URBAN DEVELOPMENT & HOUSING DEPARTMENT

Internal Audit Report
Of

Dighwara Nagar Panchayat

for the period from 01-04-2015 to 31-03-2016

Internal Audit conducted by

Mr. Krishna Singh
under the guidance of CA Chanakya Shree

From:-

M/s R N Singh& Co.
Chartered Accountants

From: -08-08-2016 to 11-08-2016 & 16-08-2016
Report issued on –19-08-2016

M/s R N Singh& Co.
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Compliance Report for the scope of work as per the Contract with Internal Auditor

Name of Auditor: R N Singh& Co.			Name of ULB:- Dighwara Nagar Panchayat .
Sl. No.	Relevant Clause of Scope of Work of the Contract		Compliance (Mention the para no & Page no of audit report)
	Clause No.	Description	
1	4.1	Internal Audit should undertake risk-based review and evaluation of the internal control as discussed in Bihar Internal Control Manual. Internal Audit should devote particular attention to any aspects of the internal control environment affected by significant changes to the ULBs's risk environment.	Complied in para no (e) of Part B of Detailed Audit Report (Lack of internal control measures) at Page no 23 & 24.
2	4.2 & 4.3	a) Internal 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. In its report there must be a separate section for non-compliance of rules/directives of UD&HD, GoB; b) 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 □ Rule 22: All moneys to be brought to account □ Rule: 27: Collections to be deposited into Bank on the same day □ Rule 69: Grant Related Compliance □ Rule 120-121: Monthly Receipt & Payment Account and Trial Balance □ Rule 130: Audit to be completed & reported within 6 month	a) Complied in para no (c) of Part B of Detailed Audit Report (Non-compliance of directives by UD&HD, Government of Bihar) at Page no 23. b) Complied in para no (d) of Part B of Detailed Audit Report (Non-Compliance of Act and rule) at Page no 23.
3	4.4 & 4.5	a) Report and quantify all major Own revenue losses and opportunities lost or missed including in the area of Property Tax, Mobile Transmission Towers Tax, Rental of Municipal properties, Advertisement Taxes/Fees, Sairatetc; b) Check on audit trail of all collection of Taxes and Non-Taxes either through staff or outsourced agency and report of any lapses in controls, if any and also advise recommendations to strengthen the prevailing processes;	Complied in para no ©,(d) & (e) of Part 4of Executive Summary at Pg 5a and para (a) & (b) of Part A of detailed audit report at Page no 12, 13 & 14.

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Name of Auditor: R N Singh& Co.			Name of ULB:- Dighwara Nagar Panchayat .
Sl. No.	Relevant Clause of Scope of Work of the Contract		Compliance (Mention the para no & Page no of audit report)
	Clause No.	Description	
4	4.6	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 SASis received or not) must be surveyed and checked in each quarter and reported variations, if any, in PTRs and Actuals as per internal audits;	Complied in para no © of Part A of detailed Audit Report at Page no 14 to 22.
5	4.7	Vouch on all payments above Rs. 10,000 and report on adequacy and appropriateness of its documentation, approvals, compliance of procedures etc.	Complied in para no (b) of Part A of Detailed Audit Report at Page no 13 & 14.
6	4.8	Report on Procurement made including through E-Tendering and E-Auction indicatingexceptions, if any and whether a register is kept for all Procurements with value above Rs. 15,000/-	Complied in para no (b) of Part B of Detailed Audit Report at Page no 22.
7	4.9	Internal auditor shall also report on presence or absence of a system of issuance of utilization 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.	Complied in para no (h) of Part B of Detailed Audit Report at Page no 25.
8	4.10	Internal Audit can also, provide recommendations to help the ULB management improve the ULB's internal control environment;	Complied in para no (a) to (i) of Part 4 of Executive Summary at Page no 5 & 6.
9	4.11	Internal Audit should report instances of losses, failures or inefficiencies andrecommendations and/or measures which can be taken to avoid their recurrence in future.	Complied in para no (a) & (b) of Part A at Pg 12-14, Para no (f) & (h) of Part B of at Page no 24 – 25 and Para nos (c), (d), (e) & (f) of Part 4 of Executive summary.

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Executive Summary

1. Introduction:

- **Name of the Municipality: Dighwara Nagar Panchayat**
- **Period covered under current audit:1st April, 2015 to 31st March, 2016.**
- **Name of Chief Municipal Officer for the period under audit: Shri Shiv Shanker Prasad.**

2. Results and Findings:

- **Strengths observed during the audit engagement:**

  a) Dighwara Nagar Panchayat is in practice to prepare Cash Book of each scheme along with a separate cash book of Internal Source.

  b) Separate files of the parties to whom payments are made are maintained. Proper documentation process is followed.

  c) Board meetings of Dighwara Nagar Panchayat are held regularly and problems faced in smooth operation are resolved by passing resolutions.

- **Weaknesses observed in the functioning of office, maintenance of records etc.: -**

  (a) Dighwara Nagar Panchayat is not in practice to maintain the General Cash Book properly. There are many erasures and over-writings. Also, the General Cash Book is not updated after 30-09-2015.

  (b) Dighwara Nagar Panchayat is not in practice to prepare the cash book of different schemes properly. Vouchers Numbers are not given for easy identification of the details of payment and receipt. Also, there are erasures and over-writings in the cash book.

