

INTERNAL AUDIT REPORT OF

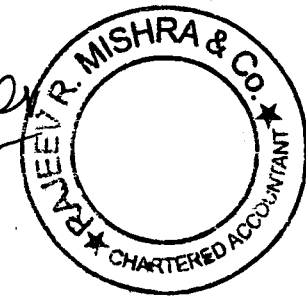
NAGAR PARISHAD

MADHUBANI

For the period from 01.04.2015 to 31.03.2016

Internal Audit Conducted by:
M/S RAJEEV R MISHRA & CO.
CHARTERED ACCOUNTANTS

Yashraj



BALBHADARPUR, LAHERIASARAI TOWER

DARBHANGA (BIHAR)-846001

Cont: +91-9234554106, +91-9835156869

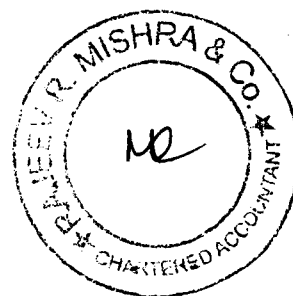
E-Mail- carajeevranjan@rediffmail.com

NAGAR PARISAD -MADHUBANI

INTERNAL AUDIT REPORT OF F.Y.2015-16

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Internal Audit Report- Nagar Parishad – Madhubani

Internal Audit Report of Financial year 2015- 2016

Section A: Audit Procedure

This internal audit report (Hereinafter referred to as "report") has been issued as a part of our engagement for internal audit for the Period ended on 1st April 2015 to 31st March, 2016. The ULB (Nagar Parishad ,Madhubani) is a wing of Urban Development and Housing Department, Government of Bihar and we have carried out the Internal Audit as per the appointment letter issued by the management of Support Programme for Urban Reforms in Bihar (SPUR) , Patna Vide the Notice to Proceed (NTP) Number : **SPUR-PMU/194/IA-140 ULBs & SLMA/G-11/RRM/2016/132/31 Dated 5th April 2016.**

We have conducted our audit in accordance with the Standards on Internal Auditing (SIA) issued by the Institute of Chartered Accountants of India. These Standards require that we plan and perform the internal audit in such manner so that to cover all the scope, coverage and resources including planning with respect to time and resources to be used. An internal audit includes examining every aspect of the organisation as per the Terms of Reference and to the extent as provided in the scope of Internal Audit. Besides, this being an internal audit, it also covers the extensive scope as specified by the management of the Organisation in the engagement letter.

The Salient Points of the scope covered by our internal audit are as follows:

1. Evaluation of internal controls as discussed in Bihar internal control manual.
2. Compliance of Bihar Municipal Act related Rules and Regulations.
3. Compliance of Bihar Municipal Accounting Manual, BMAR- 2014 and Bihar Municipal Budget Manual.
4. Reporting on All Major own Revenue Losses.
5. Survey Report on at least 20 high Value Property in the Town.
6. Vouching of All Payments above Rs. 10,000/-.
7. Report on Procurement made through Tender for value Above Rs. 15,000/-.
8. Appraisal of the effectiveness of overall accounting system.

Moreover, our scope of examination also covered the requirements of the specific points as spelled out by the management of UD&HD. The result and recommendations of our internal audit are set out in scope of audit and where ever required, in annexure forming integral part of our report.



Internal Audit Report- Nagar Parishad – Madhubani

We have conducted the Internal Audit with the objective:-

- ❖ That The Assets of the ULB are properly protected and accounted for.
- ❖ That the current transactions are promptly and completely recorded.
- ❖ That Inefficient or fraudulent operations are revealed.

We started with an overview of activities through a study on various documents generated by the ULB. We then identified Evaluated and tested adequacy, effectiveness and efficiency of internal controls including standard policies and procedure laid down by the management for each of the areas included in the scope of work.

Testing of internal control was carried out by the checking a sample of translations for the period covered under the audit.

Our Observations resulting from the audit test performed on a sample of transactions along with suggested recommendation for addressing these observations are set out under Part (A), Part (B) and Part (C) of the audit report.

During the audit, we reviewed the following Registers and Documents.

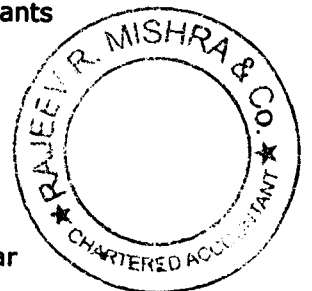
- ❖ Accountant cash Book
- ❖ Subsidiary Cash Book
- ❖ Bank Book
- ❖ DCR
- ❖ Vouchers along with supporting documents.
- ❖ Others related records and registers.

