

INTERNAL AUDIT REPORT  
OF  
NAGAR PANCHAYAT  
JHANJHARPUR (MADHUBANI)

For the period from 01.04.2015 to 31.03.2016

Internal Audit Conducted by:  
M/S RAJEEV R MISHRA & CO.  
CHARTERED ACCOUNTANTS

*Rajeev R Mishra*



BALBHADARPUR, LAHERIASARAI TOWER

DARBHANGA (BIHAR)-846001

Cont: +91-9234554106, +91-9835156869

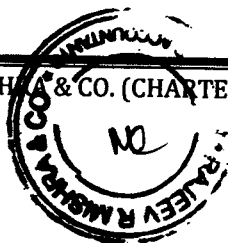
E-Mail- [carajeevranjan@rediffmail.com](mailto:carajeevranjan@rediffmail.com)

**NAGAR PANCHAYAT - JHANJHARPUR**

**INTERNAL AUDIT REPORT OF F.Y.2015-16**

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## Internal Audit Report of Financial year 2015- 2016

### Section A: Audit Procedure

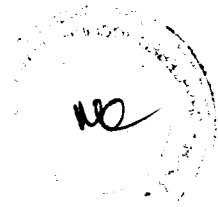
This internal audit report (Hereinafter referred to as "report") has been issued as a part of our engagement for internal audit for the Period ended on 1<sup>st</sup> April 2015 to 31<sup>st</sup> March, 2016. The ULB (Nagar Panchayat, Jhanjharpur) is a wing of Urban Development and Housing Department, Government of Bihar and we have carried out the Internal Audit as per the appointment letter issued by the management of Support Programme for Urban Reforms in Bihar (SPUR) , Patna Vide the Notice to Proceed (NTP) Number : **SPUR-PMU/194/IA-140 ULBs & SLMA/G-11/RRM/2016/132/31 Dated 5<sup>th</sup> April 2016.**

We have conducted our audit in accordance with the Standards on Internal Auditing (SIA) issued by the Institute of Chartered Accountants of India. These Standards require that we plan and perform the internal audit in such manner so that to cover all the scope, coverage and resources including planning with respect to time and resources to be used. An internal audit includes examining every aspect of the organisation as per the Terms of Reference and to the extent as provided in the scope of Internal Audit. Besides, this being an internal audit, it also covers the extensive scope as specified by the management of the Organisation in the engagement letter.

#### **The Salient Points of the scope covered by our internal audit are as follows:**

1. Evaluation of internal controls as discussed in Bihar internal control manual.
2. Compliance of Bihar Municipal Act related Rules and Regulations.
3. Compliance of Bihar Municipal Accounting Manual, BMAR- 2014 and Bihar Municipal Budget Manual.
4. Reporting on All Major own Revenue Losses.
5. Survey Report on at least 20 high Value Property in the Town.
6. Vouching of All Payments above Rs. 10,000/-.
7. Report on Procurement made through Tender for value Above Rs. 15,000/-.
8. Appraisal of the effectiveness of overall accounting system.

Moreover, our scope of examination also covered the requirements of the specific points as spelled out by the management of UD&HD. The result and recommendations of our internal audit are set out in scope of audit and where ever required, in annexure forming integral part of our report.



# Internal Audit Report- Nagar Panchayat - Jhanjharpur

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**We have conducted the Internal Audit with the objective:-**

- ❖ That The Assets of the ULB are properly protected and accounted for.
- ❖ That the current transactions are promptly and completely recorded.
- ❖ That Inefficient or fraudulent operations are revealed.

We started with an overview of activities through a study on various documents generated by the ULB. We then identified Evaluated and tested adequacy, effectiveness and efficiency of internal controls including standard policies and procedure laid down by the management for each of the areas included in the scope of work.

Testing of internal control was carried out by the checking a sample of translations for the period covered under the audit.

Our Observations resulting from the audit test performed on a sample of transactions along with suggested recommendation for addressing these observations are set out under Part (A), Part (B) and Part (C) of the audit report.

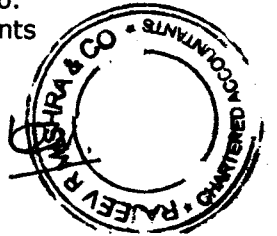
During the audit, we reviewed the following Registers and Documents.

- ❖ Accountant cash Book
- ❖ Subsidiary Cash Book
- ❖ Bank Book
- ❖ DCR
- ❖ Vouchers along with supporting documents.
- ❖ Others related records and registers.

Place:-  
Date:-

For  
Rajeev R Mishra & Co.  
Chartered Accountants

*Mritunjay Kumar*



CA Mritunjay Kumar  
M.No.- 535789  
Contact No- 9835156869

## Executive Summary

## 1. Introduction

<b>Name of the Municipality</b>	NAGAR PANCHAYAT JHANJHARPUR (MADHUBANI)
<b>Period Covered under Current Audit</b>	01.04.2015 to 31.03.2016
<b>Name of the Executive Officer of the ULB</b>	MR. ARUN SAFI
<b>Name of Chairman of the ULB</b>	Mrs. SONA DEVI
<b>Name of Vice-Chairman of the ULB</b>	MR. BIRENDRA NARAYAN BHANDARI

## 2. Results and Findings

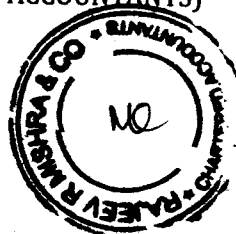
<b>Strength observed during the audit engagement</b>	<ol style="list-style-type: none"> <li>1. Accountant Cash Book has been prepared.</li> <li>2. Cheque issue Register has been prepared.</li> <li>3. Daily collection register have been prepared.</li> <li>4. Salary Register has been prepared.</li> </ol>
<b>Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement.</b>	<ol style="list-style-type: none"> <li>1. We observed under collection of tower tax. According to management only 6 Mobile Tower of different companies are operating under the ULB. However total collection during the current year is only Rs. 16,000/-. We could not compute the exact amount of dues with respect to principal and interest towards mobile tower tax due to unavailability of the following information: <ol style="list-style-type: none"> <li>(a) Total number of towers operating in area of the ULB.</li> <li>(b) Total number of additional antenna on each tower.</li> <li>(c) Month and year of establishment of each tower and additional antenna.</li> <li>(d) Among the total towers how many have been paid their registration fee with the ULB.</li> </ol> </li> <li>2. Bank Reconciliation Statement is not prepared at all.</li> <li>3. Collections from Internal resources are very poor.</li> <li>4. Delay in deposit of TDS attracts interest U/S 201 of Income Tax Act. (Annexure - A)</li> <li>5. Delay in filing of the TDS Returns on due date. (Annexure -B)</li> <li>6. TDS Certificates have not been downloaded from TRACES within stipulated time. It attracts fine of Rs.100/- per day U/S 272A of the Income Tax Act.</li> </ol>



	<p>7. Form RT – VII related to Sec. 41 of the Bihar VAT Act, 2005 has not been filed. A copy of Form RT –VII has been attached under Annexure – C.</p> <p>8. During the verification of documents related to tenders under different Yojnas we observe overall lack of internal control related to proper documentation and filing of all related papers at one place. Also during the perusal of tender related documents we observe one contractor named Mr. Manish Kumar Raut had been allotted three tenders under different yojna for around Rs. 1.5 Crore submitted documents seems to be vague and bogus. For example; different dates are printed on the ITR –V (Acknowledgement).(Annexure-D) After that the management has called upon the the concern contractor in the ULB office but he did not offer any explanation regarding this issue. Also he did not provide the original copy of the said ITR –V. Even on our request to provide us the ID and Password of his ITR so that we can download his ITR –V from the Income Tax Website but he refused to do so. We discussed the issue to the concerned EO and he said to highlight this issue in our report so that he can take appropriate legal action in this regard.</p> <p>9. Overall lack of internal control has been observed with respect to statutory dues like TDS, Royalty, Labour Cess and VAT.</p> <p>10. During the field survey of high value properties we observe serious lack in collection of property tax as some properties are being used commercially but property tax against them have been collected at the rate applicable to property residentially used.</p> <p>11. Tender related EMD &amp; SD Register has not been maintained properly.</p> <p>12. We observe that budgets have not been prepared till the financial year 2015-16. First time budget for the period 2016-17 has been prepared.</p> <p>13. Till date the ULB does not follow Double Entry Accounting System (DEAS) but is in process of implementation of DEAS and for this Tally Software has been purchased and installed.</p> <p>14. As per BMA, 2007 financial statement such as Balance Sheet, Income and Expenditure Account and Receipt and Payments account are required to be prepared</p>
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	<p>and get approved from the board on annual basis but we observe that these have not been prepared for any year till date.</p> <p>15. Fixed Assets Register is not maintained by the ULB.</p> <p>16. Under collection of Holding Tax is found as the holding tax was collected at the rate fixed year in the 1994. Also collections of the holding taxes are not deposited on daily basis. We observe collection of a month has been deposited either at the month end or in the Next month. Although total collection during the current year is Rs.469329/- only.</p> <p>17. Stock Registers for moveable item has been maintained but valuation of stores has not been done as per the principle laid down in the rules.</p> <p>18. Daily wages registers are not provided to us.</p> <p>19. There are lack of internal control with respect to collection of own resource revenue covered under SAIRAT during the FY 2015-16. Tender/ Bandobasti for parking, Public Toilet, Hoarding or advertisement have not been executed. Under SAIRAT, only collection for Chatti-Batti (Local hat) has been made.</p> <p>20. Separate Grant register has not been maintained properly; hence it is difficult to find out the amount of un-utilised grant and pending UCs at any point of time.</p> <p>21. No separate advance register is maintained hence it is difficult to monitor for advance given and adjustment thereof.</p> <p>22. Amount collected by the tax collector are not deposited on daily basis.</p>
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**3. Opinion.**

Overall opinion of the audit team about the functioning of the municipality	<b>Weakness:-</b> <ol style="list-style-type: none"> <li>1. No Financial Statements such Balance Sheet, Income &amp; Expenditure A/c and Receipts &amp; Payments A/C have been prepared by the ULB.</li> <li>2. Most of the Books of Accounts as prescribed by BMAR are not maintained.</li> <li>3. Collections of revenue from own resources are very poor.</li> <li>4. Except Chatti- Batti, no other fees and charges covered under Sairat have been collected.</li> <li>5. There are serious lapses in deduction and deposit of statutory dues, such as VAT, Royalty, TDS and Labour Cess Etc.</li> <li>6. There are serious lapses in classification of properties as per their use such as commercial, rented or residential and collection of Municipal Tax accordingly.</li> </ol>
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**4. Audit Recommendations:-**

The Recommendation of audit team on the observed weakness.	<b>Recommendation:-</b> <ol style="list-style-type: none"> <li>1. Financial Statement for every year such as Balance Sheet, Income&amp; Expenditure A/C, and Receipts &amp; Payments A/C should be prepared.</li> <li>2. Fixed Assets Register should be prepared.</li> <li>3. Stock Register should be prepared properly.</li> <li>4. Grant wise Utilization Certificate should be prepared.</li> <li>5. BRS should be prepared on Monthly basis.</li> <li>6. Need to regularise the deposit of statutory dues and its returns on timely basis.</li> <li>7. Need to improve the collection from the internal resources.</li> <li>8. Collection of property Tax should be according to their uses as commercially or residential.</li> </ol>
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**5. Comment from management:-**

The audit report has been discussed with us , we will try or best to remove the irregulraties pointed out in the audit report.

For Nagar Panchayat Jhanjharpur

5-11-16

(Executive Officer) कारे  
कायपालिके पदाधिकार  
नगर पंचायत, झंझारपुर

**6. Acknowledgement:-**

We thank Mr. ARUN SAFI (Executive Officer), for his support during the period of our audit. We are also thankful to accountant and other support staff of the Nagar Panchayat for their co-operation extended to us during the period of audit.


for,  
M/S Rajeev R Mishra & CO.  
Chartered Accountants

CA MRITUNJAY KUMAR  
(Partner)  
M.NO:- 535789

**Detailed Audit Report:-****1. Introductions**

The Internal audit of NAGAR PANCHAYAT, JHANJHARPUR (MADHUBANI) covering the period from 1<sup>ST</sup> April 2015 to 31<sup>ST</sup> March 2016 has been conducted by the following persons under the guidance of CA.Rajeev Ranjan :-

- i) CA Mritunjay Kumar
- ii) Dilip Kumar Karn

**2. Administration**

The present body of the ULB has taken charge in 2012. The incumbency in the key administrative and executive positions has been as under:

Mrs. Sona Devi, Chairman, from 2012 to till Date

Mr. Arun Safi, Executive officer, from 08/09/2013 to till Date.

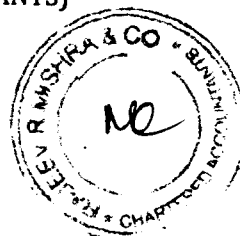
**3. Review of outstanding audit paras: Status of Audit Observations is as under:**

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 purposed	Total No of Audit Paras where recovery has been made	Total Amount of Recovery (Rs. In Lakhs)	Total no of Outstanding Para where no action has been taken	No and Date of Compliance Report
No Corrective measures have been taken against audit recommendations made in Internal Audit Report of the F.Y.-2014-15. Even compliance of recommendations made in C&AG Audit Report are pending till date.								

**4. Finance****i). Budgetary Provisions and Expenditure for the last Three Years**

Year	2013-14	2014-15	2015-16
Final/ Revised Budget	NA	NA	NA
Actual Expenditure	1,16,87,036.00	83,24,498.00	2,57,35,404.00
Saving(+)/ Excess(-)			

Note: - Copy of Budget of the Year 2013-14, 2014-15, and 2015-16 are not made available to us.



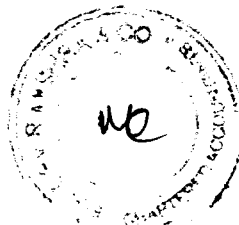
## II). Volume of Transaction

Period	Budgeted	Previous Year (for one Year) 2014-15	Corresponding period of previous year	Current Period 2015-16	Cumulative for the Current Period
Opening Balance	NA	4,68,73,861.58	4,68,73,861.58	8,28,71,613.58	8,28,71,613.58
Receipts		4,43,22,250.00	4,43,22,250.00	3,55,12,020.50	3,55,12,020.50
<b>Total Fund</b>		<b>9,11,96,111.58</b>	<b>9,11,96,111.58</b>	<b>11,83,83,634.00</b>	<b>11,83,83,634.00</b>
Net Expenditure		83,24,498.00	83,24,498.00	2,57,35,404.00	2,57,35,404.00
<b>Closing Balance</b>		<b>8,28,71,613.58</b>	<b>8,28,71,613.58</b>	<b>9,26,48,230.08</b>	<b>9,26,48,230.08</b>

## III). Bank Reconciliation:-

Despite my several request, the concerned authority has not shown any interest towards preparation of BRS on monthly Basis. For better internal control on Books of account and to evade any possible fraud, preparation of BRS on monthly Basis for each Bank Account is necessary. Due to this reason we have annexed only the closing balance of all Bank Accounts maintained by the ULB.

S.No	Name of Bank	Name of Scheme	Account No.	Balance as per Bank Account	Balance as per Cash Book	Difference
1.	UB Gramin Bank	Municipal tax	3881010000003	6,94,734.00		Since the ULB does not maintain the subsidiary books, hence we are not able to comment on the differences in cash book and bank book balances
2.	State Bank of India	Misc.	11462684618	5,44,54,900.73		
3.	Punjab National Bank	13 <sup>th</sup> Finance	8000100583649	44,13,410.00		
4.	Central Bank of India	Salary and Wages	2220342484	14,27,497.00		
5.	State Bank of India	BRGF	11462685215	10,96,637.00		
6.	SBI	Treasury A/c	P/L Account	5,63,39,950.00		
7.	Post Office Account	PF	Jagdish paswan	26,600.00		
8.	Post Office Account	PF	Jayant Nath Mishra	1,31,649.25		
9.	Post Office Account	PF	Khela Nand Choudhary	1,38,233.00		
10.	Post Office Account	PF	Lami Mehtar	1,04,497.35		
11.	Post Office Account	PF	Raja Ram	5,800.00		
12.	Advances	Staff		81,194.00		
	<b>Total</b>			<b>11,89,15,102.33</b>		

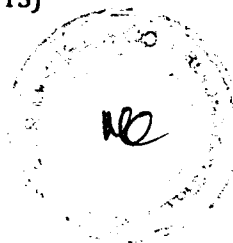


## IV). Revenue Receipt

Period	Budgeted	Previous year (2014-15)	Corresponding Period of previous Year	Current Period (2015-16)	Cumulative for the Current period
<b>a) Own Resources</b>					
Holding / Property Tax	-	7,86,112.00	7,86,112.00	4,69,329.50	4,69,329.50
Other Revenue	-	2,14,212.00	2,14,212.00	2,78,850.00	2,78,850.00
Prof. Tax	-	5,80,210.00	5,80,210.00	12,98,475.00	12,98,475.00
<b>Total</b>	-	<b>15,80,534.00</b>	<b>15,80,534.00</b>	<b>20,46,654.50</b>	<b>20,46,654.50</b>
<b>b) Administrative Grant</b>					
<b>c) Specific Grant (Scheme Wise)</b>		1,55,09,000.00	1,55,09,000.00		
12 <sup>th</sup> Finance	-				
13 <sup>th</sup> Finance	-	28,70,836.00	28,70,836.00	5,73,480.00	5,73,480.00
4 <sup>th</sup> State Finance	-	1,12,25,514.00	1,12,25,514.00	1,12,08,246.00	1,12,08,246.00
BRGF	-	12,55,433.00	12,55,433.00		
E- Governance	-	3,30,000.00	3,30,000.00	1,48,800.00	1,48,800.00
Kabir Anthesty	-	4,98,000.00	4,98,000.00	2,70,000.00	2,70,000.00
Security Money	-	1,05,000.00	1,05,000.00	30,000.00	30,000.00
Stamp Duty	-	93,19,960.00	93,19,960.00	93,19,960.00	93,19,960.00
WC Allowance	-	1,41,600.00	1,41,600.00	2,79,532.00	2,79,532.00
Interest from Bank	-	12,89,373.00	12,89,373.00	18,35,086.00	18,35,086.00
Census Survey	-	1,97,000.00	1,97,000.00		
Nawachar	-	-	-	5,80,000.00	5,80,000.00
14 <sup>th</sup> Finance	-	-	-	40,81,782.00	40,81,782.00
Swachh Bharat Mission	-	-	-	44,30,000.00	44,30,000.00
Nagrik Suvidha	-	-	-	7,08,480.00	7,08,480.00
<b>Total</b>	-	<b>4,27,41,716.00</b>	<b>4,27,41,716.00</b>	<b>3,34,65,366.00</b>	<b>3,34,65,366.00</b>
<b>Grand Total</b>		<b>4,43,22,250.00</b>	<b>4,43,22,250.00</b>	<b>3,55,12,020.50</b>	<b>3,55,12,020.50</b>

## V) Status of Implementation of DEAS:

In response to our request to concerned authority during the previous year audit for the implementation of Double Entry Accounting System, the ULB has been in process of converting its Cash based accounting system into Double Entry Accounting System. In this regard the ULB has already purchased and installed the Tally Software and conversion is under process.



**VI) Status of Municipal Account Committee; if meeting is held**

As per section 98 of BMA 2007 it is necessary for the ULB to constitute an MAC at its first meeting in each year or as soon as may be at any subsequent meeting. But till Date the ULB has not constituted MAC.



## 5. Audit Observations:

## PART - "A"

All audit objections/irregularities which have monetary implication, particularly in the following area:

<p>a) Leakage of own source revenue either due to wrong assessment or non- levy of property tax, mobile tower tax, rent on municipal properties, advertisement tax fees etc.</p>	<p>Under collection of Holding Tax is found as the holding tax was collected at the rate fixed in the year 1994. Total collection during the current year has been Rs. 4,69,329.50/- Collections of holding taxes are not deposited on daily basis. We observe collection of a month has been deposited either at the month end or in the next month.</p> <p>Total 6 mobile towers of different companies are operating in the area of the ULB. But complete survey report of how many additional antennas on each tower has not been made available to us. Also we did not get the information regarding when the said tower were working from and among them how many got registered with the ULB. Due to unavailability of the above said information we could not be able to compute the exact amount of dues towards mobile tower tax up to 31<sup>st</sup> march, 2016. However during the current year total collection of tower tax has been Rs. 16000/- only. The ULB has not any property on which rent can be collected. Under Sairat, only collection from Chatti Batti (Local Hatt) has been made. Total Collection of Chatti Batti being among Rs. 86,600.00/- Only. The ULB did not collect Advertisement/ Hoarding Tax at all. Except the above no other collection of revenues under Internal Resources has been Reported.</p>
<p>b) Excess payment against bill, lack of prudence in payment against vouchers inefficiency in controls resulting loss to ULBs.</p>	<p>We have not observed any excess payment against bill or lack of purchase against vouchers etc. But MB and Voucher of Yojana have not been kept properly.</p>
<p>c) Report on finding of field survey of Property Tax of minimum 20 high value properties</p>	<p>The Detail of finding of field Survey of holding tax of high value properties being as under.</p>



**Details of High Value property:-**

During our field survey of high value properties we observe a serious lack of under collection of property tax. A property of area around 3600 Sq.ft situated in ward No.-5, Holding No.-01/P registered in the name of Mr. Sandeep Kumar is being used commercially as it has been let out to DPS School but the collection of property tax from the above was at the rate applicable to residential property instead of the rate applicable to commercial property.

Except the above we have observe following additional household owners against whom the property tax are due in the F. Y. 2015-16:

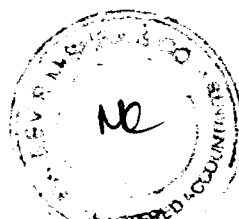
S.No	Ward No	Holding No	Name	Arrear Amount
1	11	104	Kameswar sah	34,380.00
2	11	295	Pralad Kumar	27,130.00
3	12	201	T.N.Mishra	22,930.00
4	2	4	Yatim Ansari	15,390.00
5	1	49	Md Mohauddin Ansari	20,160.00
6	1	127/1	Phool Hassan	10,375.00
7	2	4	Yatim Ansari	15,390.00
8	2	351	Indrakant Prasad	12,640.00
9	3	211	Krishna Kant Jha	10,500.00
10	4	103	Vijay Kumar Kejariwal	13,860.00
11	4	253/2	Yogal Kishore	11,150.00
12	4	422	Paper Mill Parisar	12,260.00
13	5	225	Hari Prasad Tebribal	15,390.00
14	5	165/1	Mohan Prasad Kejariwal	10,280.00
15	6	138	Rajesh Kumar	10,260.00
16	6	140	Srawan Agarwal	14,740.00
17	7	70/2	Benam Prasad	13,960.00
18	9	165	Vijay Kumar Jha	13,530.00
19	10	83/3	Sudhir Bhandari	12,216.00
20	10	2	Ram Kumari Devi	9,630.00
21	11	327	Mahavir Mahto	22,680.00



## PART- "B"

All audit objections/ irregularities which have no monetary implication, but significant violation of Act, Rules & directives of UD & HD. Mention the reference Act & Rules wherein remedial measures is required. In this regard our report is as under –

<p>a) Non- maintenance of books of accounts , subsidiary registers</p>	<p>Following primary Books of accounts are required to be maintained :</p> <ol style="list-style-type: none"> <li>1) Cash Book (Form Gen-IA)</li> <li>2) Bank Book (Form Gen-IB)</li> <li>3) Collection Register GEN-11</li> <li>4) Subsidiary Ledgers ( Gen-3)</li> </ol> <p>But the ULB does not maintain Subsidiary Register and Bank Book.</p> <p>In addition to above following other General Registers and forms are required to be maintained but the same are not being maintained.</p> <ol style="list-style-type: none"> <li>1. Memorandum of Collection GEN-12</li> <li>2. Summary of Daily Collection GEN-13</li> <li>3. Register of Bills for Payment GEN-14</li> <li>4. Register of Advance GEN-17</li> <li>5. Deposit Register GEN-19</li> <li>6. Summary Statement of Deposits Adjusted GEN-20</li> <li>7. Summary Statement of Bills Raised GEN-23</li> <li>8. Register of Refunds, Remissions and Write-offs GEN-26</li> <li>9. Statement of Outstanding Liability for Expènses GEN-29</li> <li>10. Documents Control Register/Stock Account of Receipt/Cheque Book GEN-30</li> <li>11. Register of Immovable Property GEN-31</li> <li>12. Register of Movable Property GEN-32</li> <li>13. Register of Land GEN-33</li> <li>14. Asset Replacement Register GEN-36</li> <li>15. Register of Public Lighting System GEN-37</li> </ol>
<p>b) Irregularity in</p>	<p>No major irregularities have been observed.</p>

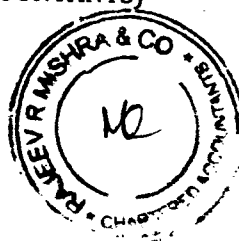




procurement process	
c) Non-compliance of directives by UD & HD , GOB	We observed several non compliances of directives of UD & HD, GOB such as : <ul style="list-style-type: none"> <li>• non collection of various taxes required to be collected</li> <li>• Non maintenance of prescribed books of accounts</li> <li>• Non maintenance of prescribed DEAS.</li> </ul>
d) Non-compliance of Acts and Rules	As per sec. 127 of the BMA, the municipality can levy the following taxes: <ul style="list-style-type: none"> <li>• Property tax on lands and buildings.</li> <li>• surcharge on transfer of lands and buildings</li> <li>• water tax</li> <li>• fire tax</li> <li>• tax on advertisements, other than advertisements published in newspapers</li> <li>• surcharge on entertainment tax</li> <li>• surcharge on electricity consumption within the municipal area</li> <li>• tax on congregations</li> <li>• tax on pilgrims and tourists</li> <li>• Tax on profession</li> <li>• toll tax – <ol style="list-style-type: none"> <li>a. on roads, bridges, ferries and navigable channel and</li> <li>b. on heavy trucks which shall be heavy goods vehicles, and buses, which shall be heavy passenger motor vehicles</li> </ol> </li> </ul> <p>Except Holding Tax no other taxes as mentioned above, have been levied by the ULB.</p>
e) Lack of internal Control measures	We found lack of Internal control in collection and their timely deposit into the bank of revenue collected from internal resources.
f) Non-compliance of TDS, VAT and other relevant Statute	<ul style="list-style-type: none"> <li>• There are lack of internal control with respect to timely deposit of the taxes already collected by the ULB.</li> <li>• Taxes/user charges collected by tax collector are not deposited on daily basis.</li> <li>• Tower tax collection has been very</li> </ul>



	<p>poor.</p> <ul style="list-style-type: none"> <li>• Delay in deposit of TDS attracts interest U/S 201 of Income Tax Act. (Annexure - A)</li> <li>• Delay in filing of the TDS Returns on due date. (Annexure –B)</li> <li>• TDS Certificates have not been downloaded from TRACES within stipulated time. It attracts fine of Rs.100/- per day U/S 272A of the Income Tax Act.</li> <li>• Form RT – VII related to Sec. 41 of the Bihar VAT Act, 2005 has not been filed. A copy of Form RT –VII has been attached under Annexure – C.</li> </ul>
g) Deficiency in Pay-roll System	The pay-roll system does not contain leave details of employee. PF contribution and pension fund contribution of employees are deducted from their salary. PF account has not been opened with PF Department. All deduction towards PF contribution and pension fund contribution are being deposited in an individual separate account opened in the Post office.
h) Utilization of Grant and report on utilisation certificates	As informed to us by the UD & HD, pending UCs from ULB is for Rs. 1142.22 Lakh. Since Grant register has not been prepared hence it is difficult to ascertain un-utilised grant at any particular time. Also we are not provided the details of UCs that have already been sent to Department.
i) Physical verification of inventories and stores	Store Register has been prepared and physical verification of inventory/store has been done. We have not found any irregularity during physical verification of stores.
j) Physical verification of fixed assets	Fixed Assets Register has not been prepared properly.
k) Non compilation of	The Financial Statements of the ULB have not



Financial Statement	been compiled for any year since its inception.
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## PART – "C"

## General Observations:

<ul style="list-style-type: none"> <li>Whether the postings for the entries in the books of original entry have been correctly made in the respective ledger accounts.</li> </ul>	No, only entries related to cash/bank/PL A/C are made in the Cash books maintained by the Accountant. Other Ledger accounts have not been prepared according to BMAR by the ULB.
<ul style="list-style-type: none"> <li>Whether all the books of accounts and supplementary registers that are prescribed in the Accounts Manual / other applicable regulations have been properly maintained by the ULB;</li> </ul>	No, except accountant cash book, Salary Register and Cheque issue Register, no other books of accounts as prescribed in Accounting Manual have been maintained.
<ul style="list-style-type: none"> <li>Whether the Quarterly Financial Statements have been compiled on the basis of the actual entries in the books of accounts;</li> </ul>	No quarterly Financial Statements have been prepared by the N.P.
<ul style="list-style-type: none"> <li>Whether the period-end and reconciliation procedures prescribed have been carried out.</li> </ul>	No, period-end and reconciliation procedures as prescribed have not been carried out.
<ul style="list-style-type: none"> <li>Whether the Bank Reconciliation statements have been prepared and are appropriate.</li> </ul>	No, Bank Reconciliation Statements have not been prepared by the ULB.
<ul style="list-style-type: none"> <li>Whether all grants from Government have been accounted at gross value with proper entries to various accounts</li> </ul>	Yes, but all transactions are not correctly classified with sufficient details and no separate grant register has been maintained.
<ul style="list-style-type: none"> <li>Whether all transactions (incomes, expenditures, assets and liabilities) are correctly classified and stated in sufficient detail;</li> </ul>	No, all transactions have been classified as Receipts and Payment only. Income, Expenditure, assets and liabilities have not been recognized.
<ul style="list-style-type: none"> <li>Whether all grants sanctioned or received by the municipality during the year, have been accounted properly, and where any deduction is made out of such grants towards any dues of the ULB? Whether such deductions have been properly accounted;</li> </ul>	Yes, Grant received during the year has been properly accounted for and all deductions have been properly accounted for.
<ul style="list-style-type: none"> <li>Whether any Special Funds have been created as per the provision of any statute and whether the Special Funds have been utilized for the purposes for which they have been created;</li> </ul>	No, we have not observed any Special fund that has been created by the ULB.
<ul style="list-style-type: none"> <li>In respect of contracts that are in existence during the year, whether there are any deviations from the sanctioned plans and the estimates without the sanction of the competent authority;</li> </ul>	We did not notice any major deviation.
<ul style="list-style-type: none"> <li>Whether the ULB is maintaining proper</li> </ul>	Yes, Recently in 2016 record of Fixed assets has

