

INTERNAL AUDIT REPORT

SPUR-PMU (Samvardhan)
No. 1138
In Coming Date 31/01/17
OF ISLAMPUR NAGAR PANCHAYAT

**FINANCIAL
YEAR
2015-
2016**

Internal Audit Report

NAGAR PANCHAYAT, ISLAMPUR

For the period from 1/04/2015 to 31/03/2016

Internal Audit conducted by

M/S R.N. Singh & Co.

Chartered Accountants,

409-502, Hem Plaza, Fraser road

Patna-800 001

Ph No: -0612-2202876, 9431019501

Email-chanakya@leomanagement.in

From 22/08/2016 to 27/08/2016

Report issued on 31/08/2016

Compliance Report for the scope of work as per the Contract with Internal Auditor

Name of Auditor: R N Singh & Co.			Name of ULB:-Nagar Panchayat Islampur
Sl. No.	Relevant Clause of Scope of Work of the Contract		Compliance (Mention the para no & Page no of audit report)
	Clause No.	Description	
1	4.1	Internal Audit should undertake risk-based review and evaluation of the internal control as discussed in Bihar Internal Control Manual. Internal Audit should devote particular attention to any aspects of the internal control environment affected by significant changes to the ULBs's risk environment.	Complied in para no (e) of Part B of Detailed Audit Report (Lack of internal control measures) at Page no 16
2	4.2 & 4.3	<p>a) Internal Auditor should see the compliance of Bihar Municipal Act and specifically Chapter IX to XV and related rules and regulations as well as related directives by UD&HD. In its report there must be a separate section for non-compliance of rules/directives of UD&HD, GoB;</p> <p>b) Report on compliance of Bihar Municipal Accounting Manual, Bihar Municipal Accounts Rules, 2014 and Bihar Municipal Budget Manual with special attention to following Rules of BMAR</p> <p><input type="checkbox"/> Rule 22: All moneys to be brought to account</p> <p><input type="checkbox"/> Rule: 27: Collections to be deposited into Bank on the same day</p> <p><input type="checkbox"/> Rule 69: Grant Related Compliance</p> <p><input type="checkbox"/> Rule 120-121: Monthly Receipt & Payment Account and Trial Balance</p> <p><input type="checkbox"/> Rule 130: Audit to be completed & reported within 6 month</p>	<p>a) Complied in para no (d) of Part B of Detailed Audit Report (Non-Compliance of Act and rule) at Page no 15 & 16</p> <p>b) Complied in para no (c) of Part B of Detailed Audit Report (Non-compliance of directives by UD&HD, Government of Bihar) at Page no 15.</p>
3	4.4 & 4.5	<p>a) Report and quantify all major Own revenue losses and opportunities lost or missed including in the area of Property Tax, Mobile Transmission Towers Tax, Rental of Municipal properties, Advertisement Taxes/Fees, Sairatetc;</p> <p>b) Check on audit trail of all collection of Taxes and Non-Taxes either through staff or outsourced agency and report of any lapses in controls, if any and also advise recommendations to strengthen the prevailing processes;</p>	Complied in para no (a) & (b) of Part A of detailed audit report at Page no 10 to 14.



Name of Auditor: R N Singh & Co.			Name of ULB:-Nagar Panchayat Islampur
Sl. No.	Relevant Clause of Scope of Work of the Contract		Compliance (Mention the para no & Page no of audit report)
	Clause No.	Description	
4	4.6	Report in a separate chapter on implementation of SAS of Property Tax in the ULB; internal auditor should witness some assessment procedures to check any in-consistencies in assessment. At least 20 high value properties in the city /town (irrespective of the fact that SASis received or not) must be surveyed and checked in each quarter and reported variations, if any, in PTRs and Actuals as per internal audits;	Complied in para no (c) of Part A of detailed Audit Report at Page no 14.
5	4.7	Vouch on all payments above Rs. 10,000 and report on adequacy and appropriateness of its documentation, approvals, compliance of procedures etc.	Complied in para no (b) & (c) of Part 2 of Executive Summary at Pg 2 and Para (b) of Part- A of Detailed Audit Report at Page no 14.
6	4.8	Report on Procurement made including through E-Tendering and E-Auction indicating exceptions, if any and whether a register is kept for all Procurements with value above Rs. 15,000/-	Complied in para no (b) of Part B of Detailed Audit Report at Page no 15.
7	4.9	Internal auditor shall also report on presence or absence of a system of issuance of utilization certificate for the different schemes for any utilisation made during the reporting period; Where there is no system for issuance of U/Cs, the Internal Audit report shall prepare Utilisation Certificate for various schemes/grants as per the guidelines of such scheme available on the UD&HD website.	Complied in para no (h) of Part B of Detailed Audit Report at Page no 17 & 18.
8	4.10	Internal Audit can also, provide recommendations to help the ULB management improve the ULB's internal control environment;	Complied in para no (a) to (i) of Part 4 of Executive Summary at Page no 4.
9	4.11	Internal Audit should report instances of losses, failures or inefficiencies and recommendations and/or measures which can be taken to avoid their recurrence in future.	Complied in para no (a), (c), (d) & (e) of Part 4 of Executive Summary at Pg No 4 and Para(a), (b) & (c) of Part A of Detailed audit report at Pg No 10-14.



Executive Summary

1. Introduction:

- **Name of the Municipality:**Islampur NagarPanchayat
- **Period covered under current audit:** 01-04-2015 to 31-03-2016.
- **Name of Chief Municipal Officer for the period under audit:** Shri Dina Nath.