Place:-
Date:-

For
Rajeev R Mishra & Co.
Chartered Accountants
FRN:-021466N

Mritunjay Dr

CA Mritunjay Kumar
M.No.- 535789
Contact No- 9835156869

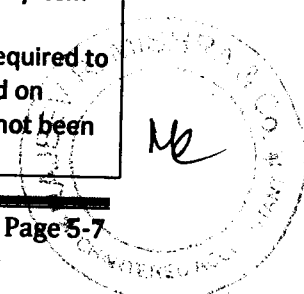


Executive Summery**1. Introduction**

| | |
|--|---|
| Name of the Municipality | NAGAR PARISHADMADHUBANI |
| Period Covered under Current Audit | 01.04.2015 to 31.03.2016 |
| Name of the Excutive Officer of the ULB | MR. JATASHANKAR JHA (DOJ-17/08/2014 to Till Date) |
| Name of Chairman of the ULB | KHALID ANWAR (2012to Till Date) |
| Name of Vice-Chairman of the ULB | PARSURAM PRASAD (2012 to Till Date) |

2. Results and Findings

| | |
|--|--|
| Strength observed during the audit engagement | <ol style="list-style-type: none"> 1. General Cash Book has been prepared. 2. Cashier Cash Book has been written. 3. Annual Budget has been prepared. 4. Bank Books for PL account have been prepared. |
| Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement. | <ol style="list-style-type: none"> 1. We observe under collection of holding tax as holding tax has been collected at old rate. 2. We observed variations in procurement process and contract procedure. 3. We observed under collection of tower tax. There are total 29 nos. of towers are operating in the area of ULB. Total collection of tower tax during the current year has been Rs.1,80,000.00/-. However arrear of tower tax upto 31.03.2016 is Rs.8,90,000/- 4. Bank Reconciliation Statement is not prepared at all. 5. Advance register are not prepared. 6. There is lack of internal control on deduction and deposit of various taxes such as VAT, and TDS etc. Although these statutory dues have been collected from time to time but its payment are not made on timely basis and return is also not filed which may cause to huge penalty as per law. 7. Acknowledgement of E-Filing of TDS Return was not made available to us. 8. Labour Cess has not been deposited till Date. 9. TDS Certificates have not been downloaded from TRACES within stipulated time. It attracts fine of Rs 100/- per day U/S 272A of the Income Tax Act. 10. From RT-VII related to sec. 41 of the Bihar VAT Act, 2005 has not been filed. A copy of Form RT-VII has been attached with the report. 11. ULB does not follow Double Entry Accounting System (DEAS). 12. As per BMA, 2007 financial statementst are required to be prepared and get approved from the board on annual basis but we observe that these have not been prepared for any year till date. |



| | |
|--|--|
| | <p>13. Fixed Assets Register is not maintained by the ULB.</p> <p>14. Stock Registers for moveable and immovable items are not maintained properly by the ULB.</p> <p>15. Daily wages registers are not provided to us.</p> <p>16. The ULB does not maintain a separate PF register. Deducted PF is not being deposited.</p> <p>17. There are lack of internal control with respect to collection of own resource revenue covered under SAIRAT during the FY 2015-16.</p> <p>18. Separate Grant register is not being maintained properly; hence it is difficult to find out the amount of unutilised grant at any point of time.</p> <p>19. No separate advance register is maintained hence it is difficult to monitor advances given and adjustment thereof.</p> <p>20. Details of UCs already sent to department have not been provided to us. According to management, the UC are sent to department as and when required by the department.</p> <p>21. Demand and Collection Register of revenues under internal resources except holding tax are not maintained properly.</p> <p>22. No Log book is maintained for JCB, Tractor, Tempo, Genset and Motor Vehicle.</p> |
|--|--|

3. Opinion.

| | |
|---|--|
| Overall opinion of the audit team about the functioning of the municipality | <p>Weakness:-</p> <ol style="list-style-type: none"> 1. No Financial Statements such Balance Sheet, Income & Expenditure A/c and Receipts & Payments A/C have been prepared by the ULB. 2. Most of the Books of Accounts as prescribed by BMAR are not maintained. 3. ULB does not follow DEAS. 4. Collection of Own Sources is very poor. 5. Fixed assets Register is not maintained. 6. Stock Register is not maintained. 7. Log Book in respect of Petrol and Diesel expense is not maintained. |
|---|--|