  (c) Dighwara Nagar Panchayat is not in practice to maintain the vouchers properly. Vouchers are not serially arranged and binded.

  (d) The status of collection of property tax in Dighwara Nagar Panchayat is very poor. The demand for Property Tax was raised for Rs. 1,07,06,609/- including previous arrear of Rs. 94,70,425/- out of which only Rs. 1,62,970/- has been collected during the year 2015-16. Balance amount of Rs. 1,05,43,639/- is due for collection. It means only 1.52% has been collected during the year 2015-16.

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(e) We observed that Bank Reconciliation Statements are not being prepared by the Dighwara Nagar Panchayat.

(f) Dighwara Nagar Panchayat has adopted Single Entry Accounting System which is not as per Bihar Municipal Accounting Manual.

(g) Dighwara Nagar Panchayat is not in practice to deduct the statutory deductions as per rule. A gross amount of 7.5% is deducted from the payment amount which includes TDS, VAT, Royalty and Labour Cess. No allocation of amount of such statutory deductions is made.

(h) Compliance of statutory matter is not done i.e. deposit of TDS on stipulated time, filling of e-TDS return, deposit of VAT amount, filling of VAT return, deposit of Labour Cess and Royalty amount. Non-compliance of such provisions would lead to imposition of interest and penalty charges. Imposition of such charges would be a loss to the ULB.

(i) Computerized Accounting System has not been implemented by the Dighwara Nagar Panchayat.

(j) Dighwara Nagar Panchayat is not in practice to prepare Monthly Receipt and Payment Account and Trial Balance.

(k) Various registers, books of records etc. are not being prepared by the Dighwara Nagar Panchayat. Such as Collection Register, Statutory Register with regards TDS, VAT, Labour Cess and Royalty, Advance & Recovery Register, Vehicle and Generator log book, Assessment register of Property Tax, Record & Revision of taxes and rent, Rent register of shop, Survey register/files of hoardings, Monthly Receipt &Payment.

(l) Holding taxes are not collected from the government properties which results to loss of revenue. Also, holding tax collected on other than government properties are not totally collected as per demand. However, the uncollected amount is carried forward to the next year for collection.

(m) Dighwara Nagar Panchayat has total of 8 mobile towers available under its jurisdiction. Out of 8 mobile towers, only 2 mobile towers have paid registration charges of Rs. 30000/- and renewal charge of Rs. 8000/-. The rest 6 mobile towers have neither paid their registration charge nor their renewal charge. An amount of Rs. 552000/- is required to be recovered from the concerned mobile towers.

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(n) Assessment of property tax has not been done by the ULB for the financial year 2015-16. Previous survey of property tax was conducted in year 2005. The concerned survey report is not provided by the ULB. However, the details regarding the survey of the property are collected from the Demand Register. The rate of collection of property tax is also not mentioned in the Demand Register.

(o) PF & ESIC with respect to contractual employees as well as regular employees are neither deducted and nor paid to the concerned department.

(p) Budget for the year 2015-16 has not been provided by the Dighwara Nagar Panchayat.

3. <u>Opinion:</u>

The function of ULB is satisfactory. But still, it has lots of scope of improvement. The ULB is required to improve in the following fields:

a. It requires improvement in Preparation of Accounts, Ledger Books, Bank Reconciliation Statement, various Registers and Records as per requirement.

b. It requires improving its Internal Control Procedures with regards to Demand, Collection of Revenue, and Deposit of Collected revenue in the Banks on scheduled time.

c. It requires improvement in preparing the Bank Reconciliation Statement of different accounts. Preparation of Bank Reconciliation helps in easy identification of any fraud committed in bank transactions.

d. It requires improvement in depositing the TDS & VAT deducted on timely basis. Also, the return of the tax deducted is required to be filed on timely basis. It will help in non-levy of interest and penalty amount which will lead to loss of revenue to the ULB.

e. It requires improvement in depositing the Labour Cess and Royalty deducted from the party payment on timely basis.

f. It requires improvement in properly levying and collectionof different taxes which are its sources of income. Penalty charges for the late payment of such taxes should be charged.

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g. There is a much scope of improvement in the tax collection process. After being inquiry, it is being found that the levy and collection process is not running effectively.

4. Audit Recommendations:

a. ULB must prepare Bank Reconciliation Statement on monthly basis.

b. ULB should adopt Double Entry Accounting System. Double-entry accounting allows accounting departments to prepare financial statements easily. Double entry accounting system present accurate report of accounts on the income statement, balance sheet, cash flow statement and other financial statements and reports. It provides checks and balances, which prevent fraudulent activity and reduces errors. Double-entry accounting system prevents fraud in a greater way than single-entry accounting because it makes it difficult to manipulate accounts. You can easily detect account manipulation by examining the journal entries and comparing them to previous journal entries for the same or similar transactions.

c. ULB shall make yearly survey and assessment of Property / Holdings taxes, so that proper and correct taxes can be levied and collected.

d. ULB shall keep the records of new holdings added during the financial year. The bifurcated list should be kept for easy analysis of new holdings added.

e. ULB should collect property tax, mobile tower tax, advertisement tax, shop rent etc. on timely manner which are under its jurisdiction. It should take proactive measures to find out exact arrear of various revenues to be collected and ensure the speedy and efficient collection.

f. Statutory deductions like TDS, VAT, Royalty and Labour Cess must be properly deducted and deposited to the concerned department on timely basis.

g. ULB should adopt computerized accounting system. It provides automatic ledger entries, accuracy and speed of automatic calculation, automatic production of trial balance from ledger entries, potential to create customized reports and provide additional analysis.

h. ULB should prepare Receipts & Payment Account on monthly basis, due to which it will become very easy to find out that how much fund has been received by the ULB and whether its utilization has been made properly or not.

i. ULB must maintain all the Books of Account, Register, Records etc. as prescribed in Bihar Municipal Accounts Act, Manual and Rules.

