

Internal Audit Report

of

ULB: Muzaffarpur Nagar Nigam

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 10-10-2019 to 24-12-2019

Report Issued on: 31-12-2019

Executive Summary

1. Introduction

Name of the Municipality	Muzaffarpur Nagar Nigam
Period Covered under Current Audit	01.04.2018 to 31.03.2019
Name of the Chief Municipal Officer for the period under Audit	Municipal Commissioner Mr. Manesh Kumar Meena

2. Results and Findings

<p>Strength observed during the audit engagement</p>	<ul style="list-style-type: none"> ➤ General Cash Book & Subsidiary Cash Book has been written. ➤ Taxes and other revenue collections from internal sources are deposited in bank on regular basis. If next day is holiday, deposited on another working day. ➤ 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. ➤ Files are maintained. ➤ Expense records are maintained by NagarNigam.
<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. ➤ Taxes and other revenue collections from internal sources are not deposited in bank on same day. ➤ Assessment of Property Tax, tower tax and other revenue resources has not been conducting on regular intervals. ➤ In some instances, we observed that accountant has made clerical mistakes that resulted into mismatch of balances of books of A/c. Books of accounts are not maintained on daily basis. ➤ General cash book has not been closed on a particular day (daily or atleast month end). ➤ TDS has not been deducted on payment of salary to City Manager ➤ Bank Reconciliation Statement has not been prepared on monthly basis. ➤ Monthly receipt and payment & Trial Balance has not been prepared.



- We observed several Non compliance of Acts & rules by the Nagar Nigam.
- Fixed Asset Register and other various register has not been prepared by Nagar Nigam.
- Utilization certificate has not been submitted to department on regular basis.
- Nagar Nigam is not in practice to deposit PF on due dates.
- Nagar Nigam is not in practice to deduct provident fund (EPF) from the payment of salary to contractual staffs and daily wages staffs.

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. preparation of accounting records, monitoring of schemes etc. is very poor. ➤ Collection from own sources (i.e, Tower tax, shop rent) is very poor. ➤ Grant received for various purposes are not utilized on timely basis. ➤ Manpower of Nagar Nigam specially in account section is not adequate.
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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. ➤ Bank Reconciliation Statement should be prepared by the cashier on monthly basis. ➤ Collection of taxes by tax collector should be deposited on daily basis. ➤ Assessment of property should be conducted on regular intervals. ➤ Property tax register should be prepared as per new assessment. ➤ Collection from own sources should be improved. ➤ Collection of Arrear Tower Tax should be initiated. ➤ Receipt and payment should be prepared on monthly basis.
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5. Comments from Management

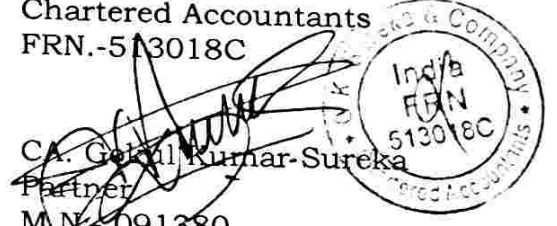
Comment Management	from
	The audit report has been discussed with us; we will try our best to remove the irregularities pointed out in the audit report. For Muzaffarpur Nagar Nigam (Municipal commissioner)

6. Acknowledgment

We thank Mr. Manesh Kumar Meena (Municipal commissioner) and Mr. Rajeev Ranjan (Accountant) for their support during the period of our audit. We are also thankful to Tax Daroga Mr. Lalan Kumar and Mr. Sushil 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. Gokul Kumar-Sureka
Partner
M.N.-091380

UDIN:-20091380AAAA DV9757
Date:-24-06-2020

Detailed Audit Report

1. Introduction

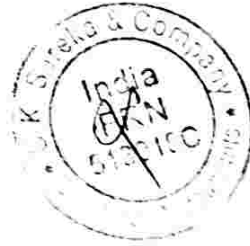
The Internal audit of Muzaffarpur Nagar Nigam covering period from 1st April 2018 to 31st March, 2019 was conducted by our audit team under guidance of CA. Gokul Kumar Sureka, Partner, M/s G.K. Sureka & Co., (Chartered Accountants).