4. Audit Recommendations:-

| | |
|--|--|
| The Recommendation of audit team on the observed weakness. | <p>Recommendation:-</p> <ol style="list-style-type: none"> 1. Financial Statement for every year such as Balance Sheet, Income & Expenditure A/C, and Receipts & Payments A/C should be prepared. 2. Fixed Assets Register should be prepared. 3. Stock Register should be prepared. |
|--|--|

| | |
|--|---|
| | <ol style="list-style-type: none">4. Grant wise Utilization Certificate should be prepared.5. BRS should be prepared on Monthly basis.6. ULB should follow DEAS as soon as possible and should maintain books of accounts and register as prescribed by BMAR. |
|--|---|

5. Comment from management:-

The audit report has been discussed with us; we will try our best to remove the irregularities pointed out in the audit report.

For Nagar Parishad, Madhubani

(Executive Officer.)

6. Acknowledgement:-

We thank Mr. JATASHANKAR JHA (Executive Officer), for his support during the period of our Audit. We are also thankful to accountant and other support staff of the Nagar Parishad for their co-operation extended to us during the period of audit.

Place: -

Date: -

For,

M/S Rajeev R Mishra & CO.

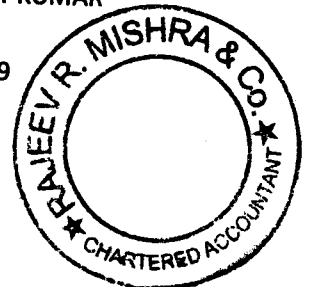
Chartered Accountants

FRN:-021466N

CA MRITUNJAY KUMAR

(Partner)

M.NO:- 535789



Detail Audit Report:-**1. Introductions**

The Internal audit of NAGAR PARISHAD, MADHUBANI covering the period from 1ST April 2015 to 31st March 2016 was conducted by following persons under the guidance of CA Rajeev Ranjan:-

- i) CA Mritunjay Kumar
- ii) Dilip Kumar Karn

2. Administration

The present body of the ULB has taken charge in 2012. The incumbency in the key administrative and executive positions was as under:

Md. Khalid Anwar, Chairman, from 2012 to till Date

Mr. Jata Shankar Jha, Executive officer, from 17/10/2014 to till Date.

3. Review of outstanding audit paras: Status of Audit Observations is as under:

| S.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 purposed | Total No of Audit Paras where recovery has been made | Total Amount of Recovery (Rs. In Lakhs) | Total no of Outstanding Para where no action has been taken | No and Date of Compliance Report |
|---|---|-------------------------|---|--|--|---|---|----------------------------------|
| No Correction / Implementation against audit paras of Internal Audit Report of F.Y-2014-15. | | | | | | | | |

4. Finance**I.) Budgetary Provisions and Expenditure for the last Three Years**

| Year | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|-----------------------|-----------------|-----------------|-----------------|-----------------|
| Final/ Revised Budget | 34,87,10,000.00 | 36,61,37,000.00 | 20,88,36,575.00 | 22,69,71,331.00 |
| Actual Expenditure | 4,30,84,486.00 | 60,17,470.00 | 7,11,52,056.00 | 13,25,99,787.00 |
| Saving(+)/ Excess(-) | 30,56,25,514.00 | 36,01,19,530.00 | 13,76,84,519.00 | 9,43,71,544.00 |



II). Volume of Transaction

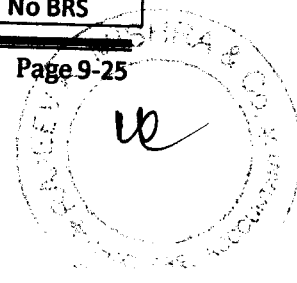
| Period | Budgeted (2015-16) | Previous Year (for one Year) 2014-15 | Corresponding period of previous year | Current Period 2015-16 | Cumulative for the Current Period |
|--------------------|-----------------------|--|---|---------------------------|---|
| Opening Balance | | 7,82,26,152.35 | 7,82,26,152.35 | 8,87,81,132.35 | 8,87,81,132.35 |
| Receipts | | 8,17,07,036.00 | 8,17,07,036.00 | 11,32,77,996.00 | 11,32,77,996.00 |
| Total | | 15,99,33,188.35 | 15,99,33,188.35 | 20,20,59,128.35 | 20,20,59,128.35 |
| Net Expenditure | | 7,11,52,056.00 | 7,11,52,056.00 | 13,25,99,787.00 | 13,25,99,787.00 |
| Closing Balance | | 8,87,81,132.35 | 8,87,81,132.35 | 6,94,59,341.35 | 6,94,59,341.35 |

Note: Budget for the period of 2015-16 has not been provided to us.

