

20842  
16/8/17

Principal Secretary

Urban Development & Housing Department, Govt of Bihar

Vikas Bhawan, New Secretariat, Patna



**Internal Audit Report**  
**Submitted as per Contract**  
**Agreement No 140**  
**dated 05<sup>th</sup> April 2016.**

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As submitted by

K R A & Co.

(Chartered Accountant)

Naya Tola, Patna, Bihar

Contact No: 9971179375, 9708747261

**APPENDIX – V**

**Internal Audit Report**  
**ULB**

Of Hajipur Nagar Parishad

For the period from 01/04/2016 to 30/06/2016

Internal Audit Conducted By

**K R A & Co.**

**(Chartered Accountants)**

Naya Tola, Patna, Bihar

Report Issued On 11.08.2017



# K R A & Co. (Chartered Accountants)

Naya Tola, Patna, Bihar-800004

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## Executive Summary

### 1. Introduction

- Name of the Municipality – HAJIPUR NAGAR PARISHAD
- Period covered under current audit – 1<sup>st</sup> April 2016 to 30<sup>th</sup> June 2016
- Name of Chief Municipal Officer for the period under Audit – **Mr. Siddarth Harshvardhan**

### 2. Results and Findings

#### A. Strengths observed during the audit engagement:

- Manual Accounting system is in existence though not much effective.
- Responses from Executive officers, Head Clerks were satisfactory.
- Office Infrastructure is sufficient for operation.

#### B. Weaknesses observed in the functioning of office, maintenance of records etc. during the audit engagement.

- Unable to collect Gov. Building Tax of Rs. 26, 99,681/- as on 30th June 16.
- Unable to collect mobile transmission tax (Registration & Renewal Fees) of Rs. 56,98,800/- .
- Unable to collect Market/Shop rent of Rs. 1,15,07,631/-
- Delay in deposit / non deposition of collected Holding Tax collection
- Non compliance of Income Tax Act & Rules as TDS not deducted on eligible payments.
- Non compliance of Income Tax Act & Rules as TDS deducted but deposited late.
- Non compliance of Income Tax Act & Rules as TDS return filed late.
- Interest & penalty may be imposed for late deposition of deducted Vat, Labour Cess & Royalty as per relevant Acts & Rules
- Final Payments have been made without M and N form/affidavit from Contractor.
- Fixed assets register not maintained/updated properly
- Stores Register not maintained properly.
- Non Maintenance of prescribed books of accounts including Annual account as per BMA 2007 & BMAR 2014.

### 3. Opinion

In our overall opinion - ULB is not much efficient due to non implementation of proper accounting system and financial management of records and not following Bihar Municipal Accounting Rules 2014 properly.

### 4. Audit Recommendations



The Concerned Authority at ULB should raised request for proper manpower requirements at ULB. Proper & relevant Training Programs for existing manpower must be developed, depending upon their Key Responsibilities Area (KRA). Further they must be given training on Bihar Municipal Act & Rules so that proper adherence to the Act & Rules could be done at ULB.

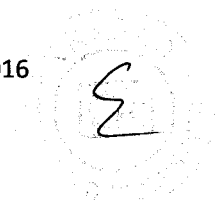
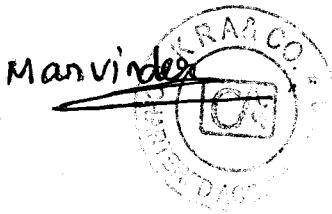
The Concerned Officers should explore other areas of Revenue Generation by surveying their area for Tower tax, Trade tax, Advertisement Tax, Hoarding Fees, Other Fees Taxes & Record Keeping should be done properly. Several Books and registers which are not maintained or maintained in improper manner should be done properly. Team at ULB should have adequate coordination between them for making their internal control system perfect.

#### 5. Comments from Management

As per local management, due to shortage of competent staff and absence of centralised financial control over reporting, they have not been able to resolve the pending issues. In line with the action plan, requisition of placement of proper staff shall be made in future for better financial management.

#### 6. Acknowledgement

We acknowledge that we have received cooperation at the respective ULB and corporation and acceptance of findings and management will follow the recommendations





# K R A & Co. (Chartered Accountants)

Naya Tola, Patna, Bihar-800004

Mb: 09708747261, 09971179375, E-mail: krapatna@gmail.com

## Detailed Audit Report

### 1. Introduction

The Internal audit of Patna Hajipur Nagar Parishad covering the period from 01/04/2016 to 30/06/2016 was conducted by our audit team under guidance of CA. Manvinder Kaur, Partner, K R A & Co. (Chartered Accountants)

### 2. Administration

The present body of the ULB has taken charge on 05.09.2014. The incumbency in the key Administrative and executive positions were as under:

Executive Officer: - Mr. Siddarth Harshvardhan

Chairman: - Mrs. Sangita Kumari

Vice-Chairman:- Mrs. Rama Nishad

City Manager: - Ms. Kanchan Kumari

### 3. Review of outstanding audit paras:

S. 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 recovery has been made	Total Amount of Recovery	Total No. of outstanding para where no action has been taken	No. & dated of compliance report
1	AG Audit for FY 12-13 13-14 & 14-15 done in May & June 2015	32	32	13	8	10510300	24	03-05-16

Particulars of outstanding paras of AG audit are given below:

S. No. of Paras	Particulars
LA/SS-1/SA-01	Sairat list & Details
LA/SS-1/SA-02	Fixed Assets Register
L.A.S.P.G.-03	Municipal Accounts Committee work
L.A.S.P.G.-04	Compliance of Old Audit Report

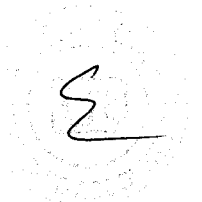
L.A.S.P.G.-05	Annual Accounts not prepared
L.A.S.P.G.-06	Advance Salary payment without permanent empowered committee acceptance
L.A.S.P.G.-08	Government grant
LA/SS-1/SA-09	Loss on Sairat allotment
LA/SS-1/MK-10	Collection not deposited
LA/SS-1/RNP-11	Holding tax not deposited
LA/SS-1/MK-12	Collection not deposited
L.A.S.P.G.-13	Financial details & comparatives
LA/SS-1/RNP-14	Holding tax not deposited
LA/SS-1/SA-15	Sairat amount not deposited
LA/SS-1/SA-16	Advertisement fees details to be provided
LA/SS-1/SA-17	Sairat amount not deposited
L.A.S.P.G.-18	Income tax not deducted
LA/SS-1/SA-19	Loss on Sairat allotment
L.A.S.P.G.-20	Irregular purchase of Street Light
LA/SS-1/SA-21	VAT not deducted
LA/SS-1/RNP-22	Holding tax not deposited
LA/SS-1/MK-23	Collection not deposited/less deposited
L.A.S.P.G.-26	Irregular purchase of Dustbin & Rickshaw
LA/SS-1/MK-27	Shop rent pending
LA/SS-1/SA-28	Holding tax pending
LA/SS-1/SA-29	Non collection of mobile tower tax
L.A.S.P.G.-30	Purchase without approval of Municipal Council Board
L.A.S.P.G.-31	Elected Member Travel Allowance
LA/SS-1/MK-32	Multiple receipt not presented
LA/SS-1/MK-33	Data/details not presented
LA/SS-1/MK-34	Collection not deposited
LA/SS-1/MK-35	Collection not deposited by Cashier

#### 4. Finance

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

Year	2016-17	2015-16	2014-15
Final/Revised Budget	68,09,02,340/-	71,62,03,000/-	30,68,56,020/-
Actual Expenditure	25,97,35,614/-	58,16,33,270/-	18,84,28,528/-
Savings(+)/Excess(-)	42,11,66,726	13,45,69,730/-	11,84,27,492/-

##### II. Volume of transactions



Period	Budgeted (FY 2016-17)	Corresponding Period of Previous Year (FY 2015-16)	Current Period (FY 2016-17)
Opening balance	50,66,19,553/-	16,72,67,683/-	26,08,27,780/-
Receipts	2,89,74,44,447	87,85,75,893/-	20,48,92,458/-
Total	3,40,40,64,000/-	104,58,43,576/-	46,57,20,238/-
Net expenditure	3,39,61,51,000/-	53,92,24,023/-	25,97,35,614/-
Closing balance	79,13,000/-	50,66,19,553/-	20,59,84,624

### III. Bank reconciliation

Bank reconciliations have not been prepared up to 30.06.2016, therefore a total of Rs. 9,43,401.22/- unexplained differences observed between Cashbook balances & Passbook balances. Annexure 1 & 2

Closing Balances as per Passbooks are as follows:-

S. No.	Bank Name	Amount
1	SBI A/C. NO(3270922473)	51,77,321.00
2	SBI A/C.NO(33588148909)	2,09,38,809.00
3	SBI A/C.NO(33460884365)	63,364.00
4	SBI A/C.NO(10878004569)	9,76,171.87
5	SBI A/C. NO(33851556442)	1,32,900.00
6	SBI A/C. NO(33948728857)	36533336.00
7	BOI A/C. NO(465410110008231)	19,38,586.00
8	BOI A/C. NO(465420110000192)	83,619.00
9	UBG BANK A/C.NO(1000831010003678)	3,94,502.00
10	IDBI A/C.NO(724104000003193)	10,95,318.00
11	HDFC A/C.NO(03451450000100)	35,27,720.72
12	SBI A/C. NO(35188073826)	7433453.07
13	CORPORATION BANK (3686)	2849166.00
14	PLA	148358441.00
	Total	229502707.66

Closing Balance as per Cash Book Scheme Wise:-

S. No.	Scheme Name	Amount
1	SBM	42,87,821.64
2	AMRUT	6,49,943.50
3	E-MUNICIPALITY	26.00
4	HFA	2,95,6,495.50
5	MISC	4,19,904.93
6	BRGF	5,13,676.75
7	TEACHER SALARY	2,86,520.50
8	T.HALL + C. HALL	3,96,516.25

9	K. ANTYESTIC	2,831.50
10	ROAD CONST.	8,323.50
11	INTEREST	1,14,524.75
12	S. S PENSION	1,76,690.25
13	SLUM	74,31,735.75
14	13 <sup>TH</sup> FINANCE	9,49,562.00
15	14 <sup>TH</sup> FINANCE	91,26,183.25
16	E-GOVERNANCE	33,225.00
17	NULM	42,07,868.50
18	4 <sup>TH</sup> SFC PAY/PENSION	9,49,356.50
19	DEVELOPMENT	1,73,608.25
20	URBAN ROADS	7,959.75
21	WATER SUPPLY	6,418.75
22	PUBLIC HEALTH & HYGINE	78,344.75
23	UNTIE FUND	46,382.50
24	ROAD	32,223.75
25	ADM ON BUILDING	1,25,739.75
26	CIVIL ANIMITIES	38,538.75
27	PAY TO EX-OFFICER	10,755.75
28	PROF TAX	8,81,214.00
29	ADV FOR SHOP CONST.	9,30,841.75
30	CENSUS	12,750.00
31	ALLOTMENT FOR 18 TABLET	3,677.50
32	ELECTION	2,500.00
33	STATE PLAN 2014-15	7,40,628.50
34	STATE PLAN 2015-16 DRAIN	3,06,756.75
35	STATE PLAN 2015-16 ROAD	1,42,439.00
36	SAMRAT ASHOK BHAWAN	17,41,662.50
37	5 <sup>TH</sup> SFC	2,33,85,323.75
38	NALI-GALI	36,32,290.00
39	E. O .SALARY	35,425.00
40	PAY TO CITY MANAGER	11,831.75
41	SANITATION GRANT	4,96,116.75
42	PATH NIRMAN	6,250.00
43	M/B	27,98,246.48
	Total	6,81,59,131.00

#### IV Revenue Receipts

Period	Budgeted (FY 2016-17)	Corresponding Period of Previous Year (FY 2015-16)	Current Period (FY 2016-17)
a) Own source			
a) Own source			



Property Tax/Tax Revenue	3,01,00,000/-	86,44,969	99,38,087/-
Assigned Revenue	4,50,00,000/-	1,93,96,068	2,15,07,785/-
Others (Fee & User Charges)	2,21,20,000/-	37,58,729	1,52,12,514/-
<b>(b) Administrative grant</b>	<b>12,30,00,000/-</b>	<b>6,39,715</b>	<b>2,11,900/-</b>
<b>(c) Specific Grant Total:</b>	<b>95,00,74,447/-</b>	<b>54,80,90,618</b>	
<b>(Scheme wise)</b>			
BPL Grant	10,00,000/-	0	
Election Grant	5,00,00,000/-	21,46,200	
Electricity & Contingency	55,00,000/-	0	
School Children health grant	15,00,000/-	0	
Swach Bharat Mission	15,00,00,000/-	14,00,000	
Other Revenue Grants		49,54,28,377	
Natural Calamity	25,00,000/-		
Kartik chhath/purnima mela	15,00,000/-		
slum Development	15,00,00,000/-	27,91,296	
Pub. Health & Cleaning Grant	3,00,00,000/-	1,44,19,800	
SJSRY/NULM	5,00,00,000/-	1,25,43,295	
Special Grant (Nagarik Suvidha, House for all)		1,87,91,650	
United Grant	15,00,00,000/-		
Kabir Antheyosti Grant	29,74,447/-		
Animal Grant	1,00,000/-		
Spur Grant	25,00,000/-		
Namami Ganga Yojna	35,00,00,000/-		
E-Governance Grant	25,00,000/-	5,70,000	

#### V. Status of implementation of Double Entry Accounting System

For the relevant financial year i.e. double entry accounting system has not been followed.

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

As per management, no such meeting has been held yet.

#### 5. Audit Observations

##### I Part-A

##### (i) Uncollected Holding Tax of Rs. 2699681/-on Govt. Building & Shop rent.

**Audit Objective-** As per point No: - 4.4 of TOR

**Criteria -**

As per Bihar Municipal Accounting Rules 2014, Holding Tax demand register to be maintained in the form of BMAR Form No. 23 & a summary statement of demand adjusted–raised for the period also to be maintained in BMAR Form No. 24. Also efforts to be made by Officers of ULB for collection of pending Holding Tax as per Bihar Municipal Act 2007. Further late fine should also be imposed on uncollected/pending Tax collection.

**Condition -**

- Holding Tax of Rs. 26, 99,681/- on Govt. building was pending to be recovered on till 30<sup>th</sup> June 2016 as per MIS sent to state government. As per official of ULB, steps are being taken for collection of holding tax.
- Demand Register & Summery Register in BMAR Form 23 & 24 not maintained.

**Consequence/Risk -**

Non collection of Holding Tax is a revenue loss to ULB.

**Cause -**

- Lack of skilled manpower at ULB
- Lack of strict action against defaulters
- Lack of proper mechanism for supervision and monitoring of Tax Collection

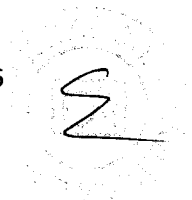
**Recommendation -**

- There should be a proper monitoring mechanism for supervision and monitoring of Tax Collection
- Also strict actions are required to be taken for collection of Holding Tax by concerned ULB.
- Demand Register & Summery Register in BMAR Form 23 & 24 must be maintained.

**(ii) Mobile Transmission Tower Tax (Registration & Renewal) of Rs. 5698800/- Pending Collection**

**Audit Objective-** As per point No.-4.4 of TOR

**Criteria -**



- Mobile Transmission Tax should be collected @ Rs. 40000 as Registration Fee & @ Rs. 10,000 as Renewal Fee per year. If more than one antenna is placed on the tower then, an extra registration & renewal fees @60% per antenna will be collected. Moreover a late fine @ 1.5% would be imposed in case of delay in collection after first month of the financial year. Further after every 5 years renewal fee has to be increased by 25%.
- Further as per Rule 6 (9) of Bihar Communication Towers and Related Structures Rules 2012, in case arrears in respect of registration fees and/or renewal fees for any tower, the municipality reserves the right to seal the tower until the payment is received in full along with accrued interest.

**Condition -**

- Mobile Transmission Tower Tax (Registration & Renewal fees) of Rs. 5698800/- was pending to be collected from 42 Mobile Transmission Towers under concerned ULB, based on records produced by Process Owner of the ULB.
- No records kept for number of antennas placed at each tower
- No late fine imposed for delays in collection of renewal fees

**Consequence/Risk -**

Non collection of mobile tower tax is a revenue loss to the ULB.

**Cause -**

- Lack of skilled manpower at ULB
- Lack of strict action against defaulters
- Lack of proper mechanism for supervision and monitoring of Tax (Registration & Renewal Fees) Collection

**Corrective Action/Recommendation -**

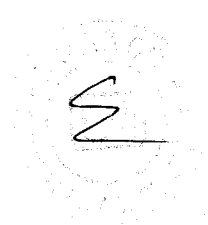
- There should be a proper monitoring mechanism for supervision and monitoring of Tax (Registration & Renewal Fees) collection.
- Also strict actions are required to be taken for collection of Mobile Transmission Tower Tax (Registration & Renewal Fees) by concerned ULB.

**(iii) Market/shop Rent Pending Collection of Rs. 11507631/-**

**Audit Objective-** As per point No: - 4.4 of TOR

**Criteria –**

Market/shop Rent should be collected on time. Further late fine should be imposed on uncollected/pending collection.



**Condition -**

- Market/shop rent of Rs. 11507631/- was pending to be collected from 652 shops on 30<sup>th</sup> June 2016 at concerned ULB

**Consequence/Risk -**

Non collection of Market/Shop rent is a revenue loss to ULB.

**Cause -**

- Lack of skilled manpower at ULB
- Lack of strict action against defaulters
- Lack of proper mechanism for supervision and monitoring of Rent Collection

**Corrective Action/Recommendation -**

- There should be a proper monitoring mechanism for supervision and monitoring of Rent Collection
- Also strict actions are required to be taken for collection of Market/Shop rent by concerned ULB.

**(iv) Collected holding tax not deposited by tax collector to cashier 2 to 30 days./ Collected amount kept by cashier 30 days or more. ( Annexure 4.1& 4.2)**

**Audit Objective-** As per point No: - 4.3 of TOR

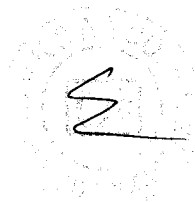
**Criteria -**

As per rule 27 of Bihar municipal accounting rules 2014, Tax Collected has to be deposited on same day before 4:30 PM to the designated personnel for depositing them to the bank.

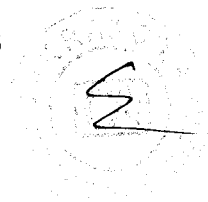
**Condition -**

- Delays observed in depositing of collected tax money to the bank. Example is given below for reference:-(Annexure-4.1)

Collection Date	Holding No.	Rasid no.	Amount(Rs.)	Tax collector name	Date of Deposit To cashier	Date of deposit to Bank
02.04.16	448	5501	1053	Mhd. Rahmat	06.05.2016	30.06.16
02.04.16	448	5502	383	Mhd. Rahmat	06.05.2016	30.06.16
03.04.16	454	5503	287	Mhd. Rahmat	06.05.2016	30.06.16
03.04.16	241	5504	488	Mhd. Rahmat	06.05.2016	30.06.16
04.04.16	95	5505	4416	Mhd. Rahmat	06.05.2016	30.06.16
05.04.16	879	5506	2387	Mhd. Rahmat	06.05.2016	30.06.16



06.04.16	351	5507	1183	Mhd. Rahmat	06.05.2016	30.06.16
07.04.16	387	5508	8878	Mhd. Rahmat	06.05.2016	30.06.16
			19075			
18.05.16	869	6168	1836	Mhd. Rahmat	30.05.2016	30.06.16
18.05.16	160	6169	3716	Mhd. Rahmat	30.05.2016	30.06.16
18.05.16	148	6170	514	Mhd. Rahmat	30.05.2016	30.06.16
19.05.16	831	6171	445	Mhd. Rahmat	30.05.2016	30.06.16
19.05.16	711	6172	923	Mhd. Rahmat	30.05.2016	30.06.16
20.05.16	461	6173	1634	Mhd. Rahmat	30.05.2016	30.06.16
20.05.16	461	6174	2749	Mhd. Rahmat	30.05.2016	30.06.16
22.05.16	882	6175	947	Mhd. Rahmat	30.05.2016	30.06.16
22.05.16	9	6176	3488	Mhd. Rahmat	30.05.2016	30.06.16
22.05.16	728	6177	1832	Mhd. Rahmat	30.05.2016	30.06.16
23.05.16	294	6178	546	Mhd. Rahmat	30.05.2016	30.06.16
23.05.16	1053	6179	228	Mhd. Rahmat	30.05.2016	30.06.16
23.05.16	624	6180	350	Mhd. Rahmat	30.05.2016	30.06.16
			19208			
11.04.16	873	5714	328	Sri Diwaker Patel	05.05.16	30.06.16
12.04.16	801	5715	622	Sri Diwaker Patel	05.05.16	30.06.16
12.04.16	469	5716	740	Sri Diwaker Patel	05.05.16	30.06.16
13.04.16	758	5717	3899	Sri Diwaker Patel	05.05.16	30.06.16
13.04.16	381	5718	144	Sri Diwaker Patel	05.05.16	30.06.16
13.04.16	390	5719	319	Sri Diwaker Patel	05.05.16	30.06.16
13.04.16	389	5720	1017	Sri Diwaker Patel	05.05.16	30.06.16
13.04.16	490	5721	1054	Sri Diwaker Patel	05.05.16	30.06.16
13.04.16	93	5722	287	Sri Diwaker Patel	05.05.16	30.06.16
14.04.16	67	5723	446	Sri Diwaker Patel	05.05.16	30.06.16
14.04.16	359	5724	21432	Sri Diwaker Patel	05.05.16	30.06.16
14.04.16	573	5725	395	Sri Diwaker Patel	05.05.16	30.06.16
15.04.16	530	5726	216	Sri Diwaker Patel	05.05.16	30.06.16
			30899			
22.04.16	61	5430	2802	Sri Upender ram	06.05.16	30.06.16
23.04.16	516	5431	865	Sri Upender ram	06.05.16	30.06.16
25.04.16	192	5432	299	Sri Upender ram	06.05.16	30.06.16
25.04.16	285	5433	164	Sri Upender ram	06.05.16	30.06.16
25.04.16	286	5434	164	Sri Upender ram	06.05.16	30.06.16
25.04.16	168	5435	855	Sri Upender ram	06.05.16	30.06.16
26.04.16	409	5436	1676	Sri Upender ram	06.05.16	30.06.16
26.04.16	407	5437	658	Sri Upender ram	06.05.16	30.06.16
26.04.16	166	5438	618	Sri Upender ram	06.05.16	30.06.16
26.04.16	161	5439	192	Sri Upender ram	06.05.16	30.06.16
26.04.16	161	5440	635	Sri Upender ram	06.05.16	30.06.16
26.04.16	66	5441	207	Sri Upender ram	06.05.16	30.06.16