2. Results and Findings:

- **Strengths observed during the audit engagement:**
 - a) Islampur Nagar Panchayat is in practice to prepare Cash book of each scheme and a separate cash book of receipt from own source. Also, a consolidated cash book of all the scheme is made which is termed as Central Cash Book.
 - b) All vouchers are serially arranged, binded, authorized by competent authority and kept properly by the ULB.
 - c) Separate files of the parties to whom payments are made are properly maintained. Proper documentation process is followed.
 - d) Board meetings of Islampur Nagar Panchayat are held regularly and problems faced in the smooth operation are resolved by passing resolutions.
 - e) The assigned revenue has been increased from 21,42,905.00 in 2014-15 to 57,58,513.00 in 2015-16.
 - f) Office of Islampur Nagar Panchayat is very clean,proper care of cleaning and maintenance has been done.
 - g) The closing balance of cash book and pass book have been tallied there is no need to prepare bank reconciliation account.
- **Weaknesses observed in the functioning of office, maintenance of records etc.: -**
 - (a) Islampur Nagar Panchayat has adopted Single Entry Accounting System; this is not as per Accounting Manual.
 - (b) Budget has not been prepared as per Bihar Budget Manual.
 - (c) Collection of property tax, mobile tower tax, shop rent are not satisfactory which are under its Jurisdiction.
 - (d) TDS return & VAT return has not been filled for the financial year 2015-16.



- (e) Statutory Deduction such as TDS, VAT, Labor Cess, and Royalty has not been deposited on stipulated time by the ULB.
- (f) Computerized accounting system has not been implemented by the ULB.
- (g) ULB is not in practice to prepare monthly receipt and payment account.
- (h) ULB is not in practice to deposit the collection in Bank account on the same day.
- (i) Various registers, books of records etc. are not being prepared by the ULB. Such as, Statutory Register with regards TDS, VAT, and Royalty, Vehicle and Generator log book, Assessment register of property tax, Record & Revision of taxes and rent, Monthly receipt & payment.
- (j) ULB is not in practice to charge service tax on rent received from shop.
- (k) 3% Stamp duty has not been collected on shairat in the financial year 2012-13, 2013-14 & 2014-15, details have been provided in detailed audit report.
- (l) The arrear amount of shairat for the financial year 2012-13, 2013-14 & 2015-16 has not been collected till the date of audit.
- (m) Assessment of property tax has not been done by the ULB.

3. Opinion:

The ULB is required to improve in all the field of its operation particularly in the following field:

- a. Preparation of Accounts, Ledger Books, Various Registers and Records as per requirement.
- b. It requires improving its Internal Control Procedures with regards to Demand, Collection of Revenue, and Deposit of Collected revenue in the Banks on scheduled time.
- c. Due to non-implementation of Double Entry Accounting System and following of Cash basis of Accounting, proper recognition of Income and expenses are not possible in accounts.
- d. Monthly receipt & Payment account should be prepared by ULB.



4. Audit Recommendations:

- a. ULB should make survey and assessment of Property / Holdings. So that proper and correct tax can be levied and collected.
- b. ULB should adopt double entry accounting system; Double-entry accounting allows accounting departments to prepare financial statements easily. Double entry accounting system present accurate report of accounts on the income statement, balance sheet, cash flow statement and other financial statements and reports. It provides checks and balances, which prevent fraudulent activity and reduces errors. Double-entry accounting system prevents fraud in a greater way than single-entry accounting because it makes it difficult to manipulate accounts. You can easily detect account manipulation by examining the journal entries and comparing them to previous journal entries for the same or similar transactions.
- c. ULB should levy and collect service tax as per applicable rate from shops given on rent.
- d. ULB must collect property tax, mobile tower tax, advertisement tax, shop rent etc. on timely manner which are under its Jurisdiction.
- e. ULB must file return and deposit TDS, VAT and other statutory on timely basis.
- f. ULB should adopt computerized accounting system. It provides automatic ledger entries, accuracy and speed of automatic calculation, automatic production of trial balance from ledger entries, potential to create customized reports and provide additional analysis.
- g. ULB should prepare receipts and payment account on monthly basis, due to which it becomes very easy to find out that how much fund has been received by the ULB and whether its utilization has been made properly or not.
- h. ULB must maintain all the Books of Account, Register, Records etc. as prescribed in Bihar Municipal Accounts Act, Manual and Rules.
- i. ULB shall deposit all collections from own source of revenue in to the bank account on the same date on which it has been received.

5. Comments from Management:

As per discussion with Management, they have ensured that they are looking into the matter and proper action will be taken for all the irregularities coming out from audit.



6. Acknowledgement:

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

For M/S R.N. Singh & Co.
Chartered Accountants



CA Chanakya Shree
Partner
Mem No:079332
FRN:322066E



Detailed Audit Report

1. Introduction:

The internal audit of Islampur Nagar Panchayat covering the period from 01st April 2015 to 31st March 2016 was conducted by following person under guidance of CA Chanakya Shree.

i. Vigyana Nand Sarswati

2. Administration:

The present body of the ULB has taken charge on 9th June 2012. The incumbency in the key administration and executive was as under:

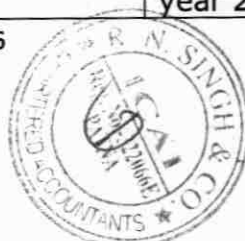
Shri. Ramprit Singh, Chairman, from 9th June 2012 to 8th June 2017.

Shri Dinanath Executive Officer from 24th February 2014 to till date.