III). Bank Reconciliation:-

Detail of Bank Accounts and their reconciliation position are as under:

| S.No | Name of Bank | Account No. | Balance as on 31.03.2016 | Name of Scheme | Reconciliation Position |
|------|-------------------|-------------|-----------------------------|--------------------------|----------------------------|
| 1. | BOI | 20166 | 2831.00 | 11 th Finance | No BRS |
| 2. | BOI | 20140 | 217920.00 | Parshad Fund | No BRS |
| 3. | BOI | 20165 | 1,57,248.00 | State Plan | No BRS |
| 4. | BOI | 20263 | 94,638.00 | MP Fund | No BRS |
| 5. | IDBI Bank | 38632 | 9,35,862.00 | Admin. Building | No BRS |
| 6. | Allahabad Bank | 6737 | 2482.00 | 12th Finance | No BRS |
| 7. | Allahabad Bank | 46914 | 10897.00 | 4th Finance | No BRS |
| 8. | OBC | 4901 | 5547772.00 | SBM | No BRS |
| 9. | Union Bank | 1104 | 10,47,897.00 | MLC Fund | No BRS |
| 10. | Union Bank | 21036 | 6838.00 | E- Governance | No BRS |
| 11. | IOB | 1655 | 1,413.00 | Vikas Mitra | No BRS |
| 12. | IOB | 1654 | 2,64,605.00 | Teacher Niojan | No BRS |
| 13. | IOB | 1653 | 6185.00 | SJSRY | No BRS |
| 14. | BOM | 72235 | 79,03,465.00 | NULAM | No BRS |
| 15. | BOM | 45112 | 18791.00 | Drain | No BRS |
| 16. | PNB | 88847 | 14,622.00 | SJSRY | No BRS |
| 17. | Canara Bank | 12984 | 1,69,398.00 | Marriage Bhawan | No BRS |
| 18. | Canara Bank | 14730 | 205211.00 | 13th Finance | No BRS |
| 19. | Canara | 1793 | 68.00 | Misc | No BRS |

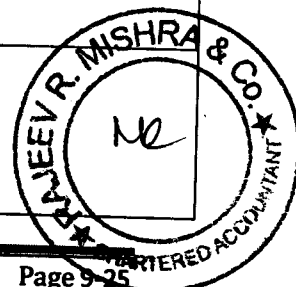


| | Bank | | | | |
|-----|----------------|--------------|-----------------------|----------------|---|
| 20. | Canara Bank | 2875 | 12,134.00 | Misc | No BRS |
| 21. | Allahabad Bank | 5584 | 36513.00 | BRGF | No BRS |
| 22. | Allahabad Bank | 108685 | 5425.35 | 12th Finance | No BRS |
| 23. | Allahabad Bank | 4675 | 4332316.00 | Kabir Antyesty | No BRS |
| 24. | SBI | 55886 | 5,159.38 | RGB | No BRS |
| 25. | SBI | | 4,14,20,568.59 | PL ACCOUNT | AS PER CASH BOOK, STATEMENT NOT AVAILABLE |
| | | TOTAL | 6,24,20,264.32 | | |

Note: Monthly Bank Reconciliation Statement has not been prepared by NP.