26.04.16	65	5442	317	Sri Upender ram	06.05.16	30.06.16
			9452			
07.04.16	254	5615	347	Sri Manoj Kumar Raman	05.05.16	30.06.16
08.04.16	280	5616	1002	Sri Manoj Kumar Raman	05.05.16	30.06.16
08.04.16	209	5617	11796	Sri Manoj Kumar Raman	05.05.16	30.06.16
08.04.16	154	5618	217	Sri Manoj Kumar Raman	05.05.16	30.06.16
09.04.16	706	5619	981	Sri Manoj Kumar Raman	05.05.16	30.06.16
09.04.16	674	5620	814	Sri Manoj Kumar Raman	05.05.16	30.06.16
09.04.16	675	5621	1108	Sri Manoj Kumar Raman	05.05.16	30.06.16
09.04.16	65	5622	2295	Sri Manoj Kumar Raman	05.05.16	30.06.16
09.04.16	42	5623	247	Sri Manoj Kumar Raman	05.05.16	30.06.16
09.04.16	631	5624	546	Sri Manoj Kumar Raman	05.05.16	30.06.16
10.04.16	520	5625	182	Sri Manoj Kumar Raman	05.05.16	30.06.16
10.04.16	216	5626	838	Sri Manoj Kumar Raman	05.05.16	30.06.16
10.04.16	232	5627	9205	Sri Manoj Kumar Raman	05.05.16	30.06.16
10.04.16	154	5628	951	Sri Manoj Kumar Raman	05.05.16	30.06.16
			30529			
15.04.16	70	5363	2668	Sri Baccha chaudhary	05.05.16	30.06.16
15.04.16	105	5364	465	Sri Baccha chaudhary	05.05.16	30.06.16
15.04.16	710	5365	1915	Sri Baccha chaudhary	05.05.16	30.06.16
15.04.16	734	5366	958	Sri Baccha chaudhary	05.05.16	30.06.16
15.04.16	60	5367	2216	Sri Baccha chaudhary	05.05.16	30.06.16
15.04.16	527	5368	1317	Sri Baccha chaudhary	05.05.16	30.06.16
15.04.16	516	5369	958	Sri Baccha chaudhary	05.05.16	30.06.16
15.04.16	877	5371	934	Sri Baccha chaudhary	05.05.16	30.06.16
15.04.16	562	5372	6926	Sri Baccha chaudhary	05.05.16	30.06.16
16.04.16	213	5373	1121	Sri Baccha chaudhary	05.05.16	30.06.16
16.04.16	1047	5344	252	Sri Baccha chaudhary	05.05.16	30.06.16
16.04.16	497	5345	1748	Sri Baccha chaudhary	05.05.16	30.06.16
			21478			
01.04.16	52	5801	395	Sri Manoj Araya	05.05.16	30.06.16
02.04.16	106	5802	179	Sri Manoj Araya	05.05.16	30.06.16

03.04.16	134	5803	7578	Sri Manoj Araya	05.05.16	30.06.16
04.04.16	181	5804	378	Sri Manoj Araya	05.05.16	30.06.16
05.04.16	149	5805	239	Sri Manoj Araya	05.05.16	30.06.16
06.04.16	60	5806	460	Sri Manoj Araya	05.05.16	30.06.16
07.04.16	946	5807	1221	Sri Manoj Araya	05.05.16	30.06.16
08.04.16	373	5808	958	Sri Manoj Araya	05.05.16	30.06.16
09.04.16	55	5809	137	Sri Manoj Araya	05.05.16	30.06.16
09.04.16	168	5810	103	Sri Manoj Araya	05.05.16	30.06.16
10.04.16	64	5811	323	Sri Manoj Araya	05.05.16	30.06.16
11.04.16	180	5812	252	Sri Manoj Araya	05.05.16	30.06.16
12.04.16	995	5813	91	Sri Manoj Araya	05.05.16	30.06.16
			12314			

• (Annexure-4.2)

S.No.	cash book date(collect from TC)	Money Receipt no.	Cash book Page no.	Amount(Rs.)	Date of Deposit	Cashier Name
1	09.04.16 to 26.04.16	6158-6168	1	68815	03.05.16	Anjani Kumar
2	30.04.16 to 02.05.16	6168-6183	2	2018687	03.05.16	Anjani Kumar
3	05.05.16	6184-6200	3	316611	30.06.16	Anjani Kumar
4	05.05.16 to 06.05.16	6201-6221	4	390786	30.06.16	Anjani Kumar
5	06.05.16 to 09.05.16	6222-6243	5	522410	30.06.16	Anjani Kumar
6	09.05.16 to 13.05.16	6244-6264	6	304487	30.06.16	Anjani Kumar
7	13.05.16 to 30.05.16	6265-6286	7	336961	30.06.16	Anjani Kumar
8	30.05.16 to 31.05.16	6287-6297	8	305802	30.06.16	Anjani Kumar
9	06.06.16	6298-6917	10	456504	30.06.16	Anjani Kumar
10	07.06.16 to 22.06.16	6919-6939	11	249453	30.06.16	Anjani Kumar
11	22.06.16 to 30.06.16	6940-6960	12	547695	30.06.16	Anjani Kumar
12	30.06.16	6961-6964	13	65711	30.06.16	Anjani Kumar
			Total	<b>55,83,922</b>		

**Consequence/Risk -**



- Misuse of collected money belong to ULB
- Loss of interest on collected money.
- Cash management at ULB level may be affected.
- Payment to the vendor/employees could not be done on time
- Outstanding in Tax Payers' account shown even after payments have been made by them, till the time tax collector deposited money & those are accounted for.

**Cause -**

- Lack of instruction or follow up by Revenue officer & Cashier
- Lack of education of relevant rules of Bihar Municipal Act

**Corrective Action/Recommendation -**

- Day to day monitoring on collection of taxes by revenue officer & Cashier
- Proper training of relevant rules must be given to the concerned personnel
- Penalty could be levied as per relevant rules

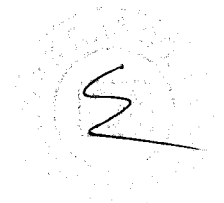
**(v) Field survey of Property Tax of 21 high value properties for F.Y. 2016-17**

**Audit Objective-** As per point No.-4.6 of TOR

- SAS form not filed for FY 2016-17 & Taxes were collected on , SAS form started from FY 2016 as conveyed by process owner at ULB

Field survey of Property Tax of 21 high value properties has been done & details are given below:-

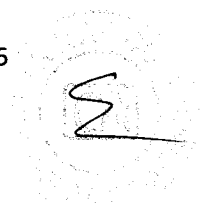
SN O	Holdi ng No.	DATE	WAR D	OWNER NAME	ADDRESS	PLOT AREA	BUIL D UP AREA	VACA NT AREA	STATUS (RESIDEN TIAL/ COMMER CIAL)	AMOU NT OF TAX	Assessme nt done
1	3	20.06.16	6	lal babu,shyam babu	Tangual,hajipur vaishali	2850	1700	419	R	3335	Yes
2	490	13.04.16	4	Beni Singh,Jitendra kumar singh	Bagmali,hajipur vaishali	950	800	0	R	806	Yes
3	88	28.05.16	30	Hari Rai	chakbara,hajipu r vaishali	500	500	o	R	221	Yes
4	94	16.05.16	30	Gopal Rai	chakbara,hajipu r vaishali	700	0	0	R	177	Yes





5	52	07.06.16	30	Rambabu singh	Chakbara,hajipur vaishali	700	0	0	R	252	Yes
6	71	30.06.16	1	Late vina devi	Hathsarganj,hajipur vaishali	855	855	0	R	431	Yes
7	302	09.04.16	4	Mila Kumari	Baagmusha,Hajipur vaishali	1425	1425	0	R	1078	Yes
8	299	25.04.16	17	srimati Kaushalya Devi	Pokhra,Hajipur vaishali	1900	950	541	R	582	Yes
9	508	15.05.16	17	Srimati Savita Devi	Pokhra,Hajipur vaishali	665	500	0	R/NR	873	Yes
10	448	02.04.16	17	Sri Vishwanath prasad gupta	Pokhra,Hajipur vaishali	950	800	0	R	403	Yes
11	160	18.05.16	17	Sri Mithilesh Sharma	Pokhra,Hajipur vaishali	660	0	0	R/NR	3318	Yes
12	1006	30.05.16	28	Kumar Rahul	Badi Yusufpur,hajipur vaishali	650	570	0	R	144	Yes
13	168	31.05.16	38	Sri Ramanand chaudhary	Yusufpur ,hajipur vaishali	1100	850	0	R	536	Yes
14	1007	30.05.16	28	Srimati suchita Devi	Choti Yusufpur,hajipur vaishali	330	330	0	R	83	Yes
15	984	28.05.16	28	Vina Devi	Badi Yusufpur,hajipur vaishali	2450	1900	0	R	479	Yes
16	111	29.04.16	23	Sri Upendra Rai,Devendra rai   Amarnath rai	Pokhra,Hajipur vaishali	1425	1050	0	R	1939	Yes
17	77	03.06.16	23	Nain tarabubna,pushpa bubna,Usha bubna	Baghdulhan,hajipur vaishali	9500	2000	6640	R	6926	Yes
18	157	26.05.16	34	Punam Devi	Minapur,up hajipur vaishali	400	400	0	R	101	Yes
19	443	21.05.16	33	Devendra Singh	Minapur, hajipur vaishali	475	400	0	R	76	Yes
20	442	21.05.16	33	Manoj singh	Minapur, hajipur vaishali	475	400	0	R	76	Yes
21	531	11.06.16	35	Randhir prasad,rakesh,avinashchandra	Jadua,Hajipur Vaishali	3400	3400	0	R	857	Yes

## II Part-B



**(i) Non Deduction of TDS as per Income Tax Act 1961 & rules prescribed there under:**

**Criteria -**

As per section 4 (2) of the Income Tax Act 1961, In respect of income chargeable under sub-section (1) of section 4, income-tax shall be deducted at the source or paid in advance, where it is so deductible or payable under any provision of this Act.

**Condition -**

- Sample verification of records of Hajipur Nagar Parishad, No TDS deducted on the salary paid during the relevant Assessment year 2017-18 & Financial Year 2016-17 in respect of income chargeable under sub-section (1) of section 4 of Income Tax Act 1961. It has been observed that annual salaries of few employees were more than Rs 3 lakh.
- Even no support for exempted investment/expenses under Chapter VI (Section 80 etc.) were collected from the employee, which is mandatory to be collected by employer i.e. s

Few examples for the same are given below for reference:

S.No.	Name	Monthly Salary Paid of JUNE 2016
1	Miss Kanchan kumari ( City manager)	30300/-

**Consequence/Risk -**

- Violation of Income Tax Act & Rules
- Chances of penalty may be levied by Income Tax Department to the ULB.

**Cause -**

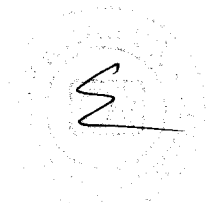
- Lack of skilled manpower at ULB

**Recommendation -**

Either supporting documents for exemption under Chapter VI (Section 80 etc.) of Income Tax Act 1961 to be collected from employees or TDS to be deducted under section 192 & 194 H of Income Tax Act 1961.

**(ii) Non Deduction of TDS as per Income Tax Act 1961 & rules prescribed there under:**

**Criteria -**



As per section 4 (2) of the Income Tax Act 1961, In respect of income chargeable under sub-section (1) of section 4, income-tax shall be deducted at the source or paid in advance, where it is so deductible or payable under any provision of this Act.

**Condition -**

- Sample verification of records of Hajipur Nagar Parishad, No TDS deducted on the commission paid during the Financial Year 2016-17 in respect of income chargeable under sub-section (1) of section 4 of Income Tax Act 1961. It has been observed that commission paid to tax collector and Tds not deducted on the same amount.

S.No.	Name	Monthly Salary Paid of JUNE 2016
1	Mr.Md. Rahmat(Tax Collector)	17791.64/-
2	Mr.Manoj Kumar Raman ( Tax Collector)	15103.04/-
3	Mr. Baccha chaudhary ( Tax Collector)	11519.32/-
4	Mr. Deewakar (Tax Collector)	14881.00/-

**(iii) TDS Deducted but Deposited Late**

**Criteria -**

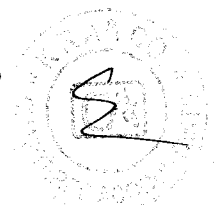
- As per Income Tax Act 1961 & Rules, "Tax deduction at source" (TDS) is applicable on the specified transactions and TDS deducted needs to be deposited by 7<sup>th</sup> day of the next month.

**Condition -**

Sample verification of records of Hajipur Nagar Parishad, it is observed that TDS deposited late of first quarter of FY 2016-17.

Details of sample cases where TDS deposited late are given below for reference:-

Deduction for the quarter	Amount	Due Date	Deposit Date	Remarks



April 16 to June 16 (Q1)	4,20,570	7th day of next month from the end of the month of deduction	12-Sep-16	Interest @1.5% per month or part of the month delay may be imposed by IT Department.
<b>TOTAL</b>	<b>4,20,570</b>			

**Consequence/Risk -**

- Violation of Income Tax Act & Rules
- Penalty may be levied by Income Tax Department on the ULB.

**Cause -**

- Lack of skilled manpower at ULB
- Lack of accountability at ULB level

**Corrective Action/Recommendation -**

TDS Returns must be filed on time as per relevant act & rules

**(iii) TDS Return Filled Late**

**Criteria -**

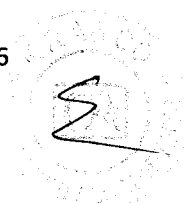
- As per Income Tax Act 1961 & Rules, "Tax deduction at source" (TDS) is applicable on the specified transactions and TDS deducted needs to be deposited by 7<sup>th</sup> day of the next month.
- Also Quarterly TDS returns need to be filed by 15th day of the following quarter.

**Condition -**

Sample verification of records of Hajipur Nagar Parishad, it is observed that TDS return filed late for various quarter of FY 2016-17:

Quarter	TDS Amount	Due Date	Actual Date of deposit	Remarks
Q1	4,20,570/-	15 July 2016	March, 2017	Approx 8 months delay. penalty may be imposed by Income Tax Department

**Consequence/Risk -**



- Violation of Income Tax Act & Rules
- Penalty may be levied by Income Tax Department on the ULB.

**Cause -**

- Lack of skilled manpower at ULB
- Lack of accountability at ULB level

**Corrective Action/Recommendation -**

- TDS Returns must be filed on time as per relevant act & rules

**(iv) VAT, Labour Cess & Royalty Deducted during 1<sup>st</sup> quarter F.Y. 2016-17 but Deposited Late**

**Criteria -**

- As per rule 40, Sub-rule (8&9) of the Bihar Minor Mineral Concession Rule, 1972, Royalty at prescribed rate must be deducted from the contractor's invoices & to be deposited to the concerned authority on or before the due date.
- As per relevant Act & Rules of Bihar VAT, VAT at prescribed rate needs to be deducted from the contractor's invoices & to be deposited to the concerned authority on or before the due date.
- Further as per rule 5 (3) of Building and other Construction Cell Rules 1998, Labour Cess @1% needs to be deducted from the contractor's invoices & to be deposited to the concerned authority on or before the due date.

**Condition -**

- Verification of records of Hajipur Nagar Parishad, it is observed that VAT deducted on various bills but deposited late by the ULB in FY 2016-17.

Details of sample cases where VAT deposited late are given below for reference:-

Deduction for the Period	Vat Amount	Due Date	Deposit Date	Remarks
April 16 to June 16 (Q1)	14,74,792	15th of the following month from the month of deduction	12-Sep-16	Interest & penalties may be levied on ULB by Concerned department
<b>TOTAL</b>	<b>14,74,792</b>			

- Verification of records of Hajipur Nagar Parishad, it is observed that Labour Cess deducted on various bills but deposited late by the ULB in FY 2016-17.

Details of sample cases where **Labour Cess** are given below for reference:-

Deduction for the Period	Labour Cess Amount	Due Date	Deposit Date	Remarks
April 16 to June 16(Q1)	2,12,534	within 30 days from the date of deduction	12-Sep-16	Interest @2% per month & penalties as per act/rules may be levied on ULB by Concerned department
<b>TOTAL</b>	<b>212,534</b>			

- Verification of records of Hajipur Nagar Parishad, it is observed that Royalty deducted on various bills but deposited late by the ULB in FY 2016-17.

Details of sample cases where **Royalty** are given below for reference:-

Deduction for the quarter	Amount	Due Date	Deposit Date	Remarks
April 16 to June 16 (Q1)	2,76,326	within 7 days from the date of deduction	12-sep-16	Interest @15% may be imposed by concerned authority
<b>TOTAL</b>	<b>276,326</b>			

**Consequence/Risk -**

- Violation of Bihar Minor Mineral Concession Rule, 1972
- Violation of Bihar VAT Act & Rules
- Violation of Building and other Construction Cell Rules 1998
- Penalty & Penalties may be levied by Concerned Department on the ULB.

**Cause -**

- Lack of skilled manpower at ULB
- Lack of accountability at ULB level

**Corrective Action/Recommendation -**

- All Statutory dues must be deducted & deposited on time to avoid interest & penalty
- Responsibility must be fixed for all statutory compliances at ULB

**(v) Carriage payment made without M and N Form**

**Criteria -**



As per rule 40, Sub-rule (10) of the Bihar Minor Mineral Concession Rule, 1972, contractor are liable to submit Form 'M' and Form 'N' in compliance of the Bihar Minor Mineral Concession Rules.

**Condition**

Final payment has been done without affidavit form M and N.

**Consequence/Risk -**

- Excess payment of carriage of stone, chips, bricks and sand
- Violation of Bihar Minor Mineral Concession Rules, Bihar
- Penalty can be imposed on ULB by the concerned authority.

**Cause -**

- Lack of internal control in payment process

**Corrective Action/Recommendation -**

Prescribed Form M and N must be taken before payment to contractor.

**(vi) Fixed Assets Register not maintained & updated at ULB**

**Criteria -**

As per Chapter 15, Rule 84 of Bihar Municipal Accounting Rules 2014, The Municipality shall maintain the following Registers comprising land, building & all other infrastructure, immovable & movable Properties which belongs to municipality.

- a) Register of Land (BMAR Form 37)
- b) Register of Immovable Properties (BMAR Form 38)
- c) Register of Movable Properties (BMAR Form 39)

**Condition -**

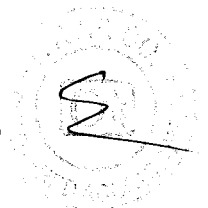
- Fixed asset register is not maintained & updated at ULB.

**Consequence/Risk -**

- Books of accounts not Showing True & Fair Picture
- Unrecorded Assets may be embezzled/misappropriated
- Violation of Bihar Municipal Accounting Rules 2014

**Cause -**

Lack of skilled manpower at ULB



**Corrective Action/Recommendation -**

Prescribed registers must be maintained & updated on regular basis/real time basis

**(vii) Store Register not maintained properly**

**Criteria -**

As per Rule 3 of Bihar Municipal Accounting Rules 2014, The Municipality shall Maintain store register in BMAR Form 47.

**Condition -**

Stores Register is maintained, however stock like printing and stationary, cleaning material, bleaching powder & brooms etc. are not updated in the register.

