIAN OVERSEAS BANK	276001000004420	4568490.50	HOLDING TAX	Yearly not reconciled.
14.	UNITED BANK OF INDIA	860010107555	463456.50	SAHAYAK ANUDAN	Yearly not reconciled.
15.	UNITED BANK OF INDIA	860010344876	4579339.00	SJSRY	Yearly not reconciled.
16.	UNITED BANK OF INDIA	860010345200	64888.00	INTERNAL SOURCES	Yearly not reconciled.
17.	UNITED BANK OF INDIA	860010344869	560750.00	IDSMT	Yearly not reconciled.
18.	UNITED BANK OF INDIA	860010105728	33177.00	SLAM AREA	Yearly not reconciled.
19.	UNITED BANK OF INDIA	860010108613	1520485.50	13 TH FINANCE	Yearly not reconciled.



21.	IDBI BANK	207610400000368	1605088.00	HOUSE FOR ALL
22.	TREASURY PLA	1	100077574.00	ALL SCHEME
23.	BANK OF INDIA	465610100012438	1446193.84	KABIR ANTYOSTHI
24.	STATE BANK OF INDIA	10875807865	625262.50	MISC. SCHEME
25.	INDIAN OVERSEAS BANK	0051	3829430.00	14 TH FINANCE
Total Closing Balance as per All Pass Book as on 31.03.2019				
232986209.14				
Balance of all subsidiary cash books				
INTERNAL SOURCES 2217				
	BRGF		437463.00	
	12TY FINANCE		1225641.00	
	13TH FINANCE		0.00	
	14TH FINANCE		634310.00	
	KABIR ANTYOSHITHI		15176833.00	
	GANDI BASTI		1348525.00	
	AAPDA PRABANDHAN		54431.00	
	NAKSHA MAD		14552.00	
	INTEREST		28667.00	
	CHAIRMAN/WARD PARSHAD MANDEY		12851.00	
	PROFESSIONAL TAX		540823.00	
	SJSRY		1155854.00	
	5TH FINANCE		5143817.19	
	MM NAL JAL NISHAY YOJNA		21441917.00	
	MM NALI GALI NISHAY YOJNA		19055958.00	
	SAKSHARTA MAD		26908325.00	
	STAMP SULK		10929.00	
	4 TH FINANCE		1971810.00	
	PATH NIRMAN		74995.00	
			14235151.00	



ELECTION MAD	12.00	
CENSUS	18275.00	
HOLDING TAX	4776144.00	
HOUSE FOR ALL	104143000.00	
INTEREST	1290923.00	
SWACHH BHARAT MISSION	2315280.00	
MATCHING GRANT	84543.00	
SAFAI & SWACHTA MAD	3440005.00	
ASHOK SAMRAT BHAWAN	6966650.00	
Un-identified	3900.00	
Total Closing Balance as per all Subsidiary Cash Books as on 31.03.2019	232796801.19	
Difference	189407.95	