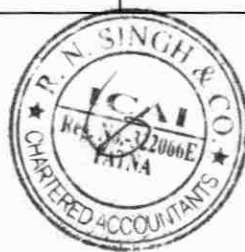
3. Review of Outstanding Paras:

Sl. No.	Particulars of audit and date of report	Total no. of Audit paras.	Total no. of Audit Paras where necessary improvement /corrective measure is required	Total no. of Audit paras where recovery of cash is proposed	Total No. of Audit paras where recovery has been made	Total amount of recovery	Total No. of outstanding para where no action has been taken	No. & date of compliance report
1	Internal Audit for the 2014-2015	14	14	5	0	Nil	14	Not Complied.

Sl. no.	Observation	Status	Compliance report
1	Islampur Nagar Panchayat has adopted Single Entry Accounting System; this is not as per Accounting Manual.	Persisting the year 2014-15.	No any action taken by Islampur ULB.
2	Nagar Panchayat is deducting TDS at unspecified rate i.e. 2.5%. However, the rate should be 1% for individual and 2% for other than individual.	Persisting the year 2014-15.	No any action taken by Islampur ULB.
3	TDS return & VAT return has not been filled for the financial year 2014-15.	Persisting the year 2014-15.	No any action



			taken by Islampur ULB.
4	Statutory Deduction such as TDS, VAT, Labor Cess, and Royalty has not been deposited on stipulated time by the ULB.	Persisting the year 2014-15.	No any action taken by Islampur ULB.
5	Computerized accounting system has not been implemented by the ULB.	Persisting the year 2014-15.	No any action taken by Islampur ULB.
6	ULB is not in practice to prepare monthly receipt and payment account.	Persisting the year 2014-15.	No any action taken by Islampur ULB.
7	ULB is not in practice to deposit the collection in Bank account on the same day.	Persisting the year 2014-15.	No any action taken by Islampur ULB.
8	Various registers, books of records etc. are not being prepared by the ULB. Such as, Statutory Register with regards TDS, VAT, and Royalty, Vehicle and Generator log book, Assessment register of property tax, Record & Revision of taxes and rent, Monthly receipt & payment.	Persisting the year 2014-15.	No any action taken by Islampur ULB.
9	ULB is not in practice to charge service tax on rent received from shop.	Persisting the year 2014-15.	No any action taken by Islampur ULB.
10	The collection of holding tax is very poor, only 19.75% of total demand has been collected in the financial year 2014-15.	Persisting the year 2014-15.	No any action taken by Islampur ULB.
11	We observed that there are 19 towers have been installed in Nagar Panchayat but they could not take registration and renewal on timely basis, details have been provided in detailed audit report.	Persisting the year 2014-15.	No any action taken by Islampur ULB.
12	3% Stamp duty has not been collected on shairat in the financial year 2012-13, 2013-14 & 2014-15, details have been provided in detailed audit report.	Persisting the year 2014-15.	No any action taken by Islampur ULB.
13	The arrear amount of shairat for the financial year 2012-13 & 2013-14 has not been collected till the date of audit.	Persisting the year 2014-15.	No any action taken by



			Islampur ULB.
14	Assessment of property tax has not been done by the ULB.	Persisting the year 2014-15.	No any action taken by Islampur ULB.

4. Finance:

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

Year	2013-14	2014-15	2015-16
Final/Revised Budget	2,23,75,126.00	1,42,19,776.00	14,56,80,304.00
Actual Expenditure	2,35,57,725.00	8,73,83,878.00	7,59,02,539.00
Savings(+)/Excess (-)	(11,82,599.00)	(7,31,64,102.00)	6,97,77,765.00

II. Volume of transaction:

Period	Budgeted	Previous year (For one Year) (2014-15)	Corresponding period of previous year (2014-15)	Current period (2015-16)	Cumulative for the current period (2015-16)
Opening balance	3,90,21,163.00	7,55,45,632.00	7,55,45,632.00	3,90,21,163.00	3,90,21,163.00
Receipts	14,56,80,304.00	5,08,59,409.00	5,08,59,409.00	7,69,06,553.00	7,69,06,553.00
Total	18,47,01,467.00	12,64,05,041.00	12,64,05,041.00	11,59,27,716.00	11,59,27,716.00
Net expenditure	14,56,80,304.00	8,73,83,878.00	8,73,83,878.00	7,59,02,539.00	7,59,02,539.00
Closing balance	3,90,21,163.00	3,90,21,163.00	3,90,21,163.00	4,00,25,177.00	4,00,25,177.00

III. Bank reconciliation:

- We observed that ULBs has maintained different cash book and pass book for different scheme. Cash book and pass book of schemes are tallied there is no need to prepare bank reconciliation account.
- We observed that in three accounts there is no transaction has been done in the financial year 2015-16, it means the fund of government remain blocked in the whole financial year. Details have been provided as below: -

Si. No.	Name of Scheme	Balance as per cash book As on 31-03- 2016	Balance as per pass book As on 31-03- 2016	Difference	Account Number	Bank name
1	SJSRY	3,96,927.16	3,96,927.16	-	11417710869	SBI
2	Swachhta	1,02,739.13	1,02,739.13	-	11417710869	SBI
3	E.Gov.	60,584.00	60,584.00	-	11417710870	SBI