5. Comments from Management:

As per discussion with Executive Officer and Head Clerk, it has been ensured that they are considering the matter and proper action will be taken for all the observations coming out from audit.

6. Acknowledgement:

We have received satisfactory co-operation and support from the officials and staffs of the ULB. We convey our sincere thanks to them for the same.

For R N Singh& Co.
Chartered Accountants

CA Chanakya Shree
Partner
Mem.No:079322
FRN:322066E

Detailed Audit Report

1. Introduction:

The internal audit of **Dighwara Nagar Panchayat**covering the period from **01st April 2015 to 31st March 2016** was conducted by following persons under guidance of **CA Chanakya Shree**:

i. **Krishna Singh**

2. Administration:

The present body of the ULB has taken charge on **05-06-2002**. The incumbency in the key administration and executive was as under:
Chairman: - Shrimati Dulari Devi from **09-06-2012** to **present.**
Executive Officer: - Shri Shiv Shanker Prasad from **07-09-2015** to **present.**

3. Review of Outstanding Paras:

Sl. No.	Particulars of audit and date of report	Total no.of Audit paras.	Total no. of Audit 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 recover has been made	Total amount of recovery	Total No. of outstanding para where no action has been taken	No. & date of compliance report
1.	CAG Report Dt. 17-03-2015	23	23	13	0	0	23	Compliance report is not prepared by the ULB.
2	Internal Audit dt. 11.07.2016(2014-15)	16	16	3	0	0	16	No compliance has been made.

Detailed compliance chart:

Sl. no.	Observation	Status	Compliance report
1	Statutory Dues like TDS, VAT, Labor Cess, Royalty has not been deposited on stipulated time by the Nagar	Persisting the year 2014-15.	No action taken by Dighwara Nagar

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	Panchayat and return filling of TDS & VAT has not been made on stipulated time. Details are given in detailed audit report.		panchayat.
2	Statutory deduction like royalty and labour Cess has not been properly deducted where applicable.	Persisting the year 2014-15.	No action taken by Dighwara Nagar panchayat.
3	Huge amount of grant allotted to Nagar Panchayat but against these allotments no UCs have been submitted.	Persisting the year 2014-15.	No action taken by Dighwara Nagar panchayat.
4	Budget for the financial year 2014-15 has not been prepared by the Nagar Panchayat.	Persisting the year 2014-15.	No action taken by Dighwara Nagar panchayat.
5	Accounting process adopted by Dighwara Nagar Panchayat is Single Entry System based on cash basis of accounting. It is not as per Bihar Municipal Accounting Manual. Bihar Municipal Accounting Manual requires adoption on Accrual Basis Double Entry Accounting System.	Persisting the year 2014-15.	No action taken by Dighwara Nagar panchayat.
6	The amount of tax collected by the Tax collector is required to be handed over to the cashierand deposited in the bank on the same day of collection. The process is not followed. Tax collector hands over the collected cash to the cashier after a time gap of 15 to 30 days. Also, in some cases amount collected in the month of March is handed over to the cashier in the next month which is ultimately recorded in the next financial year. It leads to violation of accounting policy and loss of income. Due to this a huge of amount not deposited. Details are given in detailed audit report.	Persisting the year 2014-15.	No action taken by Dighwara Nagar panchayat.
7	Tower tax and renewal charges thereof have not been collected. Details are given in detailed audit report.	Persisting the year 2014-15.	No action taken by Dighwara Nagar panchayat.
8	Dighwara Nagar Panchayat is not in practice to prepare monthly receipt and payment account and the trial balance.	Persisting the year 2014-15.	No action taken by Dighwara Nagar panchayat.

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9	There is much scope of improvement in the tax collection process. After being inquiry and observations, it is being found that the levy and collection process is not running effectively.	Persisting the year 2014-15.	No action taken by Dighwara Nagar panchayat.
10	Bank reconciliation statement has not been prepared by Nagar Panchayat.	Persisting the year 2014-15.	No action taken by Dighwara Nagar panchayat.
11	Vouchers are not serially arranged, numbered and authorized by competent authority and not kept properly by the Nagar Panchayat.	Persisting the year 2014-15.	No action taken by Dighwara Nagar panchayat.
12	Lots of irregularities in procurement process have been observed. Details are given in detailed audit report.	Persisting the year 2014-15.	No action taken by Dighwara Nagar panchayat.
13	Lots of staff advance and scheme advances have not been adjusted till 31.03.2015. Details are given in detailed audit report.	Persisting the year 2014-15.	No action taken by Dighwara Nagar panchayat.
14	Fixed assets register has not been maintained at Nagar Panchayat level. Details of fixed assets have not been available at Nagar Panchayat.	Persisting the year 2014-15.	No action taken by Dighwara Nagar panchayat.
15	Stock register has not been maintained at Nagar Panchayat level. Details of Stock have not been available at Nagar Panchayat.	Persisting the year 2014-15.	No action taken by Dighwara Nagar panchayat.
16	Very poor performance in collection of revenue i.e. As per BMAR 2007, total 12 types of taxes, 5 types of user charges and 4 types of fees and fine which should have been collected by the ULB but Dighwara Nagar Panchayat collect only one type of tax i.e. Holding tax.	Persisting the year 2014-15.	No action taken by Dighwara Nagar panchayat.