- i. CA Anoop Kumar Singh
- ii. Mr. Lalan Kumar
- iii. Mr. Lal Kumar
- iv. Mr. Amar Singh

2. Administration

The present body of the ULB has taken charge on 11-06-2017. The incumbency in the key administrative and executive position was as under:

- i. Mayor : Suresh Kumar, from 11.06.2017 to till date,
- ii. Dy. Mayor : Manmardan Shukla, from 11-06-2017 to till date.
- iii. Municipal Commissioner : Manesh Kumar Meena, from 12-07-2019 to till date.

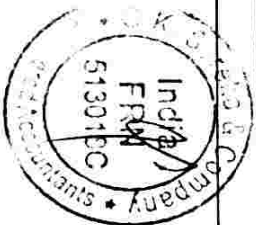


9. Review of outstanding audit paras : Status of Audit Observations are as under:

Sl. No.	Particulars of Audit and date of report	Total No. of Audit Paras.	Total No. of paras where necessary improvement/corrective measure is required	Total No. of audit paras where recovery of cash is proposed	Total No. of audit paras where recovery has been made	Total amount of Recovery	Total No. of paras outstanding where no action has been taken	No. & date of Compliance report
1.	AG Audit Report: 34/18-19	20	20	05	0	0	20	Letter No.2238 14-12-2018
2.	Internal Audit Report for FY 2016-2017 not provided to us for verification.							

The Major observations of AG audit report are as under:

Para No.	Audit Observation	Compliance Status
1.	Irregular procurement of dustbin and excess payment of ₹74.25 Lakh.	Compliance Report has been submitted through Letter No.2238, dated: 14-12-2018. Pending for closure.
2.	Short Collection of Labour Cess ₹23.28 lakhs on Map Approval.	
3.	Benefits of Modified Security Financial Upgrade Scheme given to employees of Nagar Nigam without approval of Board and standing committee.	
4.	Irregularities in installation of number plate on electricity poll of ₹13.75 lakhs.	
5.	Irregularities in utilization of grant received for Swachh Bharat Mission scheme.	
6.	Excess employment of cleaning staffs against approved post.	
7.	Irregularities in the purchase of super shocker machine of ₹ 2.61 crores.	
8.	Ideal expenditure of ₹155.82 Lakh on purchase of tipper truck.	
9.	Irregularities in purchase of Tipper Truck.	
10.	Irregularities in purchase of LED lights.	
11.	Irregularities in implementation of SAT NISCHAY NALI GALI Scheme.	
12.	Irregularities in expansion of Pipe Line and Mini Pump.	
13.	Irregularities in distribution of flood relief fund.	
14.	Blocking of unexpended Fund ₹197.29 Lakh	
15.	Unadjusted advance of ₹165.96 lakhs.	
16.	Non collection of consumer fees of ₹88.68 lakhs in Door to door waste collection.	
17.	Non preparation of cash book as per accounting manual.	
18.	Non preparation of bank reconciliation statement.	
19.	Outstanding Mobile Tower tax ₹ 71.90 lakhs.	
20.	Non presentation of registers for verification.	



4. Finance

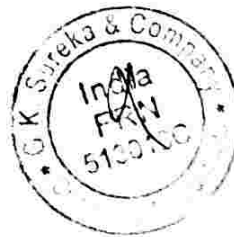
I. Budgetary provisions and expenditure for the last three years

Year	2016-17	2017-18	2018-19
Final/ Revised Budget	N.A	4,26,22,43,720	4,48,53,72,412
Actual Expenditure	N.A	80,19,69,874	91,18,90,796
Savings (+)/ Excess (-)	N.A	3,46,02,73,846	3,57,34,81,616

II. Volume of transactions

Period	Budgeted 2018-19	Previous year (2017-18)	Correspondi ng period of 2016-17	Current Period (2018-19)	Cumulative for the current period
Opening Balance	91,10,03,385	64,26,81,118	N.A	62,37,00,531	62,37,00,531
Receipts	3,58,77,98,066	78,29,89,287	N.A	2,25,09,87,386	2,25,09,87,386
TOTAL	4,49,88,01,451	1,42,56,70,405	N.A	2,87,46,87,917	2,87,46,87,917
Net Expenditure	4,48,53,72,412	80,19,69,874	N.A	91,18,90,796	91,18,90,796
Closing Balance	1,34,29,039	62,37,00,531	N.A	1,96,27,97,121	1,96,27,97,121

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



III. Bank Reconciliation

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

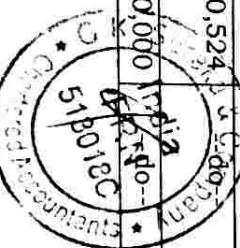
➤ Bank Reconciliation statement has not been prepared on monthly basis by Nagar Nigam. Details of Cash book and Bank book given below as on 31st March 2019:

S.No.	Particulars	Balance as per Cash Book	Balance as per Passbook
1.	BANK OF MAHARASHTRA (3384)		5883312.00
2.	BANK OF INDIA (4729)		99086.00
3.	PNB (0250)		5651.20
4.	SBI (5159)		39182.99
5.	PNB (3576)		3619736.00
6.	HDFC (9354)		2342410.00
7.	HDFC (2252)		10856456.00
8.	HDFC (0551)		4597308.00
9.	HDFC (7332)		1890972.84
10.	HDFC (2582)		91371.00
11.	ICICI BANK (0065)		40515.00
12.	BANK OF INDIA (8195)		516844.67
13.	HDFC (8101)		3213.00
14.	HDFC (9323)		3916.00
15.	HDFC (3208)		85262.00
16.	HDFC (0012)		30957.00
17.	TREASURY (PLA-002)		668082998.50
18.	HDFC (8734)		6921049.74
	Total Balance	1,96,27,97,121.01	89,72,49,384.47
	Difference	1,06,55,47,736.64	

➤ Difference of Rs. 1065547736.64/- is still unidentified, Since BRS is not being prepared by the concerned staff.



S. No.	Details (as per books of A/c)	2017-18		2018-19		2019-20	
		2017-18	2016-17	2018-19	2017-18	2019-20	2018-19
	Total Receipts (A+B)	78,29,89,287	Not Available	2,25,09,87,386	78,29,89,287	2,25,09,87,386	
A	Revenue Receipts (1+2+3)	21,59,54,974	--do--	24,63,23,315	21,59,54,974	24,63,23,315	Applicable
1	Own Revenue Receipts (a+b)	14,50,47,057	--do--	16,42,65,375	14,50,47,057	16,42,65,375	--do--
a)	Tax Revenue (levied and collected by municipal body)	11,63,79,567	--do--	13,09,84,866	11,63,79,567	13,09,84,866	--do--
i)	Property Tax (as per bank statement)	10,88,01,178	--do--	10,79,62,349	10,88,01,178	10,79,62,349	--do--
ii)	Other Tax (levied and collected by municipal body)	75,78,389	--do--	2,30,22,517	75,78,389	2,30,22,517	--do--
b)	Non-Tax Revenue (levied and collected by municipal body)	2,86,67,490	--do--	3,32,80,509	2,86,67,490	3,32,80,509	--do--
i)	Fees & Fines	32,90,500	--do--	41,63,000	32,90,500	41,63,000	--do--
ii)	User Charges	2,16,87,378	--do--	1,51,058	2,16,87,378	1,51,058	--do--
iii)	Other non-tax revenue (levied and collected by municipal body)	36,89,612	--do--	2,89,66,451	36,89,612	2,89,66,451	--do--
2	Other Revenue Receipts	1,06,85,382	--do--	0	1,06,85,382	0	--do--
a)	Income from interest/investments	70,55,987	--do--	0	70,55,987	0	--do--
b)	Other Revenue Income	36,29,395	--do--	0	36,29,395	0	--do--
3	Transfers/ Grants/ Assigned Revenues	6,02,22,535	--do--	8,20,57,940	6,02,22,535	8,20,57,940	--do--
a)	State Assigned Revenue	6,02,22,535	--do--	6,61,84,710	6,02,22,535	6,61,84,710	--do--
b)	state finance commission grant/Devolution	-	--do--	0	-	0	--do--
c)	Octroi Compensation	-	--do--	0	-	0	--do--
d)	Other State Govt transfer	-	--do--	0	-	0	--do--
e)	Central finance commission grant	-	--do--	0	-	0	--do--
f)	Other Central Govt transfer	-	--do--	0	-	0	--do--
g)	Others	-	--do--	1,58,73,230	-	1,58,73,230	--do--
B	Capital Receipts	56,70,34,313	--do--	2,00,46,64,071	56,70,34,313	2,00,46,64,071	--do--
1	Sale of Municipal Land	-	--do--	0	-	0	--do--
2	Loans (from State Govt. or Banks etc.)	-	--do--	0	-	0	--do--
3	State Capital Account Grant (under Central Schemes etc.)	40,46,33,789	--do--	1,54,60,20,233	40,46,33,789	1,54,60,20,233	--do--
4	Central Capital Account Grant (under Central Schemes etc.)	15,63,00,524	--do--	45,86,43,838	15,63,00,524	45,86,43,838	--do--
5	Other Capital Receipts	61,00,000	--do--	0	61,00,000	0	--do--



V. Revenue and Capital Expenditure Information
Expenditure Details (Amounts to Be provided in Rupees)

S. No.	Details (as per books of A/c)	2017-18		2018-19		2019-20	
		2017-18	2016-17	2018-19	2017-18	2019-20	2018-19
	Total Expenditure (A+B)	80,19,69,874	Not Available	91,18,90,796	80,19,69,874	Not Applicable	91,18,90,796
1	Revenue Expenditure	56,93,71,031	--do--	49,49,05,369	56,93,71,031	--do--	49,49,05,369
1.1	Administrative Expenses, Establishment and Salaries (All Departments- Regular and Contractual Staff)	36,78,65,151	--do--	39,11,18,508	36,78,65,151	--do--	39,11,18,508
1.2	Operation and Maintenance (O&M)	1,79,54,814	--do--	3,33,79,253	1,79,54,814	--do--	3,33,79,253
1.3	Loan Repayment (Interest payments)		--do--	0		--do--	0
1.4	Others (any other revenue expenditure which is not salaries O&M or Interest Payment)	18,35,51,066	--do--	7,04,07,608	18,35,51,066	--do--	7,04,07,608
2	Capital Expenditure	23,25,98,843	--do--	41,69,85,427	23,25,98,843	--do--	41,69,85,427
2.1	All developmental works under Central/ State specific schemes	21,50,07,606	--do--	39,52,12,315	21,50,07,606	--do--	39,52,12,315
2.2	Loan Repayment (Principal payment)		--do--	0		--do--	0
2.2	Other Capital Expenditure	1,75,91,237	--do--	2,17,73,112	1,75,91,237	--do--	2,17,73,112



VI. Status of Implementation of Double Entry Accounting System

As suggested by the C&AG, the Ministry of Finance, Government of India has introduced a "National Municipal Accounts Manual" for adoption of accrual system of accounting system of 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 accounting system should be employed to all ULB.

➤ Nagar Nigam has not maintained its books of account on accrual basis.

➤ Status of Double Entry Accounting System:

- 1) Name of Agency Implementing DEAS: Vinod Singhal & Co.
- 2) Period: FY 2012-13 to FY 2019-2020
- 3) Status of Report : Inception Report has been submitted
- 4) Preparation of Fixed Asset Register : In Process
- 5) Preparation of Opening Balance Sheet: Not yet prepared
- 6) Preparation of Financial Statement : Not yet prepared
- 7) Preparation of Property Tax Register : In Process
- 8) Details of Tally Installation: Tally Installed
- 9) Details of Tally Serial Id. And Email Id. : 716605218 and muzaffarpur.ulb@gmail.com

VII. Status of Municipal Accounts Committee; if meeting held

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

➤ Municipal Accounts Committee has not been constituted by the Muzaffarpur Nagar Nigam in 2018-19.



Audit Observations

I. PART- A

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

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

Audit Objective:

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

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

Criteria:

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

As per Chapter XV of Bihar Municipal Act, 2007 Municipality shall have power to collect licensing fees for Hotel, Factory, Clinic, Professional such as Surveyors, Restaurant, Cinema, etc.

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 but it is being deposited next day.

1. Reconciliation of property tax collection by tax collector and amount deposited into bank is not available.

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. 50,000/- and annual renewal fees @ Rs.15,000/- per annum to be collected. If more than 1 antenna is placed on the tower then an extra registration and renewal fees @ 60% per annum will be collected. Moreover a late fine at 1.5% would be imposed in case of delay in collection after first month of the financial year. Further after every 5 years renewal fees has to be increased by 25%.

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

Condition

Tower tax (Registration and Renewal Fees) Register has not been provided to us for verification.

Consequence/Effect/Impact:

Cause:

This happens due to non-monitoring of the working activities of concerned authorised personnel on regular basis and non-collection of tax by such personnel.

Corrective Action/ Recommendation:

There should be proper records of mobile tower rent demand/ collection/ arrear and proper mechanism for supervision and monitoring of collection. Further as per Rule 6(9) of Bihar Communication Towers and Related Structures Rules 2012, Nagar Nigam should seal the tower until the payment is received in full along with accrued interest.

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

There is no record of advertisement tax is being maintained by Nagar Nigam. We are unable to ascertain the due amount of advertisement tax. However the ULB has collected advertisement tax in 2018-19 is ₹85,21,960/-

Consequence/Effect/Impact:

Due to non-maintenance of records there is a huge revenue loss to the Nagar Nigam.



Cause:

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

Corrective Action/ Recommendation:

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

4. Irregularities in Shop Rent Collection:

Criteria:

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

Condition:

Records of shop rent (Demand and Arrear) has not being provided for the FY 2018-19. However shop rent collection of ₹4404453/- observed during FY 2018-19.

Consequence/Effect/Impact:

Due to non-maintenance of records there is a huge revenue loss to the Nagar Nigam.

Cause:

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

Corrective Action/ Recommendation:

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

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

- No Irregularities found.



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

Field survey of 20 high value properties has been conducted by us and our report thereon is:

REPORT ON FIELD SURVEY OF 20 HIGH VALUE PROPERTIES OF MUZAFFARPUR NAGAR NIGAM

SL.NO	NAME	FATHERS/HUSBAN D NAME	WARD NO.	TYPE OF CONSTR UCTION	TYPE OF USES	TYPE OF ROAD	CARPET AREA	ANNUAL VALUE	ANNUAL TAX	REMARKS OF AUDITOR
1.	SUDARSHANA RANI AGRAWAL	SUDARSHANA AGRAWAL	1	RCC	RESIDENTIAL & COMMERCIAL	MAIN ROAD	185/210/100 1/1482/1452	801970	72177	No Variance observed.
2.	MUZAFFARPUR FLOUR MILLS		2	RCC OTHER	RESIDENTIAL & COMMERCIAL	MAIN ROAD	4217/3150/7 388/27608/3 520	1225459	111564	--do--
3.	VISWAJIT PANDEY SATYAJIT PANDEY	RAMASHISH PANDEY	3	RCC	COMMERCIAL	PRICIPAL MAIN ROAD	25400	1473200	132588	--do--
4.	MEENA KUMARI	UPENDRA PRASAD	3	RCC	COMMERCIAL	PRICIPAL MAIN ROAD	21885	1269330	114240	--do--
5.	VIJAYA BHARDWAJ	HARINARAYAN BHARDWAJ	6	RCC/GC 1	RESIDENTIAL & COMMERCIAL	PRINCIPAL MAIN ROAD	3262/19102/ ROAD	1179680	106172	--do--
6.	IDEAL DEALERS PVT. LTD		7	RCC/GC 1	COMMERCIAL	PRINCIPAL MAIN ROAD	2989/61001/ ROAD	2857406	257167	--do--
7.	L K BOSE BHARAT PETROLEUM		11	RCC	COMMERCIAL & VACANT LAND	PRINCIPAL MAIN ROAD	3193/8567/ ROAD	682080	61387.20	--do--
8.	TARA DEVI SATYENDRA KUMAR	RAMJI PRASAD	12	RCC	COMMERCIAL & VACANT LAND	MAIN ROAD	12065/209/2 108	536921	49103	--do--
9.	SUDHA SINHA JAIKISHORE SINHA	RAJ KISHORE, VIJAY KISHORE	13	RCC	COMMERCIAL	MAIN ROAD	29010/283 /800/ OTHER ROAD	1741432	156728.9 0	--do--
10.	RANI SATI MANDIR		14	RCC/GC 1	COMMERCIAL	OTHER ROAD	18278/2850/ 7100	886882	81808	--do--
11.	KAILSH CHANDRA DHAWAN	LT. HARICHARAN DHAWAN	25	RCC	COMMERCIAL	PRINCIPAL MAIN ROAD	21915	1271070	114396	--do--



II. PART-B

All audit objections/ irregularities which have no monetary implication, but significant violation of Act, Rules & directives of UD & HD. Mention the reference Act & Rules wherein remedial measures is required. In this part auditor should report in respect of -

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

S.No.	Particulars	Status
1.	Security Money register	Not Maintained
2.	Payroll Register	Not properly maintained
3.	Log Book	Not properly maintained
4.	Assessment Register	Not Provided
5.	Tower Tax Demand Register	Not maintained
6.	Fixed Asset Register	Not maintained
7.	Advertisement tax register	Not maintained
8.	Procurement Register	Not Maintained

➤ Corrective Action/ Recommendation:

Nagar Nigam should maintain above mentioned register in accordance with provisions of Bihar Municipal Act, 2007 and rules made thereunder. .

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

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

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

c. Non Compliance of Act & Rules

- As per Section 127 of the Bihar Municipal Act, the Municipality can levy the following taxes:-
- i. Property tax on lands and buildings.
 - ii. Surcharge on transfer of lands and buildings,
 - iii. Tax on deficit in parking spaces in any non-residential building,
 - iv. Water tax,
 - v. Fire tax,
 - vi. Tax on advertisements, other than advertisements published in newspapers,
 - vii. Surcharge on entertainment tax
 - viii. Surcharge on electricity consumption within the municipal area,



- ix. Tax on congregations,
- x. Tax on pilgrims and tourists, and
- xi. Toll –
 - a) on roads, bridges, ferries and navigable channel and
 - b) on heavy trucks which shall be heavy goods vehicles, and buses, which shall be heavy passenger motor vehicles, within the meaning of the Motor Vehicles Act, 1988, plying on a public street.
- xii. Tax on profession

➤ Following rules of BMAR are also not complied by the Nagar Nigam:

- a) Rule: 27: Collections to be deposited into Bank on the same day
- b) Rule 69: Grant Related Compliance
- c) Rule 120-121: Monthly Receipt & Payment Account and Trial Balance

➤ As per section 129 of Bihar Municipal Act, 2007; The Municipality shall have the power to levy fees and fines in exercise of the regulatory powers vested in it by or under this Act or the rules or the regulations made hereunder for-

- (a) Sanction of building plans and issue of completion certificates,
- (b) Issue of municipal licenses for various non-residential uses of lands and buildings,
- (c) Licensing of-
 - (i) Various categories of professionals such as plumbers and surveyors,
 - (ii) Various activities such as sinking of tube-wells, sale of meat, fish or poultry, or hawking of articles,
 - (iii) Sites used for advertisements or premises used for private markets, slaughter houses, hospitals, nursing homes, clinics, factories, warehouses, godowns, goods transport depots, eating-houses, lodging- houses, hotels, theatres, cinema- houses and places of public amusement and for other non residential uses,
 - (iv) Animals,
 - (v) Carts or carriages, and
 - (vi) Such other activities as require a license or permission under the provisions of this Act
- (d) Issue of birth and death certificates.

We observed that only fees for death and birth certificates have been collected during the year fees and fines have not been collected.

Suggestions/ Recommendation:

Nagar Nigam should comply with above mentioned provisions as specified in relevant act/rules



d. Lack of internal Control measures

- 1) 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.
- 2) Reassessment of holding tax has not been done since 2014 and holding tax is being collected at old rates.
- 3) Due to collection of revenue on old rates there is significant loss the NAGAR NIGAM. Quantification of loss is not possible at this point of time.
- 4) Tower tax dues are not collected on time basis.

Recommendation:

It is suggested to ULB to consider internal control measure for its operation and transition.

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

- The municipality is not regular in deduction of Income Tax.

In 1 instance, we observed that while making payment of commission to Tax Collector, TDS has not been deducted on such payment. As per section 194H of Income Tax Act 1961, TDS on Commission/Brokerage is required to be deducted by the person making payment by way of commission or brokerage @ 5%.

- Counterfoil of Quarterly TDS Return not held on record for FY 2018-19.
- TDS has not been deducted on payment of salary to City Manager. As per section 192 of Income Tax Act, 1961, at the time of payment of salary by the employer to employee, employer is mandatorily required to deduct TDS on salary.

Action/Suggestion

Nagar Nigam Should comply with provisions of TDS, GST and other statute in accordance with provisions of said statute

f. Utilization of Grant and report on missing Utilization Certificates

- Status of Utilization Certificate of each Grant received during the Audit period are not provided to us for verification. However, Details of Grant received during 2018-19 are as follows :

Details of Grant Received are as :

Sl. No.	Grant	Letter No./Dated	Date	Bill No.	Amount
1	STAMP DUTY	119/08.05.208	11.05.2018	1	15873230
2	CIVIC AMENITIES	10/01.06.2018	09.06.2018	2	41430600
3	CITY MANAGER SALARY	08/24.05.2018	09.06.2018	3	197220
4	5TH FINANCE	15/03.07.2018	07.07.2018	4	83720648
5	5TH FINANCE	15/03.07.2018	07.07.2018	5	83720647



6	STAMP DUTY				
7	5TH FINANCE	463/10.07.2018	21.07.2018	6	17243390
8	5TH FINANCE	21/10.07.2018	21.07.2018	7	85620741
9	PATH & PULIYA CONSTT.	21/10.07.2018	21.07.2018	8	85620740
10	PATH & PULIYA CONSTT.	07/27.09.2018	27.10.2018	9	60553375
11	PROFESSIONAL TAX	08/27.09.2018	27.10.2018	10	8293200
12	14TH FINANCE	27/24.10.2018	27.10.2018	11	14028620
13	14TH FINANCE	32/31.10.2018	02.11.2018	12	35255149
14	CITY MANAGER SALARY	32/31.10.2018	02.11.2018	13	35255148
15	STAMP DUTY	42/29.11.18	08.12.2018	14	197220
16	PATH & PULIYA CONSTT.	833/26.11.2018	08.12.2018	15	12056760
17	UNIFORM DISTRIBUTION	56/27.12.2018	08.01.2019	16	21963375
18	14TH FINANCE	1053/29.11.2018	08.01.2019	17	105007
19	14TH FINANCE	75/25.01.2019	28.01.2019	18	35008599
20	STAMP DUTY	75/25.01.2019	28.01.2019	19	35008598
21	PATH & PULIYA CONSTT.	988/07.02.2019	20.02.2019	20	36884560
22	PATH & PULIYA CONSTT.	66/09.01.2019	23.02.2019	21	48712750
23	7 NISCHAY YOJNA	80/12.02.2019	23.02.2019	22	35264342
24	7 NISCHAY YOJNA	89/22.02.2019	23.02.2019	23	39239188
25	7 NISCHAY YOJNA	89/22.02.2019	23.02.2019	24	56406333
26	7 NISCHAY YOJNA	89/22.02.2019	23.02.2019	25	2452449
	WARD COUNCILLOR ALLOWANCE	148/09.03.2019	07.03.2019	26	1674000
					891785889

Recommendation:

It is recommended to ULB to maintained its grant register so that we can assist to ULB for preparation of utilization certificate and if prepared its utilization certificate then provide for

g. Physical verification of inventory/Stores

Store Register is not updated and physical verification of inventory/stores has also not been done during the period of audit.

Recommendation:

It is recommended to ULB to maintained all recorded related to store and inventories.

h. 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 under:

Chapter-IX: Financial Management of Municipalities

Keeping in view the classification of municipal areas under section 7, the receipts and expenditures of the Municipality has not been kept under the Proper heads of accounts, Including holding tax, tower tax and miscellaneous receipt.

Chapter-X: Application of Municipal Fund

The state fund grants received during the year were 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

➤ Accountant has made many clerical mistakes in books of account and consequently results into differences in Pass Book and Cash Book.

➤ Guidelines to prepare the monthly Receipt & Payment and Trial Balance Account is not being complied by Nagar Nigam.

Chapter-XIII: Municipal Property

We were not provided with the Fixed Assets Register for the FY 2018-19 for verification.

Chapter-XIV: Borrowings

No borrowings availed by Nagar Nigam.

Chapter-XV: Municipal Revenue

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.

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 inconsistencies in assessment.



<p>At least 20 high value properties in the city /town (irrespective of the fact that SAS is received or not) must be surveyed and checked in each quarter and reported variations, if any, in PTRs and Actuals as per internal audits;</p>	
<p>c. Auditor should Report on compliance of Bihar Municipal Manual, Bihar Accounting Accounts Rules, 2014 and Bihar Municipal Budget Manual with special attention to following Rules of BMAR</p> <p>(1) Rule 22: All moneys to be brought to account</p> <p>(2) Rule: 27: Collections to be deposited into Bank on the same day</p> <p>(3) Rule 69: Grant Related Compliance Grant related details not provided to us.</p> <p>➤ Rule 120-121: Monthly Receipt & Payment Account and Trial Balance</p> <p>(4) Monthly receipt and payment & Trial Balance has not been prepared by the Nagar Nigam.</p> <p>Rule 130: Audit to be completed & reported within 6 month</p>	<p>➤ As suggested by the C&AG, the Ministry of Finance, Government of India has introduced a "National Municipal Accounts Manual" for adoption of accrual system of accounting of ULBs. Based on NMAM, Bihar Municipal Accounts Manual (BMAM) has been got prepared by the Government of Bihar and has been enforced from April 1, 2007. Generally ULB following cash based accounting system which is only detail of total collection and expenses as per provision of BMR 2007, the double entry system should be employed to all ULB. Till date Double Entry Accounting System is operational in the Nagar Nigam.</p>
<p>d. Report on compliance of financial guidelines of schemes of MOHUA and UD & HD, GoB.</p>	<p>Separate details of schemes of MOHUA (Ministry of Housing and Urban Affair) and UD&HD (Urban Development and Housing Department) not provided to us for Report on compliance of financial guidelines.</p>
<p>e. Auditor should Report and quantify all major own revenue losses and opportunities lost or missed including in the area of Property Tax, Mobile Transmission Towers Tax, Rental of Municipal properties, Advertisement Taxes/Fees, Sairat etc;</p>	
<p>f. Auditor should Report on adequacy and appropriateness</p>	<p>No irregularities observed.</p>



of the documentation, approvals, compliance of procedures etc. of all payments above Rs.10,000 and above.																																																																																																	
g. Auditor should Report on Procurement made including through E- Tendering and E- Auction indicating exceptions , if any and whether a register is kept for all Procurements with value above Rs. 15,000/-	No irregularities observed.																																																																																																
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.	Details of Grant Received are as :																																																																																																
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1 7	UNIFORM DISTRIBUTION	1053/29.11.2 018	08.01.2019	1 7	1050 07
1 8	14TH FINANCE	75/25.01.201 9	28.01.2019	1 8	350 085 99
1 9	14TH FINANCE	75/25.01.201 9	28.01.2019	1 9	350 085 98
2 0	STAMP DUTY	988/07.02.20 19	20.02.2019	2 0	368 845 60
2 1	PATH & PULIYA CONSTT.	66/09.01.201 9	23.02.2019	2 1	487 127 50
2 2	PATH & PULIYA CONSTT.	80/12.02.201 9	23.02.2019	2 2	352 643 42
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					8917 8588 9

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

- Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available.

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. Further, Nagar Nigam requires more efficient and effective man power for implementation of all



<p>j. Internal Auditor will report on each payment, that the payment terms & conditions of tenders and rate offers are according to procurement law and policies.</p> <p>k. Internal Auditor will report on each payment, that the payment terms & conditions of tenders and rate offers are according to procurement law and policies.</p>	<p>recommendation.</p> <p>No irregularities observed.</p>																																			
<p>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.</p>	<p>➤ No such FD's held by Nagar Nigam.</p>																																			
<p>m. Internal Auditor will identify major areas of ULBs own revenue loss and auditor will access the loss and Prepare a statement of loss.</p>	<p>Due to non-maintenance of demand register of all revenue resources of nagar nigam, there is a huge revenue loss to the ULB.</p>																																			
<p>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.</p>	<p>Details of Tax Deductions and deposits during 2018-19 are as follows:</p> <table border="1" data-bbox="734 1120 1532 1444"> <thead> <tr> <th>Sl. No.</th> <th>Taxes</th> <th>Deductions</th> <th>Deposits</th> <th>O/s Balance</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Income Tax</td> <td>5195950</td> <td>5164872</td> <td>31078</td> </tr> <tr> <td>2</td> <td>GST</td> <td>2761632</td> <td>2734202</td> <td>27430</td> </tr> <tr> <td>3</td> <td>Royalty</td> <td>2805045</td> <td>2777615</td> <td>27430</td> </tr> <tr> <td>4</td> <td>L. Cess</td> <td>1459422</td> <td>1445707</td> <td>13715</td> </tr> <tr> <td>5</td> <td>VAT</td> <td>84330</td> <td>84330</td> <td>0</td> </tr> <tr> <td></td> <td>TOTAL</td> <td>12306379</td> <td>12206726</td> <td>99653</td> </tr> </tbody> </table> <p><i>Note: Challan of TDS has not being provided to us for verification to ascertain whether quarterly return filed on timely basis.</i></p>	Sl. No.	Taxes	Deductions	Deposits	O/s Balance	1	Income Tax	5195950	5164872	31078	2	GST	2761632	2734202	27430	3	Royalty	2805045	2777615	27430	4	L. Cess	1459422	1445707	13715	5	VAT	84330	84330	0		TOTAL	12306379	12206726	99653
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<p>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.</p>	<p>➤ Compliance Report of AG audit Report for the FY 2017-18 has been submitted through Letter No.2238, dated: 14-12-2018. Pending for closure.</p> <p>Internal Audit Report for the FY 2016-17 has not been provided for verification.</p>																																			