IV. Revenue Receipts:

Period	Budgeted	Previous year (For one year)	Corresponding period of previous year	Current Period	Cumulative for the current period
(a) Own source		2014-15	2014-15	2015-16	2015-16
Property Tax	62,96,578.00	8,09,479.00	8,09,479.00	10,34,111.00	10,34,111.00
Assigned Revenue	52,31,326.00	21,42,905.00	21,42,905.00	57,58,513.00	57,58,513.00
Others (Fees & user charges)		9,74,684.00	9,74,684.00	4,71,091.00	4,71,091.00
(b) Administrative grant	1,52,400.00	2,28,600.00	2,28,600.00	1,47,932.00	1,47,932.00
(c) Specific Grant (Scheme wise)					
Peya jal Aapurti		1,67,70,000.00	1,67,70,000.00		
Prashashnik Bhawan Nirman		2,47,125.00	2,47,125.00		
Peshakar ki kattauti Rashi	15,00,000	7,18,717.00	7,18,717.00	8,89,751.00	8,89,751.00
Swachhta Abhiyan				68,70,400.00	68,70,400.00
13 th Fin	55,00,000	35,56,204.00	35,56,204.00	26,48,072.00	26,48,072.00
Computer data operator		14,533.00	14,533.00		
Kabir antyeshthi		2,49,000.00	2,49,000.00	6,24,000.00	6,68,000.00
BRGF		14,88,770.00	14,88,770.00		
E. Gov.		1,50,000.00	1,50,000.00	2,40,000.00	2,40,000.00
Swachhta Sauchalay				5,30,000.00	5,30,000.00
Anusuchit janjati		20,000.00	20,000.00		
Path, Nala	2,50,00,000	39,75,800.00	39,75,800.00	10,33,300.00	10,33,300.00
Mahila ward Parshad		3,00,000.00	3,00,000.00		
Peya jal aapurti	1,00,00,000	47,60,000.00	47,60,000.00		
4 th Fin	1,30,00,000	1,34,37,540.00	1,34,37,540.00		
Kabir Antyeshthi		4,56,000.00	4,56,000.00		
Jangarna		1,96,500.00	1,96,500.00	1,96,500.00	1,96,500.00
Nishchay Yojna				43,18,853.00	43,18,853.00
18 th & 19 th Fin				20,000.00	10,000.00
14 th Fin				77,61,567.00	77,61,567.00
Stamp duty	45,00,000			71,20,880.00	71,20,880.00
Water tank				2,36,00,600.00	2,36,00,600.00
5 th Fin				1,36,40,983.00	1,36,40,983.00
Bada Nala	2,50,00,000				
Park, Talab	1,50,00,000				



Nagrik suvidha	1,50,00,000				
Paryawaran sanrakshan	10,00,000				
Pashuhat Atasarai	5,00,000				
Khesra no-740	1,00,00,000				
RCC	50,00,000				
Anusuchit jati	15,00,000				
Sachhar samiti	15,00,000				
Total	14,56,80,304.00	4,65,68,789.00	4,65,68,789.00	7,69,06,553.00	7,69,06,553.00

V. Status of implementation of Double Entry Accounting System:

The ULB has not implemented the Double Entry Accounting System.

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

As per information provided to us Municipal accounts committee has been constituted on 28-02-2015 and monthly meeting has been held. However, we have not been provided with any documentary evidence and hence, we are unable to comment on the same.

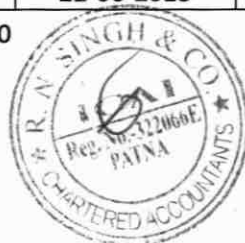
5. Audit Observations:

I. Part - A

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

- a. Leakage of own source of revenue either due to wrong assessment or non-levy of property tax, mobile tower tax, rent on municipal properties, advertisement tax, Shairat, fee etc.
- i. On verification of details and records, we observed that the collection of property tax (Holding tax) is very poor and the collected amount is not deposited on timely basis in the respective account of government in the financial year 2015-16. Following are the examples of late submission of revenue: -

SI NO	NAME OF TAX COLLECTOR	RECEIPT NUMBER	DATE OF COLLECTION	DATE OF DEPOSIT	AMOUNT
1	Rekha Kumari	6158	26-06-2015	06-07-2015	498
2	Rekha Kumari	6157	26-06-2015	06-07-2015	202
3	Rekha Kumari	6162	29-06-2015	06-07-2015	418
4	Rekha Kumari	6163	29-06-2015	06-07-2015	4852
5	Rekha Kumari	4643	19-06-2015	06-07-2015	2222
6	Rekha Kumari	4645	20-06-2015	06-07-2015	2174
7	Rekha Kumari	4646	22-06-2015	06-07-2015	747



8	Rekha Kumari	4647	26-06-2015	06-07-2015	1272
9	Rekha Kumari	4649	26-06-2015	06-07-2015	631
10	Rekha Kumari	4650	27-06-2015	06-07-2015	572

- a. There are 6,546 holdings in Nagar Panchayat and demand for holding taxes is raised for Rs. 50,99,479.00 including previous arrear out of which only Rs. 10,34,111.00 has been received during the 2015-16 and remaining amount of Rs. 40,65,368.00 is due. It means only 20.28% has been received during this financial year. Details are as below: -

Si. No.	Financial Year	Number of Holdings	Demand		Total Demand	Total Collection	Total Arrear
			Arrear	Current			
1	2015-16	6,546	24,47,073	26,52,406	50,99,479	10,34,111	40,65,368

The amount of Rs. 40, 65,368.00 is required to be recovered at the earliest.