**Consequence/Risk -**

- Unrecorded store items may be embezzled/misappropriated
- Violation of Bihar Municipal Accounting Rules 2014

**Cause -**

- Lack of skilled manpower at ULB

**Corrective Action/Recommendation -**

Prescribed registers must be maintained & updated on regular basis/real time basis

**(viii).Advance payments**

**( Irregularity in disbursement of samajik suraksha pension)**

**Criteria**

As per rule no 40, No advance shall be made until the previous advance has been settled. Advance payment exceeding Rs 10000 shall be made by municipality through cheque only. we found that there is advances given to following tax collectors for disbursement of samajik suraksha pension but not adjusted till date. (Annexure-6)

S.No	Recipit date	Ward	Cashier Name	Cheque No.	Amount(Rs )	Period	Voucher
1	11.04.16	1 -6,18	Mr. Anjani Kumar	17593	2696700	Aug'15 to Dec'15	Not Submit
2	12.04.16	7-10,27	Mr. Anjani Kumar	17594	1589900	Aug'15 to Dec'15	Not Submit
3	18.04.16	11,12,13-16	Mr. Anjani Kumar	17595	3119700	Aug'15 to Dec'15	Not Submit
4	20.04.16	17,19-23	Mr. Anjani Kumar	17596	1319100	Aug'15 to Dec'15	Not Submit



5	20.04.1 6	24- 26,28,29	Mr. Anjani Kumar	17597	2003000	Aug'15 to Dec'15	Not Submit
6	22.04.1 6	30-34	Mr. Anjani Kumar	17598	2929800	Aug'15 to Dec'15	Not Submit
7	22.04.1 6	35-39	Mr. Anjani Kumar	17599	2759000	Aug'15 to Dec'15	Not Submit
8	07.05.1 6	1,2,3,4,5	Mr. Anjani Kumar	17600	1323200	Jan'16 to march'16	Not Submit
9	07.05.1 6	6,7,8,9,10	Mr. Anjani Kumar	17601	1019100	Jan'16 to march'16	Not Submit
10	11.05.1 6	18-21	Mr. Anjani Kumar	17602	926900	Jan'16 to march'16	Not Submit
11	12.05.1 6	17,22-25	Mr. Anjani Kumar	17603	897900	Jan'16 to march'16	Not Submit
12	13.05.1 6	26-30	Mr. Anjani Kumar	17604	1414800	Jan'16 to march'16	Not Submit
13	18.05.1 6	31-35	Mr. Anjani Kumar	17605	1967000	Jan'16 to march'16	Not Submit
14	19.05.1 6	36-39	Mr. Anjani Kumar	17606	1408800	Jan'16 to march'16	Not Submit
15	30.05.1 6	11,15	Mr. Anjani Kumar	17607	1678000	Jan'16 to march'16	Not Submit
				Total	27052900		

**Consequence -**

- Violation of Bihar Municipal Accounting Rules 2014
- Chances of wrong payments/payment to non eligible person

**Cause -**

- Lack of skilled manpower at ULB
- Lack of education of relevant rules of Bihar Municipal Act

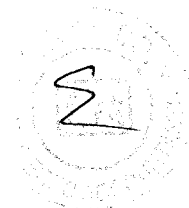
**Recommendation -**

- Rule 75 must be followed for disbursement to the daily wage workers & acknowledgement must be obtained from the workers on the muster payroll (BMAR Form- 33).

**III Part – C**

**(i). Other Remarks & Observations**

- A. As per Bihar Municipal Act 2007 Section 86 & 88 & BMAR 2014, annual accounts not prepared for F Y 2016-17.



- B. As per rule no 27, collection register separate for each fund is not maintained.
- C. As per Rule 69 of BMAR 2014, Grant Register in BMAR Form 28 is not maintained
- D. As per rule no 120, monthly receipt and payment statements are not prepared
- E. As per rule no 121, monthly trial balance is not prepared.

=====



**Principal Secretary**

**Urban Development & Housing Department, Govt of Bihar**

**Vikas Bhawan, New Secretariat, Patna**

**Internal Audit Report**  
**Submitted as per Contract**  
**Agreement No 140**  
**dated 05<sup>th</sup> April 2016.**

**As submitted by**  
**K R A & Co.**  
**(Chartered Accountant)**  
**Naya Tola, Patna, Bihar**  
**Contact No: 9971179375, 9708747261**

## **APPENDIX – V**

# **Internal Audit Report ULB**

Of Hajipur Nagar Parishad

For the period from 01/07/2016 to 30/09/2016

Internal Audit Conducted By

**K R A & Co.**

**(Chartered Accountants)**

Naya Tola, Patna, Bihar

Report Issued On 11.08.2017



# K R A & Co. (Chartered Accountants)

Naya Tola, Patna, Bihar-800004

Mb: 09708747261, 09971179375, E-mail: [krapatna@gmail.com](mailto:krapatna@gmail.com)

## Executive Summary

### 1. Introduction

- Name of the Municipality – HAJIPUR NAGAR PARISHAD
- Period covered under current audit – 1<sup>st</sup> July 2016 to 30<sup>th</sup> Sep 2016
- Name of Chief Municipal Officer for the period under Audit – Mr. Siddharth Harshvardhan

### 2. Results and Findings

#### A. Strengths observed during the audit engagement:

- Manual Accounting system is in existence though not much effective.
- Responses from Executive officers, Head Clerks were satisfactory.
- Office Infrastructure is sufficient for operation.

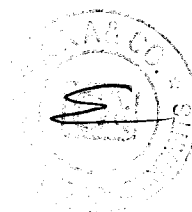
#### B. Weaknesses observed in the functioning of office, maintenance of records etc. during the audit engagement.

- Unable to collect Gov. Building Tax of Rs. 26, 99,681/- as on 30th Sep 16.
- Unable to collect mobile transmission tax (Registration & Renewal Fees) of Rs. 56, 98,800/- .
- Unable to collect Market/Shop rent of Rs. 1,15,07,631/-
- Delay in deposit / non deposition of collected Holding Tax collection
- Non compliance of Income Tax Act & Rules as TDS not deducted on eligible payments.
- Non compliance of Income Tax Act & Rules as TDS deducted but deposited late.
- Non compliance of Income Tax Act & Rules as TDS return filed late.
- Interest & penalty may be imposed for late deposition of deducted Vat, Labour Cess & Royalty as per relevant Acts & Rules
- Final Payments have been made without M and N form/affidavit from Contractor.
- Fixed assets register not maintained/updated properly
- Stores Register not maintained properly.
- Non Maintenance of prescribed books of accounts including Annual account as per BMA 2007 & BMAR 2014.

### 3. Opinion

In our overall opinion - ULB is not much efficient due to non implementation of proper accounting system and financial management of records and not following Bihar Municipal Accounting Rules 2014 properly.

### 4. Audit Recommendations



The Concerned Authority at ULB should raised request for proper manpower requirements at ULB. Proper & relevant Training Programs for existing manpower must be developed, depending upon their Key Responsibilities Area (KRA). Further they must be given training on Bihar Municipal Act & Rules so that proper adherence to the Act & Rules could be done at ULB.

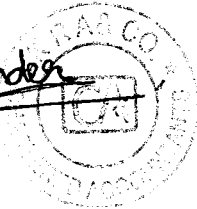
The Concerned Officers should explore other areas of Revenue Generation by surveying their area for Tower tax, Trade tax, Advertisement Tax, Hoarding Fees, Other Fees Taxes & Record Keeping should be done properly. Several Books and registers which are not maintained or maintained in improper manner should be done properly. Team at ULB should have adequate coordination between them for making their internal control system perfect.

#### 5. Comments from Management

As per local management, due to shortage of competent staff and absence of centralised financial control over reporting, they have not been able to resolve the pending issues. In line with the action plan, requisition of placement of proper staff shall be made in future for better financial management.

#### 6. Acknowledgement

We acknowledge that we have received cooperation at the respective ULB and corporation and acceptance of findings and management will follow the recommendations

*Manvinder*  






**K R A & Co. (Chartered Accountants)**

## Detailed Audit Report

### 1. Introduction

The Internal audit of Patna Hajipur Nagar Parishad covering the period from 01/07/2016 to 30/09/2016 was conducted by our audit team under guidance of CA. Manvinder Kaur, Partner, K R A & Co. (Chartered Accountants)

### 2. Administration

The present body of the ULB has taken charge on 05.09.2014. The incumbency in the key Administrative and executive positions were as under:

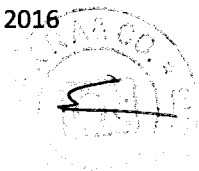
Executive Officer: - Mr. Siddarth Harshvardhan  
Chairman: - Mrs. Sangita Kumari  
Vice-Chairman:- Mrs. Rama Nishad  
City Manager: - Ms. Kanchan Kumari

### 3. Review of outstanding audit paras:

S. 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 recovery has been made	Total Amount of Recovery	Total No. of outstanding para where no action has been taken	No. & dated of compli- ance report
1	AG Audit for FY 12-13 13-14 & 14-15 done in May & June 2015	32	32	13	8	10510300	24	03-05-16

#### Particulars of outstanding paras of AG audit are given below:

S. No. of Paras	Particulars
LA/SS-1/SA-01	Sairat list & Details
LA/SS-1/SA-02	Fixed Assets Register
L.A.S.P.G.-03	Municipal Accounts Committee work
L.A.S.P.G.-04	Compliance of Old Audit Report
L.A.S.P.G.-05	Annual Accounts not prepared



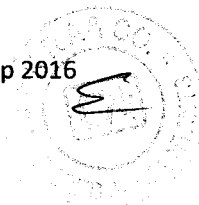
L.A.S.P.G.-06	Advance Salary payment without permanent empowered committee acceptance
L.A.S.P.G.-08	Government grant
LA/SS-1/SA-09	Loss on Sairat allotment
LA/SS-1/MK-10	Collection not deposited
LA/SS-1/RNP-11	Holding tax not deposited
LA/SS-1/MK-12	Collection not deposited
L.A.S.P.G.-13	Financial details & comparatives
LA/SS-1/RNP-14	Holding tax not deposited
LA/SS-1/SA-15	Sairat amount not deposited
LA/SS-1/SA-16	Advertisement fees details to be provided
LA/SS-1/SA-17	Sairat amount not deposited
L.A.S.P.G.-18	Income tax not deducted
LA/SS-1/SA-19	Loss on Sairat allotment
L.A.S.P.G.-20	Irregular purchase of Street Light
LA/SS-1/SA-21	VAT not deducted
LA/SS-1/RNP-22	Holding tax not deposited
LA/SS-1/MK-23	Collection not deposited/less deposited
L.A.S.P.G.-26	Irregular purchase of Dustbin & Rickshaw
LA/SS-1/MK-27	Shop rent pending
LA/SS-1/SA-28	Holding tax pending
LA/SS-1/SA-29	Non collection of mobile tower tax
L.A.S.P.G.-30	Purchase without approval of Municipal Council Board
L.A.S.P.G.-31	Elected Member Travel Allowance
LA/SS-1/MK-32	Multiple receipt not presented
LA/SS-1/MK-33	Data/details not presented
LA/SS-1/MK-34	Collection not deposited
LA/SS-1/MK-35	Collection not deposited by Cashier

#### 4. Finance

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

Year	2016-17	2015-16	2014-15
Final/Revised Budget	68,09,02,340/-	71,62,03,000/-	30,68,56,020/-
Actual Expenditure	25,97,35,614/-	58,16,33,270/-	18,84,28,528/-
Savings(+)/Excess(-)	42,11,66,726	13,45,69,730/-	11,84,27,492/-

##### II. Volume of transactions





Period	Budgeted (FY 2016-17)	Corresponding Period of Previous Year (FY 2015-16)	Current Period (FY 2016-17)
Opening balance	50,66,19,553/-	16,7267,683/-	26,08,27,780/-
Receipts	2,89,74,44,447	87,85,75,893/-	20,48,92,458/-
Total	3,40,40,64,000/-	104,58,43,576/-	46,57,20,238/-
Net expenditure	3,39,61,51,000/-	53,92,24,023/-	25,97,35,614/-
Closing balance	79,13,000/-	50,66,19,553/-	20,59,84,624

### III. Bank reconciliation

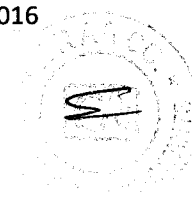
Bank reconciliations have not been prepared up to 30.09.2016, therefore a total of Rs. 9,43,401.22/- unexplained differences observed between Cashbook balances & Passbook balances. Annexure 1 & 2

Closing Balances as per Passbooks are as follows:-

S. No.	Bank Name	Amount
1	SBI A/C. NO(3270922473)	4084366.00
2	SBI A/C.NO(33588148909)	20640968.00
3	SBI A/C.NO(33460884365)	63364.00
4	SBI A/C.NO(10878004569)	1044984.00
5	SBI A/C. NO(33851556442)	132900.00
6	SBI A/C. NO(33948728857)	29727576.00
7	BOI A/C. NO(465410110008231)	1115412.00
8	BOI A/C. NO(465420110000192)	83619.00
9	UBG BANK A/C.NO(1000831010003678)	394502.00
10	IDBI A/C.NO(724104000003193)	1106241.00
11	HDFC A/C.NO(03451450000100)	3208351.00
12	SBI A/C. NO(35188073826)	983269.00
13	CORPORATION BANK (3686)	1952269.00
14	CORPORATION BANK (0098)	41599885.00
15	CORPORATION BANK (0097)	16903000.00
16	PLA	151992124.00
	<b>Total</b>	<b>275032830.00</b>

Closing Balance as per Cash Book Scheme Wise:-

S. No.	Scheme Name	Amount
1	SBM	42,87,821.64
2	AMRUT	6,49,943.50
3	E-MUNICIPALITY	26.00
4	HFA	2,95,6,495.50
5	MISC	4,19,904.93
6	BRGF	5,13,676.75
7	TEACHER SALARY	2,86,520.50



8	T.HALL + C. HALL	3,96,516.25
9	K. ANTYESTIC	2,831.50
10	ROAD CONST.	8,323.50
11	INTEREST	1,14,524.75
12	S. S PENSION	1,76,690.25
13	SLUM	74,31,735.75
14	13 <sup>TH</sup> FINANCE	9,49,562.00
15	14 <sup>TH</sup> FINANCE	91,26,183.25
16	E-GOVERNANCE	33,225.00
17	NULM	42,07,868.50
18	4 <sup>TH</sup> SFC PAY/PENSION	9,49,356.50
19	DEVELOPMENT	1,73,608.25
20	URBAN ROADS	7,959.75
21	WATER SUPPLY	6,418.75
22	PUBLIC HEALTH & HYGINE	78,344.75
23	UNTIE FUND	46,382.50
24	ROAD	32,223.75
25	ADM ON BUILDING	1,25,739.75
26	CIVIL ANIMITIES	38,538.75
27	PAY TO EX-OFFICER	10,755.75
28	PROF TAX	8,81,214.00
29	ADV FOR SHOP CONST.	9,30,841.75
30	CENSUS	12,750.00
31	ALLOTMENT FOR 18 TABLET	3,677.50
32	ELECTION	2,500.00
33	STATE PLAN 2014-15	7,40,628.50
34	STATE PLAN 2015-16 DRAIN	3,06,756.75
35	STATE PLAN 2015-16 ROAD	1,42,439.00
36	SAMRAT ASHOK BHAWAN	17,41,662.50
37	5 <sup>TH</sup> SFC	2,33,85,323.75
38	NALI-GALI	36,32,290.00
39	E. O .SALARY	35,425.00
40	PAY TO CITY MANAGER	11,831.75
41	SANITATION GRANT	4,96,116.75
42	PATH NIRMAN	6,250.00
43	M/B	27,98,246.48
	<b>Total</b>	<b>6,81,59,131.00</b>

#### IV Revenue Receipts

Period	Budgeted (FY 2016-17)	Corresponding Period of Previous Year (FY 2015-16)	Current Period (FY 2016-17)
a) Own source			
Property Tax/Tax Revenue	3,01,00,000/-	86,44,969	99,38,087/-



Assigned Revenue	4,50,00,000/-	1,93,96,068	2,15,07,785/-
Others (Fee & User Charges)	2,21,20,000/-	37,58,729	1,52,12,514/-
(b) Administrative grant	<b>12,30,00,000/-</b>	6,39,715	<b>2,11,900/-</b>
(c) Specific Grant Total:	<b>95,00,74,447/-</b>	54,80,90,618	
(Scheme wise)			
BPL Grant	10,00,000/-	0	
Election Grant	5,00,00,000/-	21,46,200	
Electricity & Contingency	55,00,000/-	0	
School Children health grant	15,00,000/-	0	
Swach Bharat Mission	15,00,00,000/-	14,00,000	
Other Revenue Grants		49,54,28,377	
Natural Calamity	25,00,000/-		
Kartik chhath/purnima mela	15,00,000/-		
slum Development	15,00,00,000/-	27,91,296	
Pub. Health & Cleaning Grant	3,00,00,000/-	1,44,19,800	
SJSRY/NULM	5,00,00,000/-	1,25,43,295	
Special Grant (Nagarik Suvidha, House for all)		1,87,91,650	
United Grant	15,00,00,000/-		
Kabir Antheyosti Grant	29,74,447/-		
Animal Grant	1,00,000/-		
Spur Grant	25,00,000/-		
Namami Ganga Yojna	35,00,00,000/-		
E-Governance Grant	25,00,000/-	5,70,000	

#### V. Status of implementation of Double Entry Accounting System

For the relevant financial year i.e. double entry accounting system has not been followed.

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

As per management, no such meeting has been held yet.

#### 5. Audit Observations

##### I Part-A

##### (i) Uncollected Holding Tax of Rs. 2699681/- on Govt. Building & Shop rent.



**Audit Objective-** As per point No: - 4.4 of TOR

***Criteria -***

As per Bihar Municipal Accounting Rules 2014, Holding Tax demand register to be maintained in the form of BMAR Form No. 23 & a summary statement of demand adjusted–raised for the period also to be maintained in BMAR Form No. 24. Also efforts to be made by Officers of ULB for collection of pending Holding Tax as per Bihar Municipal Act 2007. Further late fine should also be imposed on uncollected/pending Tax collection.

***Condition -***

- Holding Tax of Rs. 26, 99,681/- on Govt. building was pending to be recovered on till 30<sup>th</sup> June 2016 as per MIS sent to state government. As per official of ULB, steps are being taken for collection of holding tax.
- Demand Register & Summery Register in BMAR Form 23 & 24 not maintained.

***Consequence/Risk -***

Non collection of Holding Tax is a revenue loss to ULB.

***Cause -***

- Lack of skilled manpower at ULB
- Lack of strict action against defaulters
- Lack of proper mechanism for supervision and monitoring of Tax Collection

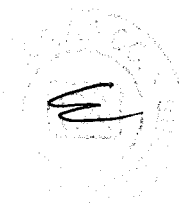
**Recommendation -**

- There should be a proper monitoring mechanism for supervision and monitoring of Tax Collection
- Also strict actions are required to be taken for collection of Holding Tax by concerned ULB.
- Demand Register & Summery Register in BMAR Form 23 & 24 must be maintained.

**(ii) Mobile Transmission Tower Tax (Registration & Renewal) of Rs. 5698800/- Pending Collection**

**Audit Objective-** As per point No.-4.4 of TOR

***Criteria -***



- Mobile Transmission Tax should be collected @ Rs. 40000 as Registration Fee & @ Rs. 10,000 as Renewal Fee per year. If more than one antenna is placed on the tower then, an extra registration & renewal fees @60% per antenna will be collected. Moreover a late fine @ 1.5% would be imposed in case of delay in collection after first month of the financial year. Further after every 5 years renewal fee has to be increased by 25%.
- Further as per Rule 6 (9) of Bihar Communication Towers and Related Structures Rules 2012, in case arrears in respect of registration fees and/or renewal fees for any tower, the municipality reserves the right to seal the tower until the payment is received in full along with accrued interest.

**Condition -**

- Mobile Transmission Tower Tax (Registration & Renewal fees) of Rs. 5698800/- was pending to be collected from 42 Mobile Transmission Towers under concerned ULB, based on records produced by Process Owner of the ULB.
- No records kept for number of antennas placed at each tower
- No late fine imposed for delays in collection of renewal fees

**Consequence/Risk -**

Non collection of mobile tower tax is a revenue loss to the ULB.

**Cause -**

- Lack of skilled manpower at ULB
- Lack of strict action against defaulters
- Lack of proper mechanism for supervision and monitoring of Tax (Registration & Renewal Fees) Collection

**Corrective Action/Recommendation -**

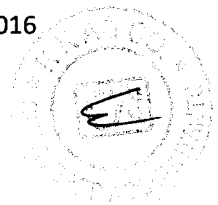
- There should be a proper monitoring mechanism for supervision and monitoring of Tax (Registration & Renewal Fees) collection.
- Also strict actions are required to be taken for collection of Mobile Transmission Tower Tax (Registration & Renewal Fees) by concerned ULB.

**(iii) Market/shop Rent Pending Collection of Rs. 11507631/-**

**Audit Objective-** As per point No: - 4.4 of TOR

**Criteria –**

Market/shop Rent should be collected on time. Further late fine should be imposed on uncollected/pending collection.



**Condition -**

- Market/shop rent of Rs. 11507631/- was pending to be collected from 652 shops on 30<sup>th</sup> Sep 2016 at concerned ULB

**Consequence/Risk -**

Non collection of Market/Shop rent is a revenue loss to ULB.

**Cause -**

- Lack of skilled manpower at ULB
- Lack of strict action against defaulters
- Lack of proper mechanism for supervision and monitoring of Rent Collection

**Corrective Action/Recommendation -**

- There should be a proper monitoring mechanism for supervision and monitoring of Rent Collection
- Also strict actions are required to be taken for collection of Market/Shop rent by concerned ULB.

**(iv) Collected holding tax not deposited by tax collector to cashier 2 to 30 days./ Collected amount kept by cashier 30 days or more. ( Annexure 4.1& 4.2)**

**Audit Objective-** As per point No: - 4.3 of TOR

**Criteria -**

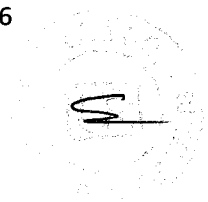
As per rule 27 of Bihar municipal accounting rules 2014, Tax Collected has to be deposited on same day before 4:30 PM to the designated personnel for depositing them to the bank.

