

URBAN DEVELOPMENT & HOUSING DEPARTMENT (GOVT) OF BIHAR)

INTERNAL AUDIT REPORT

OF

**NAGAR PARISHAD MOTIHARI
(EAST CHAMPARAN)**

FOR THE PERIOD FROM 01/04/2014 TO 31/03/2015

Report Issued On June 10, 2016

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



P. Jyoti & Co.

Chartered Accountants

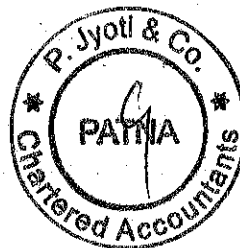
To,
The Director,
UD & HD
Vikash Bhawan New Secretariat,
Patna (Bihar)

MANAGEMENT REPRESENTATION LETTER

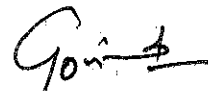
Dear Sir,

This representation letter is provided in connection with the Internal audit of the financial statements of **Nagar Parishad, Motihari** for the Financial Year ended on **MARCH 31, 2015** 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: 10.06.2016



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


[CA. G. K. SINHA]
Partner

Membership No.: 426588

• PATNA • SAMASTIPUR • NEW DELHI • RANCHI • MUZAFFARPUR

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EXECUTIVE SUMMARY

1. Introduction:

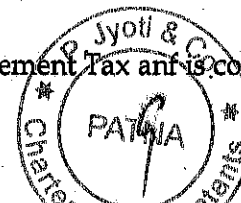
BRIEF DETAILS OF AUDITEE AND AUDITOR

Name of the Municipality	Nagar Parishad, Motihari
Period covered under current audit	01.04.2014 to 31.03.2015
Name of Chief Officer for the period under Audit	Mr. Mahendra Prasad Singh & Mr. Anil kumar
Name & Address of Audit Team:	P. JYOTI & CO. (Chartered Accountants), 201, Kedar Bhawan, 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.
 - 3) Manpower at the ULB is found to be competent.

- **Weaknesses observed in the functioning of office, maintenance of records etc. observed during the audit engagement.**
 - 1) Cash collections are not deposited in same day.
 - 2) Outstanding from Contractor Rs. 922800.
 - 3) Loss of Revenue due to wrong fixation of Minimum value of Sairat after 3 Month is Rs. 1263369.
 - 4) The total number of 82 Mobile towers are available in coverage of Nagar Parishad Motihari, In which 28 Mobile Towers are not registered
 - 5) Nagar Parishad is not maintaining Demand Register of Advertisement Tax and its collection from Mobile Tower is Rs.



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- 6) Mr. Deneshwar Prasad Verma had paid the 50 % of bid Amount & 3% Stamp duty paid within 24 hours of time of contract and next 50% within three months.
- 7) Lack of Staff for proper Functioning.
- 8) Books of Accounts are not maintained in double Entry System.
- 9) Ledger Books are not Maintain.
- 10) No entry is done in Tally System Software.
- 11) Assessment register is not prepared after year 2002 which is required to be prepared before collecting Tax.
- 12) Renewal fee of Mobile Tower is not collected by the ULB
- 13) No Demand Register for Advertisement tax is prepared by the ULB .
- 14) TDS deposited annually basis.
- 15) Delay in Deposited of collected Property Tax by the collector in cash section.

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, not all proper books of account have been kept by the Corporation 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 as so many loss to ULB.

4. 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.

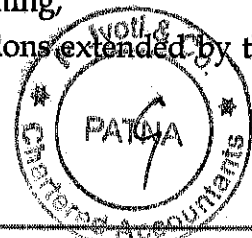
5. Comments from Management:

Please find the attachment discussion note (Annexure 1)

6. 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.