Bank reconciliation statement not prepared by ULB for the audit period. Further, there is an unidentified difference of Rs. **189407.95** between pass book and Cash book as on 31st March 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	2018-19
	Total Receipts (A+B)	6,51,41,727	Not Available	17,41,60,168	6,51,41,727	Not Applicable	17,41,60,168
A	Revenue Receipts (1+2+3)	2,82,23,475	--do--	11,56,64,432	2,82,23,475	--do--	11,56,64,432
1	Own Revenue Receipts (a+b)	11,74,493	--do--	62,96,427	11,74,493	--do--	62,96,427
a)	Tax Revenue (levied and collected by municipal body)	7,01,721	--do--	--	7,01,721	--do--	--
i)	Property Tax	7,01,721	--do--	57,03,277	7,01,721	--do--	57,03,277
ii)	Other Tax (levied and collected by municipal body)	--	--do--	5,93,150	--	--do--	5,93,150
b)	Non-Tax Revenue (levied and collected by municipal body)	4,72,772	--do--	--	4,72,772	--do--	--
i)	Fees & Fines	4,72,772	--do--	--	4,72,772	--do--	--
ii)	User Charges	--	--do--	--	--	--do--	--
iii)	Other non-tax revenue (levied and collected by municipal body)	--	--do--	--	--	--do--	--
2	Other Revenue Receipts	42,91,435	--do--	4,93,898	42,91,435	--do--	4,93,898
a)	Income from interest/investments	42,91,435	--do--	4,57,398	42,91,435	--do--	4,57,398
b)	Other Revenue Income	--	--do--	36,500	--	--do--	36,500
3	Transfers/ Grants/ Assigned Revenues	2,27,57,547	--do--	10,88,74,107	2,27,57,547	--do--	10,88,74,107
a)	State Assigned Revenue	1,80,94,547	--do--	10,85,807	1,80,94,547	--do--	10,85,807
b)	State Finance Commission (SFC) Grants/Devolution	--	--do--	--	--	--do--	--
c)	Octroi Compensation	--	--do--	--	--	--do--	--
d)	Other State Government Transfers	46,63,000	--do--	37,33,800	46,63,000	--do--	37,33,800
e)	Central Finance Commission (CFC) Grant	--	--do--	--	--	--do--	--
f)	Other Central Government Transfers	--	--do--	10,40,54,500	--	--do--	10,40,54,500
g)	Others	--	--do--	--	--	--do--	--
B	Capital Receipts	3,69,18,252	--do--	5,84,95,736	3,69,18,252	--do--	5,84,95,736
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.)	2,54,21,681	--do--	4,51,17,239	2,54,21,681	--do--	4,51,17,239
4	Central Capital Account Grant (under Central Schemes etc.)	1,14,96,571	--do--	1,33,78,497	1,14,96,571	--do--	1,33,78,497
5	Other Capital Receipts	--	--do--	--	--	--do--	--



Expenditure Details (Amounts to Be provided in Rupees)

S. No.	Details	2017-18		2018-19		2019-20	
		2017-18	2016-17	2018-19	2017-18	2019-20	2018-19
	Total Expenditure (A+B)	11,16,98,818	Not Available	8,32,47,666	11,16,98,818	Not Applicable	Not Applicable
1	Revenue Expenditure	9,20,20,511	--do--	1,60,72,925	9,20,20,511	--do--	--do--
1.1	Administrative Expenses, Establishment and Salaries (All Departments- Regular and Contractual Staff)	24,96,448	--do--	30,80,068	24,96,448	--do--	--do--
1.2	Operation and Maintenance (O&M)	11,21,163	--do--	2,25,427	11,21,163	--do--	--do--
1.3	Loan Repayment (Interest payments)	--	--do--	--	--	--do--	--do--
1.4	Others (any other revenue expenditure which is not salaries O&M or Interest Payment)	8,84,02,900	--do--	1,27,67,430	8,84,02,900	--do--	--do--
2	Capital Expenditure	1,96,78,307	--do--	6,71,74,741	1,96,78,307	--do--	--do--
2.1	All developmental works under Central/ State specific schemes	1,86,34,470	--do--	6,10,58,702	1,86,34,470	--do--	--do--
2.2	Loan Repayment (Principal Amount)	--	--do--	--	--	--do--	--do--
2.3	Other Capital Expenditure	10,43,837	--do--	61,16,039	10,43,837	--do--	--do--



V. **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 no Chartered Accountant firm has been appointed by the UD & HD for implementation of Double Entry Accounting System in the Nagar Panchayat. The process of appointment of C.A firm is in progress.

VI. **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.



Audit Observations

I. PART- A

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

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

Audit Objective:

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

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

Criteria:

Collections should be deposited in to bank on the same day. (Rule-27) All moneys to be brought to account. (Rule 22)

Condition:

Revenue collection process is not satisfactory; in case of property tax internal control is not adequate. We have observed that Property Taxes collected by tax collector were not deposited on the same day or the day after tomorrow, but it is being deposited after a week/month.