**Condition -**

- Delays observed in depositing of collected tax money to the bank. Example is given below for reference:- (Annexure-4.1)

Collection Date	Holdin g No.	Rasid no.	Amount(Rs.)	Tax collector name	Date of Deposit To cashier	Date of deposit to Bank
02.07.16	722	7622	2574.00	Mhd. Rahmat	06.07.16	26.08.16
16.07.16	793	7658	3349.00	Mhd. Rahmat	18.07.16	26.08.16
29.07.16	28	7693	869.00	Mhd. Rahmat	30.07.16	26.08.16
20.08.16	568	8369	3109.00	Mhd. Rahmat	23.08.16	30.08.16
28.08.16	05	8395	3797.00	Mhd. Rahmat	29.08.16	30.08.16
30.08.16	819	9005	14388.00	Mhd. Rahmat	31.08.16	01.09.16

04.09.16	673	9018	345.00	Mhd. Rahmat	05.09.16	17.11.16
16.09.16	71	9052	8710.00	Mhd. Rahmat	16.09.16	17.11.16
19.09.16	421	9063	3238.00	Mhd. Rahmat	21.09.16	17.11.16
11.07.16	233	7497	168.00	Sri Diwaker Patel	12.07.16	26.08.16
11.07.16	819	7498	381.00	Sri Diwaker Patel	12.07.16	26.08.16
11.07.16	277	7499	617.00	Sri Diwaker Patel	12.07.16	26.08.16
21.08.16	02	8558	126.00	Sri Diwaker Patel	23.08.16	15.04.17
21.08.16	41	8559	3568.00	Sri Diwaker Patel	23.08.16	15.04.17
22.08.16	54	8560	3877.00	Sri Diwaker Patel	23.08.16	15.04.17
08.09.16	74	8586	2821.00	Sri Diwaker Patel	08.09.16	17.11.16
08.09.16	75	8587	13128.00	Sri Diwaker Patel	08.09.16	17.11.16
08.09.16	97	8588	7981.00	Sri Diwaker Patel	08.09.16	17.11.16
22.07.16	123	7851	230.00	Sri Upender ram	22.07.16	26.08.16
22.07.16	122	7852	189.00	Sri Upender ram	22.07.16	26.08.16
22.07.16	18	7853	434.00	Sri Upender ram	22.07.16	26.08.16
27.08.16	267	8620	313.00	Sri Upender ram	27.08.16	30.08.16
27.08.16	265	8621	93.00	Sri Upender ram	27.08.16	30.08.16
27.08.16	378	8622	82.00	Sri Upender ram	27.08.16	30.08.16
15.09.16	360	8643	278.00	Sri Upender ram	15.09.16	17.11.16
15.09.16	557	8644	1064.00	Sri Upender ram	15.09.16	17.11.16
15.09.16	516	8645	5027.00	Sri Upender ram	15.09.16	17.11.16
03.07.2016	77	7708	7965.00	Sri Manoj Kumar Raman	05.07.16	26.08.16
13.07.16	772	7727	945.00	Sri Manoj Kumar Raman	14.07.16	26.08.16
16.07.16	82	7743	2060.00	Sri Manoj Kumar Raman	18.07.16	26.08.16
21.07.16	84	7752	2490.00	Sri Manoj Kumar Raman	22.07.16	26.08.16
27.07.16	327	7776	3552.00	Sri Manoj Kumar Raman	29.07.16	30.01.17
06.08.16	481	8407	1220.00	Sri Manoj Kumar Raman	06.08.16	30.08.16
21.08.16	58	8462	4304.004304.00	Sri Manoj Kumar Raman	23.08.16	30.08.16
30.08.16	249	8804	1198811988.00	Sri Manoj Kumar Raman	31.08.16	30.08.16
02.09.16	731	8812	6740.00	Sri Manoj Kumar Raman	03.09.16	17.11.16
05.09.16	08	8827	4856.00	Sri Manoj Kumar Raman	06.09.16	17.11.16
08.09.16	54	8850	9272.00	Sri Manoj Kumar Raman	10.09.16	17.11.16



12.07.16	20	7921	2146.00	Sri Baccha chaudhary	14.07.16	26.08.16
12.07.16	78	7922	450.00	Sri Baccha chaudhary	14.07.16	26.08.16
14.07.16	206	7923	176.00	Sri Baccha chaudhary	14.07.16	26.08.16
20.08.16	91	8701	378.00	Sri Baccha chaudhary	22.08.16	30.08.16
21.08.16	851	8702	693.00	Sri Baccha chaudhary	22.08.16	30.08.16
21.08.16	850	8703	693.00	Sri Baccha chaudhary	22.08.16	30.08.16
05.09.16	495	8734	11880.00	Sri Baccha chaudhary	07.09.16	17.11.16
05.09.16	895	8735	4374.00	Sri Baccha chaudhary	07.09.16	17.11.16
06.09.16	477	8736	864.00	Sri Baccha chaudhary	07.09.16	17.11.16
12.07.16	1013	8043	221.00	Sri Manoj Araya	14.07.16	26.08.16
12.07.16	517	8044	95.00	Sri Manoj Araya	14.07.16	26.08.16
12.07.16	484	8045	88.00	Sri Manoj Araya	14.07.16	26.08.16
29.08.16	07	8290	1867.00	Sri Manoj Araya	31.08.16	30.08.16
29.08.16	208	8291	832.00	Sri Manoj Araya	31.08.16	30.08.16
30.08.16	834	8292	403.00	Sri Manoj Araya	31.08.16	30.08.16
21.09.16	459	9123	2142.00	Sri Manoj Araya	21.09.16	17.11.16
21.09.16	861	9124	709.00	Sri Manoj Araya	21.09.16	17.11.16
21.09.16	915	9125	227.00	Sri Manoj Araya	21.09.16	17.11.16

• (Annexure-4.2)

S.No.	cash book date(collect from TC)	Money Receipt no.	Cash book Page no.	Amount(Rs.)	Date of Deposit	Cashier Name
1	04.07.16	6970-6978	14	140129	26.08.16	Anjani Kumar
2	12.07.16	6986-6991	15	66639	26.08.16	Anjani Kumar
3	26.07.16	7017-7018	16	8344	26.08.16	Anjani Kumar
4	27.07.16	7042-7043	18	11966	26.08.16	Anjani Kumar
5	29.07.16	7047-7049	18	29635	26.08.16	Anjani Kumar
6	22.08.16	7068-7070	20	27915	26.08.16	Anjani Kumar
7	23.08.16	7071-7090	21	332541	26.08.16	Anjani Kumar
8	27.08.16	7091-7100	22	80139	30.08.16	Anjani Kumar
9	29.08.16	7201-7206	23	90088	30.08.16	Anjani Kumar
10	31.08.16	7209-7224	24	295525	01.09.16	Anjani Kumar



11	01.09.16	7225-7227	25	108454	07.09.16	Anjani Kumar
12	06.09.16	7231-7234	25	43380	07.09.16	Anjani Kumar
13	08.09.16	7237	26	27370	08.09.16	Anjani kumar
14	16.09.16	7243-7249	27	85107	17.11.16	Anjani Kumar
15	21.09.16	7257-7263	27	91838	17.11.16	Anjani Kumar
			Total	<b>1439070</b>		

**Consequence/Risk -**

- Misuse of collected money belong to ULB
- Loss of interest on collected money.
- Cash management at ULB level may be affected.
- Payment to the vendor/employees could not be done on time
- Outstanding in Tax Payers' account shown even after payments have been made by them, till the time tax collector deposited money & those are accounted for.

**Cause -**

- Lack of instruction or follow up by Revenue officer & Cashier
- Lack of education of relevant rules of Bihar Municipal Act

**Corrective Action/Recommendation -**

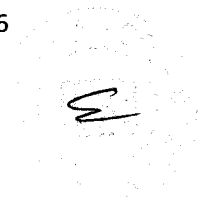
- Day to day monitoring on collection of taxes by revenue officer & Cashier
- Proper training of relevant rules must be given to the concerned personnel
- Penalty could be levied as per relevant rules

**(v) Field survey of Property Tax of 21 high value properties for F.Y. 2016-17**

**Audit Objective-** As per point No.-4.6 of TOR

- SAS form not filed for FY 2014-15 & Taxes were collected on , SAS form started from FY 2016 as conveyed by process owner at ULB

Field survey of Property Tax of 21 high value properties has been done & details are given below:-



SN O	Holdi ng No.	DATE	WAR D	OWNER NAME	ADDRESS	PLOT AREA	BUIL D UP AREA	VACA NT AREA	STATUS (RESIDEN TIAL/ COMMER CIAL)	AMOU NT OF TAX	Assessme nt done
1	3	20.06.16	6	lal babu,shyam babu	Tangual,hajipur vaishali	2850	1700	419	R	3335	Yes
2	490	13.04.16	4	Beni Singh,Jitendra kumar singh	Bagmali,hajipur vaishali	950	800	0	R	806	Yes
3	88	28.05.16	30	Hari Rai	chakbara,hajipur vaishali	500	500	0	R	221	Yes
4	94	16.05.16	30	Gopal Rai	chakbara,hajipur vaishali	700	0	0	R	177	Yes
5	52	07.06.16	30	Rambabu singh	Chakbara,hajipur vaishali	700	0	0	R	252	Yes
6	71	30.06.16	1	Late vina devi	Hathsarganj,hajipur vaishali	855	855	0	R	431	Yes
7	302	09.04.16	4	Mila Kumari	Baagmusha,Hajipur vaishali	1425	1425	0	R	1078	Yes
8	299	25.04.16	17	srimate Kaushalya Devi	Pokhra,Hajipur vaishali	1900	950	541	R	582	Yes
9	508	15.05.16	17	Srimati Savita Devi	Pokhra,Hajipur vaishali	665	500	0	R/NR	873	Yes
10	448	02.04.16	17	Sri Vishwanath prasad gupta	Pokhra,Hajipur vaishali	950	800	0	R	403	Yes
11	160	18.05.16	17	Sri Mithilesh Sharma	Pokhra,Hajipur vaishali	660	0	0	R/NR	3318	Yes
12	1006	30.05.16	28	Kumar Rahul	Badi Yusufpur,hajipur vaishali	650	570	0	R	144	Yes
13	168	31.05.16	38	Sri Ramanand chaudhary	Yusufpur ,hajipur vaishali	1100	850	0	R	536	Yes
14	1007	30.05.16	28	Srimati suchita Devi	Choti Yusufpur,hajipur vaishali	330	330	0	R	83	Yes
15	984	28.05.16	28	Vina Devi	Badi Yusufpur,hajipur vaishali	2450	1900	0	R	479	Yes
16	111	29.04.16	23	Sri Upendra Rai,Devendra I Amarnath rai	Pokhra,Hajipur vaishali	1425	1050	0	R	1939	Yes

3

17	77	03.06.16	23	Nain tarabubna, p ushpa bubna, Usha bubna	Baghdulhan, hajipur vaishali	9500	2000	6640	R	6926	Yes
18	157	26.05.16	34	Punam Devi	Minapur, up hajipur vaishali	400	400	0	R	101	Yes
19	443	21.05.16	33	Devendra Singh	Minapur, hajipur vaishali	475	400	0	R	76	Yes
20	442	21.05.16	33	Manoj singh	Minapur, hajipur vaishali	475	400	0	R	76	Yes
21	531	11.06.16	35	Randhir prasad, rakesh, avinashchandra	Jadua, Hajipur Vaishali	3400	3400	0	R	857	Yes

## II Part-B

### (i) Non Deduction of TDS as per Income Tax Act 1961 & rules prescribed there under:

#### **Criteria -**

As per section 4 (2) of the Income Tax Act 1961, In respect of income chargeable under sub-section (1) of section 4, income-tax shall be deducted at the source or paid in advance, where it is so deductible or payable under any provision of this Act.

#### **Condition -**

- Sample verification of records of Hajipur Nagar Parishad, No TDS deducted on the salary paid during the relevant Assessment year 2017-18 & Financial Year 2016-17 in respect of income chargeable under sub-section (1) of section 4 of Income Tax Act 1961. It has been observed that annual salaries of few employees were more than Rs 3 lakh.
- Even no support for exempted investment/expenses under Chapter VI (Section 80 etc.) were collected from the employee, which is mandatory to be collected by employer i.e. s

Few examples for the same are given below for reference:

S.No.	Name	Monthly Salary Paid of SEP 2016
1	Miss Kanchan kumari ( City manager)	30300/-

*E*

**Consequence/Risk -**

- Violation of Income Tax Act & Rules
- Chances of penalty may be levied by Income Tax Department to the ULB.

**Cause -**

- Lack of skilled manpower at ULB

**Recommendation -**

Either supporting documents for exemption under Chapter VI (Section 80 etc.) of Income Tax Act 1961 to be collected from employees or TDS to be deducted under section 192 & 194 H of Income Tax Act 1961.

**(ii) Non Deduction of TDS as per Income Tax Act 1961 & rules prescribed there under:**

**Criteria -**

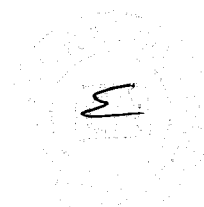
As per section 4 (2) of the Income Tax Act 1961, In respect of income chargeable under sub-section (1) of section 4, income-tax shall be deducted at the source or paid in advance, where it is so deductible or payable under any provision of this Act.

**Condition -**

- Sample verification of records of Hajipur Nagar Parishad, No TDS deducted on the commission paid during the Financial Year 2016-17 in respect of income chargeable under sub-section (1) of section 4 of Income Tax Act 1961. It has been observed that commission paid to tax collector and Tds not deducted on the same amount.

S.No.	Name	Monthly Salary Paid of SEP 2016
1	Mr.Md. Rahmat(Tax Collector)	28,419/-
2	Mr.Manoj Kumar Raman ( Tax Collector)	24,599/-
3	Mr. Baccha chaudhary ( Tax Collector)	35,626/-
4	Mr. Deewakar(Tax collector)	18950/-

**(iii) TDS Deducted but Deposited Late**



**Criteria -**

- As per Income Tax Act 1961 & Rules, "Tax deduction at source" (TDS) is applicable on the specified transactions and TDS deducted needs to be deposited by 7<sup>th</sup> day of the next month.

**Condition -**

Sample verification of records of Hajipur Nagar Parishad, it is observed that TDS deposited late of first quarter of FY 2016-17.

Details of sample cases where TDS deposited late are given below for reference:-

Deduction for the quarter	Amount	Due Date	Deposit Date	Remarks
July 16 to Sep 16 (Q2)	4,07,303/-	7th day of next month from the end of the month of deduction	12.0.09.2016	Interest @1.5% per month or part of the month delay may be imposed by IT Department.
TOTAL				

**Consequence/Risk -**

- Violation of Income Tax Act & Rules
- Penalty may be levied by Income Tax Department on the ULB.

**Cause -**

- Lack of skilled manpower at ULB
- Lack of accountability at ULB level

**Corrective Action/Recommendation -**

TDS Returns must be filed on time as per relevant act & rules

**(iii) TDS Return Filled Late**

**Criteria -**

- As per Income Tax Act 1961 & Rules, "Tax deduction at source" (TDS) is applicable on the specified transactions and TDS deducted needs to be deposited by 7<sup>th</sup> day of the next month.

- Also Quarterly TDS returns need to be filed by 15th day of the following quarter.

**Condition -**

Sample verification of records of Hajipur Nagar Parishad, it is observed that TDS return filed late for various quarter of FY 2016-17:

Quarter	TDS Amount	Due Date	Actual Date of deposit	Remarks
Q2	4,07,303/-	15 oct 2016	March,2017	Approx 5 months delay. penalty may be imposed by Income Tax Department

**Consequence/Risk -**

- Violation of Income Tax Act & Rules
- Penalty may be levied by Income Tax Department on the ULB.

**Cause -**

- Lack of skilled manpower at ULB
- Lack of accountability at ULB level

**Corrective Action/Recommendation -**

- TDS Returns must be filed on time as per relevant act & rules

**(iv) VAT, Labour Cess & Royalty Deducted during 1<sup>st</sup> quarter F.Y. 2016-17 but Deposited Late**

**Criteria -**

- As per rule 40, Sub-rule (8&9) of the Bihar Minor Mineral Concession Rule, 1972, Royalty at prescribed rate must be deducted from the contractor's invoices & to be deposited to the concerned authority on or before the due date.
- As per relevant Act & Rules of Bihar VAT, VAT at prescribed rate needs to be deducted from the contractor's invoices & to be deposited to the concerned authority on or before the due date.
- Further as per rule 5 (3) of Building and other Construction Cell Rules 1998, Labour Cess @1% needs to be deducted from the contractor's invoices & to be deposited to the concerned authority on or before the due date.

**Condition -**

- Verification of records of Hajipur Nagar Parishad, it is observed that VAT deducted on various bills but deposited late by the ULB in FY 2016-17.

Details of sample cases where **VAT deposited late** are given below for reference:-

Deduction for the Period	Vat Amount	Due Date	Deposit Date	Remarks
July 16 to Sep 16 (Q2)	18,50,864/-	15th of the following month from the month of deduction	12.09.2016	Interest & penalties may be levied on ULB by Concerned department
TOTAL				

- Verification of records of Hajipur Nagar Parishad, it is observed that Labour Cess deducted on various bills but deposited late by the ULB in FY 2016-17.

Details of sample cases where **Labour Cess** are given below for reference:-

Deduction for the Period	Labour Cess Amount	Due Date	Deposit Date	Remarks
July 16 to Sep 16 (Q2)	2,93,726/-	within 30 days from the date of deduction	12.09.2016	Interest @2% per month & penalties as per act/rules may be levied on ULB by Concerned department
TOTAL				

- Verification of records of Hajipur Nagar Parishad, it is observed that Royalty deducted on various bills but deposited late by the ULB in FY 2016-17.

Details of sample cases where **Royalty** are given below for reference:-

Deduction for the quarter	Amount	Due Date	Deposit Date	Remarks
July 16 to Sep 16 (Q2)	3,70,273/-	within 7 days from the date of deduction	12.09.2016	Interest @15% may be imposed by concerned authority
TOTAL				

**Consequence/Risk -**

- Violation of Bihar Minor Mineral Concession Rule, 1972
- Violation of Bihar VAT Act & Rules
- Violation of Building and other Construction Cell Rules 1998

- Penalty & Penalties may be levied by Concerned Department on the ULB.

**Cause -**

- Lack of skilled manpower at ULB
- Lack of accountability at ULB level

**Corrective Action/Recommendation -**

- All Statutory dues must be deducted & deposited on time to avoid interest & penalty
- Responsibility must be fixed for all statutory compliances at ULB

**(v) Carriage payment made without M and N Form**

**Criteria -**

As per rule 40, Sub-rule (10) of the Bihar Minor Mineral Concession Rule, 1972, contractor are liable to submit Form 'M' and Form 'N' in compliance of the Bihar Minor Mineral Concession Rules.

**Condition**

Final payment has been done without affidavit form M and N.

**Consequence/Risk -**

- Excess payment of carriage of stone, chips, bricks and sand
- Violation of Bihar Minor Mineral Concession Rules, Bihar
- Penalty can be imposed on ULB by the concerned authority.

**Cause -**

- Lack of internal control in payment process

**Corrective Action/Recommendation -**

Prescribed Form M and N must be taken before payment to contractor.

**(vi) Fixed Assets Register not maintained & updated at ULB**

**Criteria -**

As per Chapter 15, Rule 84 of Bihar Municipal Accounting Rules 2014, The Municipality shall maintain the following Registers comprising land, building & all other infrastructure, immovable & movable Properties which belongs to municipality.

- a) Register of Land (BMAR Form 37)
- b) Register of Immovable Properties (BMAR Form 38)





c) Register of Movable Properties (BMAR Form 39)

**Condition -**

- Fixed asset register is not maintained & updated at ULB.

**Consequence/Risk -**

- Books of accounts not Showing True & Fair Picture
- Unrecorded Assets may be embezzled/misappropriated
- Violation of Bihar Municipal Accounting Rules 2014

**Cause -**

Lack of skilled manpower at ULB

**Corrective Action/Recommendation -**

Prescribed registers must be maintained & updated on regular basis/real time basis

**(vii) Store Register not maintained properly**

**Criteria -**

As per Rule 3 of Bihar Municipal Accounting Rules 2014, The Municipality shall Maintain store register in BMAR Form 47.

**Condition -**

Stores Register is maintained, however stock like printing and stationary, cleaning material, bleaching powder & brooms etc. are not updated in the register.

**Consequence/Risk -**

- Unrecorded store items may be embezzled/misappropriated
- Violation of Bihar Municipal Accounting Rules 2014

**Cause -**

- Lack of skilled manpower at ULB

**Corrective Action/Recommendation -**

Prescribed registers must be maintained & updated on regular basis/real time basis

**(viii).Advance payments**

**( Irregularity in disbursement of samajik suraksha pension)**

**Criteria**

As per rule no 40, No advance shall be made until the previous advance has been settled. Advance payment exceeding Rs 10000 shall be made by municipality through cheque only. we found that there is advances given to following tax collectors for disbursement of samajik suraksha pension but not adjusted till date. (Annexure-6)

S.No	Recipit date	Ward	Cashier Name	Cheque No.	Amount(Rs )	Period	Voucher
1	11.04.16	1-6,18	Mr. Anjani Kumar	17593	2696700	Aug'15 to Dec'15	Not Submit
2	12.04.16	7-10,27	Mr. Anjani Kumar	17594	1589900	Aug'15 to Dec'15	Not Submit
3	18.04.16	11,12,13-16	Mr. Anjani Kumar	17595	3119700	Aug'15 to Dec'15	Not Submit
4	20.04.16	17,19-23	Mr. Anjani Kumar	17596	1319100	Aug'15 to Dec'15	Not Submit
5	20.04.16	24-26,28,29	Mr. Anjani Kumar	17597	2003000	Aug'15 to Dec'15	Not Submit
6	22.04.16	30-34	Mr. Anjani Kumar	17598	2929800	Aug'15 to Dec'15	Not Submit
7	22.04.16	35-39	Mr. Anjani Kumar	17599	2759000	Aug'15 to Dec'15	Not Submit
8	07.05.16	1,2,3,4,5	Mr. Anjani Kumar	17600	1323200	Jan'16 to march'16	Not Submit
9	07.05.16	6,7,8,9,10	Mr. Anjani Kumar	17601	1019100	Jan'16 to march'16	Not Submit
10	11.05.16	18-21	Mr. Anjani Kumar	17602	926900	Jan'16 to march'16	Not Submit
11	12.05.16	17,22-25	Mr. Anjani Kumar	17603	897900	Jan'16 to march'16	Not Submit
12	13.05.16	26-30	Mr. Anjani Kumar	17604	1414800	Jan'16 to march'16	Not Submit
13	18.05.16	31-35	Mr. Anjani Kumar	17605	1967000	Jan'16 to march'16	Not Submit
14	19.05.16	36-39	Mr. Anjani Kumar	17606	1408800	Jan'16 to march'16	Not Submit
15	30.05.16	11,15	Mr. Anjani Kumar	17607	1678000	Jan'16 to march'16	Not Submit
				Total	27052900		

**Consequence -**

- Violation of Bihar Municipal Accounting Rules 2014
- Chances of wrong payments/payment to non eligible person

**Cause -**

- Lack of skilled manpower at ULB
- Lack of education of relevant rules of Bihar Municipal Act

**Recommendation -**

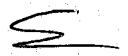
- Rule 75 must be followed for disbursement to the daily wage workers & acknowledgement must be obtained from the workers on the muster payroll (BMAR Form- 33).