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DETAILED AUDIT REPORT

1. INTRODUCTION :

The Internal audit of Nagar Parishad, Motihari covering period from 01-04-2014 to 31-03-2015 was conducted by following person Under Guidance of CA. GOVIND KUMAR SINHA

- i) Mr. Sudhir kumar sinha
- ii) Mr. Aniket kumar
- iii) Mr. Prakash Ranjan
- iv) Mr. Dhiraj kumar

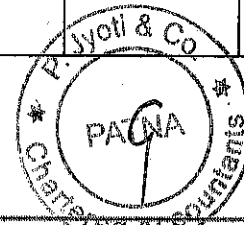
2. ADMINISTRATION :

The present body of ULB has taken charge on 09.06.2012. The incumbency in the key in the key administrative and executive position was as under:-

Sri Prakash Asthna Mayor ONWARD from 09-06.2012 and Shri Mahendra Prasad Singh (From 19.08.2013 to 25.07.2014) & Shri Anil kumar(From 25.07.2014 to 19.05.2015) Commissioner.

3. REVIEW OF OUTSTANDING AUDIT PARAS: Status of Audit Observation is as under :

Sl no	Particulars of Audit & 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 recovery has been made	Total Amount of Recovery	Total No. of outstanding Paras where no action has been taken	No. & dated of compliance report
1	Internal Audit Report of Nagar Parishad Motihari for F.Y- 2014-15 & Dated 23/06/2016	28	13	3	0	0	3	1]27/01/2015 2]12/02/2015 3]02/03/2015



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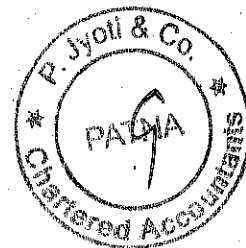
4. FINANCE:

i) Budgetary provisions and expenditure for the last three years:-

Year	2011-12	2012-2013	2013-2014
Final Revised Budget	246911000.00	324,146,300.00	1,568,085,000.00
Actual Expenditure	237997753.00	111,500,470.00	109845056.00
Savings (+)/Excess(-)	(+)8913247.00	(+) 212645830.00	(+) 1458239944.00

ii) VOLUME OF TRANSACTIONS:-

Period	Budgeted	Previous Year (For one Year)	Corresponding Period of Previous Year	Current Period	Cumulative for the current Period
Opening Balance	325000	121985772.6	121985772.6	193008873.6	193008873.6
Receipts	368134400	180868157	180868157	184824016.3	184824016.3
Total	368459400	302853929.6	302853929.6	377832889.9	377832890
Net expenditure	366516000	109845056	109845056	125900128	125900128
Closing Balance	1943400	193008873.6	193008873.6	251932761.9	251932761.9



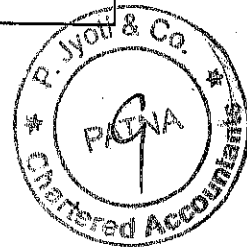
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iii) **BANK RECONCILIATION :**

"According to norms BRS must be prepared on monthly basis to ensure good control over Books of Account and evade any possible fraud. In case, the Banker fails to furnish/provide bank statements then written communication to bank should be required by the delegated authorities."

Bank Reconciliation statement was not prepared by the accountant on monthly basis for each account as the reconciled document appeared before us, are as follow:-

SI.NO	Name of Scheme	Balance as per Cash Book	Balance as per Passbook	Difference
1	4 th Finance Commission	14621518	14725645	-104127
2	Road & Drain onstruction	1433717	1473188	-39471
3	Maching Grant	2277216	2310103	-32887
4	Market Complex	405164	405164	0
5	Mukhamantri Nagar vikash Fund	4295673	4296800	-1127
6	BRGF	7461726	7531708	-69982
7	SJSRY	55375	55373	2
8	13TH FINANCE	30950248	30987580	-37332
9	Ghat Pokhar etc	22125018	22228608	-103590
10	NULM	19123204.37	19123204.37	0
11	SPUR Fund	1874022	1874022	0
12	Nagar Bhawan	400287.27	400287.27	0
13	13TH FINANCE	130454	130454	0