- ii. As per rules, if any tower is installed in municipality, then they should give an application to the ULB and take the no objection certificate and get registration by paying a fee of Rs. 30,000 and renewal charges of Rs. 8000 per annum. If it does not take registration or renewal on time, then they will have to pay 1.5 % interest per month as penalty. But in this respect we found that in Nagar Panchayat total demand raised is of Rs. 16,16,400.00 out of which Rs.4,74,000.00 is for registration and Rs.11,42,400.00 for renewal charges, but in this respect only Rs. 2,82,000.00 has been collected by Nagar Panchayat i.e. 17.45% and remaining Rs. 13,34,400.00 is due. Details are as below: -

Sl. No.	Name of Company/Place	Establishment Year	Total Registration Fees	Total Renewal Fees	Total Receivable Amount	Total Collection	Total Arrear
1	Reliance Patel Nagar, Gaya Road	2005	30000	96000	126000	38000	88000
2	BSNL Murgiya Chowk	2006	30000	88000	118000	0	118000
3	Airtel Budha Nagar, Barbiga, Ranapratap Nagar	2006,2008	126000	318400	444400	90000	354400
4	Vodafone Ranapratap Nagar	2008	66000	158400	224400	54000	170400



5	Tata Indocom Kajiyana Gaya Road, Station Road	2008,2009	60000	136000	196000	100000	96000
6	GTL Aircel Barbiga, Rajgir Road	2009	162000	345600	507600	0	507600
TOTAL: -			4,74,000	11,42,400	16,16,400	2,82,000	13,34,400

The amount of Rs. 13, 34,400.00 is required to be recovered from the Tower Company at the earliest.

- iii. We found that lot of shops have been given on rent by Nagar Panchayat but in this respect we found that total rent demanded during the financial year 2015-16 is Rs. 6,87,200.00 including previous arrear but only Rs. 70,000.00 has been collected by nagar panchayat i.e. 10.2% and remaining amount Rs. 5,98,600.00 is due. Details have been provided as below:

Si. No.	Name of Shop keeper	Shop Number	Monthly Rent	Total Demand till 31-03-2016	Total Collection till 31-03-2016	Balance due
1	SHRI. BABLESH KUMAR	2	600	29400	0	29400
2	SHRI. RAJEEV RANJAN	3	600	29400	0	29400
3	SHRI. MUNDRIKA SINGH	4	600	14400	0	14400
4	SMT. PHOOL DEVI	6	600	14400	0	14400
5	AMLESH KUMAR	1	500	24500	0	24500
6	AMLESH KUMAR	2	500	24500	0	24500
7	MD. ASHRAF ALI	3	500	24500	0	24500
8	MD.ASHRAF ALI	4	500	24500	0	24500
9	MD.NAYNUL HAQUE	5	500	24500	0	24500
10	SANTOSH KUMAR	6	500	24500	0	24500
11	MD. PARVEEJ ALAM	7	500	24500	0	24500
12	MD.IQUEBAL	8	500	24500	0	24500
13	MD.IJRAYAL	9	500	24500	0	24500
14	REKHA SINHA	10	500	17000	0	17000
15	REKHA SINHA	11	500	18000	0	18000
16	REKHA SINHA	12	500	18000	0	18000
17	CHANDRA PRAKASH ANAND	13	500	24500	0	24500
18	VIVEK KUMAR SINGH	14	500	24500	0	24500
19	VIJAY SAO	15	500	24500	0	24500
20	STATE BANK CUSTOMER SERVICE CENTRE	19	600	33000	0	33000



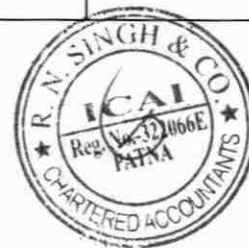
21	MD.AAYAJ ALAM	20	500	33000	0	33000
22	MD.AAYAJ ALAM	21	500	24500	0	24500
23	SMT.BIBHA KUMARI	22	500	24500	0	24500
24	ANJU SINHA	23	500	24500	0	24500
25	ANJU SINHA	24	500	24500	0	24500
TOTAL: -				5,98,600	0.00	5,98,600

- iv. We observed that in the financial year 2012-13 & 2013-14 the arrear amount of Shairat was Rs. 4,47,200 and for the financial year 2015-16 was Rs. 14,76,650/-. However, no amount has been recovered till the date of audit. As per agreement, the arrear amount should have been collected within six months from the date of agreement. Details of unrealized amount is as below: -

Si. No.	Period	Details of Shairat	Amount	Collection	Arrear
1	2012-13	Sabji Urda bazar Maweshi Fatak	6,62,000.00	4,55,000.00	2,07,000.00
2	2013-14	Wahan padao	7,45,950.00	6,75,000.00	70,950.00
3	2013-14	Sabji Urda bazar	3,39,250.00	3,00,000.00	39,250.00
4	2013-14	Jalkar shirat purvi pokhar	2,60,100.00	1,30,100.00	1,30,000.00
5	2015-16	Wahan padao	20,08,000.00	10,04,000.00	10,04,000.00
6	2015-16	Sabji bazar	4,90,350.00	2,50,000.00	2,40,350.00
7	2015-16	Purvi pokhar	4,69,300.00	2,37,000.00	2,32,300.00
Total: -			49,74,950.00	30,51,100.00	19,23,850.00

- v. As per letter no 1920 dated 14-08-2002 and letter no 549 dated 15-03-2005 before allotting shairat, the agreement should be done on the stamp having 3% value of the total quoted price, but in this respect, we observed that the Nagar Panchayat has not collected previously the 3% stamp duty on shairat. The unrealized revenue in the financial year 2012-13 & 2013-14 was Rs. 89,534.00 and in 2014-15 was Rs. 28,742.00.

Si No.	Period	Details of Shairat	Shairat Amount	3% Unrealized revenue
1	2012-13	Shairat gabda purvi pokhar budha nagar	2,47,000.00	7,410.00
2	2012-13	Wahan padao	13,61,000.00	40,830.00
3	2012-13	Sabji urda bazar, Maweshi fatak	6,62,000.00	19,860.00
4	2013-14	Sabji urda bazar	3,39,250.00	10,178.00
5	2013-14	Jalkar shairat	2,60,100.00	7,803.00
6	2013-14	Pashu aahar ka saray	1,15,000.00	3,450.00
7	2014-15	Sabji urda bazar, Maweshi fatak	4,65,110.00	13,953.00



8	2014-15	Jalkar shairat char gabda	15,850.00	476.00
9	2014-15	Jalkar shairat purvi pokhar	4,69,000.00	14,070.00
10	2014-15	Surya pokhar chhath mela	8,100.00	243.00
TOTAL: -			39,42,410.00	1,18,273.00

b. Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs. : We have carried out 100% vouching for expenses incurred for Rs 10,000 or more and found that :

i. We observed that during the financial year 2015-16 Laptop purchased of Rs. 5,40,000/- and Tab purchased Rs. 1,50,200/- from Aditya Vision Patna in this respect total payment has been made with VAT amount i.e. Rs. 6,90,200/- (Inclusive of VAT). In this respect no deduction certificate of VAT has not been taken.

c. Report on findings of field survey of property tax of high value properties:

The last field survey in Islampur Nagar Panchayat has been done in 2012-13, later on no field survey has been done by ULB, the details of new property for the financial year 2015-16 has been provided by ULB on the basis of approved map. Details are as below: -

SI NO	NAME OF TAX PAYER	AREA	TYPE	
			RESIDENTIAL	COMMERCIAL
1	Julekha Khatun	122.56	Residential	-
2	Onkar Mukund, Satyprakash	153.69	Residential	-
3	Draupadi Devi	111.41	Residential	-
4	Prithvi Prasad	88.98	Residential	-
5	Saroj Devi	220.81	Residential	-
6	Shweta Sinha	80.80	Residential	-
7	Mridula Kumari	167.85	Residential	-
8	Kanchan Kumari	96.97	Residential	-
9	Reeta Devi	151.02	Residential	-

II. Part – B

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

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

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



- (1). Statutory Register.
- (2). Demand and collection register of all taxes/user charges/fees & fines.
- (3). Assessment register of property tax.
- (4). Vehicle & Generator log book.
- (5). Records and revision of taxes and rent.
- (6). Monthly receipt and payment account is not being prepared by the ULB.
- (7). Royalty Register.

b. Irregularity in procurement process: -

1. We observed that during the financial year 2015-16 payment has been made of Rs. 47,000.00 for the arrangement /decoration of kabristan on the occasion of sabebarat, but in this respect no procurement process has been followed, work has been done on departmental basis.
2. We observed that during the financial year 2015-16 payment has been made of Rs. 1,00,000.00 for the arrangement /decoration on the occasion of Durgapuja fair, but in this respect no procurement process has been followed, work has been done on departmental basis.
3. We observed that during the financial year 2015-16 the total payment has been made of Rs. 42,91,081.00 on daily wages. However, in this respect following irregularities are being observed:
 - There is no procurement policy is being followed for hiring of the daily wages employee.
 - There is very much chances of Strike and labor unrest on regular basis leading to no work.
 - Ignoring the procurement policy and hiring the daily wages employee on its own may require ULB to adhere with various law, rules and procedure for hiring the workers

In this respect ULB should follow procurement process and should hire an agency for labor supply.
4. Neither procurement register maintained nor e-tendering and e-auction is being implemented.

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

No such cases observed during the course of our audit.

d. Non- compliance of Act & Rules.

- i. The ULB is not preparing the Accounts and Financial Statement as per Section 86 & 88 of the Bihar Municipal Act, 2007. As required under section 88 of the said Act, the ULB is required to



prepare within four months from the close of the year, Financial Statement Containing an Income & Expenditure Accounts and a Receipt and Payment Account for the previous year w.r.t. the accounts of the ULB.

- ii. The ULB is not preparing the Accounts and Financial Statement as per Section 86 & 88 of the Bihar Municipal Act, 2007. As required under section 88 of the said Act, the ULB is required to prepare within four months from the close of the year, Financial Statement Containing an Income & Expenditure Accounts and a Receipt and Payment Account for the previous year w.r.t. the accounts of the ULB.
- iii. The ULB is not preparing Fund Wise Receipts & Payments under BMAR Form No 71 within 20th day of the subsequent months as per Rule 120 of the Bihar Municipal Accounts Rule 2014.
- iv. The ULB is not preparing following Financial Statement of the Preceding years as required under Rule 122 of the Bihar Municipal Accounts Rule, 2014:

- a. Receipt & Payment Accounts for the Year (BMAR Form No 71).
- b. Income & Expenditure Account for the Year (BMAR Form No 73).
- c. Balance Sheet as on 31st March of the Year (BMAR Form No 74).

e. Lack of internal control measures:

- i. We observed that the total collection is not deposited into the bank account of government on the same day in this respect ULB should deposit all collections from own source of revenue in to the bank account on the same date on which it has been received.
- ii. The ULB is not preparing Budgets as per the Rules framed under Bihar Municipal Accounts Rule 2014. It is also not following the Rule 132 regarding Public Participation in preparation of Budget. Moreover, as required under provisions of Rule 139, mid -year review of Budget is not being made leading to huge deviations from Budget.
- iii. We observed that during the financial year 2015-16, Laptop purchased for Rs. 5,40,000/- and Tab purchased of Rs. 1,50,200/- from Aditya Vision Patna. In this respect total payment has been made with VAT amount i.e. Rs. 6,90,200 (Inclusive of VAT). In this respect no deduction certificate of VAT has not been taken from the Department.

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

- i. We observed that income tax has been deducted in financial year 2012-13 & 2013-14 on different schemes for Rs. 9,31,602.00 but this amount has not been deposited in the related account till the date of audit. Details of TDS deducted but not deposited are as under: -



Si. No.	Name of Scheme	Deducted Amount
1	4 th finance	2,42,872.00
2	IDSMT	1,41,026.00
3	BRGF	2,30,928.00
4	SGSRY	27,789.00
5	13 th Finance	50,068.00
6	Nagrik Suvidha	2,24,419.00
7	Interest	14,500.00
TOTAL:-		9,31,602.00

ii. Non-filling or late filling of the TDS return or TDS statement shall invite two penal consequences:

1. Fee for late filling under section 234 E, Rs 200 per day shall be imposed.
2. Penalty for late filling or non-filling of the TDS under section 271 H which provides that deductor shall pay penalty of minimum of Rs 10,000/- to Rs 1,00,000/- for non-filling of TDS on timely basis, within one year from the specified date on which he was supposed to file the return. We observed that Nagar Panchayat has not filled TDS return, so in this case above penal provision and late fine shall be attracted.

iii. There is no transparency in the case of date of TDS deduction and the date of deposit. In this respect, we found that Nagar Panchayat is not in practice to deposit TDS amount on due date i.e. 7th of the next month.

iv. As per Value Added Taxes, due date for deposit of VAT amount to the government account is within fifteen days from the end of the month in which VAT has been deducted. However, we found that VAT has been deducted by Nagar Panchayat from different contractor for construction of the project but Nagar Panchayat is not in practice to deposit the VAT amount on scheduled time as specified in Bihar Commercial Taxes under VAT.

g. Deficiency in pay-roll system.

The pay-roll system is not satisfactory. No records, details and register are being prepared with respect to various deductions like TDS, EPF, and ESIC etc. There should also be proper attendance registers with respect to the Daily Wager / Contractual Employees.

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

We observed that Utilization of grant of two schemes have not been submitted by ULB. The details of UCs of grant which have not been submitted are as below: -



SI NO	BILL NUMBER	NAME OF SCHEME	AMOUNT
1	8	Peyajal Aapurti Yojna	2,36,00,600.00
2	9	5 th State Finance (First Installment)	72,37,562.00
TOTAL: -			3,08,38,162.00

i. Physical verification of inventory/stores.

Physical verification of the stock has not been done by Nagar Panchayat at periodical period.

j. Advances, their adjustment & recovery.

All the advance given in the financial year 2014-15 has been adjusted with bill and vouchers during same financial year.

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

As per finance act 1994, if any rent services provided by government or Urban local body to any entity, then service tax must be levied and collected by service provider from service receiver as per applicable rate however we observed that rent has been collected by Nagar Panchayat during financial year 2014-15 and it did not collect service taxes on rent @ 14.5% rent amount is Rs. 5,98,600.00 therefore service tax is Rs. 86,797.00 has not been collected.

III. Part C

General Observations: -

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

For R. N. Singh & Co.
Chartered Accountants

CA Chanakya Shree
Partner
Mem No:079332
FRN: 322066E



Discussion Note		
SI.No.	Observations	Managements Remarks
1	We observed that during the financial year 2015-16 payment has been made i.e. Rs. 47,000.00 for the arrangement /decoration of kabristan on the occasion of sababarar, but in this respect no procurement process has been followed.	In tender process expenses was exceeding than 47,000 therefore, work has been done on departmental basis
2	We observed that during the financial year 2015-16 payment has been made i.e. Rs. 1,00,000.00 for the arrangement /decoration on the occasion of Durgapuja fair, but in this respect no procurement process has been followed.	In tender process expenses was exceeding than 1,00,000 therefore, work has been done on departmental basis
3	We observed that during the financial year 2015-16 Laptop purchased of Rs. 5,40,000 and Tab purchased Rs. 1,50,200 from Aditya Vision Patna in this respect total payment has been made with VAT amount i.e. Rs. 6,90,200 (Inclusive of VAT). In this respect no deduction certificate of VAT has not been taken.	No deduction certificate of VAT will be taken from vendor as soon as possible.
4	We observed that in the financial year 2015-16 the total payment has been made Rs. 42,91,081.00 on daily wages basis, but in this respect following irregularities are arisen:- 1. Breaking of procurement policy. 2. Chances of Strike of labours may occur. In this respect ULB should follow procurement process and should hire an agency for labour supply.	In procurement process agencies are not willing for Sewer cleaning (नाला सफाई) therefore, work has been done on daily wages system.
5	During the financial year 2015-16 we observed a case of over budget of expenses. Budget has been proposed for Chapakal repair Rs. 15,00,000.00 but in this respect total expenses has been occurred during this financial year is Rs. 26,68,790.00	Approval has been taken by ULB.
6	There are 6,546 holdings in Nagar Panchayat and holding taxes raised demand of Rs. 50,99,479.00 including previous arrear out of which only Rs. 10,34,111.00 has been received during the 2015-16 and remaining amount of Rs. 40,65,368.00 is due. It means only 20.28% has been received during this financial year.	Management will take action and the arrear amount will be collected as soon as possible
7	We found that lot of shops have been given on rent by Nagar Panchayat but in this respect we found that total rent demanded during the financial year 2015-16 is Rs. 5,98,600.00 including previous arrear but only Rs. 70,000.00 has been collected by nagar panchayat i.e. 11.7% and remaining amount Rs. 5,28,600.00 is due.	Management will take action and the arrear amount will be collected as soon as possible



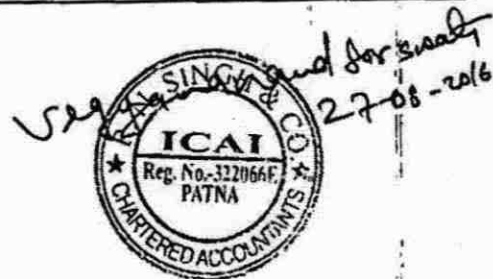
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8	<p>municipality then they should give an application to the municipal and take the no objection certificate and get registration of Rs. 30,000 and renewal charges of Rs. 8000 per annum if it does not take registration or renewal on time then they will have to pay 1.5 % interest per month as penalty. But in this respect we found that in Nagar Panchayat total demand raised Rs. 16,16,400.00 in which Rs.4,74000.00 for registration and Rs.11,42,400.00 for renewal charges, but in this respect only Rs. 2,82,000.00 has been collected by nagar panchayat i.e. 17.45% and remaining Rs. 13,34,400.00 is due.</p>	<p>Due to riot in High court the collection has been effected but in this respect order for recovery has been given</p>
9	<p>As per finance act 1994, if any rent services provided by government or Urban local body to any entity , then service tax must be levied and collected by service provider from service receiver as per applicable rate however we observed that rent has been collected by Nagar Panchayat during financial year 2014-15 and it did not collect service taxes on rent @ 14.5% rent amount is Rs. 5,98,600.00 therefore service tax is Rs. 86,797.00 has not been collected.</p>	<p>Management will follow this</p>
10	<p>ULB should prepare receipts and payment account on monthly basis, due to which it becomes very easy to find out that how much fund has been received by the ULB and whether its utilization has been made properly or not.</p>	<p>Management will follow this</p>
11	<p>As per letter no 1920 dated 14-08-2002 and letter no 549 dated 15-03-2005 before allotting shairat the agrrement should be done on the revenue stamp value of 3% of total quoted price, but in this respect we observed that Nagar panchayat has not collected the previous 3% stamp duty on shairat. The unrealised revenue in the financial year 2012-13 & 2013-14 is Rs. 89,534.00 and in 2014-15 Rs. 28742.00.</p>	<p>As soon as possible the arrear amount will be recovered.</p>
12	<p>We observed that in the financial year 2012-13 & 2013-14 the arrear amount of shairat is Rs. 4,47,200 and for the financial year 2015-16 is Rs. 14,76,650 has not been recovered till the date of audit. As per agreement the arrear amount should be collected within six months of the agreement.</p>	<p>Cerificate case has been filled by ULB</p>
13	<p>Non filling or late filling of the TDS return or TDS statement invites two penal consequences:-</p> <ol style="list-style-type: none"> 1. Fee for late filling under section 234 E, Rs 200 per day. 2. penalty for late filling or non filling of the TDS under section 271 H which provides that deducter shall pay penalty of minimum Rs 10,000 to Rs 1,00,000 for non filling of TDS on timely, within one year from the specified date which he was supposed to file the return. We observed that Nagar Panchayat has not filled TDS return, so in this case above penal and late fine shall be attracted. 	<p>Management will follow this</p>



27-8-14

14	that Nagar Panchayat is not in practice to deposit TDS amount on due date i.e. 7th of the next month.	Management will follow this
15	We observed that income tax has been deducted in financial year 2012-13 & 2013-14 on different schemes Rs. 9,37,602.00 but this amount has not been deposited in the related account till the date of audit.	Amount will be deposited as soon as possible
16	As per Value Added Taxes, due date for deposit of VAT amount to the government account is within fifteen days from the completion of the month in which VAT has been deducted. However we found that VAT has been deducted by Nagar Panchayat from different contractor for construction of the project but Nagar Panchayat is not in practice to deposit the VAT amount on scheduled time as specified in Bihar Commercial Taxes under VAT.	Management will follow this
17	We observed that the total collection is not deposited into the bank account of government on the same day in this respect ULB should deposit all collections from own source of revenue in to the bank account on the same date on which it has been received.	Management will follow this
18	Islampur Nagar Panchayat should maintain all the required registers as per the Bihar Municipal Act Rules.	Management will take care about this.
19	In the financial year 2015-16 Utilization certificate of Rs. 3,08,38,162.00 has not been submitted by ULB.	Utilization will be sent as soon as possible
20	Islampur Nagar Panchayat has not Prepared Budget as per the Bihar budget manual.	Management will take care about this.
21	Field survey of property and assessment has not been done by ULB in the financial year 2015-16.	Management will take care about this.
22	Physical verification of inventory & Fixed assets has not been done by ULB on regular interval.	Management will take care about this.



<p>1. The first part of the report is a general statement of the situation in the country.</p>	<p>2. The second part of the report is a detailed account of the work done during the year.</p>
<p>3. The third part of the report is a summary of the results of the work.</p>	<p>4. The fourth part of the report is a list of the names of the persons who have been engaged in the work.</p>
<p>5. The fifth part of the report is a list of the names of the persons who have been engaged in the work.</p>	<p>6. The sixth part of the report is a list of the names of the persons who have been engaged in the work.</p>
<p>7. The seventh part of the report is a list of the names of the persons who have been engaged in the work.</p>	<p>8. The eighth part of the report is a list of the names of the persons who have been engaged in the work.</p>
<p>9. The ninth part of the report is a list of the names of the persons who have been engaged in the work.</p>	<p>10. The tenth part of the report is a list of the names of the persons who have been engaged in the work.</p>
<p>11. The eleventh part of the report is a list of the names of the persons who have been engaged in the work.</p>	<p>12. The twelfth part of the report is a list of the names of the persons who have been engaged in the work.</p>



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