

INTERNAL AUDIT REPORT  
OF FATUHA NAGAR PANCHAYAT

FINANCIAL  
YEAR  
2014-15

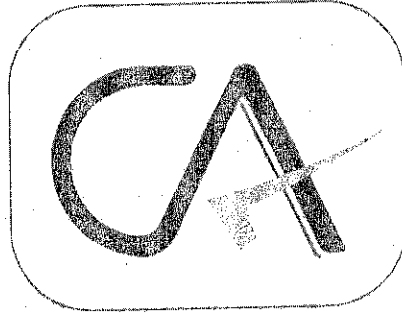
INTERNAL AUDIT REPORT

of

SPUR-PMU (Samvardhan)  
No. 431  
In Coming Date 26/7/15

FATUHA NAGAR PANCHAYAT

For The Period 01/04/2014 to 31/03/2015



INTERNAL AUDIT CONDUCTED BY

M/s Chanakya Ashok & Co.

Chartered Accountants

502/208, Hem Plaza,

Fraser Road Patna- 800001

Mob- 9431019501

Email- [caashok@caandco.in](mailto:caashok@caandco.in)

From: -14-07-2016 to 19-07-2016

Report Issued on: - 25-07-2016

**Executive Summary**

**1. Introduction:**

- Name of the Municipality: Fatuha Nagar Panchayat;
- Period covered under current audit: 01-04-2014 to 31-03-2015.
- Name of Chief Executive Officer for the period under audit: Shri Kapildeo Kumar

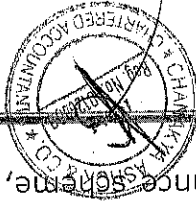
**2. Results and Findings:**

**➤ Strengths observed during the audit engagement:**

- (a) Fatuha Nagar Panchayat is in practice to prepare Cash book of each scheme.
- (b) All vouchers are serially arranged, numbered and authorized by competent authority and kept properly by the Nagar Panchayat.
- (c) Separate files of the parties to whom payments are made are properly maintained. Proper documentation process in respect of parties has been followed.
- (d) Board meetings of Fatuha Nagar panchayat are held regularly and problems faced in the smooth operation are resolved by passing resolutions.
- (e) Fatuha Nagar panchayat is in practice to prepare various registers like attendance register of contract labor and Nagar Panchayat staffs, Ward wise properties tax collection register etc.

**➤ Weaknesses observed in the functioning of office, maintenance of records etc. during the audit engagement: -**

- (a) General Cash book is not properly maintained by the ULB. There are various discrepancies found in this regards like non-recording of transaction of Kabir Antyosthi and 13<sup>th</sup> finance scheme, over writing and clerical errors.



(b) UCS regarding the financial year 2014-15 for the different grants received are not submitted to the concerned department. Also, no details regarding UCS are provided during the audit period.

(c) Accounting process adopted by Fatuha Nagar Panchayat is Single Entry System based on cash basis of accounting. It is not as per Bihar Municipal Accounting Manual. Bihar Municipal Accounting Manual requires adoption on Accrual Basis Double entry system of Accounting.

(d) The amount of tax collected by the Tax collector is required to be handed over to the cashier on the same day of the collection. The same process is not followed. Tax collector hands over the collected cash to the cashier after a time gap of 15 to 30 days. Also, in some cases amount collected in the month of March is handed over to the cashier in next month which is ultimately recorded in the next financial year. It leads to violation of accounting policy and loss of income. Details are given in detailed audit report.

(e) Registration charges and renewal charges regarding mobile towers have not been collected. Details are given in detailed audit report.

(f) Fatuha Nagar Panchayat is not in practice to prepare monthly receipt and payment account and the trial balance.

(g) There is a much scope of improvement in the tax collection process. After being inquiry, it is being found that the levy and collection process is not running effectively.

(h) Bank reconciliation statement has not been prepared by Nagar Panchayat. Irregularities in procurement process have been observed. Details are given in detailed audit report.



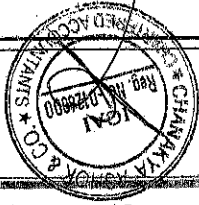
**3. Overall opinion of audit team about the functioning of Municipality: -**

The Nagar Panchayat functioning is not up to the mark; rather it has lots of scope of improvement. The Nagar Panchayat is required to improve a lot in the following fields:-

- a. Preparation of Accounts, Ledger, Books, Bank Reconciliation Statement, Various Registers and Records as required.
- b. It requires improving its Internal Control Procedures with regards to Demand, Collection of Revenue, and 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. There is much scope of improvement in the tax collection process. After being inquiry, it is being found that the levy and collection process is not running effectively.
- e. Compliance of AG Audit Report required at the Nagar Panchayat level.

**4. Audit Recommendations: -**

- a. ULB must prepare Bank Reconciliation Statement on monthly basis.
- b. ULB should adopt Double Entry Accounting System. Double-entry accounting allows accounting departments to prepare financial statements easily. Double entry accounting system present accurate report of accounts on the income statement, balance sheet, cash flow statement and other financial statements and reports. It provides checks and balances, which prevent fraudulent activity and reduces errors. Double-entry accounting system prevents fraud in a greater way than single-entry accounting



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because it makes it difficult to manipulate accounts. You can easily detect account manipulation by examining the journal entries and comparing them to previous journal entries for the same or similar transactions.

c. ULB shall make yearly survey and assessment of Property / Holdings, so that proper and correct tax can be levied and collected.

d. ULB shall keep the records of new holdings added during the financial year. The bifurcated list should be kept for easy analysis of new holdings added.

e. ULB should collect property tax, mobile tower tax, advertisement tax and shop rent tax etc. on timely manner which are under its jurisdiction.

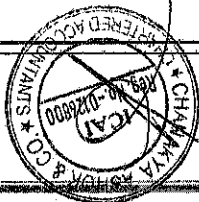
f. Statutory deductions like TDS, VAT, Royalty and Labour Cess must be deposited to the concerned department on timely basis.

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 & 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.

i. ULB must maintain all the Books of Account, Register, Records etc. as prescribed in Bihar Municipal Accounts Act, Manual and Rules.

j. ULB shall deposit all collections from own source of revenue into the bank account on the same date on which it has been received.



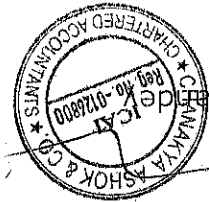
5. Comments From Management:-

As per discussion with Executive Officer and Head Clerk, it has been ensured that they are looking into the matter and proper action will be taken for all the observations 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 Chanakya Ashok & Co.  
Chartered Accountants



CA Ashok Kumar Pandey  
Partner  
Mem. No: 404207  
FRN: 012680C

**Detailed Audit Report**

**1. Introduction:-**

The internal audit of Fatuha Nagar Panchayat covering the period from 01<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015 was conducted by following persons under guidance of CA Ashok Kumar Pandey.

- i. Minto Kumar
- ii. Sumit Kumar

**2. Administration: -**

The present body of the ULB has taken charge on 5<sup>th</sup> March 2010. The incumbency in the key administration and executive was as under:  
Shri Sheela Devi, chairman, from 01<sup>th</sup> January 2014 to till date.  
Shri Kapildeo Kumar, Executive Officer from 21<sup>st</sup> February 2014 to 31<sup>st</sup> March 2015.

**3. Review of Outstanding audit Paras:- Status of Audit observations is as under-**

Sl. No.	Particulars of audit and paras.	Total no. of Audit Paras.	Total no. of Audit Paras where necessary improvement/corrective measure is required	Total no. of Audit Paras where recovery has been made	Total No. of Audit Paras where amount of recovery	Total No. of outstanding paras where no action has been taken	Total No. of compliance report	No. & date of compliance report
1	C & AG report, F.Y till 31-3-2015, date:- 24.4.16	18	18	9	0	0	18	Compliance report is not prepared by ULB.



**4. 1. Budgetary provisions and expenditure for the last three years :-**

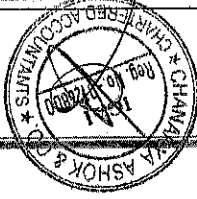
Year	2012-13	2013-14	2014-15
Final/Revised Budget	Not provided		
Actual Expenditure	97,13,914.77	2,44,88,065.55	11,85,50,465.23
Savings(+)/Excess(-)	(97,13,914.77)	(2,44,88,065.55)	1,23,75,18,251.00

**!! Volume of transactions:-**

Period	Budgeted	Previous year(2013-14)	corresponding previous year	Current period(2014-15)	Cumulative for the current period
Opening Balance	5,45,64,339.68	7,01,23,322.23	7,01,23,322.23	10,58,78,457.70	10,58,78,457.70
Receipts	1,35,60,85,881.68	6,02,43,201.00	6,02,43,201.00	10,96,45,810.00	10,96,45,810.00
Total	5,45,81,504.68	13,03,66,523.23	13,03,66,523.23	21,55,24,267.68	21,55,24,267.68
Net expenditure	1,35,60,68,716.00	2,44,88,065.55	2,44,88,065.55	11,85,50,465.23	11,85,50,465.23
Closing Balance	5,45,81,504.68	10,58,78,457.70	10,58,78,457.70	9,69,73,802.45	9,69,73,802.45

**!!! Bank Reconciliation: -**

Sl No	Particulars	Name of bank	Account no.	Balance as per Cash book as on 31/03/2015 (Rs.)	Balance as per Passbook as on 31/03/2015 (Rs.)	Difference (Rs.)	Remarks
1	SJSRY	Canara bank	29681	26,51,778.00	41,43,176.00	(14,91,398.00)	Not Reconciled.





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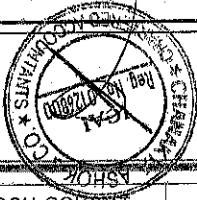
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4	Internal source	SBI	57379	1,37,14,044.00	5,49,695.64	Not reconciled
		CANARA	17340			
		PNB	38065			
3	UIDSSMT	PNB	38074	1,14,31,519.00	1,14,66,279.15	Not Reconciled
2	13 <sup>th</sup> finance	PNB	38038	52,78,202.00	21,60,360.75	Not reconciled
					31,17,841.25	

**iv. Revenue Receipts :-**

Period	Budgeted (2014-15)	Previous Year (For one year) (2013-14)	Corresponding Period of Previous Year (2013-14)	Current Period (2014-15)	Cumulative for the Current Period (2014-15)
(a) Own source					
Property Tax	19,80,320.00	3,25,146.00	3,25,146.00	3,34,316.00	3,34,316.00
Assigned Revenue	50,00,000.00	4,92,995.00	4,92,995.00	12,16,539.00	12,16,539.00
Others (Fees & user charges)	6,00,000.00	19,49,022.00	19,49,022.00	7,51,175.00	7,51,175.00
(b) Administrative grant	0.00	0.00	0.00	0.00	0.00
(c) Specific Grant (Scheme wise)	10,77,70,000.00	6,02,43,201.00	6,02,43,201.00	10,96,45,810.00	10,96,45,810.00
4 <sup>th</sup> finance	3,00,00,000.00	1,32,12,656.00	1,32,12,656.00	1,68,20,268.00	1,68,20,268.00
Rajya Yojana	25,00,000.00	13,26,087.00	13,26,087.00	4,35,47,345.00	4,35,47,345.00
Peshakar Yojana	20,00,000.00	0.00	0.00	9,30,568.00	9,30,568.00
BRGF	1,00,00,000.00	19,52,034.00	19,52,034.00	0.00	0.00
Ward Parshad Bhatta Yojana	3,92,70,000.00	3,23,400.00	3,23,400.00	2,50,200.00	2,50,200.00
E - Governance Tablet/laptop scheme	0.00	0.00	0.00	5,10,000.00	5,10,000.00
13 <sup>th</sup> Finance	10,00,000.00	48,98,844.00	48,98,844.00	1,04,34,228.00	1,04,34,228.00
SISRY	10,00,000.00	82,041.00	82,041.00	1,60,884.00	1,60,884.00

M/s Chanakya Ashok & Co. Chartered Accountants



Jalapurti yojna	0.00	3,68,00,000.00	2,15,30,000.00	2,15,30,000.00	2,15,30,000.00
Stamp duty	1,20,00,000.00	5,87,880.00	5,87,880.00	1,46,53,304.00	1,46,53,304.00
UIDSSMT	1,00,00,000.00	7,29,259.00	7,29,259.00	8,09,013.00	8,09,013.00
Janganga	0.00	3,31,000.00	3,31,000.00	0.00	0.00

**V. Status of implementation of Double Entry Accounting System:**

The Double Entry Accounting System has not been implemented at the ULB.

**VI. Status of Municipal Accounts Committee:**

Municipal Accounts Committee has not been constituted by the Fatuha Nagar Panchayat. However, Municipal Standing Committee has taken charge of Municipal Accounts Committee.

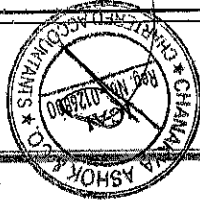
**5. Audit Observations:-**

**I. Part-A**

- 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, fee etc.

(1) **Property tax:** - Fatuha Nagar Panchayat has total 7787(as per census report 2011) holding available in its all 24 wards. ULB not raises any Demand for holding tax. Holding tax collected during the year was only Rs.3,34,316/-.

(2) **Tower tax:** - As per notification of Bihar Government, The Governor of Bihar made the rules for the mobile tower under the Act. Operator of the mobile has to apply to the ULB for operation of the mobile tower in the concerned area with the Requisite fees of Rs. 30,000/- per Tower and the Renewal fee is Rs. 8000/- per year. But ULB has not collected any amount of Tower tax, resulting in loss of Rs.13,02,000 /-. Also, details of the towers available are not



provided regarding their installation date, location, name and amount outstanding from each.

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

1. None deduction of penalty charges for late completion of work leads to excess payment to contractors. Amount of Rs. 2,33,960/- is compensation amount which is required to be recovered from the concerned parties.

Sl. No.	Scheme No.	Estimated Cost	Due Date	Date of Completion	Of Compensation @ 10%
1	1/13-14	2,40,000.00	09/11/2013	09/03/2015	24,000.00
2	38/14-15	2,52,000.00	23/12/2014	06/01/2015	25,200.00
3	16/14-15	1,47,800.00	06/01/2015	12/02/2015	14,780.00
4	40/14-15	2,51,300.00	11/01/2015	06/02/2015	25,130.00
5	41/14-15	2,53,100.00	06/01/2015	21/02/2015	25,310.00
6	43/14-15	2,51,200.00	06/01/2015	06/04/2015	25,120.00
7	54/14-15	4,45,000.00	26/03/2015	06/04/2015	44,430.00
8	58/14-15	4,99,900.00	29/03/2015	25/06/2015	49,990.00
<b>Total</b>					<b>2,33,960.00</b>

2. ULB has not deducted compensation charge from contractors under the scheme of UIDSSMT of Rs. 1059331/-.

Sl. No.	Scheme No.	Estimated Cost	Due Date	Date of Completion	Of Compensation @ 10%
1	32/13-14	84,68,606.00	25/05/2014	20/10/2014	8,46,861.00
2	12/13-14	1,56,200.00	20/03/2014	05/11/2014	15,620.00
3	15/13-14	6,23,300.00	20/03/2014	25/04/2015	62,330.00
4	16/13-14	4,57,600.00	22/03/2014	05/11/2015	45,760.00
5	19/13-14	5,66,000.00	11/09/2014	15/10/2014	56,600.00
6	15/13-14	3,21,600.00	30/03/2014	20/05/2014	32,160.00
<b>Total</b>					<b>10,59,331.00</b>



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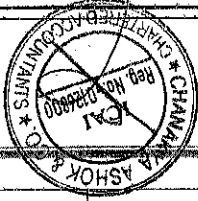
**c. Report on Findings of the field survey of property tax of minimum 20 high value properties.**

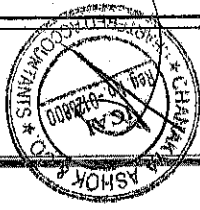
Fatua Nagar Panchayat follows the norms of UD&HD for levy and collection of Property Tax. However, it does not have the details of high value items present in its area. On the basis of Siyaha Register, house hold owner deposit property tax to ULB and we found following irregularities: -

- a. ULB has not conducted any survey of holdings after 2008-09 due to which it does not have the detail of new holdings added after respective years.
- b. ULB has not updated UD&HD circular with regards to calculation of how to calculate holding tax and revise rate and Collection of holding tax are made on the basis of old prevailing rate.
- c. Fatua Nagar Panchayat is neither collecting nor given notice the government schools, colleges and other administrative holdings under its jurisdiction for holding tax collection.

However, details of survey report as per Siyaha Register are as follows:-

Sl. No.	Name of taxpayer	Bard Number	Makan Number	Total tax
1	Vejeendra prasad	12	115	9,127.00
2	Deelip kumar	23	8	2,755.00
3	Madhuri devi	12	208	3,980.00
4	Ramchandra sha	22	512	636.00





14	Ramparbesb prasad	7	301	1,080.00
13	Ramparbesb prasad	7	301	180.00
12	Gorija devi	12	226	1,029.00
11	Parbati devi	11	150	277.00
10	Chandramani gree	3	109	1,491.00
9	Balkeswar ram	6	254	411.00
8	Santi devi	23	478	172.00
6	Bhola shav	6	31	561.00
5	Bhola shav	6	31	652.00

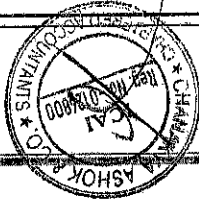
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15	Mina devi	22	55	5,243.00
16	Vina devi	22	371	360.00
17	Gopi mahato	10	22	224.00
18	Avantika devi	9	29	1,735.00
19	Avantika devi	9	29	224.00
20	Narsinh naryan	11	59	2,332.00
21	Narsinh naryan	12	79	15,681.00
22	sonamani devi	7	11	365.00
23	sonamani devi	7	11	332.00



24	Rambabukeshri	8	112	526.00
25	sumoramshin	12	267	374.00

**II. Part B**

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

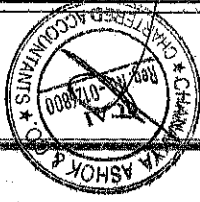
**> Non-maintenance of books of accounts, subsidiary registers: -**

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

- > Demand and collection register of all taxes/user charges/fees & fines.
- > Bid register.
- > Records and revision of taxes and rent.
- > Demand & collection register of mobile towers and registration files of mobile towers.
- > Survey registers/files of Hearings.
- > Misc. receipts, Trade license receipts, BOQs and other saleable forms.
- > Monthly receipt and payment account is not being prepared by the ULB.

**> Non-compliance of directives by UD&HD, GOB**

1. ULB has made diversion of Grant of Rs. 3,68,200.00, Amount of Rs 3,68,200/- paid to two Institution (Uzma Mahila Vikash Samiti and Samadhan Sewa Samiti) from other bank account instead of SJSRV and for payment of this, approval of rate which should be given by Govt. is not found.



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2. As per letter issued by UD & HD, ULB has no right to engage labour on daily wages basis. It was instructed that sanitation work to be outsourced and for that quotation was to be invited. But ULB engaged sweepers on daily wages basis during the year 2014-15 and made total payment of Rs. 16,37,024.00.

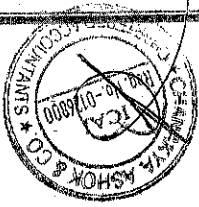
3. As per rule 343 of Bihar Financial Rule, Part-1, if no expenditure is required from grants received for special purpose then the same is to be surrendered/returned to the Government as it is. But Nagar panchayat Fatuha has not followed this and following are the cashbook balances which persist from previous year :-

Sl. No.	Name of subsidiary cash book	Amount
1	Grant to be given to rickshaw puller for the purchase of rickshaw	1,02,129.00
2	IDSMT	24,70,246.00
3	SJSRY	26,51,778.00
4	Census	24,102.00
5	MLA fund Handpump	3,36,848.00
6	Purchase of tractor trailer	1,988.00

### > Non-compliance of Act & rules.

1. Fatuha Nagar Panchayat is not in practice to prepare monthly receipt and payment account and the trial balance.  
2. Tax collected by the Fatuha Nagar Panchayat is not deposited on the same day into the bank account. There are discrepancies found in this regards which are :-

Sl. No.	Date	of Receipt	Amount	Date	of Deposit
1.	26/02/2015	5677	6,163.00	30/03/2015	
2.	27/02/2015	5678	239.00	30/03/2015	
3.	28/02/2015	5679	118.00	30/03/2015	





**> Non-compliances of TDS, VAT and other relevant statute.**

a. Due to late submission of TDS return there may be penalties of Rs. 41400 imposed by income tax dept.

Quarter	Due date	Actual date	Days	Penalties
1(2014-15)	15-7-2014	15-9-2014	61	12,200
3(2014-15)	15-1-2015	14-2-2015	29	5,800
4(2013-14)	15-5-2014	10-9-2014	117	23,400
<b>Total</b>				<b>41,400</b>

b. Due to late deposit of TDS deducted there may be penalties of Rs. 4743 imposed by income tax dept.

**> Utilization of Grant and report on missing Utilization Certificate**

No any utilization certificate has been made available for verification. All the UCs regarding grants received in financial year 2014-15 are pending i.e. not submitted till audit date.

**> Physical verification of inventory/stores**

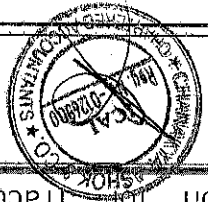
Fatuha Nagar panchayat does not carry out the process of physical verification of inventory/stores as well as fixed asset.

**> 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.

**> Irregularity in procurement process :-**

i. **Purchase of tractor-**If there is any tender for goods purchased invited, there should be clear specification of the goods required to be purchased but Fatuha Nagar Panchayat has not given any specification for tractor to be





- a. Fund received for Kabir Antyosthi of Rs. 3,64,000/- and withdrawal of Rs. 2,64,000/- is not recorded in the Accountant Cash Book.
- b. Subsidiary cash book of 13<sup>th</sup> Finance Scheme does not match with the Accountant Cash Book. Total amount of difference is found Rs. 29,01,563/- which are bifurcated as fund received Rs. 28,53,560/- and interest received Rs. 48,000/-.

➤ **Any other matter as may be prescribed in due course**

As advance and recovery registers are not maintained, we are unable to comment on the same.

➤ **Advances, their adjustment & recovery**

ii. purchased and further at the time of selection of vendor, they consider specification and rejected two vendors (Mahindra and Sonalika) and selected HMT tractor. The same is not as per procurement procedure.

**Purchase of Suction Machine:** - If there is any tender for goods purchased invited, there should be clear specification of the goods required to be purchased but Fatuha Nagar Panchayat has not given any specification for Suction Machine to be purchased and further at the time of selection of vendor, they consider specification and rejected different vendors. The same is not as per procurement procedure.

INTERNAL AUDIT REPORT  
OF FATUHA NAGAR PANCHAYAT

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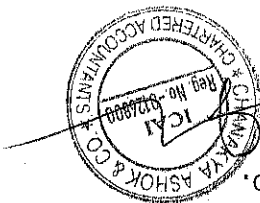
**FINANCIAL  
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**III. PART-C**

General observation: -There is lots of scope for improvement with respect to maintenance of Records and Registers. The important and basic records like Advance register, 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 Chanakya Ashok & Co.  
Chartered Accountants



CA Ashok Kumar Pandey  
Partner

Mem. No: 404207  
FRN: 0126800