

URBAN DEVELOPMENT & HOUSING DEPARTMENT (GOVT) OF BIHAR)

INTERNAL AUDIT REPORT

OF

DARBHANGA MUNICIPAL CORPORATION

FOR THE PERIOD FROM 01/04/2015 TO 31/03/2016

Report Issued On September, 2016

**Conducted by:
P. JYOTI & CO.
(Chartered Accountants)**

**201, KedarBhawan, Near Fedearl Bank, S.P.Verma Road, Patna - 800001
Mobile No.: +91-9431245241, E-mail: pjyotica@gmail.com.**

To,
The Director,
UD & HD
VikashBhawan New Secretariat,
Patna (Bihar)

MANAGEMENT REPRESENTATION LETTER

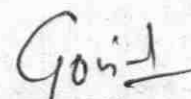
Dear Sir,

This representation letter is provided in connection with the Internal audit of the financial statements of **DARBHANGA MUNICIPAL CORPORATION** for the Financial Year **ended on MARCH 31, 2016** in accordance with the Appointment Letter issued by you and other guidelines provided to us from time to time For the purpose of expressing an opinion as to whether the effectiveness of accounting, financial and other operations and controls as an aid to management to achieve its goals of delivering its various objectives. By constant review and appraisal of the workings of the systems and procedures introduced, Internal Audit enables management to control and utilize widespread resources properly. It acts as eyes and ears of management in implementing its plans and decisions since most management decisions have financial implications on its affairs.

PLACE: PATNA
DATE:



FOR P. JYOTI & CO.
[Chartered Accountants]
FRN: 010237C


[CA. G.K SINHA]
Partner
Membership No.: 426588

EXECUTIVE SUMMARY

1. Introduction:

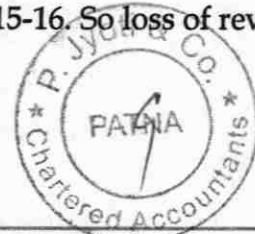
BRIEF DETAILS OF AUDITEE AND AUDITOR

Name of the Municipality	Darbhangha Municipal Corporation
Period covered under current audit	01.04.2015 to 31.03.2016
Name of Executive Officer for the period under Audit	Mr. Nagendra Kumar Singh
Name & Address of Audit Team:	P. JYOTI & CO. (Chartered Accountants) , 201, KedarBhawan, S.P. Verma Road, Patna

2. Results and Findings:

- **Strengths observed during the audit engagement.**
 - 1) Response of staff and officers are satisfactory.
 - 2) Office Infrastructure is sufficient for operation.

- **Weaknesses observed in the functioning of office, maintenance of records etc. observed during the audit engagement.**
 - 1) Tax collectors does not deposit the tax collected by them in cash section on the same day or next working day. They have regularly defaulted in depositing cash collected by them. In some instant they deposited cash after 3 days to 12 days. (Details Given in Page 16 of the report.)
 - 2) In 40 high value property Area we find 254842.49 SQFT but previous documents or records relating to these were not available.
 - 3) Here separate Scheme/Grant wise Cash Book not maintained, only Main cash book maintained.
 - 4) There are 80 mobile towers. There are collection of Registration & Renewal fee from mobile tower is Rs.11,75,000.00 but Interest not taken in accordance with Municipal 2007 act , Section of 128 and 129. ULB make demand for the outstanding amount, but mobile towers company not paid and outstanding amount with interest receivable Rs. 7,09,14,861.20 but receivable amount by ULB Rs.4,34,38,000.00 till the end of Financial Year 2015-16. So loss of revenue Rs.2,74,76,861.20. Details Given In Annexure "C".