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4. Finance:

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

Year	2013-14	2014-15	2015-16
Final/Revised Budget	0.00	0.00	0.00
Actual Expenditure	2,19,44,754.00	2,53,33,985.00	3,29,05,141.00
Savings(+)/Excess(-)	(2,19,44,754.00)	(2,53,33,985.00)	(3,29,05,141.00)

II. Volume of transaction:

Period	Budgeted (2015-16)	Previous year (2014-15)	Corresponding period of previous year (2014-15)	Current period (2015-16)	Cumulative for the current period (2015-16)
Opening balance	Budget for the year 2015-16 has not been provided by the Dighwara Nagar Panchayat.	**4,07,34,467.00***	**4,07,34,467.00***	**3,54,03,557.00***	**3,54,03,557.00***
Receipts		2,01,37,438.00	2,01,37,438.00	2,29,69,764.00	2,29,69,764.00
Total		**6,08,75,949.00**	**6,08,75,949.00**	**5,83,73,321.00**	**5,83,73,321.00**
Net expenditure		2,53,33,985.00	2,53,33,985.00	3,29,05,141.00	3,29,05,141.00
Closing balance		**3,55,41,964.00**	**3,55,41,964.00**	**2,54,68,180.00**	**2,54,68,180.00**

- There is opening difference of Rs. 1,38,407/- between General Cash book and Subsidiary Cash book in the year 2014-15. Details are as follows: -
  - I. In BRGF scheme, Rs. 1,48,407/- was not recorded in General Cash book.
  - II. In 4th Finance scheme, excess of Rs. 10,000/- shown in General Cash book.

III. Bank reconciliation:

We observed that ULB has maintained cash book and pass book for different scheme. Cash book and pass book of some schemes are tallied and some are not tallied. Bank reconciliation statement has not been prepared by the ULB.

Scheme	Bank & A/c Detail	Balance as per pass book	Balance as per cash book	Difference
Teacher Honorarium	**Central Bank of India** A/c – 3200374568	12,97,591.00	11,71,993.00	(1,25,598.00)
Internal Source	**Central Bank of India** A/c –2067109825 **Bank of Baroda** A/c – 44300100001070	58,12,744.25	54,78,420.00	(3,34,324.25)

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Kabir Antyosthi	**Central Bank of India** A/c – 3186273871	4,53,356.00	11,24,773.00	6,71,417.00
Pension Scheme	**Central Bank of India** A/c – 3207988062	1,53,084.00	8,08,832.00	6,55,748.00
Gandi Basti	**Central Bank of India** A/c – 2067137955	2,58,112.00	1,53,557.00	(1,04,555.00)
Aadharbhut Sanrachna	**State Bank of India** A/c – 31212508887	8,64,463.00	44,35,693.00	35,71,230.00
BRGF	**State Bank of India** A/c – 30225303701	20,74,494.00	16,71,285.00	(4,03,209.00)
13th Finance	**State Bank of India** A/c – 32689070986	50,295.00	23,47,640.00	22,97,345.00
Janganna	**Bank of India** A/c – 467310110004432	19,911.00	15.00	(19,896.00)
SJSRY	**Bank of India** A/c – 467310110003919	17,381.00	450,01.00	(27,620.00)

IV. Revenue Receipts:

Period	Budgeted (2015-16)	Previous year (2014-15)	Corresponding period of previous year (2014-15)	Current Period (2015-16)	Cumulative for the current period (2015-16)
(a) Own source					
Property Tax	**Budget for the year 2015-16 has not been**	**3,49,138.00**	**3,49,138.00**	**1,62,970.00**	**1,62,970.00**
Assigned Revenue		**0.00**	**0.00**	**0.00**	**0.00**
Others (Fees & user charges)		**17,21,963.00**	**17,21,963.00**	**1,16,10,714.00**	**1,16,10,714.00**
(b) Administrative grant		**2,40,000.00**	**2,40,000.00**	**0.00**	**0.00**
(c) Specific Grant (Scheme wise)		**1,78,26,337.00**	**1,78,26,337.00**	**1,11,96,080.00**	**1,11,96,080.00**
• **13th Finance**		33,06,947.00	33,06,947.00	62,71,756.00	62,71,756.00
• **Ward**		0.00	0.00	1,37,932.00	1,37,932.00

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Parshad Bhatta	**provided by the Dighwara Nagar Panchayat.**				
• 4th Finance		1,24,76,264.00	1,24,76,264.00	0.00	0.00
• BRGF		1,48,479.00	1,48,479.00	0.00	0.00
• E-Governance		4,20,000.00	4,20,000.00	0.00	0.00
• Nagar Bhawan		9,43,396.00	9,43,396.00	0.00	0.00
• Kabir Antyosthi		3,73,500.00	3,73,500.00	7,01,992.00	7,01,992.00
• Samajik Suraksha Pension		1,57,751.00	1,57,751.00	40,84,400.00	40,84,400.00

V. Status of implementation of Double Entry Accounting System:

Dighwara Nagar Panchayat has not implemented the Double Entry Accounting System.