**III Part – C**

**(i). Other Remarks & Observations**

- A. As per Bihar Municipal Act 2007 Section 86 & 88 & BMAR 2014, annual accounts not prepared for F Y 2016-17.
- B. As per rule no 27, collection register separate for each fund is not maintained.
- C. As per Rule 69 of BMAR 2014, Grant Register in BMAR Form 28 is not maintained
- D. As per rule no 120, monthly receipt and payment statements are not prepared
- E. As per rule no 121, monthly trial balance is not prepared.

=====



**Principal Secretary**

**Urban Development & Housing Department, Govt of Bihar**

**Vikas Bhawan, New Secretariat, Patna**

**Internal Audit Report**  
**Submitted as per Contract**  
**Agreement No 140**  
**dated 05<sup>th</sup> April 2016.**

**As submitted by**  
**K R A & Co.**  
**(Chartered Accountant)**  
**Naya Tola, Patna, Bihar**  
**Contact No: 9971179375, 9708747261**

**APPENDIX – V**

**Internal Audit Report**  
**ULB**

Of Hajipur Nagar Parishad

For the period from 01/10/2016 to 31/12/2016

Internal Audit Conducted By

**K R A & Co.**

**(Chartered Accountants)**

Naya Tola, Patna, Bihar

Report Issued On 11.08.2017



# K R A & Co. (Chartered Accountants)

Naya Tola, Patna, Bihar-800004

Mb: 09708747261, 09971179375, E-mail: [krapatna@gmail.com](mailto:krapatna@gmail.com)

## Executive Summary

### 1. Introduction

- Name of the Municipality – HAJIPUR NAGAR PARISHAD
- Period covered under current audit – 1<sup>st</sup> Oct 2016 to 31<sup>st</sup> Dec 2016
- Name of Chief Municipal Officer for the period under Audit – Mr. Siddarth Harshvardhan

### 2. Results and Findings

#### A. Strengths observed during the audit engagement:

- Manual Accounting system is in existence though not much effective.
- Responses from Executive officers, Head Clerks were satisfactory.
- Office Infrastructure is sufficient for operation.

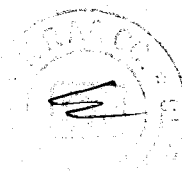
#### B. Weaknesses observed in the functioning of office, maintenance of records etc. during the audit engagement.

- Unable to collect Gov. Building Tax of Rs. 26, 99,681/- as on 30th June 16.
- Unable to collect mobile transmission tax (Registration & Renewal Fees) of Rs. 56,98,800/- .
- Unable to collect Market/Shop rent of Rs. 1,11,20,515/-
- Delay in deposit / non deposition of collected Holding Tax collection
- Non compliance of Income Tax Act & Rules as TDS not deducted on eligible payments.
- Non compliance of Income Tax Act & Rules as TDS deducted but deposited late.
- Non compliance of Income Tax Act & Rules as TDS return filed late.
- Interest & penalty may be imposed for late deposition of deducted Vat, Labour Cess & Royalty as per relevant Acts & Rules
- Final Payments have been made without M and N form/affidavit from Contractor.
- Fixed assets register not maintained/updated properly
- Stores Register not maintained properly.
- Non Maintenance of prescribed books of accounts including Annual account as per BMA 2007 & BMAR 2014.

### 3. Opinion

In our overall opinion - ULB is not much efficient due to non implementation of proper accounting system and financial management of records and not following Bihar Municipal Accounting Rules 2014 properly.

### 4. Audit Recommendations



The Concerned Authority at ULB should raised request for proper manpower requirements at ULB. Proper & relevant Training Programs for existing manpower must be developed, depending upon their Key Responsibilities Area (KRA). Further they must be given training on Bihar Municipal Act & Rules so that proper adherence to the Act & Rules could be done at ULB.

The Concerned Officers should explore other areas of Revenue Generation by surveying their area for Tower tax, Trade tax, Advertisement Tax, Hoarding Fees, Other Fees Taxes & Record Keeping should be done properly. Several Books and registers which are not maintained or maintained in improper manner should be done properly. Team at ULB should have adequate coordination between them for making their internal control system perfect.


#### 5. Comments from Management

As per local management, due to shortage of competent staff and absence of centralised financial control over reporting, they have not been able to resolve the pending issues. In line with the action plan, requisition of placement of proper staff shall be made in future for better financial management.

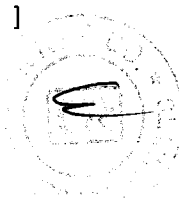
#### 6. Acknowledgement

We acknowledge that we have received cooperation at the respective ULB and corporation and acceptance of findings and management will follow the recommendations

Manvinder



**K R A & Co. (Chartered Accountants)**



## Detailed Audit Report

### 1. Introduction

The Internal audit of Patna Hajipur Nagar Parishad covering the period from 01/10/2016 to 31/12/2016 was conducted by our audit team under guidance of CA. Manvinder Kaur, Partner, K R A & Co. (Chartered Accountants)

### 2. Administration

The present body of the ULB has taken charge on 05.09.2014. The incumbency in the key Administrative and executive positions were as under:

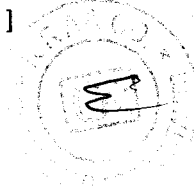
Executive Officer: - Mr. Siddarth Harshvardhan  
Chairman: - Mrs. Sangita Kumari  
Vice-Chairman:- Mrs. Rama Nishad  
City Manager: - Ms. Kanchan Kumari

### 3. Review of outstanding audit paras:

S. 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 recovery has been made	Total Amount of Recovery	Total No. of outstanding para where no action has been taken	No. & dated of compliance report
1	AG Audit for FY 12-13 13-14 & 14-15 done in May & June 2015	32	32	13	8	10510300	24	03-05-16

#### Particulars of outstanding paras of AG audit are given below:

S. No. of Paras	Particulars
LA/SS-1/SA-01	Sairat list & Details
LA/SS-1/SA-02	Fixed Assets Register
L.A.S.P.G.-03	Municipal Accounts Committee work
L.A.S.P.G.-04	Compliance of Old Audit Report
L.A.S.P.G.-05	Annual Accounts not prepared





L.A.S.P.G.-06	Advance Salary payment without permanent empowered committee acceptance
L.A.S.P.G.-08	Government grant
LA/SS-1/SA-09	Loss on Sairat allotment
LA/SS-1/MK-10	Collection not deposited
LA/SS-1/RNP-11	Holding tax not deposited
LA/SS-1/MK-12	Collection not deposited
L.A.S.P.G.-13	Financial details & comparatives
LA/SS-1/RNP-14	Holding tax not deposited
LA/SS-1/SA-15	Sairat amount not deposited
LA/SS-1/SA-16	Advertisement fees details to be provided
LA/SS-1/SA-17	Sairat amount not deposited
L.A.S.P.G.-18	Income tax not deducted
LA/SS-1/SA-19	Loss on Sairat allotment
L.A.S.P.G.-20	Irregular purchase of Street Light
LA/SS-1/SA-21	VAT not deducted
LA/SS-1/RNP-22	Holding tax not deposited
LA/SS-1/MK-23	Collection not deposited/less deposited
L.A.S.P.G.-26	Irregular purchase of Dustbin & Rickshaw ✓
LA/SS-1/MK-27	Shop rent pending
LA/SS-1/SA-28	Holding tax pending
LA/SS-1/SA-29	Non collection of mobile tower tax
L.A.S.P.G.-30	Purchase without approval of Municipal Council Board
L.A.S.P.G.-31	Elected Member Travel Allowance
LA/SS-1/MK-32	Multiple receipt not presented
LA/SS-1/MK-33	Data/details not presented
LA/SS-1/MK-34	Collection not deposited
LA/SS-1/MK-35	Collection not deposited by Cashier

#### 4. Finance

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

Year	2016-17	2015-16	2014-15
Final/Revised Budget	68,09,02,340/-	71,62,03,000/-	30,68,56,020/-
Actual Expenditure	25,97,35,614/-	58,16,33,270/-	18,84,28,528/-
Savings(+)/Excess(-)	42,11,66,726	13,45,69,730/-	11,84,27,492/-

##### II. Volume of transactions



Period	Budgeted (FY 2016-17)	Corresponding Period of Previous Year (FY 2015-16)	Current Period (FY 2016-17)
Opening balance	50,66,19,553/-	16,7267,683/-	26,08,27,780/-
Receipts	2,89,74,44,447	87,85,75,893/-	20,48,92,458/-
Total	3,40,40,64,000/-	104,58,43,576/-	46,57,20,238/-
Net expenditure	3,39,61,51,000/-	53,92,24,023/-	25,97,35,614/-
Closing balance	79,13,000/-	50,66,19,553/-	20,59,84,624

### III. Bank reconciliation

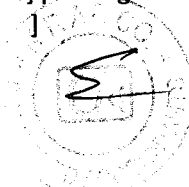
Bank reconciliations have not been prepared up to 31.12.2016, therefore a total of Rs. 9,43,401.22/- unexplained differences observed between Cashbook balances & Passbook balances. Annexure 1 & 2

Closing Balances as per Passbooks are as follows:-

S. No.	Bank Name	Amount
1	SBI A/C. NO(3270922473)	4111331.00
2	SBI A/C.NO(33588148909)	17268758.00
3	SBI A/C.NO(33460884365)	63364.00
4	SBI A/C.NO(10878004569)	1150121.00
5	SBI A/C. NO(33851556442)	774004.00
6	SBI A/C. NO(33948728857)	29727576.00
7	BOI A/C. NO(465410110008231)	1133765.00
8	BOI A/C. NO(465420110000192)	83619.00
9	UBG BANK A/C.NO(1000831010003678)	402392.00
10	IDBI A/C.NO(724104000003193)	1117273.00
11	HDFC A/C.NO(03451450000100)	1675972.00
12	SBI A/C. NO(35188073826)	983269.00
13	CORPORATION BANK (3686)	1972091.00
14	CORPORATION BANK (0098)	2299885.00
15	CORPORATION BANK (0097)	14265988.00
16	PLA	110764154.00
17	CANARA(021)	19782998.00
	<b>Total</b>	<b>207576560</b>

Closing Balance as per Cash Book Scheme Wise:-

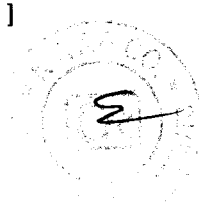
S. No.	Scheme Name	Amount
1	SBM	42,87,821.64
2	AMRUT	6,49,943.50
3	E-MUNICIPALITY	26.00
4	HFA	2,95,6,495.50
5	MISC	4,19,904.93
6	BRGF	5,13,676.75



7	TEACHER SALARY	2,86,520.50
8	T.HALL + C. HALL	3,96,516.25
9	K. ANTYESTIC	2,831.50
10	ROAD CONST.	8,323.50
11	INTEREST	1,14,524.75
12	S. S PENSION	1,76,690.25
13	SLUM	74,31,735.75
14	13 <sup>TH</sup> FINANCE	9,49,562.00
15	14 <sup>TH</sup> FINANCE	91,26,183.25
16	E-GOVERNANCE	33,225.00
17	NULM	42,07,868.50
18	4 <sup>TH</sup> SFC PAY/PENSION	9,49,356.50
19	DEVELOPMENT	1,73,608.25
20	URBAN ROADS	7,959.75
21	WATER SUPPLY	6,418.75
22	PUBLIC HEALTH & HYGINE	78,344.75
23	UNTIE FUND	46,382.50
24	ROAD	32,223.75
25	ADM ON BUILDING	1,25,739.75
26	CIVIL ANIMITIES	38,538.75
27	PAY TO EX-OFFICER	10,755.75
28	PROF TAX	8,81,214.00
29	ADV FOR SHOP CONST.	9,30,841.75
30	CENSUS	12,750.00
31	ALLOTMENT FOR 18 TABLET	3,677.50
32	ELECTION	2,500.00
33	STATE PLAN 2014-15	7,40,628.50
34	STATE PLAN 2015-16 DRAIN	3,06,756.75
35	STATE PLAN 2015-16 ROAD	1,42,439.00
36	SAMRAT ASHOK BHAWAN	17,41,662.50
37	5 <sup>TH</sup> SFC	2,33,85,323.75
38	NALI-GALI	36,32,290.00
39	E. O .SALARY	35,425.00
40	PAY TO CITY MANAGER	11,831.75
41	SANITATION GRANT	4,96,116.75
42	PATH NIRMAN	6,250.00
43	M/B	27,98,246.48
	Total	6,81,59,131.00

#### IV Revenue Receipts

Period	Budgeted (FY 2016-17)	Corresponding Period of Previous Year (FY 2015-16)	Current Period (FY 2016-17)
a) Own source			



a) Own source			
Property Tax/Tax Revenue	3,01,00,000/-	86,44,969	99,38,087/-
Assigned Revenue	4,50,00,000/-	1,93,96,068	2,15,07,785/-
Others (Fee & User Charges)	2,21,20,000/-	37,58,729	1,52,12,514/-
(b) Administrative grant	<b>12,30,00,000/-</b>	6,39,715	<b>2,11,900/-</b>
(c) Specific Grant Total:	<b>95,00,74,447/-</b>	54,80,90,618	
(Scheme wise)			
BPL Grant	10,00,000/-	0	
Election Grant	5,00,00,000/-	21,46,200	
Electricity & Contingency	55,00,000/-	0	
School Children health grant	15,00,000/-	0	
Swach Bharat Mission	15,00,00,000/-	14,00,000	
Other Revenue Grants		49,54,28,377	
Natural Calamity	25,00,000/-		
Kartik chhath/purnima mela	15,00,000/-		
slum Development	15,00,00,000/-	27,91,296	
Pub. Health & Cleaning Grant	3,00,00,000/-	1,44,19,800	
SJSRY/NULM	5,00,00,000/-	1,25,43,295	
Special Grant (Nagarik Suvidha, House for all)		1,87,91,650	
United Grant	15,00,00,000/-		

#### V. Status of implementation of Double Entry Accounting System

For the relevant financial year i.e. double entry accounting system has not been followed.

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

As per management, no such meeting has been held yet.

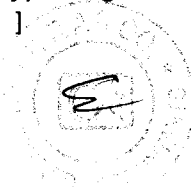
#### 5. Audit Observations

##### I Part-A

##### (i) Uncollected Holding Tax of Rs. 2699681/-on Govt. Building & Shop rent.

**Audit Objective-** As per point No: - 4.4 of TOR

**Criteria -**



As per Bihar Municipal Accounting Rules 2014, Holding Tax demand register to be maintained in the form of BMAR Form No. 23 & a summary statement of demand adjusted–raised for the period also to be maintained in BMAR Form No. 24. Also efforts to be made by Officers of ULB for collection of pending Holding Tax as per Bihar Municipal Act 2007. Further late fine should also be imposed on uncollected/pending Tax collection.

**Condition -**

- Holding Tax of Rs. 26, 99,681/- on Govt. building was pending to be recovered on till 30<sup>th</sup> June 2016 as per MIS sent to state government. As per official of ULB, steps are being taken for collection of holding tax.
- Demand Register & Summery Register in BMAR Form 23 & 24 not maintained.

**Consequence/Risk -**

Non collection of Holding Tax is a revenue loss to ULB.

**Cause -**

- Lack of skilled manpower at ULB
- Lack of strict action against defaulters
- Lack of proper mechanism for supervision and monitoring of Tax Collection

**Recommendation -**

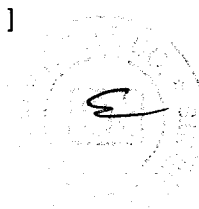
- There should be a proper monitoring mechanism for supervision and monitoring of Tax Collection
- Also strict actions are required to be taken for collection of Holding Tax by concerned ULB.
- Demand Register & Summery Register in BMAR Form 23 & 24 must be maintained.

**(ii) Mobile Transmission Tower Tax (Registration & Renewal) of Rs. 5698800/- Pending Collection**

**Audit Objective-** As per point No.-4.4 of TOR

**Criteria -**

- Mobile Transmission Tax should be collected @ Rs. 40000 as Registration Fee & @ Rs. 10,000 as Renewal Fee per year. If more than one antenna is placed on the tower then, an extra registration & renewal fees @60% per antenna will be collected. Moreover a late fine @ 1.5% would be imposed in case of delay in collection after first month of the financial year. Further after every 5 years renewal fee has to be increased by 25%.



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

**Condition -**

- Mobile Transmission Tower Tax (Registration & Renewal fees) of Rs. 5698800/- was pending to be collected from 42 Mobile Transmission Towers under concerned ULB, based on records produced by Process Owner of the ULB.
- No records kept for number of antennas placed at each tower
- No late fine imposed for delays in collection of renewal fees

**Consequence/Risk -**

Non collection of mobile tower tax is a revenue loss to the ULB.

**Cause -**

- Lack of skilled manpower at ULB
- Lack of strict action against defaulters
- Lack of proper mechanism for supervision and monitoring of Tax (Registration & Renewal Fees) Collection

**Corrective Action/Recommendation -**

- There should be a proper monitoring mechanism for supervision and monitoring of Tax (Registration & Renewal Fees) collection.
- Also strict actions are required to be taken for collection of Mobile Transmission Tower Tax (Registration & Renewal Fees) by concerned ULB.

**(iii) Market/shop Rent Pending Collection of Rs. 11120515/-**

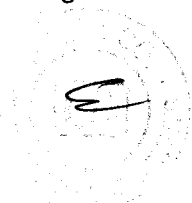
**Audit Objective-** As per point No: - 4.4 of TOR

**Criteria –**

Market/shop Rent should be collected on time. Further late fine should be imposed on uncollected/pending collection.

**Condition -**

- Market/shop rent of Rs. 1,11,20,515/- was pending to be collected from 652 shops on 31st Dec 2016 at concerned ULB



### **Consequence/Risk -**

Non collection of Market/Shop rent is a revenue loss to ULB.

### **Cause -**

- Lack of skilled manpower at ULB
- Lack of strict action against defaulters
- Lack of proper mechanism for supervision and monitoring of Rent Collection

### **Corrective Action/Recommendation -**

- There should be a proper monitoring mechanism for supervision and monitoring of Rent Collection
- Also strict actions are required to be taken for collection of Market/Shop rent by concerned ULB.

**(iv) Collected holding tax not deposited by tax collector to cashier 2 to 30 days./ Collected amount kept by cashier 30 days or more.( Annexure 4.1& 4.2)**

**Audit Objective-** As per point No: - 4.3 of TOR

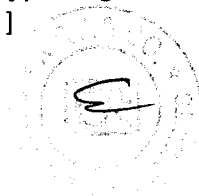
### **Criteria -**

As per rule 27 of Bihar municipal accounting rules 2014, Tax Collected has to be deposited on same day before 4:30 PM to the designated personnel for depositing them to the bank.