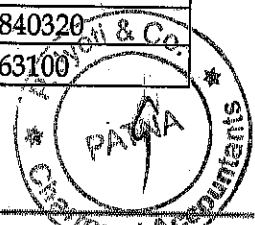
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iv) REVENUE RECEIPTS:

Period	Budgeted	Previous Year (For one Year)	Corresponding Period of Previous Year	Current Period	Cumulative for the current Period
(a) Own Source					
Property Tax	108000000.00	39603783.00	39603783.00	42562983.00	42562983.00
Assigned Revenue	40000000.00	40373084.00	40373084.00	2592280	2592280
Other (Fee & User Charges)	8670000.000	4702955.00	4702955.00	7482448.00	7482448.00
(b) Administrative Grant	57490000.00	45432594.00	45432594.00	33936921.00	33936921.00
(C) Specific Grant (Scheme Wise)					

Scheme wise detailed of Grant -in-Aid received are as follows:

Head of Specific Grant	Budgeted	Actual for 2014- 15
Mukhya Mantri Nagar Vikas Scheme	1500000.00	476662.00
13th Finance	15000000.00	12662302
Christian Kabristan Scheme	124400.00	
M.P. Scheme	150000.00	
Civil Amenities Grant	40000000.00	31367904.00
NULM		4313000.00
Grant for Main Office (N S Bhawan)	20000000.00	12496925.00
Grant for high Mask light	2000000.00	
Grant for Road	30000000.00	10435600.00
Grant for Drain	30000000.00	
Tablet Purchase under e-govr. Scheme		800000.00
4th Commission		19840320
BRGF Scheme Grant	10000000.00	5663100

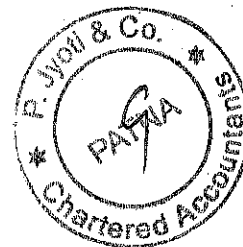


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v) **STATUS OF IMPLEMENTATION OF DOUBLE ENTRY ACCOUNTING SYSTEM:**

As suggested by the C & AG, the Ministry of Finance, Government of India has introduced a "National Municipal Accounts Manual" for adoption of accrual system of accounting by ULBs. Based on the NMAM, Bihar Municipal Accounts Manual (BMAM) has been got prepared by the Government of Bihar and has been enforced from April 1, 2007. Generally ULB apply cash based accounting system which is only detail of total collection and expenses as per provision of BMR 2007 the double entry system should be employed to all ULB.

As mention above double entry accounting system enforced from 1st April 2007 but in ULB double entry system is not implemented till now. Due to which accounts getting complicated.



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5. AUDIT OBSERVATIONS:

I. Part- A(a)

Leakage of own source revenue either due to wrong assessment or non-levy of property tax:

1. Delay in Deposit of Property Tax :

Audit Objective - As per point no. 4.3 of TOR & Rule 27.

Criteria- Collection Should be deposited into bank on the same day.

Condition- Property Tax are not deposited by the tax Collector on the same day. But tax collectors are deposited the collected amount in Cash Section with the delay of 7 days.

Consequence/Effect/Impact- This increase the chances of fraud.

Cause- This happen due to non follow up and monitoring of activities of Tax Inspector / Collector by the concerned officers on regular interval

Corrective Action / Recommendation- There should be day to day monitoring on collection of Taxes and depositing the on the Account on the same day.

2. Outstanding of Contract Amount of Sairat:

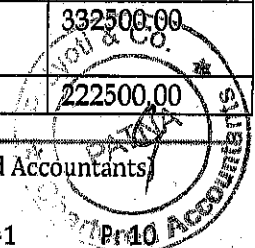
Audit Objective- As per Point no.4.4 of TOR.

Criteria- Non-collection of full contracted price from the Contractors.