VI. Status of Municipal Accounts Committee; if meeting is held:

Municipal Accounts Committee has not being constituted by the Dighwara Nagar Panchayat. However, Municipal Standing Committee has taken charge of Municipal Accounts Committee.

5. <u>Audit Observations:</u>

I. <u>Part – A</u>

All Audit objections/irregularities which have monetary implications, particularly in following areas are provided here in below:

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, fee etc.:

i. We observed that the collection of Property Tax (Holding tax) is very poor.

In Dighwara Nagar Panchayat, there are 4417holdings in its all 16 wards and the demand for holding taxes was raised for Rs.1,07,06,609.00 including previousarrear Rs. 94,70,425.00 out of which only Rs. 1,62,970.00 has been collected during the financial year 2015-16 and remaining amount of Rs. 1,05,43,639.00 is due. It means only 1.52% has been collected during this financial year.

The uncollected amount of Rs. 1,05,43,639.00 is required to be recovered.

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ii. **As per rules, if any tower have to be installed in the municipality, then they should give an application to the municipality and take the No Objection Certificate (NOC) and get registration by paying fee of Rs. 30,000 and renewal charges of Rs. 8,000 per annum.If it has not taken registration or renewal on time, then they will have to pay 1.5% interest per month as penalty. But in this respect, we found that there are 8mobile towers installedinDighwaraNagar Panchayat but they have not taken registration or renewal on timely basis.**

So,Rs. 5,52,000.00 is required to be recovered from them as per details provided here in below:

Si. No.	Tower Name	Address	Year of installation	Amount due
1.	BSNL	Ward No. – 13	2007-08	86,000.00
2.	Aircel	Ward No. – 5	2004-05	1,10,000.00
3.	Aircel	Ward No. – 7	2007-08	86,000.00
4.	Airtel	Ward No. – 8	2006-07	94,000.00
5.	Idea	Ward No. – 8	2007-08	86,000.00
6.	Reliance	Ward No. – 16	2007-08	86,000.00
7.	TATA Tele Services	Ward No. – 10	2005-06	2,000.00
8.	TATA Tele Services	Ward No. – 7	2005-06	2,000.00
Total				**5,52,000.00**

iii. Dighwara Nagar Panchayat is not in practice to collect other taxes like Shop rent tax, Advertisement tax & Sairat. ULB has also not collected any amount regarding mobile tower tax during the year 2015-16. Non-collection of such taxes causing revenue losses to the ULB.

iv. Dighwara Nagar Panchayat has not deposited the collected amount of property tax from receipt number 3441 to 3450 for Rs. 19,677/- into the bank account. The amount was collected by the Tax Collector Rakesh Kumar on 23/09/2015. The amount is required to be recovered from the said Tax Collector.

b. Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs : We have vouched all the bills & vouchers for Rs. 10,000/- and more and find out:

i. Dighwara Nagar Panchayat had hired an NGO "Jan Vikash Samiti, Chapra" for cleaning and sanitation of all its wards. The agreement to do the work was entered in May, 2015 for Rs. 1,82,352/- per month and Rs. 21,88,224/- per annum. But the payment made to the NGO was more than the agreement value. Gross total amount of Rs. 26,34,102/- payment was made in the year

2015-16. It means excess payment of Rs. 6,28,230/- was made. Also, there is no approval found for such excess payment.

Sl. No.	Payment for the month	Amount Paid	Agreement Amount	Excess payment
1.	May, 2015	2,00,000.00	1,82,352.00	17,648.00
2.	June, 2015	2,40,000.00	1,82,352.00	57,648.00
3.	July, 2015	2,40,000.00	1,82,352.00	57,648.00
4.	August, 2015	2,40,000.00	1,82,352.00	57,648.00
5.	September, 2015	2,40,000.00	1,82,352.00	57,648.00
6.	October, 2015	2,40,000.00	1,82,352.00	57,648.00
7.	November, 2015	2,40,000.00	1,82,352.00	57,648.00
8.	December, 2015	2,40,000.00	1,82,352.00	57,648.00
9.	January, 2016	2,37,102.00	1,82,352.00	54,750.00
10.	February, 2016	2,77,000.00	1,82,352.00	94,648.00
11.	March, 2016	2,40,000.00	1,82,352.00	57,648.00
TOTAL		**26,34,102.00**	**20,05,872.00**	**6,28,230.00**

However, in April, 2016 payment made to Jan Vikash Samiti was Rs. 2,40,000/- which is in excess of Rs. 57,648/-. So, a total amount of Rs. 6,85,878/- excess payment is made to the NGO which is not as per the agreement value. The amount of excess payment made to the said agency is required to be recovered at the earliest.

ii. Dighwara Nagar Panchayat has made a double payment of Rs. 1,72,400/-. The payment was made regarding "Ward Parshad Honorarium". Payment was made from the Internal Source Scheme dt. 03-09-2015 and also from the Ward Parshad Honorarium Scheme dt. 07-09-2015. However, same bills were made available regarding such payment.

iii. Expenses made from Internal Source Scheme from 11-03-2016 to 31-03-2016 for an amount of Rs. 1,93,764/-. No vouchers were made available under audit regarding such payments.

iv. Dighwara Nagar Panchayat had made payment to Jan Vikash Samiti, Chapra for "Specific Sanitation" for Rs 1,19,200/= dated 04/09/2015 through 13th Finance. No details regarding such payment are made available under audit. No approval regarding such "Specific Sanitation" work was available.