1. Reconciliation of property tax collection by tax collector and amount deposited into bank is not provided.
2. Tax demand register of Property tax 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.

Property Tax Register and Daily Collection Register for the FY 2018-19 has not been prepared by Nagar Panchayat. So, we are unable to ascertain the Holding Tax Demand during the period, however we verified the Holding Tax Receipt and found total deposit in bank of Rs. **5703277.00/-** against total collection of Rs. **5740355.00/-** balance amount of Rs. 37078.00 has been deposited next financial year. Details are as under-

SUMMARY OF HOLDING TAX COLLECTION & DEPOSITED FOR THE F.Y 2018-19 OF N.P KANTI YEAR 2018-19 (ANNEXURE "A")				
MONTH	CASH HOLD WITH TAX DAROGA PREVIOUS YEAR	COLLECTION	DEPOSIT	CLOSING BALANCE
APRIL 18 TO MARCH 19	0.00	5740355.00	5703277.00	37078.00



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 same day.

Corrective Action / Recommendation:

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

2. Irregularities in Mobile Tower Collection

Criteria:

Registration Fees per tower @ Rs. 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

Records of Tower Tax demand, collection and deposits during the year 2018-19 has been provided to us. During the year 2018-19 tower tax collection is NIL against Demand of Rs. 124000.00. Details are as under-

NAME OF ULB: NAGAR PANCHAYAT KANTI FOR THE FINANCIAL YEAR 2018-19

SUMMARY OF TOWER TAX DUES

NAME OF TOWER COMPANIES	NEW ESTABLISHMENT 2018-19	ARREAR AS ON 31.03.2018		CURRENT YEAR DEMAND 2018-19	TOTAL DEMAND AS ON 31.03.2019	COLLECTION CURRENT YEAR 2018-19		O/S DUES AS ON 31.03.2019
		REGISTRATION FEE	RENEWAL FEE 2018-19			REGISTRATION FEE	RENEWAL	
BHARTI AIRTEL LTD	-	-	8,000.00	8,000.00	16,000.00	-	-	16,000.00
BHARTI AIRTEL LTD	-	-	8,000.00	8,000.00	16,000.00	-	-	16,000.00



1	RELIANCE		30,000.00	8,000.00	8,000.00	46,000.00	-	-	46,000.00
2	IDEA		30,000.00	8,000.00	8,000.00	46,000.00	-	-	46,000.00
3	RELIANCE JIO WARD (10)				8,000.00	8,000.00	-	8,000.00	-
4	RELIANCE JIO WARD (03)	30,000.00			8,000.00	38,000.00	30,000.00	8,000.00	-
5	RELIANCE JIO WARD (02)	30,000.00			8,000.00	38,000.00	30,000.00	8,000.00	-
	TOTAL	60000.00	60,000.00	32,000.00	56000.00	208000.00	60,000.00	24,000.00	124,000.00

Consequence/Effect/Impact:

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

Cause:

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

Corrective Action/ Recommendation:

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

3. Non Collection of Advertisement Tax:

Criteria:

Advertisement Taxes, in case auctioned to external agencies, shall be recognized as per the terms of agreement. In all other cases, when permission for advertisement is granted for the first time, the Advertisement Tax shall be accrued at the point when tax is paid and permission is granted. After the first year, Advertisement Tax shall be accrued when renewal is due.

Condition

Nagar Panchayat is not collecting any advertisement tax.

Consequence/Effect/Impact:

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

Cause:

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

Corrective Action/ Recommendation:

There should be proper collection and monitoring mechanism for advertisement tax.



4. Irregularities in Shop Rent Collection:

Criteria:

Revenues in respect of rents from properties shall be accrued based on terms of agreement. All rent should be collected on due date otherwise it should be collected with penalty and interest.