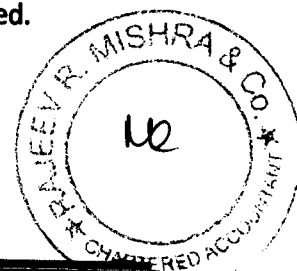
IV). Revenue Receipt

| Period | Budgeted | Previous year (2014-15) | Corresponding Period of previous Year | Current Period (2015-16) | Cumulative for the Current period |
|------------------------------|----------|-------------------------|---------------------------------------|--------------------------|-----------------------------------|
| a) Own Resources | | | | | |
| Holding Tax | | 55,34,409.00 | 55,34,409.00 | 43,46,839.00 | 43,46,839.00 |
| Rent of Market | | 13,93,027.00 | 13,93,027.00 | 13,38,582.00 | 13,38,582.00 |
| Rent of Land | | 3,02,665.00 | 3,02,665.00 | | |
| Mutation | | 53,050.00 | 53,050.00 | 72,992.00 | 72,992.00 |
| Tower | | 5,16,756.00 | 5,16,756.00 | 1,80,000.00 | 1,80,000.00 |
| Birth & Death | | | | | |
| Trade License | | | | 1,20,000.00 | 1,20,000.00 |
| Parking | | 84,204.00 | 84,204.00 | | |
| Hoarding | | 1,48,160.00 | 1,48,160.00 | 4,488.00 | 4,488.00 |
| SAIRAT Others | | | | 41,575.00 | 41,575.00 |
| Building Construction charge | | | | 97,808.00 | 97,808.00 |
| Misc | | 2,36,500.00 | 2,36,500.00 | 54,86,856.00 | 54,86,856.00 |
| Professional Tax | | 15,86,047.00 | 15,86,047.00 | 20,14,264.00 | 20,14,264.00 |
| Total | | 98,54,818.00 | 98,54,818.00 | 1,37,03,403.00 | 1,37,03,403.00 |
| b) Administrative Grant | | | | | |



| | | | | | |
|--|--|----------------|----------------|-----------------|-----------------|
| | | | | | |
| c) Specific Grant (Scheme Wise) | | | | | |
| 13 th Finance | | 78,98,661.00 | 78,98,661.00 | 1,43,64,069.00 | 1,43,64,069.00 |
| KabirAntesty | | 52,03,500.00 | 52,03,500.00 | 93,91,772.00 | 93,91,772.00 |
| 12 th Finance | | 1,06,646.00 | 1,06,646.00 | - | - |
| 4 th State Finance | | 3,05,88,235.00 | 3,05,88,235.00 | 55,89,047.00 | 55,89,047.00 |
| 5 th Finance | | - | - | 2,89,78,468.00 | 2,89,78,468.00 |
| Road Construction | | - | - | - | - |
| Drain | | - | - | 20,67,922.00 | 20,67,922.00 |
| Marriage Bhawan | | - | - | - | - |
| SBM | | - | - | 56,17,000.00 | 56,17,000.00 |
| SJSRY | | - | - | - | - |
| Administrative Building | | - | - | - | - |
| State Plan | | 1,29,64,486.00 | 1,29,64,486.00 | - | - |
| BRGF | | 34,51,451.00 | 34,51,451.00 | - | - |
| E-Governance | | 6,80,000.00 | 6,80,000.00 | 4,80,000.00 | 4,80,000.00 |
| MLC & MLA Fund | | 2,00,000.00 | 2,00,000.00 | - | - |
| NULAM | | 37,03,000.00 | 37,03,000.00 | 63,44,945.00 | 63,44,945.00 |
| PMUIB | | - | - | - | - |
| NAGRIK SUVIDHA | | - | - | - | - |
| 11 th Finance | | - | - | - | - |
| 14 th Finance | | - | - | 1,67,42,646.00 | 1,67,42,646.00 |
| Parshad Fund | | - | - | - | - |
| MP Fund | | - | - | - | - |
| RatiyaGandiBasti | | - | - | - | - |
| VikashMitra | | - | - | - | - |
| Teacher Niojan | | 2,500.00 | 2,500.00 | - | - |
| Stamp Duty | | 28,57,120.00 | 28,57,120.00 | 83,72,419.00 | 83,72,419.00 |
| Ashok SamratBhawan | | 10,00,000.00 | 10,00,000.00 | - | - |
| PF Account | | 6,10,313.00 | 6,10,313.00 | - | - |
| Interest | | 21,38,305.00 | 21,38,305.00 | 16,26,305.00 | 16,26,305.00 |
| Misc | | 4,48,001.00 | 4,48,001.00 | - | - |
| Total | | 7,18,52,218.00 | 7,18,52,218.00 | 9,95,74,593.00 | 9,95,74,593.00 |
| Grand Total | | 8,17,07,036.00 | 8,17,07,036.00 | 11,32,77,996.00 | 11,32,77,996.00 |

Note:-Detailed budget according to above classification has not been provided.

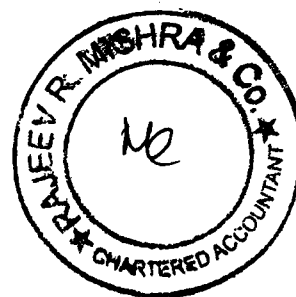


V) Status of Implementation of DEAS:

In response to our request to the concerned authority during the previous year audit for the implementation of Double Entry Accounting System, the ULB has been in process of converting its Cash based accounting system into Double Entry Accounting System. In this regards the ULB has already purchased and installed the tally Software and conversion is in process.