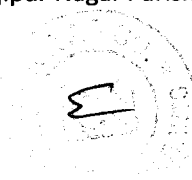
### **Condition -**

- Delays observed in depositing of collected tax money to the bank. Example is given below for reference:-(Annexure-4.1)

Collection Date	Holding No.	Rasid no.	Amount(Rs.)	Tax collector name	Date of Deposit To cashier	Date of deposit to Bank
18.10.16	64	9801	9148	Mhd. Rahmat	08.11.16	17.11.16
20.10.16	163	9804	2462	Mhd. Rahmat	08.11.16	17.11.16
20.11.16	583	9806	5381.00	Mhd. Rahmat	08.11.16	06.12.16
21.11.16	572	9850	1411.00	Mhd. Rahmat	22.11.16	06.12.16
22.11.16	563	9870	7984.00	Mhd. Rahmat	24.11.16	06.12.16
24.11.16	119	9889	1518.00	Mhd. Rahmat	17.12.16	06.12.16
14.12.16	503	213	3950.00	Mhd. Rahmat	29.12.16	11.01.17
28.12.16	36	241	2177.00	Mhd. Rahmat	29.12.16	11.01.17
29.12.16	137	244	1501.00	Mhd. Rahmat		11.01.17



07.10.16	939	9289	1036.00	Sri Diwaker Patel	07.10.16	17.11.16
07.10.16	856	9290	1146.00	Sri Diwaker Patel	07.10.16	17.11.16
07.10.16	368	9291	1058.00	Sri Diwaker Patel	07.10.16	17.11.16
22.11.16	111	9732	9396.00	Sri Diwaker Patel	22.11.16	06.12.16
22.11.16	35	9733	148.00	Sri Diwaker Patel	22.11.16	06.12.16
22.11.16	201	9734	1141.00	Sri Diwaker Patel	22.11.16	06.12.16
12.12.16	623	414	226.00	Sri Diwaker Patel	13.12.16	30.01.17
12.12.16	190	415	6851.00	Sri Diwaker Patel	13.12.16	30.01.17
12.12.16	191	416	1144.00	Sri Diwaker Patel	13.12.16	30.01.17
06.10.16	45	8683	244.00	Sri Upender ram	06.10.16	17.11.16
06.10.16	175	8684	493.00	Sri Upender ram	06.10.16	17.11.16
06.10.16	515	8685	282.00	Sri Upender ram	06.10.16	17.11.16
24.11.16	429	9927	475.00	Sri Upender ram	24.11.16	06.12.16
24.11.16	117	9928	872.00	Sri Upender ram	24.11.16	06.12.16
24.11.16	454	9929	156.00	Sri Upender ram	24.11.16	06.12.16
03.12.16	534	9948	263.00	Sri Upender ram	03.12.16	11.01.17
03.12.16	532	9949	476.00	Sri Upender ram	03.12.16	11.01.17
03.12.16	457	9950	136.00	Sri Upender ram	03.12.16	11.01.17
07.10.16	30	9508	1576.00	Sri Manoj Araya	07.10.16	17.11.16
07.10.16	29	9509	1770.00	Sri Manoj Araya	07.10.16	17.11.16
07.10.16	27	9510	3334.00	Sri Manoj Araya	07.10.16	17.11.16
18.11.16	276	9546	216.00	Sri Manoj Araya	19.11.16	06.12.16
19.11.16	26	9547	2324.00	Sri Manoj Araya	19.11.16	06.12.16
19.11.16	37	9548	377.00	Sri Manoj Araya	19.11.16	06.12.16
12.12.16	10	348	250.00	Sri Manoj Araya	13.12.16	11.01.17
12.12.16	22	349	250.00	Sri Manoj Araya	13.12.16	11.01.17
12.12.16	23	350	250.00	Sri Manoj Araya	13.12.16	11.01.17
12.10.16	905	9439	230.00	Sri Baccha chaudhary	15.10.16	17.11.16
13.10.16	285	9440	4657.00	Sri Baccha chaudhary	15.10.16	17.11.16
13.10.16	181	9441	1364.00	Sri Baccha chaudhary	15.10.16	17.11.16
19.11.16	932	9454	908.00	Sri Baccha chaudhary	19.11.16	06.12.16
19.11.16	911	9455	1187.00	Sri Baccha chaudhary	19.11.16	06.12.16
19.11.16	896	9456	1632.00	Sri Baccha chaudhary	19.11.16	06.12.16
12.12.16	756	159	2475.00	Sri Baccha chaudhary	13.12.16	11.01.17
12.12.16	787	160	1275.00	Sri Baccha chaudhary	13.12.16	11.01.17
12.12.16	908	161	316.00	Sri Baccha chaudhary	13.12.16	11.01.17
06.10.16	684	9390	2116.00	Sri Manoj Kumar	07.10.16	17.11.16





				Raman		
14.10.16	593	9608	1458.00	Sri Manoj Kumar Raman	14.10.16	17.11.16
21.10.16	74	9630	614.00	Sri Manoj Kumar Raman	22.10.16	17.11.16
15.11.16	782	9635	1413.00	Sri Manoj Kumar Raman	15.11.16	06.12.16
21.11.16	54	9652	7759.00	Sri Manoj Kumar Raman	22.11.16	06.12.16
23.11.16	224	5994	6174.00	Sri Manoj Kumar Raman	24.11.16	06.12.16
01.12.16	25	38	3266.00	Sri Manoj Kumar Raman	02.12.16	11.01.17
04.12.16	513	61	936.00	Sri Manoj Kumar Raman	06.12.16	11.01.17
11.12.16	400	506	6179.00	Sri Manoj Kumar Raman	13.12.16	11.01.17

- (Annexure-4.2)

S.No.	cash book date(collect from TC)	Money Receipt no.	Cash book Page no.	Amount(Rs.)	Date of Deposit	Cashier Name
1	04.10.16	7291-7294	29	45817	17.11.16	Anjani Kumar
2	21.10.16	7401-7402	30	24308	17.11.16	Anjani Kumar
3	25.10.16	7408	30	8093	17.11.16	Anjani Kumar
4	08.11.16	7412-7414	30	50847		Anjani Kumar
5	15.11.16	7415-7416	30	2581		Anjani Kumar
6	18.11.16	7417-7420	41	40500		Anjani Kumar
7	23.11.16	7438-7439	42	239869		Anjani Kumar
8	29.11.16	7462-7465	44	41061		Anjani Kumar



9	03.12.16	7479-7480	44	11438	Anjani Kumar
10	08.12.16	7486-7487	45	22832	Anjani Kumar
11	16.12.16	7602	48	3185	Anjani Kumar
12	26.12.16	7616-7621	48	207986	Anjani Kumar
13	29.12.16	7623-7633	53	218013	Anjani Kumar
14	31.12.16	7634-7636	53	36678	Anjani Kumar
			Total	<b>953208</b>	

**Consequence/Risk -**

- Misuse of collected money belong to ULB
- Loss of interest on collected money.
- Cash management at ULB level may be affected.
- Payment to the vendor/employees could not be done on time
- Outstanding in Tax Payers' account shown even after payments have been made by them, till the time tax collector deposited money & those are accounted for.

**Cause -**

- Lack of instruction or follow up by Revenue officer & Cashier
- Lack of education of relevant rules of Bihar Municipal Act

**Corrective Action/Recommendation -**

- Day to day monitoring on collection of taxes by revenue officer & Cashier
- Proper training of relevant rules must be given to the concerned personnel
- Penalty could be levied as per relevant rules

**(v) Field survey of Property Tax of 21 high value properties for F.Y. 2016-17**

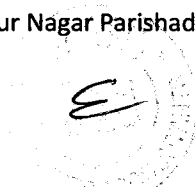
**Audit Objective-** As per point No.-4.6 of TOR

- SAS form not filed for FY 2014-15 & Taxes were collected on , SAS form started from FY 2016 as conveyed by process owner at ULB

Field survey of Property Tax of 21 high value properties has been done & details are given below:-



SN O	Holdi ng No.	DATE	WAR D	OWNER NAME	ADDRESS	PLOT AREA	BUIL D UP AREA	VACA NT AREA	STATUS (RESIDEN TIAL/ COMMERCIAL)	AMOU NT OF TAX	Assessme nt done
1	3	20.06.16	6	lal babu,shyam babu	Tangual,hajipur vaishali	2850	1700	419	R	3335	Yes
2	490	13.04.16	4	Beni Singh,Jitendra kumar singh	Bagmali,hajipur vaishali	950	800	0	R	806	Yes
3	88	28.05.16	30	Hari Rai	chakbara,hajipu r vaishali	500	500	0	R	221	Yes
4	94	16.05.16	30	Gopal Rai	chakbara,hajipu r vaishali	700	0	0	R	177	Yes
5	52	07.06.16	30	Rambabu singh	Chakbara,hajipu r vaishali	700	0	0	R	252	Yes
6	71	30.06.16	1	Late vina devi	Hathsarganj,haji pur vaishali	855	855	0	R	431	Yes
7	302	09.04.16	4	Mila Kumari	Baagmusha,Haji pur vaishali	1425	1425	0	R	1078	Yes
8	299	25.04.16	17	srimatei Kaushalya Devi	Pokhra,Hajipur vaishali	1900	950	541	R	582	Yes
9	508	15.05.16	17	Srimati Savita Devi	Pokhra,Hajipur vaishali	665	500	0	R/NR	873	Yes
10	448	02.04.16	17	Sri Vishwanath prasad gupta	Pokhra,Hajipur vaishali	950	800	0	R	403	Yes
11	160	18.05.16	17	Sri Mithilesh Sharma	Pokhra,Hajipur vaishali	660	0	0	R/NR	3318	Yes
12	1006	30.05.16	28	Kumar Rahul	Badi Yusufpur,hajipu r vaishali	650	570	0	R	144	Yes
13	168	31.05.16	38	Sri Ramanand chaudhary	Yusufpur ,hajipur vaishali	1100	850	0	R	536	Yes
14	1007	30.05.16	28	Srimati suchita Devi	Choti Yusufpur,hajipu r vaishali	330	330	0	R	83	Yes
15	984	28.05.16	28	Vina Devi	Badi Yusufpur,hajipu r vaishali	2450	1900	0	R	479	Yes
16	111	29.04.16	23	Sri Upendra Rai,Devendra I Amarnath rai	Pokhra,Hajipur vaishali	1425	1050	0	R	1939	Yes



17	77	03.06.16	23	Nain tarabubna, p ushpa bubna, Usha bubna	Baghdulhan, haji pur vaishali	9500	2000	6640	R	6926	Yes
18	157	26.05.16	34	Punam Devi	Minapur, up hajipur vaishali	400	400	0	R	101	Yes
19	443	21.05.16	33	Devendra Singh	Minapur, hajipur vaishali	475	400	0	R	76	Yes
20	442	21.05.16	33	Manoj singh	Minapur, hajipur vaishali	475	400	0	R	76	Yes
21	531	11.06.16	35	Randhir prasad, rake sh, avinashchan dra	Jadua, Hajipur Vaishali	3400	3400	0	R	857	Yes

## II Part-B

### **(i) Non Deduction of TDS as per Income Tax Act 1961 & rules prescribed there under:**

#### **Criteria -**

As per section 4 (2) of the Income Tax Act 1961, In respect of income chargeable under sub-section (1) of section 4, income-tax shall be deducted at the source or paid in advance, where it is so deductible or payable under any provision of this Act.

#### **Condition -**

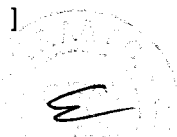
- Sample verification of records of Hajipur Nagar Parishad, No TDS deducted on the salary paid during the relevant Assessment year 2017-18 & Financial Year 2016-17 in respect of income chargeable under sub-section (1) of section 4 of Income Tax Act 1961. It has been observed that annual salaries of few employees were more than Rs 3 lakh.
- Even no support for exempted investment/expenses under Chapter VI (Section 80 etc.) were collected from the employee, which is mandatory to be collected by employer i.e. s

#### **Consequence/Risk -**

- Violation of Income Tax Act & Rules
- Chances of penalty may be levied by Income Tax Department to the ULB.

#### **Cause -**

- Lack of skilled manpower at ULB



**Recommendation -**

Either supporting documents for exemption under Chapter VI (Section 80 etc.) of Income Tax Act 1961 to be collected from employees or TDS to be deducted under section 192 & 194 H of Income Tax Act 1961.

**(ii) Non Deduction of TDS as per Income Tax Act 1961 & rules prescribed there under:**

**Criteria -**

As per section 4 (2) of the Income Tax Act 1961, In respect of income chargeable under sub-section (1) of section 4, income-tax shall be deducted at the source or paid in advance, where it is so deductible or payable under any provision of this Act.

**Condition -**

- Sample verification of records of Hajipur Nagar Parishad, No TDS deducted on the commission paid during the Financial Year 2016-17 in respect of income chargeable under sub-section (1) of section 4 of Income Tax Act 1961. It has been observed that commission paid to tax collector and Tds deducted on the same amount in Nov 2016.

**(iii) TDS Deducted but Deposited Late**

**Criteria -**

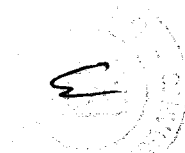
- As per Income Tax Act 1961 & Rules, "Tax deduction at source" (TDS) is applicable on the specified transactions and TDS deducted needs to be deposited by 7<sup>th</sup> day of the next month.

**Condition -**

Sample verification of records of Hajipur Nagar Parishad, it is observed that TDS deposited late of first quarter of FY 2016-17.

Details of sample cases where TDS deposited late are given below for reference:-

Deduction for the quarter	Amount	Due Date	Deposit Date	Remarks
Oct 16 to Dec 16 (Q3)	2,20,603/-	7th day of next month from the end of the month of deduction	26.12.2016	Interest @1.5% per month or part of the month delay may be imposed by IT Department.



TOTAL				
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**Consequence/Risk -**

- Violation of Income Tax Act & Rules
- Penalty may be levied by Income Tax Department on the ULB.

**Cause -**

- Lack of skilled manpower at ULB
- Lack of accountability at ULB level

**Corrective Action/Recommendation -**

TDS Returns must be filed on time as per relevant act & rules

**(iii) TDS Return Filled Late**

**Criteria -**

- As per Income Tax Act 1961 & Rules, "Tax deduction at source" (TDS) is applicable on the specified transactions and TDS deducted needs to be deposited by 7<sup>th</sup> day of the next month.
- Also Quarterly TDS returns need to be filed by 15th day of the following quarter.

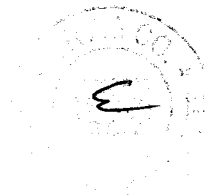
**Condition -**

Sample verification of records of Hajipur Nagar Parishad, it is observed that TDS return filed late for various quarter of FY 2016-17:

Quarter	TDS Amount	Due Date	Actual Date of deposit	Remarks
Oct 16 to Dec 16 (Q3)	2,20,603/-	15 jan 2017	March, 2017	Approx 2 months delay. penalty may be imposed by Income Tax Department

**Consequence/Risk -**

- Violation of Income Tax Act & Rules
- Penalty may be levied by Income Tax Department on the ULB.



**Cause -**

- Lack of skilled manpower at ULB
- Lack of accountability at ULB level

**Corrective Action/Recommendation -**

- TDS Returns must be filed on time as per relevant act & rules

**(iv) VAT, Labour Cess & Royalty Deducted during 3rd quarter F.Y. 2016-17 but Deposited Late**

**Criteria -**

- As per rule 40, Sub-rule (8&9) of the Bihar Minor Mineral Concession Rule, 1972, Royalty at prescribed rate must be deducted from the contractor's invoices & to be deposited to the concerned authority on or before the due date.
- As per relevant Act & Rules of Bihar VAT, VAT at prescribed rate needs to be deducted from the contractor's invoices & to be deposited to the concerned authority on or before the due date.
- Further as per rule 5 (3) of Building and other Construction Cell Rules 1998, Labour Cess @1% needs to be deducted from the contractor's invoices & to be deposited to the concerned authority on or before the due date.

**Condition -**

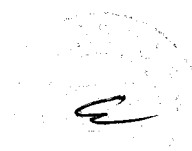
- Verification of records of Hajipur Nagar Parishad, it is observed that VAT deducted on various bills but deposited late by the ULB in FY 2016-17.

Details of sample cases where **VAT deposited late** are given below for reference:-

Deduction for the Period	Vat Amount	Due Date	Deposit Date	Remarks
Oct 16 to Dec 16 (Q3)	8,28,783/-	15th of the following month from the month of deduction	29.12.2016	Interest & penalties may be levied on ULB by Concerned department
<b>TOTAL</b>				

- Verification of records of Hajipur Nagar Parishad, it is observed that Labour Cess deducted on various bills but deposited late by the ULB in FY 2016-17.

Details of sample cases where **Labour Cess** are given below for reference:-



Deduction for the Period	Labour Cess Amount	Due Date	Deposit Date	Remarks
Oct 16 to Dec 16 (Q3)	1 06 049/-	within 30 days from the date of deduction	No deposit	Interest @2% per month & penalties as per act/rules may be levied on ULB by Concerned department
<b>TOTAL</b>				

- Verification of records of Hajipur Nagar Parishad, it is observed that Royalty deducted on various bills but deposited late by the ULB in FY 2016-17.

Details of sample cases where **Royalty** are given below for reference:-

Deduction for the quarter	Amount	Due Date	Deposit Date	Remarks
Oct 16 to Dec 16 (Q3)	1 25 544/-	within 7 days from the date of deduction	No deposit	Interest @15% may be imposed by concerned authority
<b>TOTAL</b>				

**Consequence/Risk -**

- Violation of Bihar Minor Mineral Concession Rule, 1972
- Violation of Bihar VAT Act & Rules
- Violation of Building and other Construction Cell Rules 1998
- Penalty & Penalties may be levied by Concerned Department on the ULB.

**Cause -**

- Lack of skilled manpower at ULB
- Lack of accountability at ULB level

**Corrective Action/Recommendation -**

- All Statutory dues must be deducted & deposited on time to avoid interest & penalty
- Responsibility must be fixed for all statutory compliances at ULB

**(v) Carriage payment made without M and N Form**

**Criteria -**

As per rule 40, Sub-rule (10) of the Bihar Minor Mineral Concession Rule, 1972, contractor are liable to submit Form 'M' and Form 'N' in compliance of the Bihar Minor Mineral Concession Rules.





**Condition**

Final payment has been done without affidavit form M and N.

**Consequence/Risk -**

- Excess payment of carriage of stone, chips, bricks and sand
- Violation of Bihar Minor Mineral Concession Rules, Bihar
- Penalty can be imposed on ULB by the concerned authority.

**Cause -**

- Lack of internal control in payment process

**Corrective Action/Recommendation -**

Prescribed Form M and N must be taken before payment to contractor.

**(vi) Fixed Assets Register not maintained & updated at ULB**

**Criteria -**

As per Chapter 15, Rule 84 of Bihar Municipal Accounting Rules 2014, The Municipality shall maintain the following Registers comprising land, building & all other infrastructure, immovable & movable Properties which belongs to municipality.

- a) Register of Land (BMAR Form 37)
- b) Register of Immovable Properties (BMAR Form 38)
- c) Register of Movable Properties (BMAR Form 39)

**Condition -**

- Fixed asset register is not maintained & updated at ULB.

**Consequence/Risk -**

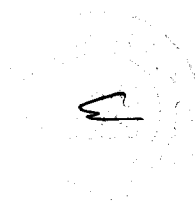
- Books of accounts not Showing True & Fair Picture
- Unrecorded Assets may be embezzled/misappropriated
- Violation of Bihar Municipal Accounting Rules 2014

**Cause -**

Lack of skilled manpower at ULB

**Corrective Action/Recommendation -**

Prescribed registers must be maintained & updated on regular basis/real time basis



**(vii) Store Register not maintained properly**

**Criteria -**

As per Rule 3 of Bihar Municipal Accounting Rules 2014, The Municipality shall Maintain store register in BMAR Form 47.

**Condition -**

Stores Register is maintained, however stock like printing and stationary, cleaning material, bleaching powder & brooms etc. are not updated in the register.

**Consequence/Risk -**

- Unrecorded store items may be embezzled/misappropriated
- Violation of Bihar Municipal Accounting Rules 2014

**Cause -**

- Lack of skilled manpower at ULB

**Corrective Action/Recommendation -**

Prescribed registers must be maintained & updated on regular basis/real time basis

**(viii).Advance payments**

**( Irregularity in disbursement of samajik suraksha pension)**

**Criteria**

As per rule no 40, No advance shall be made until the previous advance has been settled. Advance payment exceeding Rs 10000 shall be made by municipality through cheque only. we found that there is advances given to following tax collectors for disbursement of samajik suraksha pension but not adjusted till date. (Annexure-6)

S.No	Receipt date	Ward	Cashier Name	Cheque No.	Amount(Rs )	Period	Voucher
1	11.04.16	1-6,18	Mr. Anjani Kumar	17593	2696700	Aug'15 to Dec'15	Not Submit
2	12.04.16	7-10,27	Mr. Anjani Kumar	17594	1589900	Aug'15 to Dec'15	Not Submit
3	18.04.16	11,12,13-16	Mr. Anjani Kumar	17595	3119700	Aug'15 to Dec'15	Not Submit
4	20.04.16	17,19-23	Mr. Anjani Kumar	17596	1319100	Aug'15 to Dec'15	Not Submit
5	20.04.16	24-26,28,29	Mr. Anjani Kumar	17597	2003000	Aug'15 to Dec'15	Not Submit
6	22.04.16	30-34	Mr. Anjani Kumar	17598	2929800	Aug'15 to Dec'15	Not Submit

7	22.04.1 6	35-39	Mr. Anjani Kumar	17599	2759000	Aug'15 to Dec'15	Not Submit
8	07.05.1 6	1,2,3,4,5	Mr. Anjani Kumar	17600	1323200	Jan'16 to march'16	Not Submit
9	07.05.1 6	6,7,8,9,10	Mr. Anjani Kumar	17601	1019100	Jan'16 to march'16	Not Submit
10	11.05.1 6	18-21	Mr. Anjani Kumar	17602	926900	Jan'16 to march'16	Not Submit
11	12.05.1 6	17,22-25	Mr. Anjani Kumar	17603	897900	Jan'16 to march'16	Not Submit
12	13.05.1 6	26-30	Mr. Anjani Kumar	17604	1414800	Jan'16 to march'16	Not Submit
13	18.05.1 6	31-35	Mr. Anjani Kumar	17605	1967000	Jan'16 to march'16	Not Submit
14	19.05.1 6	36-39	Mr. Anjani Kumar	17606	1408800	Jan'16 to march'16	Not Submit
15	30.05.1 6	11,15	Mr. Anjani Kumar	17607	1678000	Jan'16 to march'16	Not Submit
				Total	27052900		

**Consequence -**

- Violation of Bihar Municipal Accounting Rules 2014
- Chances of wrong payments/payment to non eligible person

**Cause -**

- Lack of skilled manpower at ULB
- Lack of education of relevant rules of Bihar Municipal Act

**Recommendation -**

- Rule 75 must be followed for disbursement to the daily wage workers & acknowledgement must be obtained from the workers on the muster payroll (BMAR Form- 33).

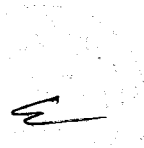
**III Part – C**

**(i). Other Remarks & Observations**

- A. As per Bihar Municipal Act 2007 Section 86 & 88 & BMAR 2014, annual accounts not prepared for F Y 2016-17.
- B. As per rule no 27, collection register separate for each fund is not maintained.

- C. As per Rule 69 of BMAR 2014, Grant Register in BMAR Form 28 is not maintained
- D. As per rule no 120, monthly receipt and payment statements are not prepared
- E. As per rule no 121, monthly trial balance is not prepared.

=====



**Principal Secretary**

**Urban Development & Housing Department, Govt of Bihar**

**Vikas Bhawan, New Secretariat, Patna**

**Internal Audit Report**  
**Submitted as per Contract**  
**Agreement No 140**  
**dated 05<sup>th</sup> April 2016.**

**As submitted by**  
**K R A & Co.**  
**(Chartered Accountant)**  
**Naya Tola, Patna, Bihar**  
**Contact No: 9971179375, 9708747261**

**APPENDIX – V**

**Internal Audit Report**  
**ULB**

Of Hajipur Nagar Parishad

For the period from 01/01/2017 to 31/03/2017

Internal Audit Conducted By

**K R A & Co.**

**(Chartered Accountants)**

Naya Tola, Patna, Bihar

Report Issued On 11.08.2017



# K R A & Co. (Chartered Accountants)

Naya Tola, Patna, Bihar-800004

Mb: 09708747261, 09971179375, E-mail: [krapatna@gmail.com](mailto:krapatna@gmail.com)

## Executive Summary

### 1. Introduction

- Name of the Municipality – HAJIPUR NAGAR PARISHAD
- Period covered under current audit – 1<sup>st</sup> Jan 2017 to 31<sup>st</sup> Mar 2017
- Name of Chief Municipal Officer for the period under Audit – Mr. Siddhartha Harshvardhan

### 2. Results and Findings

#### A. Strengths observed during the audit engagement:

- Manual Accounting system is in existence though not much effective.
- Responses from Executive officers, Head Clerks were satisfactory.
- Office Infrastructure is sufficient for operation.

#### B. Weaknesses observed in the functioning of office, maintenance of records etc. during the audit engagement.

- Unable to collect Gov.Building Tax of Rs. 26, 23,870/- as on 30th June 16.
- Unable to collect mobile transmission tax (Registration & Renewal Fees) of Rs. 56,98,800/- .
- Unable to collect Market/Shop rent of Rs. 1,03,87,693/-
- Delay in deposit / non deposition of collected Holding Tax collection
- Non compliance of Income Tax Act & Rules as TDS not deducted on eligible payments.
- Non compliance of Income Tax Act & Rules as TDS deducted but deposited late.
- Non compliance of Income Tax Act & Rules as TDS return filed late.
- Interest & penalty may be imposed for late deposition of deducted Vat, Labour Cess & Royalty as per relevant Acts & Rules
- Final Payments have been made without M and N form/affidavit from Contractor.
- Fixed assets register not maintained/updated properly
- Stores Register not maintained properly.
- Non Maintenance of prescribed books of accounts including Annual account as per BMA 2007 & BMAR 2014.

### 3. Opinion

In our overall opinion - ULB is not much efficient due to non implementation of proper accounting system and financial management of records and not following Bihar Municipal Accounting Rules 2014 properly.

### 4. Audit Recommendations



The Concerned Authority at ULB should raised request for proper manpower requirements at ULB. Proper & relevant Training Programs for existing manpower must be developed, depending upon their Key Responsibilities Area (KRA). Further they must be given training on Bihar Municipal Act & Rules so that proper adherence to the Act & Rules could be done at ULB.

The Concerned Officers should explore other areas of Revenue Generation by surveying their area for Tower tax, Trade tax, Advertisement Tax, Hoarding Fees, Other Fees Taxes & Record Keeping should be done properly. Several Books and registers which are not maintained or maintained in improper manner should be done properly. Team at ULB should have adequate coordination between them for making their internal control system perfect.

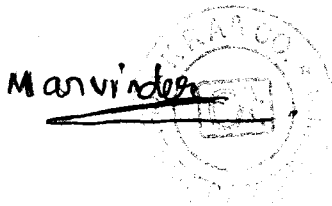
#### 5. Comments from Management

As per local management, due to shortage of competent staff and absence of centralised financial control over reporting, they have not been able to resolve the pending issues. In line with the action plan, requisition of placement of proper staff shall be made in future for better financial management.

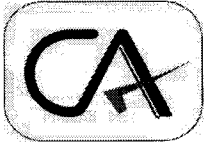
#### 6. Acknowledgement

We acknowledge that we have received cooperation at the respective ULB and corporation and acceptance of findings and management will follow the recommendations

Manvinder







# K R A & Co. (Chartered Accountants)

Naya Tola, Patna, Bihar-800004

Mb: 09708747261, 09971179375, E-mail: [krapatna@gmail.com](mailto:krapatna@gmail.com)

## Detailed Audit Report

### 1. Introduction

The Internal audit of Patna Hajipur Nagar Parishad covering the period from 01/01/2017 to 31/03/2017 was conducted by our audit team under guidance of CA. Manvinder Kaur, Partner, K R A & Co. (Chartered Accountants)

### 2. Administration

The present body of the ULB has taken charge on 05.09.2014. The incumbency in the key Administrative and executive positions were as under:

Executive Officer: - Mr. Siddarth Harshvardhan

Chairman: - Mrs. Sangita Kumari

Vice-Chairman:- Mrs. Rama Nishad

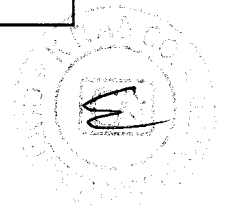
City Manager: - Ms. Kanchan Kumar

### 3. Review of outstanding audit paras:

S. 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 recovery has been made	Total Amount of Recovery	Total No. of outstanding para where no action has been taken	No. & dated of compli ance report
1	AG Audit for FY 12-13 13-14 & 14-15 done in May & June 2015	32	32	13	8	10510300	24	03-05-16

### Particulars of outstanding paras of AG audit are given below:

S. No. of Paras	Particulars
LA/SS-1/SA-01	Sairat list & Details
LA/SS-1/SA-02	Fixed Assets Register
L.A.S.P.G.-03	Municipal Accounts Committee work
L.A.S.P.G.-04	Compliance of Old Audit Report
L.A.S.P.G.-05	Annual Accounts not prepared



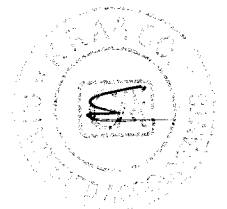
L.A.S.P.G.-06	Advance Salary payment without permanent empowered committee acceptance
L.A.S.P.G.-08	Government grant
LA/SS-1/SA-09	Loss on Sairat allotment
LA/SS-1/MK-10	Collection not deposited
LA/SS-1/RNP-11	Holding tax not deposited
LA/SS-1/MK-12	Collection not deposited
L.A.S.P.G.-13	Financial details & comparatives
LA/SS-1/RNP-14	Holding tax not deposited
LA/SS-1/SA-15	Sairat amount not deposited
LA/SS-1/SA-16	Advertisement fees details to be provided
LA/SS-1/SA-17	Sairat amount not deposited
L.A.S.P.G.-18	Income tax not deducted
LA/SS-1/SA-19	Loss on Sairat allotment
L.A.S.P.G.-20	Irregular purchase of Street Light
LA/SS-1/SA-21	VAT not deducted
LA/SS-1/RNP-22	Holding tax not deposited
LA/SS-1/MK-23	Collection not deposited/less deposited
L.A.S.P.G.-26	Irregular purchase of Dustbin & Rickshaw
LA/SS-1/MK-27	Shop rent pending
LA/SS-1/SA-28	Holding tax pending
LA/SS-1/SA-29	Non collection of mobile tower tax
L.A.S.P.G.-30	Purchase without approval of Municipal Council Board
L.A.S.P.G.-31	Elected Member Travel Allowance
LA/SS-1/MK-32	Multiple receipt not presented
LA/SS-1/MK-33	Data/details not presented
LA/SS-1/MK-34	Collection not deposited
LA/SS-1/MK-35	Collection not deposited by Cashier

#### 4. Finance

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

Year	2016-17	2015-16	2014-15
Final/Revised Budget	68,09,02,340/-	71,62,03,000/-	30,68,56,020/-
Actual Expenditure	25,97,35,614/-	58,16,33,270/-	18,84,28,528/-
Savings(+)/Excess(-)	42,11,66,726	13,45,69,730/-	11,84,27,492/-

##### II. Volume of transactions



Period	Budgeted (FY 2016-17)	Corresponding Period of Previous Year (FY 2015-16)	Current Period (FY 2016-17)
Opening balance	50,66,19,553/-	16,7267,683/-	26,08,27,780/-
Receipts	2,89,74,44,447	87,85,75,893/-	20,48,92,458/-
Total	3,40,40,64,000/-	104,58,43,576/-	46,57,20,238/-
Net expenditure	3,39,61,51,000/-	53,92,24,023/-	25,97,35,614/-
Closing balance	79,13,000/-	50,66,19,553/-	20,59,84,624

### III. Bank reconciliation

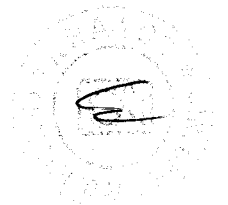
Bank reconciliations have not been prepared up to 31.03.2017, therefore a total of Rs. 9,43,401.22/- unexplained differences observed between Cashbook balances & Passbook balances. Annexure 1 & 2

Closing Balances as per Passbooks are as follows:-

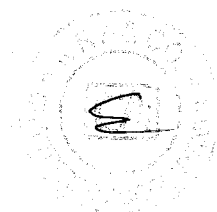
S. No.	Bank Name	Amount
1	SBI A/C. NO(3270922473)	4095778.00
2	SBI A/C.NO(33588148909)	16587367.00
3	SBI A/C.NO(33460884365)	62731.00
4	SBI A/C.NO(10878004569)	1183673.00
5	SBI A/C. NO(33851556442)	706909.00
6	SBI A/C. NO(33948728857)	29726943.00
7	BOI A/C. NO(465410110008231)	1146082.00
8	BOI A/C. NO(465420110000192)	384561.00
9	UBG BANK A/C.NO(1000831010003678)	402392.00
10	IDBI A/C.NO(724104000003193)	502719.00
11	HDFC A/C.NO(03451450000100)	1479615.00
12	CORPORATION(098)	2299770.00
13	CORPORATION(097)	11825982.00
14	SBI A/C. NO(35188073826)	983269.00
15	CORPORATION(3686)	1991974.00
16	PLA	183192799
17	CANARA(021)	16515193.00
	<b>Total</b>	<b>273087757.00</b>

Closing Balance as per Cash Book Scheme Wise:-

S. No.	Scheme Name	Amount
1	SBM	42,87,821.64
2	AMRUT	6,49,943.50
3	E-MUNICIPALITY	26.00
4	HFA	2,95,6,495.50
5	MISC	4,19,904.93
6	BRGF	5,13,676.75



7	TEACHER SALARY	2,86,520.50
8	T.HALL + C. HALL	3,96,516.25
9	K. ANTYESTIC	2,831.50
10	ROAD CONST.	8,323.50
11	INTEREST	1,14,524.75
12	S. S PENSION	1,76,690.25
13	SLUM	74,31,735.75
14	13 <sup>TH</sup> FINANCE	9,49,562.00
15	14 <sup>TH</sup> FINANCE	91,26,183.25
16	E-GOVERNANCE	33,225.00
17	NULM	42,07,868.50
18	4 <sup>TH</sup> SFC PAY/PENSION	9,49,356.50
19	DEVELOPMENT	1,73,608.25
20	URBAN ROADS	7,959.75
21	WATER SUPPLY	6,418.75
22	PUBLIC HEALTH & HYGINE	78,344.75
23	UNTIE FUND	46,382.50
24	ROAD	32,223.75
25	ADM ON BUILDING	1,25,739.75
26	CIVIL ANIMITIES	38,538.75
27	PAY TO EX-OFFICER	10,755.75
28	PROF TAX	8,81,214.00
29	ADV FOR SHOP CONST.	9,30,841.75
30	CENSUS	12,750.00
31	ALLOTMENT FOR 18 TABLET	3,677.50
32	ELECTION	2,500.00
33	STATE PLAN 2014-15	7,40,628.50
34	STATE PLAN 2015-16 DRAIN	3,06,756.75
35	STATE PLAN 2015-16 ROAD	1,42,439.00
36	SAMRAT ASHOK BHAWAN	17,41,662.50
37	5 <sup>TH</sup> SFC	2,33,85,323.75
38	NALI-GALI	36,32,290.00
39	E. O .SALARY	35,425.00
40	PAY TO CITY MANAGER	11,831.75
41	SANITATION GRANT	4,96,116.75
42	PATH NIRMAN	6,250.00
43	M/B	27,98,246.48
	<b>Total</b>	<b>6,81,59,131.00</b>



#### IV Revenue Receipts

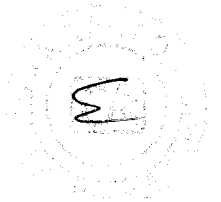
Period	Budgeted (FY 2016-17)	Corresponding Period of Previous Year (FY 2015-16)	Current Period (FY 2016-17)
a) Own source			
a) Own source			
Property Tax/Tax Revenue	3,01,00,000/-	86,44,969	99,38,087/-
Assigned Revenue	4,50,00,000/-	1,93,96,068	2,15,07,785/-
Others (Fee & User Charges)	2,21,20,000/-	37,58,729	1,52,12,514/-
(b) Administrative grant	<b>12,30,00,000/-</b>	6,39,715	<b>2,11,900/-</b>
(c) Specific Grant Total:	<b>95,00,74,447/-</b>	54,80,90,618	
(Scheme wise)			
BPL Grant	10,00,000/-	0	
Election Grant	5,00,00,000/-	21,46,200	
Electricity & Contingency	55,00,000/-	0	
School Children health grant	15,00,000/-	0	
Swach Bharat Mission	15,00,00,000/-	14,00,000	
Other Revenue Grants		49,54,28,377	
Natural Calamity	25,00,000/-		
Kartik chhath/purnima mela	15,00,000/-		
slum Development	15,00,00,000/-	27,91,296	
Pub. Health & Cleaning Grant	3,00,00,000/-	1,44,19,800	
SJSRY/NULM	5,00,00,000/-	1,25,43,295	
Special Grant (Nagarik Suvidha, House for all)		1,87,91,650	
United Grant	15,00,00,000/-		

#### V. Status of implementation of Double Entry Accounting System

For the relevant financial year i.e. double entry accounting system has not been followed.

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

As per management, no such meeting has been held yet.



## 5. Audit Observations

### I Part-A

#### (i) Uncollected Holding Tax of Rs. 2623870/-on Govt. Building & Shop rent.

**Audit Objective-** As per point No: - 4.4 of TOR

#### ***Criteria -***

As per Bihar Municipal Accounting Rules 2014, Holding Tax demand register to be maintained in the form of BMAR Form No. 23 & a summary statement of demand adjusted–raised for the period also to be maintained in BMAR Form No. 24. Also efforts to be made by Officers of ULB for collection of pending Holding Tax as per Bihar Municipal Act 2007. Further late fine should also be imposed on uncollected/pending Tax collection.

#### ***Condition -***

- Holding Tax of Rs. 26, 23,870/- on Govt. building was pending to be recovered on till 30<sup>th</sup> June 2016 as per MIS sent to state government. As per official of ULB, steps are being taken for collection of holding tax.
- Demand Register & Summery Register in BMAR Form 23 & 24 not maintained.

#### ***Consequence/Risk -***

Non collection of Holding Tax is a revenue loss to ULB.

#### ***Cause -***

- Lack of skilled manpower at ULB
- Lack of strict action against defaulters
- Lack of proper mechanism for supervision and monitoring of Tax Collection

#### **Recommendation -**

- There should be a proper monitoring mechanism for supervision and monitoring of Tax Collection
- Also strict actions are required to be taken for collection of Holding Tax by concerned ULB.
- Demand Register & Summery Register in BMAR Form 23 & 24 must be maintained.



**(ii) Mobile Transmission Tower Tax (Registration & Renewal) of Rs. 5698800/- Pending Collection**

**Audit Objective-** As per point No.-4.4 of TOR

***Criteria -***

- Mobile Transmission Tax should be collected @ Rs. 40000 as Registration Fee & @ Rs. 10,000 as Renewal Fee per year. If more than one antenna is placed on the tower then, an extra registration & renewal fees @60% per antenna will be collected. Moreover a late fine @ 1.5% would be imposed in case of delay in collection after first month of the financial year. Further after every 5 years renewal fee has to be increased by 25%.
- Further as per Rule 6 (9) of Bihar Communication Towers and Related Structures Rules 2012, in case arrears in respect of registration fees and/or renewal fees for any tower, the municipality reserves the right to seal the tower until the payment is received in full along with accrued interest.

***Condition -***

- Mobile Transmission Tower Tax (Registration & Renewal fees) of Rs. 5698800/- was pending to be collected from 42 Mobile Transmission Towers under concerned ULB, based on records produced by Process Owner of the ULB.
- No records kept for number of antennas placed at each tower
- No late fine imposed for delays in collection of renewal fees

***Consequence/Risk -***

Non collection of mobile tower tax is a revenue loss to the ULB.

***Cause -***

- Lack of skilled manpower at ULB
- Lack of strict action against defaulters
- Lack of proper mechanism for supervision and monitoring of Tax (Registration & Renewal Fees) Collection

***Corrective Action/Recommendation -***

- There should be a proper monitoring mechanism for supervision and monitoring of Tax (Registration & Renewal Fees) collection.
- Also strict actions are required to be taken for collection of Mobile Transmission Tower Tax (Registration & Renewal Fees) by concerned ULB.



**(iii) Market/shop Rent Pending Collection of Rs. 10387693/-**

**Audit Objective-** As per point No: - 4.4 of TOR

***Criteria –***

Market/shop Rent should be collected on time. Further late fine should be imposed on uncollected/pending collection.

***Condition -***

- Market/shop rent of Rs. 11507631/- was pending to be collected from 652 shops on 30<sup>th</sup> June 2016 at concerned ULB

***Consequence/Risk -***

Non collection of Market/Shop rent is a revenue loss to ULB.

***Cause -***

- Lack of skilled manpower at ULB
- Lack of strict action against defaulters
- Lack of proper mechanism for supervision and monitoring of Rent Collection

***Corrective Action/Recommendation -***

- There should be a proper monitoring mechanism for supervision and monitoring of Rent Collection
- Also strict actions are required to be taken for collection of Market/Shop rent by concerned ULB.

**(iv) Collected holding tax not deposited by tax collector to cashier 2 to 30 days./ Collected amount kept by cashier 30 days or more.( Annexure 4.1& 4.2)**

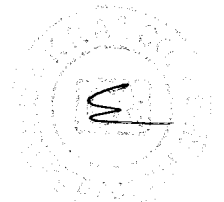
**Audit Objective-** As per point No: - 4.3 of TOR

***Criteria -***

As per rule 27 of Bihar municipal accounting rules 2014, Tax Collected has to be deposited on same day before 4:30 PM to the designated personnel for depositing them to the bank.

***Condition -***

- Delays observed in depositing of collected tax money to the bank. Example is given below for reference:-(Annexure-4.1)





Collection Date	Holding No.	Rasid no.	Amount(Rs.)	Tax collector name	Date of Deposit To cashier	Date of deposit to Bank
12.01.17	674	266	534.00	Mhd. Rahmat	12.01.17	30.01.17
16.01.17	146	284	6096.00	Mhd. Rahmat	16.01.17	30.01.17
20.01.17	41	1218	22026.00	Mhd. Rahmat	21.01.17	30.01.17
17.02.17	14	1246	156.00	Mhd. Rahmat	18.02.17	15.04.17
27.02.17	524	1273	379.00	Mhd. Rahmat	27.02.17	15.04.17
27.02.17	159	1276	19385.00	Mhd. Rahmat	27.02.17	15.04.17
10.03.17	664	2231	495.00	Mhd. Rahmat	11.03.17	15.04.17
23.03.17	133	2266	10553.00	Mhd. Rahmat	25.03.17	15.04.17
30.03.17	122	2891	3322.00	Mhd. Rahmat	31.03.17	15.04.17
24.01.17	283	1150	699.00	Sri Diwaker Patel	24.01.17	30.01.17
24.01.17	831	1151	304.00	Sri Diwaker Patel	24.01.17	30.01.17
24.01.17	53	1152	5243.00	Sri Diwaker Patel	24.01.17	30.01.17
27.02.17	153	1598	129.00	Sri Diwaker Patel	28.02.17	15.04.17
28.02.17	241	1599	970.00	Sri Diwaker Patel	28.02.17	15.04.17
28.02.17	120	1600	78.00	Sri Diwaker Patel	28.02.17	15.04.17
14.03.17	612	2136	1779.00	Sri Diwaker Patel	16.03.17	15.04.17
14.03.17	613	2137	2692.00	Sri Diwaker Patel	16.03.17	15.04.17
14.03.17	614	2138	2013.00	Sri Diwaker Patel	16.03.17	15.04.17
06.01.17	496	717	1449.00	Sri Upender ram	06.01.17	30.01.17
06.01.17	124	718	320.00	Sri Upender ram	06.01.17	30.01.17
06.01.17	163	719	405.00	Sri Upender ram	06.01.17	30.01.17
25.02.17	41	1818	896.00	Sri Upender ram	25.02.17	15.04.17
25.01.17	215	1819	493.00	Sri Upender ram	25.02.17	15.04.17
25.01.17	216	1820	454.00	Sri Upender ram	25.02.17	15.04.17
17.03.17	312	1870	810.00	Sri Upender ram	17.03.17	15.04.17
17.03.17	249	1871	241.00	Sri Upender ram	17.03.17	15.04.17
17.03.17	250	1872	206.00	Sri Upender ram	17.03.17	15.04.17
02.01.17	191	584	3953.00	Sri Manoj Kumar Raman	02.01.17	30.01.17
06.01.17	228	1005	6615.00	Sri Manoj Kumar Raman	07.01.17	30.01.17
25.01.17	184	1314	5929.00	Sri Manoj Kumar Raman	30.01.17	30.01.17
13.02.17	81	1351	2032.00	Sri Manoj Kumar Raman	14.02.17	15.04.17
23.02.17	262	1398	4530.00	Sri Manoj Kumar Raman	25.02.17	15.04.17
22.02.17	364	1989	5832.00	Sri Manoj Kumar Raman	25.02.17	15.04.17

08.03.17	6	1943	5710.00	Sri Manoj Kumar Raman	08.03.17	15.04.17
15.03.17	161	1953	14129.00	Sri Manoj Kumar Raman	16.03.17	15.04.17
23.03.17	386	1992	5185.00	Sri Manoj Kumar Raman	24.03.17	15.04.17
25.01.17	636	971	1677.00	Sri Baccha chaudhary	31.01.17	30.01.17
25.01.17	911	972	601.00	Sri Baccha chaudhary	31.01.17	30.01.17
25.01.17	455	973	801.00	Sri Baccha chaudhary	31.01.17	30.01.17
28.02.17	713	1754	1296.00	Sri Baccha chaudhary	28.02.17	15.04.17
28.02.17	743	1755	894.00	Sri Baccha chaudhary	28.02.17	15.04.17
28.02.17	744	1756	557.00	Sri Baccha chaudhary	28.02.17	15.04.17
31.03.17	02	3336	19631.00	Sri Baccha chaudhary	10.04.17	15.04.17
31.03.17	279	3337	1028.00	Sri Baccha chaudhary	10.04.17	15.04.17
31.03.17	78	3338	10969.00	Sri Baccha chaudhary	10.04.17	15.04.17
06.01.17	159	818	653.00	Sri Manoj Araya	07.01.17	30.01.17
06.01.17	574	819	3303.00	Sri Manoj Araya	07.01.17	30.01.17
06.01.17	862	820	1564.00	Sri Manoj Araya	07.01.17	30.01.17
06.02.17	349	1407	41.00	Sri Manoj Araya	09.02.17	15.04.17
06.02.17	35	1408	709.00	Sri Manoj Araya	09.02.17	15.04.17
08.02.17	374	1410	1116.00	Sri Manoj Araya	09.02.17	15.04.17
23.03.17	57	2097	2230.00	Sri Manoj Araya	25.03.17	15.04.17
23.03.17	16	2098	1343.00	Sri Manoj Araya	25.03.17	15.04.17
23.03.17	162	2099	144.00	Sri Manoj Araya	25.03.17	15.04.17
24.03.17	343	2100	3389.00	Sri Manoj Araya	25.03.17	15.04.17

• (Annexure-4.2)

S.No.	cash book date(collect from TC)	Money Receipt no.	Cash book Page no.	Amount(Rs.)	Date of Deposit	Cashier Name
1	02.01.17	7637	53	21560	11.01.17	Anjani Kumar
2	11.01.17	7642	53	3208	11.01.17	Anjani Kumar
3	27.01.17	7643-7667	57	428497	30.01.17	Anjani Kumar
4	30.01.17	7684-7691	58	55955	30.01.17	Anjani Kumar
5	02.02.17	7902-7904	70	190821	25.02.17	Anjani Kumar
6	14.02.17	7908-7920	74	191662	04.03.17	Anjani Kumar
7	25.02.17	7924-7931	75	168217	04.03.17	Anjani Kumar

*E*

8	28.02.17	7933-7954	76	479570	15.04.17	Anjani Kumar
9	29.02.17	7956-7960	77	231305	15.04.17	Anjani Kumar
10	01.03.17	7984-7993	78	136635	15.04.17	Anjani Kumar
11	11.03.17	7996-8000	79	83579	15.04.17	Anjani Kumar
12	16.03.17	8001-8006	79	166075	15.04.17	Anjani Kumar
13	24.03.17	8010-8012	79	55572	15.04.17	Anjani Kumar
14	28.03.17	8027-8034	80	215290	15.04.17	Anjani Kumar
15	30.03.17	8044-8051	81	209285	15.04.17	Anjani Kumar
			Total	<b>2637231</b>		

**Consequence/Risk -**

- Misuse of collected money belong to ULB
- Loss of interest on collected money.
- Cash management at ULB level may be affected.
- Payment to the vendor/employees could not be done on time
- Outstanding in Tax Payers' account shown even after payments have been made by them, till the time tax collector deposited money & those are accounted for.

**Cause -**

- Lack of instruction or follow up by Revenue officer & Cashier
- Lack of education of relevant rules of Bihar Municipal Act

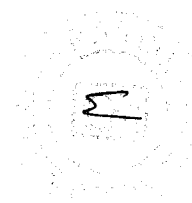
**Corrective Action/Recommendation -**

- Day to day monitoring on collection of taxes by revenue officer & Cashier
- Proper training of relevant rules must be given to the concerned personnel
- Penalty could be levied as per relevant rules

**(v) Field survey of Property Tax of 21 high value properties for F.Y. 2016-17**

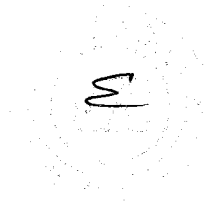
**Audit Objective-** As per point No.-4.6 of TOR

- SAS form not filed for FY 2014-15 & Taxes were collected on , SAS form started from FY 2016 as conveyed by process owner at ULB



Field survey of Property Tax of 21 high value properties has been done & details are given below:-

SN O	Holdi ng No.	DATE	WAR D	OWNER NAME	ADDRESS	PLOT AREA	BUIL D UP AREA	VACA NT AREA	STATUS (RESIDEN TIAL/ COMMER CIAL)	AMOU NT OF TAX	Assesse mt done
1	3	20.06.16	6	lal babu,shyam babu	Tanguai,hajipur vaishali	2850	1700	419	R	3335	Yes
2	490	13.04.16	4	Beni Singh,Jitendra kumar singh	Bagmali,hajipur vaishali	950	800	0	R	806	Yes
3	88	28.05.16	30	Hari Rai	chakbara,hajipur vaishali	500	500	0	R	221	Yes
4	94	16.05.16	30	Gopal Rai	chakbara,hajipur vaishali	700	0	0	R	177	Yes
5	52	07.06.16	30	Rambabu singh	Chakbara,hajipur vaishali	700	0	0	R	252	Yes
6	71	30.06.16	1	Late vina devi	Hathsarganj,hajipur vaishali	855	855	0	R	431	Yes
7	302	09.04.16	4	Mila Kumari	Baagmusha,Hajipur vaishali	1425	1425	0	R	1078	Yes
8	299	25.04.16	17	srimati Kaushalya Devi	Pokhra,Hajipur vaishali	1900	950	541	R	582	Yes
9	508	15.05.16	17	Srimati Savita Devi	Pokhra,Hajipur vaishali	665	500	0	R/NR	873	Yes
10	448	02.04.16	17	Sri Vishwanath prasad gupta	Pokhra,Hajipur vaishali	950	800	0	R	403	Yes
11	160	18.05.16	17	Sri Mithilesh Sharma	Pokhra,Hajipur vaishali	660	0	0	R/NR	3318	Yes
12	1006	30.05.16	28	Kumar Rahul	Badi Yusufpur,hajipur vaishali	650	570	0	R	144	Yes
13	168	31.05.16	38	Sri Ramanand chaudhary	Yusufpur ,hajipur vaishali	1100	850	0	R	536	Yes
14	1007	30.05.16	28	Srimati suchita Devi	Choti Yusufpur,hajipur vaishali	330	330	0	R	83	Yes
15	984	28.05.16	28	Vina Devi	Badi Yusufpur,hajipur vaishali	2450	1900	0	R	479	Yes
16	111	29.04.16	23	Sri Upendra Rai,Devendra l Amarnath rai	Pokhra,Hajipur vaishali	1425	1050	0	R	1939	Yes



17	77	03.06.16	23	Nain tarabubna, p ushpa bubna, Usha bubna	Baghdulhan, hajipur vaishali	9500	2000	6640	R	6926	Yes
18	157	26.05.16	34	Punam Devi	Minapur, up hajipur vaishali	400	400	0	R	101	Yes
19	443	21.05.16	33	Devendra Singh	Minapur, hajipur vaishali	475	400	0	R	76	Yes
20	442	21.05.16	33	Manoj singh	Minapur, hajipur vaishali	475	400	0	R	76	Yes
21	531	11.06.16	35	Randhir prasad, rakesh, avinashchandra	Jadua, Hajipur Vaishali	3400	3400	0	R	857	Yes

## II Part-B

### **(i) Non Deduction of TDS as per Income Tax Act 1961 & rules prescribed there under:**

#### **Criteria -**

As per section 4 (2) of the Income Tax Act 1961, In respect of income chargeable under sub-section (1) of section 4, income-tax shall be deducted at the source or paid in advance, where it is so deductible or payable under any provision of this Act.

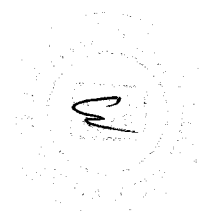
#### **Condition -**

- Sample verification of records of Hajipur Nagar Parishad, No TDS deducted on the salary paid during the relevant Assessment year 2017-18 & Financial Year 2016-17 in respect of income chargeable under sub-section (1) of section 4 of Income Tax Act 1961. It has been observed that annual salaries of few employees were more than Rs 3 lakh.
- Even no support for exempted investment/expenses under Chapter VI (Section 80 etc.) were collected from the employee, which is mandatory to be collected by employer i.e.

#### **Consequence/Risk -**

- Violation of Income Tax Act & Rules
- Chances of penalty may be levied by Income Tax Department to the ULB.

#### **Cause -**



- Lack of skilled manpower at ULB

**Recommendation -**

Either supporting documents for exemption under Chapter VI (Section 80 etc.) of Income Tax Act 1961 to be collected from employees or TDS to be deducted under section 192 & 194 H of Income Tax Act 1961.

**(ii) Non Deduction of TDS as per Income Tax Act 1961 & rules prescribed there under:**

**Criteria -**

As per section 4 (2) of the Income Tax Act 1961, In respect of income chargeable under sub-section (1) of section 4, income-tax shall be deducted at the source or paid in advance, where it is so deductible or payable under any provision of this Act.

**Condition -**

- Sample verification of records of Hajipur Nagar Parishad, No TDS deducted on the commission paid during the Financial Year 2016-17 in respect of income chargeable under sub-section (1) of section 4 of Income Tax Act 1961. It has been observed that commission paid to tax to collector and Tds deducted on the same amount in nov 2016.

**(iii) TDS Deducted but Deposited Late**

**Criteria -**

- As per Income Tax Act 1961 & Rules, "Tax deduction at source" (TDS) is applicable on the specified transactions and TDS deducted needs to be deposited by 7<sup>th</sup> day of the next month.

**Condition -**

Sample verification of records of Hajipur Nagar Parishad, it is observed that TDS deposited late of first quarter of FY 2016-17.

Details of sample cases where TDS deposited late are given below for reference:-

Deduction for the quarter	Amount	Due Date	Deposit Date	Remarks
Jan 16 to Mar 16 (Q4)	4 23 060/-	7th day of next month from the	09.05.2017	Interest @1.5% per month or part of the month delay may



		end of the month of deduction		be imposed by IT Department.
TOTAL				

**Consequence/Risk -**

- Violation of Income Tax Act & Rules
- Penalty may be levied by Income Tax Department on the ULB.

**Cause -**

- Lack of skilled manpower at ULB
- Lack of accountability at ULB level

**Corrective Action/Recommendation -**

TDS Returns must be filed on time as per relevant act & rules

**(iii) TDS Return Filled Late**

**Criteria -**

- As per Income Tax Act 1961 & Rules, "Tax deduction at source" (TDS) is applicable on the specified transactions and TDS deducted needs to be deposited by 7<sup>th</sup> day of the next month.
- Also Quarterly TDS returns need to be filed by 15<sup>th</sup> day of the following quarter.

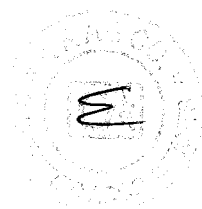
**Condition -**

Sample verification of records of Hajipur Nagar Parishad, it is observed that TDS return filed late for various quarter of FY 2016-17:

Quarter	TDS Amount	Due Date	Actual Date of deposit	Remarks
Jan 16 to Mar 16 (Q4)	4,23,060/-	15 apr 2017	March, 2017	penalty may be imposed by Income Tax Department

**Consequence/Risk -**

- Violation of Income Tax Act & Rules



- Penalty may be levied by Income Tax Department on the ULB.

**Cause -**

- Lack of skilled manpower at ULB
- Lack of accountability at ULB level

**Corrective Action/Recommendation -**

- TDS Returns must be filed on time as per relevant act & rules

**(iv) VAT, Labour Cess & Royalty Deducted during 1<sup>st</sup> quarter F.Y. 2016-17 but Deposited Late**

**Criteria -**

- As per rule 40, Sub-rule (8&9) of the Bihar Minor Mineral Concession Rule, 1972, Royalty at prescribed rate must be deducted from the contractor's invoices & to be deposited to the concerned authority on or before the due date.
- As per relevant Act & Rules of Bihar VAT, VAT at prescribed rate needs to be deducted from the contractor's invoices & to be deposited to the concerned authority on or before the due date.
- Further as per rule 5 (3) of Building and other Construction Cell Rules 1998, Labour Cess @1% needs to be deducted from the contractor's invoices & to be deposited to the concerned authority on or before the due date.

**Condition -**

- Verification of records of Hajipur Nagar Parishad, it is observed that VAT deducted on various bills but deposited late by the ULB in FY 2016-17.

Details of sample cases where VAT deposited late are given below for reference:-

Deduction for the Period	Vat Amount	Due Date	Deposit Date	Remarks
Jan 16 to Mar 16 (Q4)	16,05,319/-	15th of the following month from the month of deduction	29.03.2017	Interest & penalties may be levied on ULB by Concerned department
<b>TOTAL</b>				

- Verification of records of Hajipur Nagar Parishad, it is observed that Labour Cess deducted on various bills but deposited late by the ULB in FY 2016-17.





Details of sample cases where **Labour Cess** are given below for reference:-

Deduction for the Period	Labour Cess Amount	Due Date	Deposit Date	Remarks
Jan 16 to Mar 16 (Q4)	1,52,877/-	within 30 days from the date of deduction	No deposit	Interest @2% per month & penalties as per act/rules may be levied on ULB by Concerned department
TOTAL				

- Verification of records of Hajipur Nagar Parishad, it is observed that Royalty deducted on various bills but deposited late by the ULB in FY 2016-17.

Details of sample cases where **Royalty** are given below for reference:-

Deduction for the quarter	Amount	Due Date	Deposit Date	Remarks
Jan 16 to Mar 16 (Q4)	1,62,648/-	within 7 days from the date of deduction	No deposit	Interest @15% may be imposed by concerned authority
TOTAL				

**Consequence/Risk -**

- Violation of Bihar Minor Mineral Concession Rule, 1972
- Violation of Bihar VAT Act & Rules
- Violation of Building and other Construction Cell Rules 1998
- Penalty & Penalties may be levied by Concerned Department on the ULB.

**Cause -**

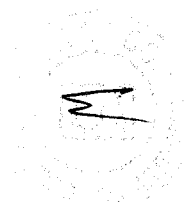
- Lack of skilled manpower at ULB
- Lack of accountability at ULB level

**Corrective Action/Recommendation -**

- All Statutory dues must be deducted & deposited on time to avoid interest & penalty
- Responsibility must be fixed for all statutory compliances at ULB

**(v) Carriage payment made without M and N Form**

**Criteria -**



As per rule 40, Sub-rule (10) of the Bihar Minor Mineral Concession Rule, 1972, contractor are liable to submit Form 'M' and Form 'N' in compliance of the Bihar Minor Mineral Concession Rules.

**Condition**

Final payment has been done without affidavit form M and N.

**Consequence/Risk -**

- Excess payment of carriage of stone, chips, bricks and sand
- Violation of Bihar Minor Mineral Concession Rules, Bihar
- Penalty can be imposed on ULB by the concerned authority.

**Cause -**

- Lack of internal control in payment process

**Corrective Action/Recommendation -**

Prescribed Form M and N must be taken before payment to contractor.

**(vi) Fixed Assets Register not maintained & updated at ULB**

**Criteria -**

As per Chapter 15, Rule 84 of Bihar Municipal Accounting Rules 2014, The Municipality shall maintain the following Registers comprising land, building & all other infrastructure, immovable & movable Properties which belongs to municipality.

- a) Register of Land (BMAR Form 37)
- b) Register of Immovable Properties (BMAR Form 38)
- c) Register of Movable Properties (BMAR Form 39)

**Condition -**

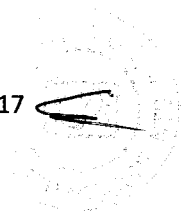
- Fixed asset register is not maintained & updated at ULB.

**Consequence/Risk -**

- Books of accounts not Showing True & Fair Picture
- Unrecorded Assets may be embezzled/misappropriated
- Violation of Bihar Municipal Accounting Rules 2014

**Cause -**

Lack of skilled manpower at ULB



**Corrective Action/Recommendation -**

Prescribed registers must be maintained & updated on regular basis/real time basis

**(vii) Store Register not maintained properly**

**Criteria -**

As per Rule 3 of Bihar Municipal Accounting Rules 2014, The Municipality shall Maintain store register in BMAR Form 47.

**Condition -**

Stores Register is maintained, however stock like printing and stationary, cleaning material, bleaching powder & brooms etc. are not updated in the register.

**Consequence/Risk -**

- Unrecorded store items may be embezzled/misappropriated
- Violation of Bihar Municipal Accounting Rules 2014

**Cause -**

- Lack of skilled manpower at ULB

**Corrective Action/Recommendation -**

Prescribed registers must be maintained & updated on regular basis/real time basis

**(viii).Advance payments**

**( Irregularity in disbursement of samajik suraksha pension )**

**Criteria**

As per rule no 40, No advance shall be made until the previous advance has been settled. Advance payment exceeding Rs 10000 shall be made by municipality through cheque only. we found that there is advances given to following tax collectors for disbursement of samajik suraksha pension but not adjusted till date. (Annexure-6)

S.No	Recipit date	Ward	Cashier Name	Cheque No.	Amount(Rs )	Period	Voucher
1	11.04.16	1-6,18	Mr. Anjani Kumar	17593	2696700	Aug'15 to Dec'15	Not Submit
2	12.04.16	7-10,27	Mr. Anjani Kumar	17594	1589900	Aug'15 to Dec'15	Not Submit
3	18.04.16	11,12,13-16	Mr. Anjani Kumar	17595	3119700	Aug'15 to Dec'15	Not Submit
4	20.04.16	17,19-23	Mr. Anjani Kumar	17596	1319100	Aug'15 to Dec'15	Not Submit

5	20.04.1 6	24- 26,28,29	Mr. Anjani Kumar	17597	2003000	Aug'15 to Dec'15	Not Submit
6	22.04.1 6	30-34	Mr. Anjani Kumar	17598	2929800	Aug'15 to Dec'15	Not Submit
7	22.04.1 6	35-39	Mr. Anjani Kumar	17599	2759000	Aug'15 to Dec'15	Not Submit
8	07.05.1 6	1,2,3,4,5	Mr. Anjani Kumar	17600	1323200	Jan'16 to march'16	Not Submit
9	07.05.1 6	6,7,8,9,10	Mr. Anjani Kumar	17601	1019100	Jan'16 to march'16	Not Submit
10	11.05.1 6	18-21	Mr. Anjani Kumar	17602	926900	Jan'16 to march'16	Not Submit
11	12.05.1 6	17,22-25	Mr. Anjani Kumar	17603	897900	Jan'16 to march'16	Not Submit
12	13.05.1 6	26-30	Mr. Anjani Kumar	17604	1414800	Jan'16 to march'16	Not Submit
13	18.05.1 6	31-35	Mr. Anjani Kumar	17605	1967000	Jan'16 to march'16	Not Submit
14	19.05.1 6	36-39	Mr. Anjani Kumar	17606	1408800	Jan'16 to march'16	Not Submit
15	30.05.1 6	11,15	Mr. Anjani Kumar	17607	1678000	Jan'16 to march'16	Not Submit
				Total	27052900		

**Consequence -**

- Violation of Bihar Municipal Accounting Rules 2014
- Chances of wrong payments/payment to non eligible person

**Cause -**

- Lack of skilled manpower at ULB
- Lack of education of relevant rules of Bihar Municipal Act

**Recommendation -**

- Rule 75 must be followed for disbursement to the daily wage workers & acknowledgement must be obtained from the workers on the muster payroll (BMAR Form- 33).

**III Part – C**

**(i). Other Remarks & Observations**

- A. As per Bihar Municipal Act 2007 Section 86 & 88 & BMAR 2014, annual accounts not prepared for F Y 2016-17.

- B. As per rule no 27, collection register separate for each fund is not maintained.
- C. As per Rule 69 of BMAR 2014, Grant Register in BMAR Form 28 is not maintained
- D. As per rule no 120, monthly receipt and payment statements are not prepared
- E. As per rule no 121, monthly trial balance is not prepared.

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