Condition:

Nagar Panchayat Kanti does not have any shop.

Consequence/Effect/Impact:

Not Applicable

Cause:

Not Applicable

Corrective Action/ Recommendation:

2. Not Applicable

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

During our test check we don't found any excess payment against bill.



**REPORT ON FIELD SURVEY OF 20 HIGH VALUE PROPERTIES OF N.P.
KANTI (FINANCIAL YEAR 2018-19)**

SL NO	NAME	FATHERS/HUSBAND NAMES	WARD NO	TYPE OF CONSTRUCTION	TYPE OF USES	TYPE OF ROAD	CARPET AREA	ANNUAL VALUE	ANNUAL TAX
1	UMESH SAH	BABLU SAH	1	RCC	RESIDENTIAL	MAIN ROAD	2250	1620.00	1620.00
2	KEDAR SAH	THANGA SAH	1	RCC	COMMERCIAL	MAIN ROAD	700	1512.00	1512.00
3	RAMNARAYAN GUPTA	RAMESHWAR SAH	1	RCC	RESIDENTIAL	MAIN ROAD	2100	1512.00	1512.00
4	UMESH BHAGAT	SARYUG BHAGAT	1	RCC	COMMERCIAL	MAIN ROAD	1386	2995.00	2995.00
5	YOUJENDRA SAH	NATUNI SAH	3	RCC	RESIDENTIAL	MAIN ROAD	1500	1080.00	1080.00
6	ARUN SINGH	DURGA AGENCY	3	RCC	COMMERCIAL	MAIN ROAD	1191	2574.00	2574.00
7	PARVAT DEVI	VIGAN THAKUR	3	RCC	RESIDENTIAL	MAIN ROAD	1066	2304.00	2304.00
8	RAJKISHOR SAH	RAGUNATH SAH	3	RCC	COMMERCIAL	MAIN ROAD	900	648.00	648.00
9	DINESH GUPTA	YOUJENDRA MUNCI	7	RCC	COMMERCIAL	MAIN ROAD	958	2074.00	2074.00
10	SITHA RAM CHOUDHARY	JAGLAL CHOUDHARY	7	RCC	RESIDENTIAL	MAIN ROAD	1200	2592.00	2592.00
11	GANESH PRASHAD GUPTA	LATE. MUNSHI YOUGESHAR	7	RCC	C+R	MAIN ROAD	1280	2074.00	2074.00
12	JAGRANATH PRASHAD YADAV	LATE. VECHAN RAY	7	RCC	COMMERCIAL	MAIN ROAD	600	1296.00	1296.00
13	INDU KUMARI	KRISHNA PRASHAD	7	RCC	COMMERCIAL	MAIN ROAD	1426	2311.00	2311.00
14	TARUN KUMAR	RAMSEWAK SAH	8	RCC	C+R	MAIN ROAD	1194	1935.00	1935.00
15	RAMNARAYAN SAH	LALVIHARI SAH	8	RCC	C+R	MAIN ROAD	640	1037.00	1037.00
16	NAVAL GUPTA	CHALITAR SAH	8	RCC	C+R	MAIN ROAD	1200	864.00	864.00
17	RANIAN KUMAR GUPTA	BHART SAH	8	RCC	RESIDENTIAL	MAIN ROAD	1200	1944.00	1944.00
18	DAYASINGH PRASHAD GUPTA	LATE. DAMODAR PRASHAD GUPTA	8	RCC	RESIDENTIAL	MAIN ROAD	1000	720.00	720.00
19	SANJAY GUPTA	VISHNATH SAH	9	RCC	RESIDENTIAL	MAIN ROAD	983	708.00	708.00
20	RAMSURAT SAH	NAGA SAH	9	RCC	COMMERCIAL	MAIN ROAD	800	1728.00	1728.00



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.	Log Book	Not Provided
3.	Scheme Register	Not Provided
4.	Grant Allotment Register	Not Provided
5.	Assessment Register	Not Provided