Condition- Some of the contractors has not paid the full value of contract price till the end of the financial year. Outstanding during the year is Rs. 922800.

Sl. No.	Name of Sairat	Name of Contractor	Contract Value	Outstanding Amount as on 31.03.2015
1	Private Bus Stand Chatauni	Deneshwar Prasad Vermma	2133000.00	367800.00
2.	Parking Charges for Heavy Vehicle	Chamcham Kumar Mishra	1482500.00	332500.00
3.	Parking Charges for	Manish Bharti	1810000.00	222500.00

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	Auto		
Total Outstanding			922800.00

Consequence / Effect / Impact-

Cause-

Corrective Action / Recommendation-

3. Wrong fixation of Minimum value of Sairat after 3 Month:

Audit Objective: As per point no. 4.4 of TOR.

Criteria- Minimum Bidding price should be fixed before opening Bidding.

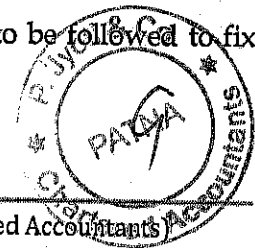
Condition- First 3 month collection is done by ULB himself and then bidding is done. So the minimum price should be adjusted by 25%, where as in the given case minimum price has been decreased by 40%.

Consequence / Effect / Impact- There is loss of revenue to ULB of Rs.1263369.

Type of Sairat	Minimum bidding value set by letter no. 516/14.03.2014	Minimum bidding value set by letter no. 877/04.06.2014	Difference
Parking for Heavy vehicle	2467100.00	1480255.00	986845
Cycle, Rickshaw, Tanga & Thela	92000.00	55195.00	36805
Bakri KHassi Killkhana	58650.00	35186.00	23464
Agriculture Land at Begampur	2050.00	2050.00	0
Maveshi Thadh	33500.00	20095.00	13405
Balua Bazar	407000.00	244195.00	162805
Meena Bazar	100100.00	60055.00	40045
Total Loss			1263369

Cause- This happen due to non monitoring of concerned authorities.

Corrective Action/Recommendation- There should be a proper process to be followed to fix minimum bidding price.



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4. Mobile Tower Collection Irregularity-

Audit Observation- As per Point no. 4.4 of TOR.

Criteria- Registration Fee per tower @ Rs. 50,000/- and annual renewal fee per tower @ Rs. 10,000/- per annum to be collected per annum.

Penalty- if an operator violates any provision of these Rules it shall be liable to be punished with fine up to Rs. 5,000/- (Five Thousand) and his communication tower shall be sealed, seized and the operator may also be asked to remove the tower/antenna.

Condition-

A) MISSING DOCUMENT OF REGISTRATION :

During the course of Audit we have found that there is no document related to the registration of Mobile Tower was available in the concern file. As per section 127(1) and section 419 BMA 2007 it shall be considered illegal.

B) DOCUMENTS AND FILES RELATED ISSUES:

No proper file and register are maintained for the collection of mobile tower tax. As per our observation there are 54 registered mobile tower and collection is only Rs. 180000.00.

C) Status of unregistered Mobile towers at ULB:

As per Details produced to us, the total number of 82 Mobile towers are available in coverage of Nagar Parishad Motihari, In which 28 Mobile Towers are not registered. Details are as bellow:-

Sl No.	Name of Company	Total No. of Mobile Tower	No. of Registered Mobile Tower	No. of Unregistered Mobile Tower
1	B.S.N.L	8	0	8
2	AIR CELL	12	4	8
3	IDEA	15	15	0
4	AIRTEL	15	15	0
5	TATA TELICOM	16	4	12
6	REALINCE	9	9	0
7	REALINCE GIO	6	6	0
8	VODAFONE	1	1	0
TOTAL		82	54	28

Consequence/Effect/Impact- Due to non collection of rent there is a revenue loss to the ULB.

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Cause- This happens due to non monitoring of activities of concerned person by the authorized officers on regular basis. The ULB does not have proper mechanism for supervision and monitoring of the Mobile Tower installed in the ULB.

Corrective Action / Recommendation- There should be a proper mechanism to find number of mobile tower installed in the ULB and proper illegal action should be taken against unauthorized mobile tower.

5. Non Collection of full Advertisement Tax:

Audit Objective- As per point no. 4.4 of TOR.

Criteria- As per the provisions of BMA, Prohibition of advertisements without written permission of Chief Municipal Officer. ULB should maintain proper Demand Register of Advertisement Tax.

Condition- Nagar Parishad is not collecting any Advertisement Tax.

Consequence/Effect/Impact- Due to non collection of Advertisement Tax there is a revenue loss to the ULB.

Cause- This happen due to non follow up and monitoring of activities of concerned person by the concerned officers on the regular basis. The ULB does not have proper mechanisms for the supervision and monitoring of advertisement tax which results in Revenue Loss.

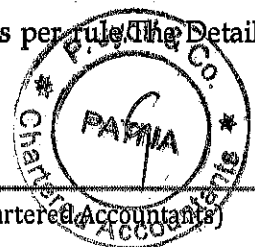
Corrective Action/Recommendation- Proper Register of Demand should be maintain and proper monitoring should be done by the authorized officers.

6. Agreement value of Private Bus Stand Chatauni is not paid by the contractor as per rule.

Audit Objective- As per point 4.3 of TOR.

Criteria- As per Rule contractor Should be paid the 50 % of bid Amount & 3% Stamp duty paid within 24 hours of time of contract and next 50% within three months.

Condition- Mr. Deneshwar Prasad Verma not paid the bid amount as per rule. The Details of contractor payment for the bidding date 03.03.2014 is as bellow



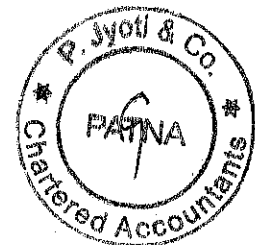
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Date	Paid Amount by the contractor
03.03.2014	425000.00
31.03.2014	298500.00
22.04.2014	205000.00
12.07.2014	210000.00
13.07.2014	26700.00
22.08.2014	250000.00
06.02.2015	150000.00
15.11.2014	200000.00
06.04.2014	367800.00
Total	2133000.00

Consequence/Effect/Impact- There is a interest loss to the ULB.No penalty is also collected which cause revenue loss to the ULB.

Cause- No proper action has been taken against the contractor. This is because the contractor has not paid the amount on due date.

Corrective Action/Recommendation- The proper officer should issue proper illegal notice and should impose proper penalty against such Contractor.



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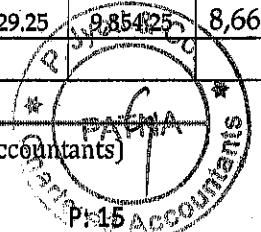
Part A (C)

We have done field survey of property tax of 20 high value properties and found as under-

Following Measurement For High Value of Commercial Place of Nagar Parishad Motihari

Sl. No	Name Of Place	Holder's Name	Ward NO	Holding NO.	Valuation As per Us			Vaution Given			Difference in Area
					Area		Total Area	Area		Total	
					Commercial	Vaccant Land		Commercial	Vaccant Land		
1	Sital Hotel	Abhimanyu Prasad	18	606	9,900.00	-	9,900.00	7,878.00	-	7,878.00	(2,022.00)
2	Hotel Shivay	Viswanth Prasad	19	598				1,795.20	-	1,795.20	(2,964.80)
3		Dayamanti Devi	19	599	4,760.00	-	4,760.00	1,795.20	-	1,795.20	1,795.20
4	Hotel Welcome	Prakash Chaudhary	20	584	16,940.00	5,236.00	22,176.00	11,435.33	13,158.83	24,594.16	2,418.16
5	Maruti Suzuki	Shri Kumar Achetay	16	81	2,236.00	-	2,236.00	-	-	-	(2,236.00)
6	Payal Talkise	Abhimanyu Prasad Jaisawal	19	677	18,876.00	-	18,876.00	5,570.00	5,127.65	10,697.65	(8,178.35)
7		Trilokinath Jaisawal			984.00	-	984.00	-	-	-	-
8	Sangit Talkise	Rajan Kumar Jaisawal	19	679			20,128.16				(9,412.79)
9		Manoj Jaisawal			12,848.16	7,280.00	20,128.16	7,441.00	3,274.37	10,715.37	-
10	Surya Hotel	Hareshwar Prasad	14	329/291	13,715.12	-	13,715.12	8,750.00	617.10	9,367.10	(4,348.02)
11	Rahmani a Medical Centre	Bibi Shahida Tarbej	21	135	33,040.00	-	33,040.00	21,652.50		21,652.50	(11,387.50)
12				136	1,192.00	-	1,192.00	5,325.00	4,529.25	9,854.25	8,662.25
13				137		-		2,012.00			

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					2,902.00		2,902.00		4,712.84	6,724.84	3,822.84
14		Lalit Narayan Mishra	9	173	1,240.00	6,200.00	7,440.00	2,400.00	11,756.00	14,156.00	6,716.00
15	Market	Urmila Devi	9	174	55,017.00	-	55,017.00	5,220.00	631.00	5,851.00	(49,166.00)
16	Eicher Tractor Showroom	Bindu Singh	25	1137/111 1-B	2,542.80	5,441.80	7,984.60	3,165.00	3,064.05	6,229.05	(1,755.55)
Total Difference											(69,040.56)

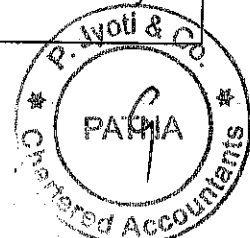
II.

Part-B

1. Non-maintenance of books of accounts, subsidiary registers:

Followings Books and accounts are not maintain or not upto date:

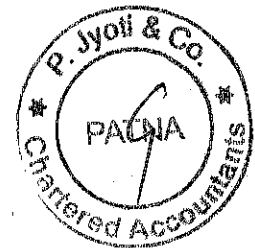
Sl. No.	Particular	Status
1	Cashier's cash Book	Properly Maintain
2	Accountant's Cash Book	Properly Maintain
3	Subsidiary Cash Book	Properly Maintain
4	Ledger Book	Not Maintain
5	Grant Register	Not Maintain
6	Schemes Register	Properly Maintain
7	Advance Register	Properly Maintain
8	Store Register	Properly Maintain
9	Fixed Assets Register	Properly Maintain
10	Payroll Register	Not properly maintain
11	Log Book	Not Provided
12	Demand and Collection	Not properly maintain
13	Assessment Register	Not update after year 2002.



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2. Advances, their adjustment & recovery:

Outstanding Advance as on 31st March, 2015		
SI. NO.	Name Of Regular Employe	Outstanding Advance as on 31/03/2015
1	Madan Ram	42,000.00
2	Mahesh Kumar Verma	31,000.00
3	AwadheshKumar Thakur	23,000.00
4	Bhupendra Singh	7,000.00
5	Renu Devi	51,000.00
6	Nawal Rai	52,000.00
7	Md. Nayaz Hussain	40,000.00
8	Md. Sallauddin	35,000.00
9	Rama Kant Rai	14,500.00
10	Tarkeshwar Prasad	48,000.00
11	Sagir Ahmad	26,000.00
12	Mohan Dom No-2	35,000.00
13	Ranniya Mahtarani	13,000.00
14	Dulari Devi	7,000.00
15	Ramlali Mali	13,000.00
16	Rajan Ram	9,000.00



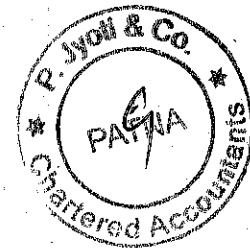
P. JYOTI & CO. (Chartered Accountants)

17	Binod Ram	13,000.00
	TOTAL	459,500.00
Contract Staff		
1	Ashutosh Kumar Sinha	28,500.00
2	Ajay Kumar Verma	7,000.00
3	Washi Ahmad Ansari	43,000.00
4	Md. Shakil Ahmad	13,000.00
5	Suresh Shah	7,000.00
6	Bir Bahadur Singh	21,000.00
7	Brijkishor Singh	19,500.00
8	Md. Shamim	16,000.00
9	Md. Naushad	13,000.00
10	Raj kumar Mali	4,000.00
11	Tunna Mali	7,000.00
12	Santosh Kumar Pasawan	14,000.00
	TOTAL	193,000.00
	Grand Total	652,500.00

III.

Part-D

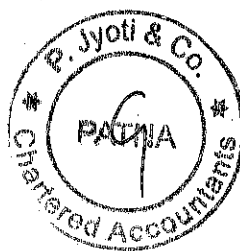
RECOMMENDATIONS/SUGGESTIONS:



P. JYOTI & CO. (Chartered Accountants)

- Proper Filling system should be arranged by the Nagar Parishad. Related files are kept at single place and files should be readily available when it is require.
- Cash Book is prepared in adherence to the guideline. Opening and Closing of cash book kept in daily basis.
- Ledger book should be prepared.
- Assessment register of property tax should be prepared, which is required to be prepared before collecting Tax.
- File relating to registration and Tax collection of Mobile Tower should be maintained.
- Collected Amount of all type of collection by the Tax Collector should be deposited in cash section on same day or next working day.
- Supervision and inspection of advertisement by senior authority.
- Renewal and Demand Register related to Advertisement tax should be maintained by the municipal corporation.
- Bank Reconciliation Statement should be Prepared by the Nagar Parishad.
- TDS return should be filed as per Rule prescribed by the Income Tax Act.

PLACE: PATNA
DATE: 10.06.2016



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

G. K. Sinha
[CA. G. K. SINHA]
Partner
M. No.: 426588

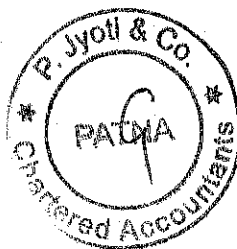
P. JYOTI & CO. (Chartered Accountants)

Discussion Note

Discussion has been done with the audit Manager of the Internal Audit Firm P. JYOTI & CO. on the audit Observation of the financial year 2014-15 and we kept in the mind and follow their recommendation and suggestion on the areas of process and control weakness in best manner. Some of the serious issues has been given below which were discussed with them.

1. The total number of 82 Mobile towers are available in coverage of Nagar Parishad Motihari, In which 28 Mobile Towers are not registered.
2. Outstanding from Contractor Rs. 922800.
3. Nagar Parishad has not updated the Assessment Tax Register After 2002 to till date.
4. Loss of Revenue due to wrong fixation of Minimum value of Sairat after 3 Month is Rs. 1263369.
5. Mr. Deneshwar Prasad Verma had paid the 50 % of bid Amount & 3% Stamp duty paid within 24 hours of time of contract and next 50% within three months.
6. Cash collections are not deposited in same day.
7. Delay in Deposited of collected Property Tax by the collector in cash section.
8. Low Advertisement tax is collected in the year 2014-15.
9. Non-Compliance of AG reports and its paras.
10. Non formation of Municipal Accounts Committee in the ULB.
11. Status of Double Accounting System has been provided to us.

PLACE: PATNA
DATE: 10.06.2016



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

Gopin
[CA. G. K. SINHA]
Partner

Membership No.: 426588

P. JYOTI & CO. (Chartered Accountants)