VI) Status of Municipal Account Committee; if meeting is held

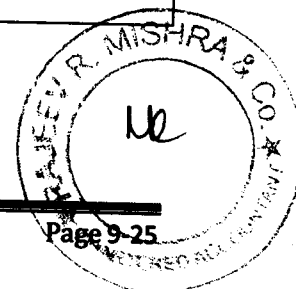
As per section 98 of BMA 2007 it is necessary for the ULB to constitute an MAC at its first meeting in each year or as soon as may be at any subsequent meeting. But till Date the ULB has not constituted MAC.



5. Audit Observations:**PART –“A”**

All audit objections/irregularities which have monetary implication, particularly in the following area:

| | |
|--|---|
| <p>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 fees etc.</p> | <p>Under collection of Holding/Property Tax is observed as tax is collected at old rate, but we have not able to quantify the amount of arrears because household wise demand registers has not been prepare by the ULB. However total collection of holding/property tax in current year 2015-16 is Rs. 43, 46, 839.00/- only as against the previous year collection of Rs.55,34,409/-</p> <p>There has been under collection of Mobile tower tax as ULB have not collected interest for delay payment and payment for additional antenna attached with towers. Total 29 nos. of towers are operating in the area of ULB out of which 10 towers have not been registered with the ULB. The amount of arrears of the tower tax san interest and charges for additional antennas up to 31st march 2016 is Rs. 8, 90,000/-.</p> <p>There has been under collection of rent from shops and Vacant land as these have been collected at the old rates. Total Collection of rent from shop and vacant land is Rs. 13,38,852/- during the current year which is below the last year collection.</p> <p>Hoarding or advertisement tax collected during the current year is Rs.4,448.00 only while the last year collection was Rs.1,48,160/- and management has not give any explanation regarding low collection of the advertisement tax during the current year.</p> <p>The collection for Parking during the current year is nil as against the last year collection of Rs.84,204/-.</p> |
| <p>b) Excess payment against bill, lack of prudence in payment against vouchers inefficiency in controls resulting loss to ULBs.</p> | <p>As Per Annexure “A”</p> |
| <p>c) Report on finding of field survey of Property Tax of minimum 20 high value properties</p> | <p>Report on finding of field survey of property tax of high value properties are as under:</p> |



Details of High Value Property:

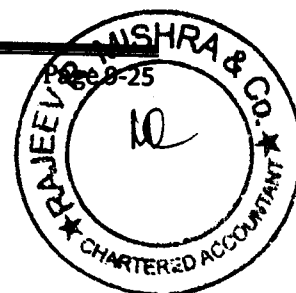
| S.N. | Name | Holding No. | Ward No. | Amount |
|------|--------------------------------|--------------|----------|-----------|
| 1. | Ram Ji Karak | 231 | 15 | 63,523.00 |
| 2. | Sushil Kumar Chaudhary | 115 | 7 | 28177.95 |
| 3. | District Primary Teacher Union | 274 | 7 | 25,303.00 |
| 4. | BholaSah | 152 | 8 | 24,108.00 |
| 5. | Smt. Geeta Dutta | 105 | 8 | 11,365.60 |
| 6. | Guru Dayal Sah | 69 | 27 | 25,668.00 |
| 7. | Dilip Rawat | 4 | 3 | 68,460.00 |
| 8. | Smt. Daiji Sona | 215 | 4 | 8,066.00 |
| 9. | Vedanand Jha | 216 | 4 | 7918.00 |
| 10. | Umar | 74 | 24 | 6,972.00 |
| 11. | Madarsa | 75 | 24 | 34,006.00 |
| 12. | Vashore Ahmad | 7A,642,193 | 23 | 6230.00 |
| 13. | Md. Abbas | 171,178 | 1 | 12,222.40 |
| 14. | Ramkumar Nayak | 139B,173,180 | 1 | 15,368.00 |
| 15. | Md. Asraf Ansari | 213A,138,93 | 22 | 14,416.00 |
| 16. | SatishMahaset | N366,N333 | 29 | 14,394.00 |
| 17. | Badrul | 157,414,243 | 29 | 10,386.00 |
| 18. | Md. Vechan | 56,216,216 | 30 | 5,860.00 |
| 19. | R.K.Jha | N222,N216 | 30 | 5,887.00 |
| | | | | |



PART- "B"