Action taken/Recommendation:

We recommend to the Nagar Panchayat to prepare and maintain all the required books and registers.

b. Irregularity in procurement process

- Procurement Register has not been provided to us so we are unable to comment about.

c. Non-compliance of directives by UD & HD, GOB

We observed several non-compliances of directives of UD & HD, GOB such as:

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

Recommendation:

We recommend to the Nagar Panchayat to comply of all directive issued by UD & HD, GOB.

d. Non Compliance of Act & Rules

As per Section 127 of the Bihar Municipal Act, the Municipality can levy the following taxes:-

- Property tax on lands and buildings.
- Surcharge on transfer of lands and buildings,
- Tax on deficit in parking spaces in any non-residential building,
- Water tax,
- Fire tax,



Recommendation:

We recommend to the Nagar Panchayat to strengthen the above mentioned internal control weakness for fair presentation of financial position

Non-compliance of TDS, VAT and other relevant Statute

The municipality is not regular in depositing statutory dues including tax deducted at source, service tax, VAT/GST, works contract tax, cess payable to the government etc. Scheme register not provided to us so we are unable to ascertain statutory deduction. Also detail about statutory deduction has not been provided to us, so we are unable to comment statutory deduction and deposit.

Deficiency in Pay-roll System

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

Recommendations:

We recommend to the Nagar Panchayat to comply with the provisions.

Utilization of Grant and report on missing Utilization Certificates

Grant Register has not been properly prepared hence it is difficult to ascertain utilized grant at any particular time. During the year 2018-19 total grant receipt of Rs. **63285344.00** under various head but UC has not been provided till the audit date. Summary of Grant receipt and UC are as follows-

No.	Name of scheme	Sanction Date	Sanction Amt.	UC Status
	PROFESSIONAL TAX	27/24.10.2018	10,85,807.00	Not Submitted
	GRANT FOR CHAIRMAN/WARD PARSHAD	124/19.03.2019	2,76,000.00	Not Submitted
	GRANT FOR 14TH FINANCE COMMISSION			Not Submitted
	ALOTMENT	75/25.01.2019	33,32,889.00	Not Submitted
	ALOTMENT	75/25.01.2019	33,32,888.00	Not Submitted
	ALOTMENT	32/03.10.2018	33,56,360.00	Not Submitted
	ALOTMENT	32/03.10.2018	33,56,360.00	Not Submitted
	MUKHYA MANTRI NALI GALI NISHAY YOJNA			



9	ALOTMENT	09/30.05.2018	32,26,443.00	Not Submitted
10	ALOTMENT	09/30.05.2018	35,01,863.00	Not Submitted
11	ALOTMENT	09/30.05.2018	2,04,604.00	Not Submitted
12	ALOTMENT	08/27.09.2018	81,77,800.00	Not Submitted
13	ALOTMENT	07/27.09.2018	63,80,050.00	Not Submitted
14	<u>SAFAI AND SWACHHTA MAD</u>			Not Submitted
15	ALOTMENT	10/01.06.2018	34,27,800.00	Not Submitted
16	<u>GRANT FOR 5TH</u> <u>FINANCE COMMISSION</u>			Not Submitted
17	ALOTMENT	21/10.07.2018	59,72,895.00	Not Submitted
18	ALOTMENT	21/10.07.2018	59,72,895.00	Not Submitted
19	ALOTMENT	15/03.07.2018	58,40,345.00	Not Submitted
20	ALOTMENT	15/03.07.2018	58,40,345.00	Not Submitted

Recommendations:

We recommend to the Nagar Panchayat to prepare and maintain Grant register for assistance in preparation of utilization certificate.

1. Physical verification of inventory/Stores

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

Recommendations:

We recommend to the Nagar Panchayat to prepare and maintain Store/inventory register.

2. 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 is not given to employees during the FY 2018-19.