C. Report on findings of field survey of property tax of minimum 20 high value properties:

Field survey of property and assessment hadbeenconducted in 2005.But ULB has not provided the survey report. However, the details are collected from the Demand Register.

As per Demand Register, total 4417holdingsare available under Dighwara Nagar Panchayat jurisdiction. The details regarding new holdings added are not ascertainable by the ULB. Also, the high value properties are not ascertained by the ULB under its jurisdiction. We have verified the details of survey report of 2005 with the Demand Register provided by the ULB. We found that it is not correctly done.Annual Valuation of the holdings are not available and rate of tax levied is also not available. However, as we have not accompanied the survey team, we cannot authenticate the measurement.

Moreover, details of 2005 survey report are collected which are as follows: -

Si. No.	Name of Landlord	Father's/Husband's Name	Ward No./House No.	Type of Building	Area (in sqft.)	Annual Rent	Remarks
1	SatyaNarayan Prasad	Chandrika Prasad	1/63	Cemented	315	582.75	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
2	Md. Ibrahim Miya	Lal Md. Miya	1/77	Cemented	647.75	389.46	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
3	Raghubar Rai	Darbhangi Rai	1/107	Cemented	780	721.5	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.

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4	JaiShanker Shah	Gama Shah	2/5	Khaprail	2986	2209.64	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
5	Suraj Shah	RamIshwar Shah	2/10	Cemented	1069.5	989.28	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
6	Ram Pratap Sharma	Brij Bihari Sharma	2/18	Cemented	864.36	1199.29	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
7	Jagpati Kunwar	Dharmnath Mishra	2/29	Khaprail	1423.6	724.25	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.

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8	Dashrath Pandit	Ambika Pandit	3/11	Khaprail	1722	1274.28	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
9	Rampravesh Singh	Kalika Singh	3/12	Cemented	1719	2314.6	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
10	Pashupati Prasad	Ram Lagan Prasad	3/86	Cemented	2001	1850.09	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
11	Bhagwan Singh	-	7/46	Cemented	1406	3251.37	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.

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12	Ajeeta Devi	Purushottam Kumar	7/47	Cemented	15164	9024.29	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
13	Bharat Singh	-	7/49	Cemented	1122	2595	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
14	Laxman Prasad	Bhagwan Shah	6/118	Cemented	995	920.37	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
15	RamSurat Devi	Ram Prasad Shah	4/73	Cemented	1229.5	1524.62	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.

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16	Vasudev Singh	Ramayan Singh	4/170	Cemented	784	435.12	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
17	Geeta Devi	Brij Kishore Patwa	12/312	Cemented	1243	1149.75	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
18	En Hussain	Sultan Ahmad	12/323	Cemented	880	878.75	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
19	Indu Devi	Ashok Kumar	12/342	Cemented	2567.8	2374	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.

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20	Nawal Kishore Singh	Mangal Dev Singh	12/332	Cemented	1343	1740	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
21	Yograj Pandit	Sita Ram Pandit	14/68	Khaprail	956	543.71	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
22	Jagat Singh	Ram Sharan Singh	14/113	Cemented	1443	867.6	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
23	Ashok Singh	Rama Singh	14/121	Cemented	1614	970.41	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.

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24	Ram Ayodhya Bhagat	Brahma Singh	13/1	Cemented	648	599.4	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
25	Rajmati Devi	Ram Lakshan Bhagat	13/105	Cemented	1070	643.33	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
26	Shiv Narayan Pandit	Sabri Pandit	13/121	Cemented	802	741.85	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.
27	Suraj Mahto	Dwarka Mahto	11/59	Cemented	1705	1025	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.

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28	Md. Manjur Hussain	Safik Hussain	11/92	Cemented	1500	1388	Last survey conducted in 2005 and after that no survey was conducted. We have verified the details as per Demand Register. We found that it is not correctly done. Annual Valuation of the holdings is not available and rate of tax levied is also not available. However, as we have not accompanied the survey report, we cannot authenticate the measurement.

II. Part – B

All Audit objections/irregularities which has no monetary implications, but significant violations of Act, Rules & directives of UD&HD. Mention the reference to Act & Rules wherein remedial measure is required.

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

We observed that following registers which are given below have not been maintained by the ULBs.

(1).Statutory Registers.

(2). Collection register of all taxes/user charges/fees & fines.

(3). Assessment register of property tax.

(4). Bid register.

(5). Vehicle& Generator log book.

(6). Records and revision of taxes and rent.

(7). Rent register of shop.

(8). Survey registers/files of Hoardings.