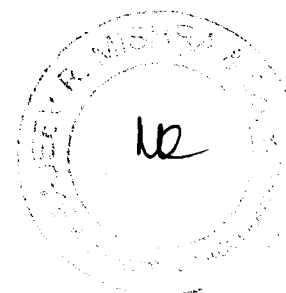
All audit objections/ irregularities which have no monetary implication, but significant violation of Act, Rules & directives of UD & HD. Mention the reference Act & Rules wherein remedial measures is required. In this regard our report is as under –

| | |
|--|---|
| <p>a) Non- maintenance of books of accounts , subsidiary registers</p> | <p>Following primary Books of accounts are required to be maintained :</p> <ol style="list-style-type: none"> 1) Cash Book (Form Gen-IA) 2) Bank Book (Form Gen-IB) 3) Collection Register GEN-11 4) Subsidiary Ledgers (Gen-3) <p>But except bank book as mentioned above the ULB has maintained all primary books of accounts.</p> <p>In addition to above following other General Registers and forms are required to be maintained but the same are not being maintained.</p> <ol style="list-style-type: none"> 1. Memorandum of Collection GEN-12 2. Summary of Daily Collection GEN-13 3. Register of Bills for Payment GEN-14 4. Register of Advance GEN-17 5. Summary Statement of Deposits Adjusted GEN-20 6. Summary Statement of Bills Raised GEN-23 7. Register of Refunds, Remissions and Write-offs GEN-26 8. Statement of Outstanding Liability for Expenses GEN-29 9. Documents Control Register/Stock Account of Receipt/Cheque Book GEN-30 10. Register of Immovable Property GEN-31 11. Register of Movable Property GEN-32 12. Asset Replacement Register GEN-36 13. Register of Public Lighting System GEN-37 |
|--|---|



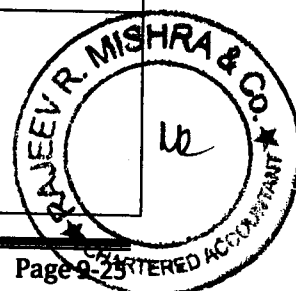
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| b) Irregularity in procurement process | As Per Annexure "B" |
| c) Non-compliance of directives by UD & HD , GOB | <p>We observed several non compliances of directives of UD & HD, GOB such as :</p> <ul style="list-style-type: none"> • non collection of various taxes required to be collected • Non maintenance of prescribed books of accounts • Non maintenance of prescribed DEAS. • None Maintenance of DCR. |
| d) Non-compliance of Acts and Rules | <p>As per sec. 127 of the BMA, the municipality can levy the following taxes:</p> <ul style="list-style-type: none"> • Property tax on lands and buildings. • surcharge on transfer of lands and buildings • water tax • fire tax • tax on advertisements, other than advertisements published in newspapers • surcharge on entertainment tax • surcharge on electricity consumption within the municipal area • tax on congregations • tax on pilgrims and tourists • Tax on profession • toll tax – <ul style="list-style-type: none"> a. on roads, bridges, ferries and navigable channel and b. on heavy trucks which shall be heavy goods vehicles, and buses, which shall be heavy passenger motor vehicles <p>But the ULB has levied only the property tax and water tax among the above mentioned taxes.</p> |
| e) Lack of internal Control measures | We did not notice in lack of internal control measures. |
| f) Non-compliance of TDS, VAT and other relevant Statute | <ul style="list-style-type: none"> • Taxes such as VAT, TDS, Labour cess and education cess etc. are collected from time to time but the above taxes are not deposited on timely basis which is not proper. |

| | Detail given in Annexure "C" and "D" |
|---|--|
| g) Deficiency in Pay-roll System | The pay-roll system does not contain leave details of employee. PF contribution and pension fund contribution of employees are deducted. But nagar parishad does not contribute toward employees PF and pension. |
| h) Utilization of Grant and report on utilisation certificates | As explained to us UC up to 31.03.2016 has been sent to the Government as and when demanded by the department but copy of the same have not been provided to us. Since Grant Register has not been prepared hence it is difficult to ascertain un-utilized grant at any particular time. |
| i) Physical verification of inventories and stores | Store Register has not been prepared and physical verification of inventory/stores has not been done. |
| j) Physical verification of fixed assets | Fixed Assets Register has not been prepared hence physical verification of fixed assets has also not been done. |
| k) Non compilation of Financial Statement | The Financial Statements of the ULB have not been compiled for any year since the inception of the ULB. |