Recommendations:

We recommend to the Nagar Panchayat to prepare advance register to provide the data as to whom and when and of what amount advance has been given rather than just preparing Payment order after expenditure is incurred.

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

Staff strength of accounts department needs to be increased.



III. PART- C

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

➤ We observed several compliances and non-compliances of directives of UD & HD, GOB such as:

Chapter-IX: Financial Management of Municipalities

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

Chapter-X: Application of Municipal Fund

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

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

Chapter-XI: Budget Estimates

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

Chapter XII: Accounts and Audit

Books and Accounts of the Nagar Panchayat hasnot 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

Fixed assets register is not maintained by Nagar Panchayat We were not provided with the Fixed Assets Register for the FY 2018-19 for



verification.

Chapter-XIV: Borrowings

No borrowings availed by Nagar Panchayat.

Chapter-XV: Municipal Revenue

Revenue collection process is not satisfactory; in case of property tax internal control is not adequate. We have observed that Property Taxes collected by tax collector were not deposited on the same day or the day after tomorrow but it is being deposited after a week/month.

1. Reconciliation of property tax collection by tax collector and amount deposited into bank is 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 amounting to Rs.37078.00 has not been deposited by the tax collector as on 31.03.2019.
 - In case of Tower tax (Registration and Renewal Fees) is not being collected on timely basis as more than Rs. 124000.00/- is receivable from tower tax as on 31.03.2019.
- 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 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;

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

➤ 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



Read the same day
for the Double Entry Compliance
the 1st 1st Monthly Receipt &
Account and Trial Balance
the 1st 1st is to be completed & reported
to the authority

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. Receipt & Payment Account and Trial Balance has not been prepared.
- Audit of accounts is not completed and report has not been submitted within 6 months.

Report on compliance of financial guidelines schemes of MOHUA and UD & HD, GOV.

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.

Auditor should Report and quantify all major revenue losses and opportunities lost or missed including in the area of Property Tax, Mobile Transmission Towers Tax, Rental of Municipal properties, Advertisement Tax 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.
- 3. Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available.
- 4. 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.
Nagar Panchayat is not collecting any advertisement tax.

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.



should Report on Procurement made through E- Tendering and E- Tendering exceptions, if any and a register is kept for all procurements with value above Rs. 15,000/-

During the year procurement has been made regarding the purchase of fixed assets but procurement register has not been provided to us so we are unable to comment. Fixed assets amounting to Rs.61,16,039.00 has been purchase during the year 2018-19 but details not made available to us.

should Report on presence or absence of a system of issuance of utilisation certificate for the different schemes for any procurements made during the reporting period; if there is no system for issuance of certificate the Internal Audit report shall prepare Certificate for various procurements as per the guidelines of the scheme available on the UD&HD

Grant received during the financial year 2018-19, Rs. 63285344/- but utilisation certificate has not been provided till the audit date. Detailed as per point no PART-B (h) above.

should report instances of losses, 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.
- Records of Tower Tax not provided for verification for the FY2018-19. Nagar Panchayat is in huge loss due to non-maintenance of updated records and non-recovery of Tower Tax.
- 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.

Internal Auditor will report on each payment.

No such irregularities observed on test check



the payment terms & conditions of orders and rate offers are according to procurement law and policies.

basis.

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

No such FD.s held by Nagar Panchayat.

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

S. No.	Particulars	Amount	Reason
1	Property Tax	37078.00	Non deposit of tax by tax collector.
2	Tower Tax	12400.00	Non Collection
3	Shop Rent		N/A
4	Advertisement Tax	--	Nagar Panchayat is not collecting any advertisement tax.

Auditor will report on that all kind of tax deductions i.e. Commercial tax, Income tax, provident fund etc. Should be deducted from the payments as applicable, deposited properly and also should be properly recorded in appropriate ledgers.

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

Internal Auditor will ensure that all the C&A 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.

➤ As per point no.3 above.