(9). Monthly receipt and payment account is not being prepared by the ULB.

b. Irregularity in procurement process: We have verified all the procurement of Rs. 15,000/- and above and found that

i. Dighwara Nagar Panchayat had purchased tractor from M/s Yesh Motors Pvt. Ltd., Patna under 13th Finance Scheme for Rs. 6,06,452/- dt. 06-09-2015. No procurement procedure is followed regarding this.

ii. Neither procurement registers maintained nor e-tendering and e-auction system is in palce.

c. Non-compliance of directives by UD&HD, Government of Bihar:

i. There is no observation found in this regard. There is no variation found in estimated project cost and actual project cost.

d. Non- compliance of Act & Rules.

i. The ULB is not preparing the Accounts and Financial Statement as per Section 86 & 88 of the Bihar Municipal Act, 2007. As required under section 88 of the said Act, the ULB is required to prepare within four months from the close of the year, Financial Statement Containing an Income & Expenditure Accounts and a Receipt and Payment Account for the previous year w.r.t. the accounts of the ULB.

ii. The ULB is not preparing Fund Wise Receipts & Payments under BMAR Form No. 71 within 20th day of the subsequent months as per Rule 120 of the Bihar Municipal Accounts Rule 2014.

iii. The ULB is not preparing following Financial Statement of the Preceding years as required under Rule 122 of the Bihar Municipal Accounts Rule, 2014:

a. Receipt &Payment Accounts for the Year (BMAR Form No 71).

b. Income & Expenditure Account for the Year (BMAR Form No 73).

c. Balance Sheet as on 31st March of the Year (BMAR Form No 74).

e. Lack of internal control measures:

i) During the course of our Audit, we have observed various discrepancies in the Cash Book, which are enumerated below:

a. Voucher numbers were not clearly mentioned through which payment was made.

b. Head wise expenditure were not clearly entered and recorded.

c. The cash book balances are not reconciled with the Balances in Bank Pass Book.

ii) Log book is not properly maintained and consequently its analysis is not possible.

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iii) Subsidiary Cash book of Internal Source is not updated after 11-03-2016. However, expenses of Rs. 1,93,764/- are made between 11-03-2016 to 31-03-2016 which are not recorded in the Subsidiary Cash Book.

iv) Subsidiary Cash book of 13th Finance is not updated after 12-01-2016. However, expenses of Rs. 13,10,362/- are made between 12-01-2016 to 31-03-2016 which are not recorded in the Subsidiary Cash Book.

v) Under Pension Scheme, there is a difference of Rs. 54,006/- in recording transactions between General Cash book and Subsidiary Cash Book.

vi) Dighwara Nagar Panchayat has not updated the General Cash Book after 30-09-2015.

vii) All the work done during the year 2015-16 has been done by the Departmental Engineer. Advance is given to them for the work allotted and the amount is adjusted after their bill submission. No any separate detail of advance given and advance adjusted of the Departmental Engineers are made.

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

i. Dighwara Nagar Panchayat is not in practice to deduct the statutory deductions as per the rule. A gross amount of 7.5% is deducted from the payment amount which includes all the statutory deductions like VAT, TDS, Royalty and Labour Cess.

ii. Dighwara Nagar Panchayat has no any allocation of the amount of statutory deductions. The details of amount of TDS, VAT, Royalty and Labour Cess are not ascertainable.

iii. Dighwara Nagar Panchayat is not in practice to deposit the amount of statutory deductions to the concerned tax departments.

g. Deficiency in pay-roll system.

The Payroll system at the ULB is not satisfactory. The register, records relating to statutory deduction like PF, ESIC, Income Tax etc. are not maintained. The PF, ESIC with respect to contractual employees as well as regular employees are neither deducted nor paid to the statutory authority.

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h. Utilization of grant and report on missing Utilization Certificates.

No any UCs is made available for verification under audit. So, we are unable to comment on the same.

i. Physical verification of inventory/stores.

Physical verification of stores and fixed assets has not been carried out by the ULB. ULB does not prepare the detail of store items and fixed assets.

j. Advances, their adjustment & recovery.

No advance and recovery register is maintained by the Dighwara Nagar Panchayat. Advances are given to the employees without any requisition form. Advances are given and approval is given by the Executive Office on the concerned file. After the submission of the bills, concerned advances are adjusted with the concerned files. ULB does not have a summary detail of the amount of advance granted to the employees and their adjustments made. However, the details of advance granted and their adjustment details are available in the concerned work file.

h. **Any other.**

ULB has idle fund remaining in its account during the financial year 2015-16. If these funds be transferred to other account or utilized in another scheme, there would not be any blockage of fund. Details of idle fund are as follows: -

Si. No.	Scheme	Amount	Pending Since
1.	12th Finance	449/-	-
2.	Tractor Grant	4,044/-	-
3.	Janganna	15/-	-
4.	Jalapurti	11,45,360/-	28/03/2008
5.	IDSMT	10,15,000/-	17/10/2005
6.	SJSRY	45,001/-	08/08/2014
7.	Peshakar	5,23,359/-	30/12/2013
8.	4th Finance (Cleanliness)	11,75,401/-	31/03/2015
9.	Nagar Bhawan	9,43,396/-	31/03/2015
10.	Gandi Basti	1,53,557/-	-
	Total	**50,05,582/-**	

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III. Part C

General Observations: -

There are lots of scope for improvement with respect to maintenance of Records and Registers. The important and basic records like annual accounts, assets register were not maintained. Effective steps may be taken to improve the maintenance of accounts and increasing of its own sources of revenues.

For R N Singh& Co.
Chartered Accountants

CA Chanakya Shree
Partner
Mem No:079322
FRN : 322066E

R N Singh & Co.
Chartered Accountants

Dighwara Nagar Panchayat
Dighwara (Saran)

DISCUSSION NOTES (2015-16)

Sl. No.	Observation	Management Remarks
1	ULB is not in practice to prepare Monthly Receipt & Payment Account and Trial Balance.	
2	Computerized Accounting System has not been implemented by the ULB.	
3	ULB is not in practice to maintain Double Entry Accounting System. It is not implemented at the unit.	
4	Municipal Accounts Committee has not being constituted by the Dighwara Nagar Panchayat.	
5	ULB is not in practice to deduct PF & ESIC with respect to contractual employees as well as regular employees.	
6	Inventory and Store Register is not maintained by the ULB.	
7	Advance and Recovery Register is not maintained by the ULB.	
8	Bank Reconciliation Statement has not been prepared by the ULB.	
9	ULB is not in practice to collect Advertisement Tax. No any details regarding Advertisement tax is provided by the ULB.	
10	ULB is not in practice to collect Sairat. No any details regarding Sairat is provided by the ULB.	
11	Budget for the year 2015-16 has not been provided by the ULB.	
12	ULB is not in practice to collect Mobile Tower Tax from the concerned mobile towers. No amount is collected	
13	Dighwara Nagar Panchayat has not updated the General Cash Book after 30-09-2015.	
14	Subsidiary Cash Book of different schemes are not properly maintained by the ULB.	
15	Subsidiary Cash Book of Internal Source is not updated after 11-03-2016. Expenses for Rs. 193764/- are made after 11-03 2016 which are not recorded in the Subsidiary Cash Book. Also, no vouchers are made available regarding such payments under audit.	
16	Subsidiary Cash Book of 13th Finance is not updated after 12 01-2016. Expenses for Rs. 1310362/- are made after 12-01-2016 which are not recorded in the Subsidiary Cash Book. Also, no vouchers are made available regarding such payments under audit.	
17	Under Pension scheme, there is difference of Rs. 54006/- in recording transaction between General Cash Book and Subsidiary Cash Book.	
18	Dighawara Nagar Panchayat has a very poor status in the collection of taxes. ULB is in practice to collect only Property Tax. The collection of Property Tax is also not made properly and the status of amount collected is very poor.	
19	In Dighwara Nagar Panchayat, holding taxes raised demand of Rs. 10706609/- including previous arrear of Rs. 9470425/- out of which only Rs. 162970/- has been collected during the financial year 2015-16 and remaining amount of Rs. 10543639/- is due. It means only 1.52% has been collected during the financial year 2015-16.	

राकेश कुमार
16.8.16

R. N. SINGH & CO. ICAI Reg. No. 322066E PATNA CHARTERED ACCOUNTANTS

20	Dighwara Nagar Panchayat has not deposited the collected amount of property tax from receipt number 3441 to 3450 for Rs. 19677/-; being collected by the Tax Collector Rakesh Kumar.	
21	Payment made to Jan Vikash Samiti Rs. 119200/- dt. 04-09-2015 for "Specific Sanitation" under 13th Finance. No any details regarding payment are provided.	
22	All the work during the year 2015-16 has been done the Departmental Engineer. Advance is given to them for the work alloted and the amount is adjusted after their bill submission. No any separate detail of advance given and advance adjusted to the Departmental Engineers are maintained.	
23	Dighwara Nagar Panchayat is not in practice to deduct the statutory deductions as per the rule. A gross amount of 7.5% is deducted from the payment amount which includes VAT, Labour Cess and Royalty. No any allocation of amount of such statutory deductions are made.	
24	Dighwara Nagar Panchayat is not in practice to deposit the amount of statutory deductions to the concerned tax departments.	
25	ULB has not provided the survey report, being survey conducted in year 2005. However, the details regarding the survey of the property are collected from the Demand Register. The rate of collection of property tax is not mentioned in the Demand Register.	
26	Dighwara Nagar Panchayat has purcahsed tractor from M/s Yesh Motors Pvt. Ltd., Patna under 13th Finance for Rs. 606452/- dt. 06-09-2015. No any procurement procedure is followed.	
27	Dighwara Nagar Panchayat had hired an NGO "Jan Vikash Samiti" for cleaning and sanitation of its all wards. The agreement to conduct work was entered in May, 2015 for Rs. 182352/- per month and Rs. 2188224/- annually. But the payment made to it was more than the agreement value. Total of Rs. 2364102/- payment is made during the year 2015-16 which is excess by Rs. 445878/-. Also, no any Post Facto Approval of such excess payment is available.	
28	Dighwara Nagar Panchayat has made a double payment of Rs. 173400/- regarding Ward Parshad Honorarium. Payment was made from Internal Source dt. 03-09-2015 and also from Ward Parshad Honorarium Scheme dt. 07-09-2015.	
29	Dighwara Nagar Panchayat has made a diversion of fund of Rs. 175000/-. Payment made to Jan Vikash Samiti from 13th Finance but it was required to be made from SJSRY scheme.	
30	Dighwara Nagar Panchayat has made a diversion of fund of Rs. 173400/-. Payment made for Ward Parshad Honorarium from Internal Source but it was required to be made from Ward Parshad Honorarium scheme.	

कार्यालय ... पंचायत दिघवारा, सारण

राकेश कुमार
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K. N. SINGH & CO. CA