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**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT), BIHAR
(LOCAL AUDIT WING), PATNA -800 001**

No. L.A.Sur/ 1674

Dated: - 23.1.09

To.

संजीव जी
21/02/09

The Principal Secretary to the Government of Bihar,
Urban Development and Housing Department,
Patna.

यु.ए.डी.
संजीव जी

Sir,

Audit Report No.- 592/2008-09 on the accounts of Nagar Panchayat, Vaishali for the period 2003-08 to 2007-08 is enclosed for your kind information and necessary action.

Yours faithfully

Encl: -As above

D. Kumar
23/1/09
Sr Audit Officer/Surcharge
Local Audit Wing, Bihar, Patna

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AUDIT REPORT NO:- 592/2008-09
NAGAR PANCHAYAT, LALGANJ

INTRODUCTION

The accounts of Lalganj Nagar Panchayat for the years from 2003-04 to 2007-08 were test checked by an audit party of the office of the Pr. Accountant General (Audit) Bihar, (Local Audit Wing), Patna during the period from 17.09.08 to 4.10.08 and from 20.10.08 to 01.11.08.

2. ADMINISTRATION

CHAIRMAN

1	Shri Rajeshwar Puri	01.04.03 to 09.06.07
2	Shri Jai Prakash Choudhary	09.06.07 to 31.03.08

VICE-CHAIRMAN

1	Shri Md. Samshuddin	01.04.03 to 09.06.07
2	Shri Navin Kumar	09.06.07 to 31.03.08

EXECUTIVE OFFICER

1	Shri Santosh Kumar Singh	01.04.03 to 12.11.03
2	Shri Sushil Kumar	12.11.03 to 22.12.03
3	Shri Ashutosh Kumar Verma	22.12.03 to 07.05.05
4	Smt. Mriya Kamal	07.05.05 to 02.11.05
5	Sri Intjaba Hussain	02.11.05 to 20.02.06
6	Sri Pankaj Kumar Jha	20.02.06 to 21.08.07
7	Shri Varun Kumar Mishra	21.08.07 to 31.03.08

3. SCOPE OF AUDIT

A list of records, registers and accounts produced and test checked in audit has been given in Appendix- I of the report and another list of records, registers and accounts either not maintained or not produced in audit has been given in Appendix- II of the report.

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4. **PREVIOUS AUDIT REPORT**

Despite several requests, the Nagar Panchayat did not take initiative for compliance of audit objection raised in the previous audit reports. As such, the very purpose for which audit is conducted is defeated due to non-compliance of outstanding paras of audit reports.

The Executive of the Nagar Panchayat is requested to take effective steps for compliance of paras of audit report early. The position with regard to outstanding paras of previous audit reports is detailed below:-

Sl. No.	Audit Report No.	Period of Audit	No. of Paras outstanding
1	91/1982-83	N.A.	N.A
2	115/ 1988-89	1986-87 to 87-88	N.A.
3	9/ 93-94	1988-89 to 90-91	N.A.
4	67/ 95-96	1991-92 to 94-95	37 paras
5	120/ 00-01	1995-96 to 98-99	50 paras
6	6/ 2004-05	1999-00 to 02-03	47 paras

5. **CLOSING BALANCE**

Closing balance as per Accountant cash Book and as per treasury / bank passbook as on 31.03.08 were as under:-

Balance as per cash Book as on 31.03.08 - Rs. 89,56,363.00

BALANCE AS PER BANK PASSBOOK

(i)	V.K.G.B., Lalganj A/c No.- 1266	Rs. 12,81,047.00
(ii)	- do- A/c No. 3067	Rs. 5,31,039.00
(iii)	The Vaishali Dist Co-operative Bank Ltd. A/c No. 604	Rs. 19,13,975.00
(iv)	SBI Lalganj - A/c No. 8044	Rs. 500.00
(v)	P.L. A/c No. 8448 (Produced from Aug' 06 to Mar' 08)	Rs. 57,96,050.00
(vi)	V.K.G.B. Lalganj A/c No. 2590	Rs. 5,47,557.00
	Total-	1,00,70,168.00
Difference = 1,00,70,168 - 89,56,363 = 11,13,805.00		

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The difference between both balances was not reconciled. Further bank passbook of Canara Bank bearing A/c No. 105717 and treasury passbook from April' 03 to July' 06 were not produced to audit.

The balances may be reconciled and shown to next audit.

6. **OVER-VIEW**

Nagar Panchayat, Lalganj was financed by Govt. Grant, loan and its own sources. The following abstract would show the position of year wise opening balances, receipts, expenditure and closing balance for the year from 2003-04 to 2007-08 on the basis of entries made in the cashbook:-

Sl. No.	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
1	Opening balance	4,23,242	10,35,274	27,52,517	29,95,342	63,91,620
2	Receipts	25,24,089	1,07,42,486	70,01,036	1,69,76,104	1,14,77,090
3	Total	29,47,331	1,17,95,760	97,53,553	1,99,71,446	1,78,68,710
4	Expenditure	18,94,057	90,43,243	67,58,211	1,35,79,826	8,91,2347
5	Closing balance	10,53,274	27,52,517	2,99,53,42	63,91,620	89,56,363

(Vide detailed in **Appendix- III** to the report)

From the above, it would appear that the financial position of the Nagar Panchayat was very weak, even the income from own sources was not sufficient to meet its recurring expenditure. Efforts may be made to augment the sources of income.

DEFICIENCIES IN THE MAINTENANCE OF CASHBOOK

(i) Cash book was not maintained properly viz- classification of heads of Receipts/ Expenditure was not done. Balance as per bank passbook/ treasury was not struck out in the cash book. As such, the actual position of balances could not be ascertained and reconciliation could not be ensured. Scheme wise balance could not be ascertained.

(ii) A sum of Rs. 9,96,596 on account of XIIth F.C. grant was received through bank draft and deposited in Kshetriya Gramin Bank, Lalganj A/c No. 2590 on 04.09.03 which was not posted in the Accountant cash Book, rather, the amount withdrawn out of this amount on different dates was posted in receipt side of the cash book vide detailed below:-

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Sl. No.	Cheque No. / Date	Amount with drawn	Date of entry in the cash book /page No.
1	377560/ 04.09.03	2,32,445.00	04.09.03 P/ 75
2	377561/ 04.09.03	1,60,000.00	- do-
3	377562/ 10.10.03	1,40,000.00	10.10.03 P/ 77
4	377565/ 30.12.03	43,585.00	30.12.03 P/ 84
5	377566/ 21.01.04	20,000.00	21.01.04 P/87
6	377567/ 26.02.04	50,436.00	26.02.04 P/ 89
7	377569/ 25.03.04	43,373.00	25.03.04 P/ 91

No reason was pointed out to audit.

Above deficiencies may be rectified and shown to next audit.

7. **IMPORTANT AUDIT FINDINGS**

Sl. No.	Headings	Para No.
1	Non-short credit	14 (A) & (B)
2	Outstanding rent of shop	15
3	Non-realisation of fee from mobile tower	16
4	Purchase of suction machine	21
5	Irregular payment of special pay	23
6	Incomplete scheme	26
7	Non-deduction of sale tax	31
8	Double payment to labours	32
9	Annual Account	34
10	Advance	35
11	Short realization of bid money	17

8. **INTERNAL AUDIT**

There is no specific provision of internal audit of the accounts of the Nagar Panchayat but Municipal Accounts Rules, 1928 provides a number of internal checks, under Rule 20,30,31,32,64,66,73(A) and 105, to be exercised by the authorities of the Nagar Panchayat. Those

Checks are provided in the Rules in order to have proper control in maintenance, co-ordination and also to avoid any irregularities in the accounts.

But during audit, it was noticed that no such checks were conducted by the executives, as such a number of irregularities were noticed.

It is, therefore, impressed upon the authority to conduct regular checks as prescribed in the Municipal Accounts Rules, 1928 to avoid recurrence of such irregularities.

9. BUDGET

As per Bihar Municipal Act, the commissioners at a meeting held at least two months before the close of the year shall prepare in detail budget estimates showing the probable receipts and expenditure. After inviting suggestions from taxpayers and revision as may appear requisite, the commissioners at a meeting shall sanction the estimates. Copies of the estimate as sanctioned shall be submitted forthwith to the State Government.

Further, in preparing the budget, provision shall be made for a minimum closing balance. The amount shall not ordinarily be less than one-sixth of the aggregate expenditure on account of establishment and fixed monthly charges including loans.

Comparison of budget estimates with actual receipts and expenditure as Compiled in audit is detailed below:-

Sl. No.	Particulars			2003-04		
				Budget	Actual	Variations
1	Opening balance			9,28,416	-	-
2	Receipts			3,39,79,273	25,24,089	92.6%
3	Expenditure			3,39,79,000	18,94,057	94.5%
4	Closing balance			273	-	-
2004-05				2005-06		
1	Budget	Actual	Variations	Budget	Actual	Variations
2	2779828	-	-	2972118	-	-
3	24018828	10742486	55.3%	37416994	7001036	81.3%
4	24014745	9043243	62.3%	38513744	6758218	82.4%
	4083	-	-	(-) 1096750	-	-
2006-07				2007-08		
	Budget	Actual	Variations	Budget	Actual	Variations
1	1563241	-	-	6391620	-	-
2	99717111	16976104	82.9%	101490737	11477090	88.6%
3	99705369	13579826	86.3%	104356657	8912347	91.4%
4	11742	-	-	-	1465153	-

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From the above, it would appear that there was wide variation between the budget estimates and actual receipts and expenditure. The variation ranges between 55.3% and 94.5%.

The quarterly and annual accounts as required under rule 82 to 83 of Bihar Municipal Accounts Rules, 1928 were not prepared as such the variation in head wise receipt and expenditure could not be ascertained.

The Budget prepared was far from realistic. The approved budget whether submitted to State Govt. or not was not shown to audit.

10. **GOVERNMENT GRANT**

The Nagar Panchayat did not maintain Grant Register. As such, the actual position of grant received and expenditure out of them could not be ascertained in audit.

However on the basis of the entries made in the cash book, it was noticed that a total sum of Rs. 3,39,89,947.00 vide details given in the **Appendix- IV** to the report was received as govt. grants during the period under audit. A separate ledger for different specific grant was not maintained. The utilisation certificate and expenditure incurred out of each grant and amount of unspent grant as on 31.03.08 were not pointed out to audit.

Grant Register may be maintained in the prescribed format and utilisation certificate may be shown to the next audit.

11. **GRANT NOT MENTIONED IN THE CASH BOOK**

A sum of Rs. 1,13,442.00 was received as govt. grant vide letter no. 450/ DRDA Hajipur dt. 26.03.03 under SJSRY Scheme from Dist. Rural Development Authority, Hajipur and was maintained in the subsidiary cash book which was incomplete but the same was also not mentioned in the Accountant Cash Book. The amount was deposited in the V.K.G. Bank, A/c No.- 1266 Lalganj. For this no reason was pointed out. The details of expenditure incurred out of that and concerned scheme files were not produced to audit. Hence, proper checking of this grant could not be done.

Grant of Rs. 1,13,442.00 may be entered in the cash book and concerned file may be produced to the next audit.

12. **GOVERNMENT LOAN (FOR PAY AND ALLOWANCES)**

The Nagar Panchayat did not maintain loan Register. As such, actual position of principal amount of loan and interest accrued thereon could not be ascertained in audit.

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The following details would show the position of year wise loan (40%) received by the Nagar Panchayat deduction made against outstanding loan during the period under audit as noticed from the cash book and sanction letter.

Year / Date	Reference of letter	Amount sanctioned	25% deduction	Net released
2003-04/ 31.03.04	No. 460/ UDD at 05.02.04	5,79,662	1,44,915	4,34,747
2005-06 /25.05.05	No. 804/ UDD at. 30.05.05	4,53,112	1,13,278	3,39,834
Total		10,32,774	2,58,193	7,74,581

Loan Register may be maintained and entries of loans received and expenditure incurred may be made in the loan register and shown to the next audit.

13. AMOUNT NOT TRACEABLE IN BANK STATEMENT

In course of verifying the debit and credit of receipt and expenditure into the bank passbook and treasury passbook for the period under audit, it was noticed that Rs. 85,66,974.00 of receipt and Rs. 68,37,632.00 of expenditure were not traced out into the bank passbook and treasury passbook. However, receipts were verified by the challans.

Amount of Rs. 1,54,04,606.00 may be traced out into the bank/ treasury passbook and shown to the next audit.

(Vide detailed in Appendix-V to the report)

14. (A) Non- CREDIT

While tracing the credit of 'H' Receipts/ Misc. receipts into Daily Collection Register and Cashier cashbook for the period under audit, it was noticed that a total sum of Rs. 59,581.00 vide details given in the Appendix- VI to the report was collected by Sri Nandlal Yadav on account of holding Tax which was not found credited in the cashier cash book resulting non-credit of Rs. 59,581.00.

Rs. 59,581.00 may be recovered from the person(s) canceled and deposited into the Nagar Panchayat Fund

(B) SHORT CREDIT

A total sum of Rs. 10466.32 was collected through 'H' receipts/ Misc. receipts against which only Rs. 9938.50 was found credited resulting short credit of Rs. 527.82. short credit of Rs.

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527.82 may be recovered from the person(s) concerned and deposited into the Nagar Panchayat Fund.

(Vide detailed in the **Appendix- VII** to the report)

15. OUTSTANDING RENT OF SHOP

The Nagar Panchayat did not maintain demand and Collection Register of shop rent. In absence of that, the actual position of outstanding demand of shop rent as on 31.03.08 could not be ascertained in audit.

However, a figure of Rs. 2,94,540.00 (2,56,740 + 37,800) of outstanding demand of shop rent as on 31.08.08 was furnished to audit as detailed in the **Appendix- VIII** to the report.

Demand and collection Register of shop rent maintained and suitable action/ step may be taken to realise the outstanding shop rent of Rs. 2,94,540.00 from the Concerned persons.