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

> Manpower of Nagar Panchayat is not adequate and equipped with required knowledge.

Place : Patna
Date :

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


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



UDIN: 20091380AAAA DU7791

Date: 24-06-2020

Government of Bihar
Nagar Panchayat Kanti

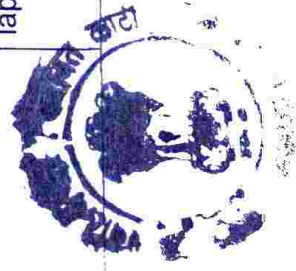
Discussion Note for Internal Audit observation of FY 2018-19

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.	<p>Compliance of 2 audit paras are still pending, please provided exact status for the same.</p> <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>Copy of Budget for the FY 2015-16, 2016-17 and 2017-18 has not been provided to us.</p>	<p>Will be provided soon.</p> <p>Will be provided soon.</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>



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>
4.	<p>Implementation of DEAS at ULB for the FY 2018-19.</p>	<p>DEAS team has been appointed by the concerned department. Implementation of DEAS is in progress, and pending for approval.</p>
5.	<p>Please provide the 'status of Constitution of "Municipal Accounts Committee".'</p>	<p>We are working on the constitution of Municipal Accounts Committee.</p>
6.	<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 2018-19 had been deposited in full, we found excess deposit of Rs.37,078/-</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>a) Noted for further compliance.</p> <p>b) Noted for further compliance.</p> <p>c) Short deposit of Rs. 37,078/- has been deposited in bank.</p> <p>d) Noted for further compliance.</p>
7.	<p>Tower tax (Registration and Renewal Fees) is not being collected on timely basis as more than Rs. 1,24,000/- is receivable from tower tax.</p>	<p>Notice will be issue to the concerned person, as and when stay order of High Court will be laps/remove.</p>



<p>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> <p>New Assessment of property tax has not been done since long and holding tax is being collected at old rates.</p>	<p>12. Statutory Deduction register has not been provided to us. The municipality is not regular in depositing statutory dues including tax deducted at source, service tax, VAT/GST, works contract tax, cess payable to the government etc.</p>	<p>It will be followed from next time. Short Deposit of taxes will be deposited soon.</p>
<p>13. Deficiency in Pay-roll System</p> <ol style="list-style-type: none"> 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. 	<p>We are implementing recommendation which has given by Internal Auditor.</p>	



<p>Grant Register has not been prepared hence it is difficult to ascertain unutilized grant at any particular time.</p> <p>Total amount of grant whose UC not submitted of Rs. 6,32,85,344/-</p> <p>We recommend to the ULB to provide the grant register for assist in preparation of utilization certificate.</p>	<p>Preparation of Grant Register is in progress.</p> <p>Utilization Certificate of respective grant will be prepared and submitted to the concerned department as soon as such grant utilized. Help of Internal Auditor will be taken, if required.</p>
<p>15. Store Register has not been prepared and physical verification of inventory/stores has also not been done.</p>	<p>Store register is prepared but not maintained, we are working on it.</p>
<p>16. Staff strength of accounts department needs to be increased.</p>	<p>Yes, I will place this matter in meeting board/committee.</p>
<p>17. Separate details of schemes of MOHUA (Ministry of Housing and Urban Affair) and UD&HD (Urban Development and Housing Department) not provided to us for Report on compliance of financial guidelines.</p>	<p>It will be provided from next time.</p>
<p>18. Internal control measure has not been consider by concerned ULB for its operation and transaction.</p>	<p>We are working on the recommendations made by the Internal Auditor.</p>



19.	List of directive issued by UD&HD, GOB has not been provided to us for verification of same regarding compliances.	It will be provided from next time.
20.	Cash book not updated regularly by ULB	Noted for compliance.

For Nagar PanchayatKanti
(Executive Officer)

Krishna
21/8/2017
Executive Officer

Nagar Panchayat, Kanti
20/8/17



Date:
Place: