

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

**INTERNAL AUDIT REPORT
OF BHABHUA NAGAR PARISAD**

**FINANCIAL
YEAR
2015-2016**

INTERNAL AUDIT REPORT

BHABHUA NAGAR PARISAD

For The Period 01.04.2015 to 31.03.2016

INTERNAL AUDIT CONDUCTED BY

M/s R. N. SINGH & Co.

Chartered Accountants

208, Hem Plaza,

Fraser Road Patna- 800001

Mob- 9431019502

Email- chanakya@leomanagement.in

From 18-07-2016 to 23-07-2016

REPORT ISSUED ON – 28/07/2016

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

Name of Auditor: R N Singh & Co.		Name of ULB:- Bhabhua Nagar Parisad.	
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 4 of Part B of Detailed Audit Report (Lack of internal control measures) at Page no 18.
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 3 of Part B of Detailed Audit Report (Non Compliance of Act and rule) at Page no 18.</p> <p>b) Complied in para no 2 of Part B of Detailed Audit Report (Non compliance of directives by UD&HD, Government of Bihar) at Page no 18.</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, Sairat etc;</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>	<p>a) Complied in para no 3 of Part A of detailed audit report at Page no 11 and para 1 & 2 of page 12.</p> <p>b) Complied in para no 1 of Part B of detailed audit report at Page no 20.</p>
4	4.6	Report in a separate chapter on implementation	Complied in para no C of Part A of detailed



Name of Auditor: R N Singh & Co.			Name of ULB:- Bhabhua Nagar Parisad.
Sl. No.	Relevant Clause of Scope of Work of the Contract		Compliance (Mention the para no & Page no of audit report)
	Clause No.	Description	
		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 SAS is received or not) must be surveyed and checked in each quarter and reported variations, if any, in PTRs and Actuals as per internal audits;	Audit Report at Page no 15 & 16.
5	4.7	Vouch on all payments above Rs. 10,000 and report on adequacy and appropriateness of its documentation, approvals, compliance of procedures etc.	Complied in para no B of Part A of Detailed Audit Report at Page no 15. And Complied in para no 2 of Part B of Detailed Audit Report at Page no 16.
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 2 of Part B of Detailed Audit Report at Page no 17.
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 Last of Part B of Detailed Audit Report at Page no 20.
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 1 of Part 4 of Excutive 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 1 of Part 4 of Excutive Summary at Page no 4.



INTERNAL AUDIT REPORT OF BHABHUA NAGAR PARISAD

**FINANCIAL
YEAR
2015-2016**

Executive Summary

1. Introduction:

- Name of the Municipality: Bhabhua Nagar Parisad
- Period covered under current audit: 01-04-2015 to 31-03-2016.
- Name of Chief Executive Officer for the period under audit: Shri Dinanath Singh.

2. Results and Findings:

1. Strengths observed during the audit engagement:

- a) Cash Book of all Projects has been properly maintained.
- b) 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.

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

- 1. Bhabhua Nagar Parishad has adopted Single Entry Accounting System; this is not as per Accounting Manual.
- 2. TDS return & VAT return has not been filled for the financial year 2015-16.
- 3. Statutory Deduction such as TDS, VAT, Labor Cess, and Royalty has not been deposited on stipulated time by the ULB
- 4. Computerized accounting system has not been implemented by the ULB
- 5. Budget has not been prepared as per Bihar Budget Manual.
- 6. ULB is not in practice to prepare monthly receipt and payment account
- 7. ULB is not in practice to deposit the collection in Bank account on the same dat.



INTERNAL AUDIT REPORT OF BHABHUA NAGAR PARISAD

**FINANCIAL
YEAR
2015-2016**

8. Various registers, books of records etc. are not being prepared by the ULB. Such as, Statutory Register with regards to TDS, VAT, and Royalty, Vehicle and Generator log book, Assessment register of property tax, Record & Revision of taxes and rent, Monthly receipt & payment.
9. ULB is not in practice to charge service tax on rent received from shop.
10. The collection of holding tax is poor, only 62.44% of total demand has been collected in the financial year 2015-16.
11. We observed that there are 18 towers have been installed in Nagar parishad but they could not take registration and renewal on timely basis, details have been provided in detailed audit report.
12. 3% Stamp duty has not been collected on shairat in the financial year 2014-15, details have been provided in detailed audit report.
13. The arrear amount of shairat for the financial year 2014-15 has not been collected till the date of audit.
14. Assessment of property tax has not been done by the ULB

3. Opinion:

The ULBs functioning is not up to mark rather it has lots of scope of improvement. The ULB is required to improve a lot in the field of:

- a. Preparation of Accounts, Ledger, Books, Bank Reconciliation Statement, Various Registers and Records as required.
- b. It requires to improve its Internal Control Procedures with regards to Demand, Collection of Revenue, Deposit of Collected revenue in the Banks.
- 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.



INTERNAL AUDIT REPORT OF BHABHUA NAGAR PARISAD

**FINANCIAL
YEAR
2015-2016**

4. Audit Recommendations:

- a. 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 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.
- b. Annual Budget is required to be prepared by the ULB as prescribed and presented to the Government of Bihar for its approval.
- c. ULB shall make survey and assessment of Property / Holdings so that proper and correct tax can be levied and collected.
- d. ULB must collect property tax, mobile tower tax, advertisement tax, shop rent etc which are under its Jurisdiction.
- e. ULB must file return and deposit TDS, VAT etc on timely basis.
- f. Labour Cess must be deposited which are deducted from the bills of Contractor.
- g. ULB should adopt computerized accounting system. It provides automatic ledger entries, accuracy and speed of automatic calculation, automatic production of trial balance from ledger entries, potential to create customized reports and provide additional analysis.
- h. ULB should prepare receipts and payment account on monthly basis due, to which it becomes very easy to find out how much fund has been received by the ULB and whether its utilization has been made properly or not.
- i. ULB must maintain all the Books of Account, Register, Records etc as prescribed in Bihar Municipal Accounts Act, Manual and Rules.



INTERNAL AUDIT REPORT
OF BHABHUA NAGAR PARISAD

FINANCIAL
YEAR
2015-2016

- j. 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.
- k. ULB should levy and collect service tax as per applicable rate from shops given on rent.

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 R.N Singh & Co.
Chartered Accountants



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



INTERNAL AUDIT REPORT OF BHABHUA NAGAR PARISAD

**FINANCIAL
YEAR
2015-2016**

Detailed Audit Report

1. Introduction:

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

- i. Vigyana Nand Saraswati

2. Administration:

The present body of the ULB has taken charge on 17th May 2012. The incumbency in the key administration and executive was as under:
Shri Bajrang Bahadur Singh, Chairman, from 17th May 2012 till date.
Shri Dinanath Singh, Executive Officer from 27th Aug 2015 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 recover has been made	Total amount of recovery	Total No. of outstanding para where no action has been taken	No. & date of compliance report
1	AG Audit for the 2014-2015	Audit Compliance Report has not been prepared by ULB						
1	Internal Audit for the 2014-2015	7	7	0	0	0	7	Not Complied.

Detailed Report on Compliance of Previous Internal Audit Report:-

Audit Observation	Nature Of Irregularities	Complied/Not-Complied
All bills, registers, files and all other records are maintained manually by the Nagar Parishad.	Persisting Since Last Year	Not-Complied
No correlation has been established between files	Persisting Since Last Year	Not-Complied



INTERNAL AUDIT REPORT OF BHABHUA NAGAR PARISAD

**FINANCIAL
YEAR
2015-2016**

and their respective register and also with bill vouchers.		
Budget has not been prepared as per Bihar Budget Manual.	Persisting Since Last Year	Not-Complied
All cash book of each scheme has been maintain properly but main Cash Book which records all the Summary Transaction of all respective cash transactions has not been maintained.	Persisting Since Last Year	Not-Complied
Management of the Nagar Parishad is not conscious about the statutory compliance of different laws and rules which are applicable to Nagar Parishad which are detailed in our detailed audit report.	Persisting Since Last Year	Not-Complied
Nagar Parishad is using a software for collection of holding taxes but this software is not capable to generate any type of report, like what amount has been received in the current year and also for the previous year. This software is mainly used for collection of property taxes only.	Persisting Since Last Year	Not-Complied
Cash collected by cashier	Persisting Since Last Year	Not-Complied



INTERNAL AUDIT REPORT OF BHABHUA NAGAR PARISAD

**FINANCIAL
YEAR
2015-2016**

(computer operator) has not been deposited on the same day or next day rather it is deposited within ten days or more		
---	--	--

4. Finance:

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

Year	2013-14	2014-15	2015-16
Final/Revised Budget	Nil	2,70,37,37,886.00	2,22,43,72,247.00
Actual Expenditure	12786975	8,11,72,432.00	8,32,86,735.5
Savings(+)/Excess(-)	(12786975)	2,62,25,65,454.00	2,14,10,85,511.5

II. Volume of transaction:

Period	Budgeted	Previous year (For one Year)	Corresponding period of previous year	Current period	Cumulative for the current period
Opening balance	105402510	84512051	84512051	167792550.75	167792550.75
Receipts	2,22,75,40,642.00	71089915	71089915	168933068.00	168933068.00
Total	2,33,29,43,152.00	15,56,01,966.00	15,56,01,966.00	33,67,25,618.00	33,67,25,618.00
Net expenditure	2,22,43,72,247.00	50199456	50199456	8,32,86,735.5	8,32,86,735.5
Closing balance	10,85,70,905.00	105402510	105402510	25,34,38,883.25	25,34,38,883.25

III. Bank reconciliation:

We observed that ULBs has maintained different cash book and pass book for different scheme. Cash book and pass book of some schemes are tallied and some are not tallied. Bank reconciliation statement has not been prepared by the ULB. Details of differences in balances are as below: -

SI No	NAME OF SCHEME	NAME OF BANK	ACCOUNT NO	BALANCE AS PER CASH BOOK AS	BALANCE AS PER PASS BOOK AS ON 31-03-2016	DIFFERNECE AMOUNT
-------	----------------	--------------	------------	-----------------------------	---	-------------------



INTERNAL AUDIT REPORT OF BHABHUA NAGAR PARISAD

**FINANCIAL
YEAR
2015-2016**

				ON 31-03-2016		
1	UIDSSMT	PNB	3863000102012107	10754374	10888347	133973
2	NULM	PNB	3863000102067532	20373641	20482866	109225
3	NAGAR PARISHAD KOSH	PNB	3863000101003786	922531.5	1219061	296529.5
4	BRGF	PNB	3863000102003394	4556365	4580487	24122
5	LAKSHMI PENSION BAI	PNB	3863000102055847	14473081	281030	14192051
6	NIRWACHAN	PNB	3863000102031148	197305	162903	34402
7	RAJASWA PRAPTIYA	PNB	3863000102055661	3185510	3216930	31420
8	SWACHH BHARAT MISSION	PNB	3863000102065826	3509098	3569098	60000

We observed that in the financial year 2015-16 in nine accounts there is no transaction has been made in the whole financial year that means Rs. 17,81,604.35 is idle fund in the account; there is no utilization of these funds. Details have been provided as below:-

SI No	NAME OF SCHEME	NAME OF BANK	ACCOUNT NO	BALANCE AS PER CASH BOOK AS ON 31-03-2016	BALANCE AS PER PASS BOOK AS ON 31-03-2016	DIFFERNECE AMOUNT
1	VIVID MAD	PNB	3863000101002547	64900	64900.35	0.35
2	VETAN MAD	PNB	3863000102029231	121044	121044	NIL
3	MUKHYA MANTRI SAMEKIT	MBGB	73381700144266	390013	390013	NIL
4	KAIMUR BUS PADAU DUKAN BHADA	MBGB	73380100095200	89881	89881	NIL
5	RASTRIYA GANDI BASTI	MBGB	73380100099613	435148	435148	NIL
6	IDSMT	MBGB	73380100112628	406113	406113	NIL
7	SADAR HOSPITAL DUKAN BHADA	MBGB	73380100094803	4561	4561	NIL
8	SANSAD MAD	MBGB	C/A205	17420	17420	NIL
9	KABIR ANTYESHTI MAD	MBGB	7338010013437	252524	252524	NIL
TOTAL:-				17,81,604.00	17,81,604.35	0.35



INTERNAL AUDIT REPORT OF BHABHUA NAGAR PARISAD

**FINANCIAL
YEAR
2015-2016**

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					
Property Tax	1,17,00,000.00	27,05,564.00	27,05,564.00	62,32,831.00	62,32,831.00
Assigned Revenue	26920642	Nil	Nil	20,37,963.00	20,37,963.00
Others (Fees & user charges)	10,00,000.00	2,90,91,895.00	2,90,91,895.00	20,29,972.00	20,29,972.00
(b) Administrative grant	1,71,88,20,000.00	14,88,751.00	14,88,751.00	639715.00	639715.00
(c) Specific Grant					
Rajya Yojna (Pul Pulia nirman)		2,71,36,250.00	2,71,36,250.00		
Bus stand Jivnodhhar	50,00,000.00	2,10,00,000.00	2,10,00,000.00		
Parsad Laptop		5,60,000.00	5,60,000.00		
4th Finance	3,00,00,000.00	2,09,04,914.00	2,09,04,914.00		
NALI NIRMAN	15,00,00,000.00			27223375	27223375
ADDITIONAL STAMP DUTY				5096880	5096880
NAGRIK SUVIDHA	25,00,00,000.00			4713000	4713000
VANIJYA KAR				1268404	1268404
ASHOK SAMRAT BHAWAN				5763000	5763000
14TH FIN				5614734	5614734
RCC NALA				34959225	34959225
5TH FIN				19778023	19778023
PCC ROAD & NALA				3595650	3595650
NULM	1,00,00,000.00			10583566	10583566
SMAJIK SURAKSHA PENSION	70,00,000.00			17662358	17662358
BRGF	60,00,000.00			1477652	1477652



INTERNAL AUDIT REPORT OF BHABHUA NAGAR PARISAD

**FINANCIAL
YEAR
2015-2016**

NIRWACHAN	3,00,000.00			235917	235917
13TH FIN	1,00,00,000.00			9398859	9398859
LAPTOP				455564	455564
SWACHH BHARAT MISSION				3494500	3494500
VETAN MAD	8,00,000.00			976717	976717
14TH FIN				5695163	5695163
Total	2,22,75,40,642.00	10,28,87,374.00	10,28,87,374.00	16,89,33,068.00	16,89,33,068.00

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:

Municipal accounts committee has not been constituted in Bhabhua Nagar Parishad.

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 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. We observed that the collection of property tax (Holding tax) is very poor and the collected amount has not been deposited on timely basis in the respective account of government in the financial year 2015-16. Following are the examples of late deposit of revenue in the bank:

ii.

SI No	NAME OF DEPOSITER	RECEIPT NUMBER	DATE OF COLLECTION	DATE OF DEPOSIT	AMOUNT
1	SUNIL KUMAR	1041	16-12-2015	31-12-2015	210
2	SUNIL KUMAR	1038	20-08-2015	14-09-2015	108
3	SUNIL KUMAR	1039	10-09-2015	14-09-2015	440



INTERNAL AUDIT REPORT OF BHABHUA NAGAR PARISAD

**FINANCIAL
YEAR
2015-2016**

4	SUNIL KUMAR	1022	08-04-2015	16-04-2015	392
5	SUNIL KUMAR	1023	08-04-2015	16-04-2015	224
6	MAHTAB ALAM	1131	19-11-2015	30-11-2015	1404
7	MAHTAB ALAM	1132	21-11-2015	30-11-2015	3856
8	SANDEEP KUMAR PATEL	985	04-02-2016	29-02-2016	1768
9	SANDEEP KUMAR PATEL	964	14-08-2015	14-09-2015	1500
10	SANDEEP KUMAR PATEL	952	24-04-2015	24-06-2015	1530
11	SANDEEP KUMAR PATEL	953	06-05-2015	24-06-2015	2632
12	RAM NAVMI SINGH	2014	01-12-2015	31-12-2015	24310
13	RAM NAVMI SINGH	2015	01-12-2015	31-12-2015	22500

- iii. There are 6,317 holdings in Nagar Parishad and holding taxes raised demand of Rs. 99, 80,549.00 including previous arrear out of which only Rs. 62, 32,831.00 has been received during the 2015-16 and remaining amount of Rs. 37, 47,718.00 is due. It means only 62.44% has been received during this financial year. ULB should recover the rest amount as earliest.

Si. No.	Financial Year	Number of Holdings	Total Demand till 31-03-2016	Total Collection till 31-03-2016	% Of Collection	Total Arrear
1	2015-16	6317	99,80,549.00	62,32,832.00	62.44	37,47,718.00

The amount of Rs. 37,47,718.00 is required to be recovered at the earliest.

- iv. As per rules, if any tower is installed in the jurisdiction of ULB, then they should give an application to the ULB and take the no objection certificate after getting registration and paying a fee of Rs. 40,000 and thereafter it is required to be renewed on yearly basis @ Rs. 10000 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 there are 18 towers have been installed in Nagar Parishad and total demand raised of Rs. 93,32,470.00 in which Rs. 12,00,000.00 for registration, Rs. 25,95,625.00 for renewal charges, and Rs. 55,36,845.00 interest amount but in this respect only Rs. 2,10,000.00 has been



INTERNAL AUDIT REPORT OF BHABHUA NAGAR PARISAD

**FINANCIAL
YEAR
2015-2016**

collected by Nagar Parishad i.e. 2.25% and remaining Rs. 91,22,470.00 is due.

The due amount is required to be recovered at the earliest. The details are provided here in below:

SI NO	NAME OF COMPANY	ESTABLISHMENT YEAR	REGISTRATION FEES	RENEWAL FEES	60 % REGISTRATION FEES FOR ADDITIONAL TOWER	60 % RENEWAL FEES FOR ADDITIONAL TOWER	INTEREST @ 1.5%	TOTAL DEMAND TILL 31-03-2016	RECOVERY	TOTAL ARREAR
1	IDEA	Apr-08	40000	77500	24000	46500	248400	436400	0	436400
2	WIRELESS TT INFO. SERVICE LTD.	Sep-09	40000	77500	24000	46500	248400	436400	0	436400
3	INFO. STRUCTURE LTD.	Feb-09	40000	77500	24000	46500	248400	436400	0	436400
4	AIRCEL	Sep-07	40000	90000			194400	324400	0	324400
5	AIRCEL	Sep-07	40000	90000			194400	324400	0	324400
6	WIRELESS TT INFO. SERVICE LTD.	Aug-09	40000	77500	24000	46500	248400	436400	0	436400
7	BHARTI AIRTEL LTD	Apr-07	40000	90000			194400	324400	40000	284400
8	BHARTI INFRATEL LTD.	Jul-07	40000	90000	48000	108000	427680	713680	40000	673680
9	AIRCEL	Oct-07	40000	90000	24000	54000	311040	519040	0	519040
10	BHARTI INFRATEL LTD.	Jul-08	40000	77500			155250	272750	40000	232750
11	BHARTI INFRATEL LTD.	Apr-05	40000	118125	96000	283500	992205	1529830	40000	1489830
12	TATA TELE SERVICE LTD.	2007-08	40000	90000	48000	108000	427680	713680	0	713680
13	EXCEL TELECOM	Apr-08	40000	77500		46500	155250	319250	0	319250
14	ADITYA TELECOM	2008-09	40000	77500	24000	139500	248400	529400	0	529400
15	WIRELESS TT INFO. SERVICE LTD.	Aug-09	40000	77500	72000	54000	434700	678200	0	678200
16	BSNL	2007-08	40000	90000	24000		311040	465040	0	465040
17	IDEA	May-08	40000	77500			155250	272750	0	272750
18	ATC INDIA TOWER	2008-09	40000	77500	48000	93000	341550	600050	50000	550050
TOTAL: -			720000	1523125	480000	1072500	5536845	9332470	210000	9122470

- v. We found that lots of shops have been given on rent by Nagar Parishad. However, in this respect, we found that total rent demanded during the financial year 2015-16 is Rs. 17,39,030.00 including previous arrear but

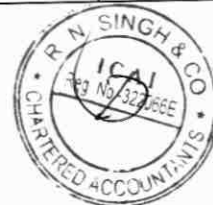


INTERNAL AUDIT REPORT OF BHABHUA NAGAR PARISAD

**FINANCIAL
YEAR
2015-2016**

only Rs. 4,49,242.00 has been collected by Nagar Parishad i.e. 25.83%.
And remaining amount Rs. 12,89,788.00 is due as detailed here in below:

SI No	NAME	DEMAND TILL 31-03-2016	COLLECTION TILL 31-03-2016	ARREAR
5	MANOJ KUMAR	7500	0	7500
6	SUDHIR KUMAR	7500	0	7500
7	RAJAN KUMAR	5700	0	5700
8	MD. KAYAM KATIL	4500	2700	1800
11	ARSHAD NAWAJ	3600	900	2700
12	NESAR ALAM MANJURI	3600	900	2700
20	NILOFAR PARVEEN	4200	3500	700
21	SHAKIL AHMAD	10000	0	10000
23	GARIBAN MALLAH	9450	0	9450
25	BHIM MALLAH	9450	0	9450
26	RAJENDRA MALLAH	6650	0	6650
27	CHHUNU MALLAH	7700	0	7700
28	RAMCHANDRA MALLAH	7700	0	7700
33	PRABHU NARAYAN SINGH	3750	0	3750
39	TARA DEVI	35750	0	35750
40	KASHINATH GIRI	171024	0	171024
41	SHREE KANT SINGH	159306	0	159306
42	GAURI SHANKAR JAISWAL	71104	48912	22192
43	RAJ NATH RAM	120120	0	120120
44	CHEDI LAL JAISWAL	112304	0	112304
45	SARFARAJ	71612	25320	46292
69	SANTOSH KUMAR SINGH	8400	0	8400
70	NAEM RAYIN	31360	0	31360
71	SANJEET SAH	53120	0	53120
72	AASIF RAYIN	18592	0	18592
79	ISLAM RAYIN	13608	0	13608
81	SAIF RAYIN	23040	0	23040
82		14500	0	14500
83	SHAHJAHAN BEGAM	39840	0	39840
84	SHAGIR RAYIN	39840	0	39840
87	MANWARI KUNWAR	39840	0	39840
89	MOHAMMAD SHARTAJ	14500	0	14500



INTERNAL AUDIT REPORT OF BHABHUA NAGAR PARISAD

**FINANCIAL
YEAR
2015-2016**

90	SERAJ RAYIN	31680	0	31680
91	MD.IMTIYAJ HUSSAIN	14500	0	14500
92	NAUSAD RAYIN	6240	0	6240
93	FIROJ RAYIN	30600	0	30600
94	UTSAV KUMAR	40320	0	40320
95	FAIZ RAYIN	39840	0	39840
96	FIROJ RAYIN	39840	0	39840
99	MD. MUKHTAR RAYIN	39840	0	39840
TOTAL:-		1739030	449242	1289788

- vi. Before allotting shairat, the agreement should be done on the stamp value of 3% of total quoted price, but in this respect the nagar parishad has not collected the unrealized amount of 3% stamp duty on shairat for the financial year 2014-15. The unrealized revenue is Rs. 56,295.00; the ULB should recover the amount at the earliest.

Si. No.	Date	Head	Sairat Amount	Stamp Duty @ 3% Sairat
1	27-06-2014	Four wheeler stand	3,07,650	9230
2	27-06-2014	Auto Rickshaw	48,750	1462
3	27-06-2014	Footpath Retailer	4,51,500	13545
4	27-06-2014	City Park	2,10,000	6300
5	25-08-2014	City Park	2,20,000	6600
6	31-03-2015	Three Wheeler	2,26,600	6798
7	31-03-2015	Four Wheeler	4,12,000	12,360
TOTAL:-			18,76,500	56,295

- b. **Excess Payments against bill, lack of prudence in payments against voucher, inefficiency in the control resulting loss to ULBs.**

No such cases observed during the course of our audit.

- c. **Report on Findings of the field survey of property tax of high value properties.**

Details of field survey of property tax are as under:-

SI No	Financial Year	Ward No	Name Of Tax Payer	Father/Husband	Area (in square feet)
1	2015-16	03	GOPAL PATEL	KRISHNA KUMAR SINGH	3500
2	2015-16	03	RAJENDRA SINGH	SHIVNATH SINGH	4816



INTERNAL AUDIT REPORT OF BHABHUA NAGAR PARISAD

**FINANCIAL
YEAR
2015-2016**

3	2015-16	03	FULPATI DEVI	BASAWAN SINGH	2400
4	2015-16	03	VINAY KUMAR AGRAWAL	KAILASH PRASAD AGRAWAL	9216
5	2015-16	03	KAUSHAR KISHOR AGRAWAL	PYARELAL AGRAWAL	19900
6	2015-16	02	MAMTA SINHA	SATISH KUMAR	6000
7	2015-16	02	RAGHUNATH SINGH	GOLAH SINGH	3600
8	2015-16	02	BINDU DEVI	SUNIL KUMAR	4624
9	2015-16	01	BINDA DEVI	RAMASHANKAR SINGH	5600
10	2015-16	01	RAJU SINGH	SHIVJARI SINGH	4798
11	2015-16	01	NAND JI UPADHYAY	RAM AJOR UPADHYAY	3528
12	2015-16	01	SAROJA DEVI	RAM BHAJAN RAM	2800
13	2015-16	01	PRAVIND SINGH	JHAKRI SINGH	5656
14	2015-16	17	MAHADEV PRASAD	SITARAM SAH	1764
15	2015-16	17	LALAN PRASAD	SITARAM LAL	960
16	2015-16	17	PUSHPA DEVI	RAM JI SETH	10320
17	2015-16	17	AASHA KUNWAR	GYANCHANDRA KESHRI	1125
18	2015-16	22	DULARI KUNWAR	KOMAL SINGH	786
19	2015-16	22	MD. MUMTAJ ALAM	HANIF MASURI	3304
20	2015-16	22	RACHLA DEVI	RAM ROOP SINGH	4804
21	2015-16	18	RAMESHWAR	RAM SURESH DIWEDI	9760
22	2015-16	18	KIRAN DEVI	KRISHNA KUMAR SINGH	26160
23	2015-16	18	GIRJA DEVI	KUHUM SAH	1952

Remarks: We are unable to comment on this as neither we have been accompanied nor the proper procedures and process with which the field survey was done is provided to us.

II. Part - B

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

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



**INTERNAL AUDIT REPORT
OF BHABHUA NAGAR PARISAD**

**FINANCIAL
YEAR
2015-2016**

- (1). Civil suit register
- (2). Provision made register of all taxes/user charges/fees & fines.
- (3). Assessment register of property tax.
- (4). Bid register.
- (5). Demand and collection register of Shop Rent.
- (6). Records and revision of taxes and rent.
- (7). Rent register of shop.
- (8.) Demand & collection register of mobile towers and registration files of mobile towers.
- (9). Survey registers/files of Hoardings.
- (10). Demand and collection register of Hoardings.
- (11). Holding receipts, Misc. receipts, Trade license receipts, BOQs and other salable forms.
- (12). Monthly receipt and payment account is not being prepared by the ULB.

b. Irregularity in procurement process: -

- i. We observed that a work has to be executed departmentally through Junior Engineer, Narendra Kumar Singh and it was approved on 09-05-2015 for Street construction, the contract amount was Rs. 4,94,777.00 and the work is required to be completed within 6 months. But in this case, we observed that the work has not been completed till the date of audit. The ULB should take proper action for completing the work at the earliest.
- ii. We observed that a contract was entered with Mr. Sanjay Kumar as on 05-03-2014 for Lichhawi Bhawan Nirman and the contract amount was Rs. 40,09,674.00. But in this case, we observed that the period of contract was only for six months but work has not been completed till the date of audit. The ULB should take action for completing the work at the earliest.
- iii. We observed that in the financial year 2015-16, the total payment has been paid of Rs. 36,50,087.00 for hiring of safai karmchari on daily wages basis. However, in this respect, following irregularities are 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.



INTERNAL AUDIT REPORT OF BHABHUA NAGAR PARISAD

**FINANCIAL
YEAR
2015-2016**

- 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.

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.

- 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.
- 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.
- The ULB is not preparing following Financial Statement of the Preceding years as required under Rule 122 of the Bihar Municipal Accounts Rule, 2014:
 - Receipt & Payment Accounts for the Year (BMAR Form No 71).
 - Income & Expenditure Account for the Year (BMAR Form No 73).
 - Balance Sheet as on 31st March of the Year (BMAR Form No 74).

e. Lack of internal control measures:

- 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.



INTERNAL AUDIT REPORT OF BHABHUA NAGAR PARISAD

**FINANCIAL
YEAR**

2015-2016

- ii. We observed that a case of cash defalcation has been found in respect of deposit of shop rent, from Receipt No. 1791 to 1800 total amount of Rs. 33,975.00, it has been written by najir that amount has been received by him from tax collector for deposit but the signature of Najir was not found and the same amount has not been deposited in the account of government.

SI No	RECEIPT NUMBER	DATE OF COLLECTION	AMOUNT COLLECTED	NAME OF COLLECTOR
1	1791	21-04-2014	2055	RAM NAVMI SINGH
2	1792	30-04-2014	2370	RAM NAVMI SINGH
3	1793	30-04-2014	1620	RAM NAVMI SINGH
4	1794	30-04-2014	16530	RAM NAVMI SINGH
5	1795	05-05-2014	8100	RAM NAVMI SINGH
6	1796	05-05-2014	1500	RAM NAVMI SINGH
7	1797	05-05-2014	450	RAM NAVMI SINGH
8	1798	05-05-2014	450	RAM NAVMI SINGH
9	1799	05-05-2014	450	RAM NAVMI SINGH
10	1800	05-05-2014	450	RAM NAVMI SINGH
TOTAL: -			33,975.00	

- iii. We observed that holding tax collected and deposited online by Ujjwal Kumar Rs. 11,095.00 but the same has not been entered in the collection register. Details are as below: -

SI No	NAME OF TAX PAYER	CHALAN NUMBER	WARD NUMBER	AMOUNT
1	SHARMILA DEVI	197282	16	104
2	SANJAY KUMAR AGRAWAL RAJESH KUMAR AGRAWAL PANK KUMAR AGRAWAL SATISH KUMAR AGRAWAL	239104	24	1266
3	BIGNA KUNWAR	336379	18	6712
4	JAGNARAYAN SINGH	340262	8	3013
TOTAL:-				11,095.00

- iv. We found that the excess payment has been made in respect of holding tax by Ujjwal Kumar of Rs. 2,818.00, the department should refund the same amount to him.
- v. Bhabhua Nagar Parishad is not in practice to Prepare Bank reconciliation statement.



**INTERNAL AUDIT REPORT
OF BHABHUA NAGAR PARISAD**

**FINANCIAL
YEAR
2015-2016**

vi. Field survey of property and assessment has not been done by the Bhabhua Nagar Parishad in year 2015-16.

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

- i. TDS has been deducted @ of 2.26% in three bills, however the rate of TDS is 1% for individual and 2% for other than individual, if PAN card is not provided then the rate will be 20%.
- ii. Non-filing or late filing of the TDS return or TDS statement invites two penal consequences:-
 - Fee for late filling under section 234 E, Rs 200 per day.
 - Penalty for late filling or non-filing of the TDS under section 271 H which provides that deductor shall pay penalty of minimum Rs 10,000 to Rs 1, 00,000 for non-filing of TDS on timely, within one year from the specified date which he was supposed to file the return. We observed that Nagar Parishad has not filled TDS return, so in this case above penal 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 Parishad 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 completion of the month in which VAT has been deducted. However we found that VAT has been deducted by Nagar Parishad from different contractor for construction of the project but Nagar Parishad is not in practice to deposit the VAT amount on scheduled time as specified in Bihar Commercial Taxes under VAT.

viii. Deficiency in pay-roll system:

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

ix. Utilisation of grant and report on missing Utilization Certificates.

Utilization of grant has not been submitted in the financial year 2015-16 because all the work allotted in 2015-16 has been executed in the financial year 2016-17.



**INTERNAL AUDIT REPORT
OF BHABHUA NAGAR PARISAD**

**FINANCIAL
YEAR
2015-2016**

x. Physical verification of inventory/stores.

Physical verification of the stock has not been done by nagar parisad at periodical period.

xi. Advances, their adjustment & recovery.

- i. We observed that advance of Rs. 1, 00,000.00 has been given to Engineer Arjun Kumar as on 25-04-2015 but in this respect no Bill/Voucher has been submitted by him till the date of audit, it means it is assumed that the work has not been completed yet.
- ii. We observed that advance of Rs. 1, 00,000.00 has been given to Engineer Narendra kumar Singh for repairing of Hand pump as on 27-05-2015 but in this respect no Bill/Voucher has been submitted by him till the date of audit, and it means it is assumed that the work has not been completed by him.

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

- i. 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 Parishad during financial year 2015-16 and it did not collect service taxes on rent @ 14.5% rent amount is Rs. 17, 39,030.00 therefore service tax is Rs. 2, 52,159.35 has not been collected.
- ii. We observed that in the financial year 2015-16 in nine accounts there is no transaction has been made in the whole financial year that means Rs. 17,81,604.35 is idle fund in the account there is no utilisation of these fund.



INTERNAL AUDIT REPORT
OF BHABHUA NAGAR PARISAD

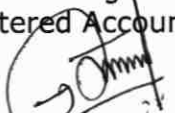
FINANCIAL
YEAR
2015-2016

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: 079322
FRN 322066E



Discussion Note
Bhabhua Nagar Parishad
Financial year 2015-16

Sl.No.	Observations	Managements Remarks
1	We observed that in case of procurement a contract made with Junior Engineer Narendra Kumar Singh as on 09-05-2015 for Street construction (गली निर्माण) and the contract amount was Rs. 4,94,777.00. But in this case we observed that the work has not been completed till the date of audit, in this respect ULB should take proper action for completing the work as earliest.	इस कार्य को प्रयासित पूरी का लिमा आयागा
2	We observed that in case of procurement a contract made with Sanjay Kumar as on 05-03-2014 for Lichhawi Bhawan Nirman and the contract amount was Rs. 40,09,674.00. But in this case we observed that the period of contract is only for six months but work has not been completed till the date of audit, in this respect ULB should take action for completing the work as earliest.	इस कार्य को प्रयासित पूरी का लिमा आयागा
3	We observed that advance of Rs. 1,00,000.00 has been given to Engineer Arjun kumar as on 25-04-2015 but in this respect no Bill/Voucher has been submitted by him till the date of audit, it means it is assumed that the work has not been completed yet.	सम्बंधित कार्य से अनिवार्यतापूर्वक प्रशिक्षण रकम का वसूलीकरण का लिमा आयागा
4	We observed that advance of Rs. 1,00,000.00 has been given to Engineer Narendra kumar Singh for repairing of Hand pump as on 27-05-2015 but in this respect no Bill/Voucher has been submitted by him till the date of audit, it means it is assumed that the work has not been completed by him.	सम्बंधित कार्य से अनिवार्यतापूर्वक प्रशिक्षण रकम का वसूलीकरण का लिमा आयागा
5	We observed that in the financial year 2015-16 the total payment has been made Rs. 36,50,087.00 for safai karmchhari on daily wages basis, but in this respect following irregularities are arised:- 1. Breaking of procurement policy. 2. Chances of Strike of labours may occure. In this respect ULB should follow procurement process and should hire an agency for labour supply.	वोर्ड के समक्ष विचयन हेतु रखा आयागा।
6	We observed that a case of cash defaulcation has been found in respect of deposit of shop rent, from Receipt No. 1791 to 1800 total amount Rs. 33,975.00, It has been written by najir that amount has been received by him from collector for deposit but the signature of Najir was not found and the same amount has not been deposited in the account of government.	सम्बंधित कार्य से वसूली इस भाग के अंत तक का लि आयागा
7	We observed that in the financial year 2015-16 in nine accounts there is no transaction has been made in the whole financial year that means Rs. 17,81,604.35 is Idle fund in the account there is no utilisation of these fund.	रकम की उपयोक्ति हेतु वसूल प्रक्रिया से अकारगर होने के कारण इसका उपयोग का लिमा आयागा



23/07/2016



8	There are 6,317 holdings in Nagar Parishad and holding taxes raised demand of Rs. 99,80,549.00 including previous arrear out of which only Rs. 62,32,831.00 has been received during the 2015-16 and remaining amount of Rs. 37,47,718.00 is due . It means only 62.44% has been received during this financial year.ULB should recover the rest amount as earliest.	बसुली हेतु नगर पंचायत प्रभाव किया जा रहा है
9	We found that lot of shops have been given on rent by Nagar Parishad but in this respect we found that total rent demanded during the financial year 2015-16 is Rs. 17,39,030.00 including previous arrear but only Rs. 4,49,242.00 has been collected by Nagar Parishad i.e. 25.83%. and remaining amount Rs. 12,89,788.00 is due.	बसुली हेतु नगर पंचायत प्रभाव किया जा रहा है
10	As per rules of bihar government if any tower is installed in muncipallity then they should give an application to the municipal and take the no objection certificate and get registration of Rs. 40,000 and renewal charges of Rs. 10000 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 there are 18 towers have been installed in Nagar Parishad and total demand raised Rs. 93,32,470.00 in which Rs. 12,00,000.00 for registration, Rs. 25,95,625.00 for renewal charges, and Rs. 55,36,845.00 interest amount but in this respect only Rs. 2,10,000.00 has been collected by Nagar Parishad i.e. 2.25% and remaining Rs. 91,22,470.00 is due.	बसुली के लिए नगर पंचायत प्रभाव किया जा रहा है
11	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 Parishad during financial year 2015-16 and it did not collect service taxes on rent @ 14.5% rent amount is Rs. 17,39,030.00 therefore service tax is Rs.2,52,159.35 has not been collected.	इस संबंध में विचारार्थ बोर्ड के समक्ष रखा जा रहा है
12	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.	नगर पंचायत लेखाओं को वार्षिक रूप से तैयार किया जा रहा है
13	Before allotting shairat the agreement should be done on the stamp value of 3% of total quoted price, but in this respect the nagar parishad has not collected the unrealized amount of 3% stamp duty on shairat for the financial year 2014-15. The unrealized revenue is Rs. 56,295.00, the ULB should recover the amount as earliest.	संबंधित कर्तव्यकारी को नोटिस किया जा रहा है
14	TDS has been deducted @ of 2.26% in three bills, however the rate of TDS is 1% for individual and 2% for other than individual, if PAN card is not provided then the rate will be 20%.	आगे से ध्यान रखा जा रहा है



23/07/2016



15	Non filling or late filling of the TDS return or TDS statement invites two penal consequences:- 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 deductor 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 Parishad has not filled TDS return, so in this case above penal and late fine shall be attracted.	प्रतिमासिक जमा करने का प्रयास किया जा रहा है
16	There is no transparency in the case of date of TDS deduction and the date of deposit. In this respect we found that Nagar Parishad is not in practice to deposit TDS amount on due date i.e. 7th of the next month.	लग सिविल में जमा करने का प्रयास किया जा रहा है
17	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 Parishad from different contractor for construction of the project but Nagar Parishad is not in practice to deposit the VAT amount on scheduled time as specified in Bihar Commercial Taxes under VAT.	लग सिविल में जमा करने का प्रयास किया जा रहा है
18	We observed that the total collection from holdings and others are not deposited into the bank account of government on the same day or half of the next day in this respect ULB should deposit all collections from own source of revenue in to the bank account on the same date or half of the next date on which it has been received.	मटे इन्फिनिटिवल करने का प्रयास किया जा रहा है
19	Bhabhua Nagar Parishad is not maintaining all the required registers as per the Bihar Municipal Act Rules.	वेखावने को जमान में रखने हुए पेंसी वेखावने करने का प्रयास किया जा रहा है
20	We observed that Holding tax collected and deposited by Ujjwal kumar Rs. 11,095.00 but the same has not been entered in the collection register.	हुनिटिवल की जमाना
21	We found the the excess payment has been made in respect of holding tax by Ujjwal kumar of Rs. 2,818.00, the department should refund the same amount to him.	वीपवित्त कारी को रजमि वापस का दिया जा रहा है
22	Bhabhua Nagar Parishad is not Preparing Budget as per the Bihar budget manual.	मजिबल में उसका जमान रहा जा रहा है
23	Bhabhua Nagar Parishad is not in practice to Prepare Bank reconciliation statement.	मजिबल में उसका जमान रहा जा रहा है
24	Field survey of property and assessment has not been done by the Bhabhua Nagar Parishad in year 2015-16.	प्रथासिद्ध करवा लिया जा रहा है
25	Physical verification of inventory & Fixed assets has not been done by ULB on regular interval.	मजिबल में उसका जमान रहा जा रहा है



कार्यपालक पदाधिकारी
नगर परिषद, बभुआ

23/07/2016

23.07.2016