16. NON-REALISATION OF FEE FROM MOBILE TOWER

The Urban Development and Housing Department, Govt. of Bihar vide its letter no. 1045/ Patna dt. 04.03.08 directed to all Local bodies to realise fee @ Rs. 2000/- per meter per annum per tower installed within its jurisdiction.

On scrutiny of relevant file, it was noticed that there were 12 (Twelve) mobile towers of different companies installed at Nagar Panchayat Lalganj as per survey reports. Against 12 mobile towers, fee from 4 towers for one year only was realised vide detailed below:-

Sl. No.	Name of companies	No. of towers	Yearly demand
1	Reliance Communication	01	80,000.00
2	Air Tel	02	1,20,000.00
3	Air Cel	03	1,80,000.00
4	IDEA	04	3,20,000.00
5	BSNL	01	1,00,000.00
6	Tata Indicom	01	80,000.00
	Total-	12	8,80,000.00

Against the total demand of Rs. 8,80,000.00 per annum, only Rs. 2,60,000.00 was found realised from 4 mobile towers. Suitable action may be taken to realise the outstanding dues of fees from the date of installation from the companies and shown to the next audit.

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17. **SHORT REALISATION OF SETTLEMENT AMOUNT**

During the year 2005-06, Gudri Market under this Nagar Panchayat was settled at Rs. 43,000.00. The name of bidder was Shri Ranjit Kumar Shukla who deposited Rs. 25,800.00 through M.R. No. 446 dt. 24.03.05 and the rest of Rs. 17,200.00 (43000-25800) was not realised as yet. As a result, the Nagar Panchayat sustained loss of Rs. 17,200.00.

The same may be recovered from the person(s) responsible and deposited/ credited into Nagar Panchayat Fund.

18. **NON-REMITTANCE OF HEALTH CESS AND EDUCATION CESS**

The Nagar Panchayat did not maintain demand and collection Register. From the cash book, it was noticed that a total sum of Rs. 2,89,583.42 was collected on account of Health cess and Education cess during the period from 2003-04 to 2007-08 as details given below:-

Sl. No.	Year	Health Cess	Education Cess
1	2003-04	17,613.94	17,142.63
2	2004-05	32,312.33	31,850.08
3	2005-06	51,483.58	51,399.66
4	2006-07	24,127.20	24,127.20
5	2007-08	19,763.60	19,763.20
Total-		1,45,300.65	1,44,282.77
Grand total		289583.42	
Less: 10% Collection charges		28958.34	
Rest		2,60,625.08	

The same was to be remitted to the concerned department, which was not done.

Health cess and Education cess of Rs. 2,60,625.08 may be remitted to the concerned department and shown to the next audit till it is held under objection.

19. **NON-REVISION OF ASSESSMENT OF HOLDING TAXES**

Under Section 106 (1) of Bihar Municipal Act, 1922, new valuation and assessment lists shall ordinarily be prepared, in the same manner as the original lists, once in every five years.

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But, no revision of holding tax was made after the year 1975 as stated by the Accountant and the Nagar Panchayat remained deprived of increased taxes from year to year. No reason was explained for non-revision of taxes to audit.

An appropriate action may be taken to revise the assessment list at the earliest.

20. **DELAY DEPOSIT OF COLLECTION MONEY**

As per Rule 20 of Bihar Municipal Accounts Rules, 1928, the Secretary shall at once at least in every week, examine the cashier's cash book together with passbook so as to satisfy that all sums received has been remitted to the treasury without delay the whole not part of the day's receipt.

But, contrary to the above rule, the collection money received was remitted to the treasury with delay and cashier's cash book was never examined by the secretary. Some instances are as under:-

Sl. No.	H.R. No.	Amount	Date of Collection	Date of Challan	Date of M.R.	Delay (about)
1	801-805	2516.60	July' 06	17.02.07	19.09.06	7 months
2	806-809	3409.20	Aug' 06	17.02.07	30.09.06	6 months
3	1978-1980	4008.00	Oct' 07	30.04.08	23.11.07	7 months
4	1983-1990	4913.20	Nov' 07	22.07.08	21.02.08	5 months
5	2401-2414	3852.60	Feb' 08	19.09.08	13.03.08	6 months

It is suggested that the practice of delay deposit of collection money into Nagar Panchayat Fund must be stopped immediately so that any possibility of financial irregularities may be avoided.

21. **PURCHASE OF SUCTION MACHINE**

A total sum of Rs. 4,95,000.00 was paid on account of purchase of suction Machine to the M/s Sangam Eng. Works, Muzaffarpur vide details given below:-

Sl. No.	Vr. No./ Date	Cheque No./ date	Amount (Rs.)	Remarks
1	193/ 22.06.06	034242/ 22.06.06	2,47,500	50% Advance
2	568/ 11.01.07	610751 / 11.01.07	2,47,500	Final payment
Total-			4,95,000	