- 5) Outstanding Rent from shops of Darbhanga Nagar Nigam is Rs. 1,16,84,533.00. Out of Which outstanding shop rent from Laheriasarai is Rs. 93,23,052.00 and Darbhanga shop rent is Rs. 23,61,481.00. (Detail as per annexure "A")
- 6) Lack of Staff for proper Functioning.
- 7) Books of Accounts are not maintained in double Entry System.
- 8) Ledger Books are not Maintained.
- 9) Lack of Proper Filing system. Related files are not kept at single place and files are not readily available for verification, which consumes lot of time.
- 10) No entry is done in Tally System Software.
- 11) Inventory /Store books are not Properly maintained. They are not maintaining Opening Balance, inventory distribution sheets and also Demand Sheets. Even some purchase of fixed Assets during Financial Year 2015-16 are not entered in Inventory/ Store Books..
- 12) Assessment register is not prepared after year 1997 which is required to be prepared before collecting Tax.
- 13) Advertisement tax is collected for the year 2015-16. Rs. 12,72,076.00/.
- 14) TDS deposited annually basis, not on due date.
- 15) Delay in Deposited of collected Property Tax by the collector in cash section.
- 16) Commission paid to Tax collector without TDS deduction. Details as per annexure "B".
- 17) TDS is not deducted on payment to Contractual staffs since Long Time.
 - (a) No. of contractual staff is 335 and monthly payment is approx. 21,18,635.00/.
- 18) No records/ Ledgers of Unipole is maintained by the Nagar Nigam. It is not verifiable how many Unipoles are there in Nigam. Unipole has been given to Six Firms , Neha Unipole, Phulkadi Holding, CMS Holding, Rampion Holding, Rampion Advertising unipole and Astiva , but no records of these are maintained, hence their contract details, No. of Unipoles allotted to them, Renewal dates etc can not be verified.
- 19) No tax is Collected on Self made Thela by the Nigam. No tax is collected on



20) No tax is collected on Advertisement hoarding fixed by the owner of shops/land , As per section 145 and 146 of the Bihar Municipal Act, 2007 rent @Rs 7/- per sq Feet is leviable on these types of hoardings.

21) Collection from private bus stand Kadirabad, Darbhanga is Rs. 39,45,076.00 and Laheriasarai is Rs. 19,01,773.00/.

a) In Auction of Auto stand, Krishna Dev Purvey was the highest bidder with Rs. 8,00,000.00 but tender was not given to him and this was merged in Bus stand Laheriasarai , total collection of which is Rs. 19,01,773.00 only. Collection of this was Rs. 51.10 without Tempo Stand three years before when tender was given to private party. This results in minimum loss of Rs. 40.00 Lakhs . Apart from this Nigam is incurring expenses of 12 Staffs including Incharge Purusottam Kumar Das on this Bus Stand , Total expenditure on them during the Year is Rs. 4,66,560.00 . Payment to them is made in Cash Only and no signature of recipient was found on master roll.

b) In Private Bus Stand, Kadirabad , total collection for F. Year 2015-16 was Rs. 39.45 Lacs , however during the F. Year 2013-14 , tender of this Bus Stand was given on Rs. 44.15 Lacs.

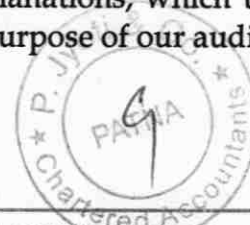
(c) Tender of auto stand Dr. Zakir Hussain Teacher's Training College was given on Rs. 2,00,000/ on 24.04.2015 .Rs. 1,50,000.00 was deposited at the Time of Tender and remaining amount of Rs. 50,000.00 was required to be deposited within one Month. However, this amount is still unpaid.

(d) Tender of 9 Public Toilet was given to an NGO on 08-08-2013 for a period of Three Years in Rs. 12,65,911.00. Rs. 6,46,887 is still due from him even after end of Contract Period of three Years. An order was passed on 12th Aug 2013 to deposit full contract amount within 24 hours, but this amount is still un collected.

22) Rs. 14,78,56,104.00 is due from Government Departments . Special arrangements must be done to recover this amount. (Details are given in Annexure "D")

3. Opinion:

a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.



b) In our opinion, proper books of account has not been kept by the ULB so far it appears from our examinations of those books, and

c) In our opinion and to the best of our information and according to the explanation given to us, there is a huge loss of revenue to the ULB.

a) Audit Recommendations:

- A) The proper officer should take proper action to stop leakage of revenue.
- B) There should be proper internal control.
- C) Books of Accounts should be maintained in Double Entry System.
- D) Assessment of Property should do at regular interval.
- E) Settlement of bus Stand should be done every year.

b) Comments from Management:

Discussion has been done with the official staff but still they are not given attested copy of the discussion note. Unsigned Discussion Note has been attached at the end of Report. **Annexure-1.**

c) Acknowledgement:

We acknowledge our responsibility for expressing a professional opinion on the effectiveness of the overall financial management and to verify and review the activities of all cost centers so as to assist them in proper Functioning, We would like to express our pleasure for the co-operations extended by the concerned ULB Management and Staff.