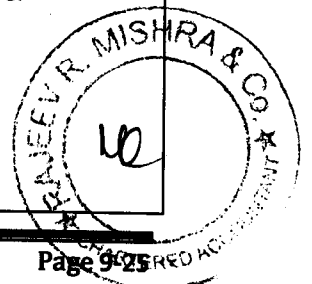


PART – “C”**General Observations:**

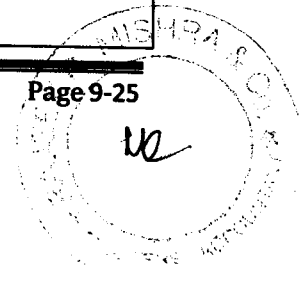
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| <ul style="list-style-type: none"> Whether the postings for the entries in the books of original entry have been correctly made in the respective ledger accounts. | No, only entries related to cash/bank/PL A/C are made in the Cash books maintained by the cashier and accountant. Other Ledger accounts have not been prepared by the NP. |
| <ul style="list-style-type: none"> Whether all the books of accounts and supplementary registers that are prescribed in the Accounts Manual / other applicable regulations have been properly maintained by the ULB; | Yes, Cash Book and other subsidiary ledgers books of accounts have been maintained. |
| <ul style="list-style-type: none"> Whether the Quarterly Financial Statements have been compiled on the basis of the actual entries in the books of accounts; | No, Quarterly Financial Statements have not been prepared by the N.P. |
| <ul style="list-style-type: none"> Whether the period-end and reconciliation procedures prescribed have been carried out. | No, period-end and reconciliation procedures as prescribed have not been carried out. |
| <ul style="list-style-type: none"> Whether the Bank Reconciliation statements have been prepared and are appropriate. | No, Bank Reconciliation Statements have not been prepared by the N.P. |
| <ul style="list-style-type: none"> Whether all grants from Government have been accounted at gross value with proper entries to various accounts | Yes, but all transactions are not correctly classified with sufficient details and no separate grant register has been maintained. |
| <ul style="list-style-type: none"> Whether all transactions (incomes, expenditures, assets and liabilities) are correctly classified and stated in sufficient detail; | No all transactions have been classified as Receipts and Payment only. Income, Expenditure, assets and liabilities have not been recognized. |
| <ul style="list-style-type: none"> Whether all grants sanctioned or received by the municipality during the year, have been accounted properly, and where any deduction is made out of such grants towards any dues of the ULB? Whether such deductions have been properly accounted; | Yes, Grant received during the year has been properly accounted for and all deductions have been properly accounted for. |
| <ul style="list-style-type: none"> Whether any Special Funds have been created as per the provision of any statute and whether the Special Funds have been utilized for the purposes for which they have been created; | No Special fund has been created by the ULB. |
| <ul style="list-style-type: none"> In respect of contracts that are in existence during the year, whether there are any deviations from the sanctioned plans and the estimates without the sanction of the competent authority; | As per Annexure “B” |



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| <ul style="list-style-type: none"> Whether the ULB is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets; whether these fixed assets have been physically verified at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same has been properly dealt with in the books of account; | No, record of fixed assets has not been maintained properly by the ULB. Physical verification of fixed assets has not been done during the financial year by the ULB. |
| <ul style="list-style-type: none"> Whether in case of leasehold property given by the ULB, lease rentals are collected regularly by the ULB and that the lease agreements are renewed after their expiry; | As explained to us no property of the ULB has been given on lease. |
| <ul style="list-style-type: none"> Whether physical verification has been conducted by the ULB at reasonable intervals in respect of stores; | No, physical verification of stores has been conducted by the ULB at reasonable intervals. |
| <ul style="list-style-type: none"> Whether the procedures of physical verification of stores followed by the ULB are reasonable and adequate? If not, the inadequacies in such procedures should be reported; | No, procedure of physical verification is not adequate. |
| <ul style="list-style-type: none"> Whether any material discrepancies have been noticed on physical verification of stores as compared to book records, and if so, whether the same has been properly dealt with in the books of account; | No, we did not observe any material discrepancies during physical verification. |
| <ul style="list-style-type: none"> Whether proper procedures are in place to identify any unserviceable or damaged stores and whether provision for the loss in this respect, if any, has been made in the accounts; | No there is no procedures are in place to identify any unserviceable or damaged stores |
| <ul style="list-style-type: none"> Whether the valuation of stores is in accordance with the accounting principles laid down in the rules? Whether the basis of valuation of stores is same as in the preceding year? If there is any deviation in the basis of valuation, the effect of such deviation, if material, should be reported; | No, valuation of stores has not been done as per the principle laid down in the BMAR. |
| <ul style="list-style-type: none"> Whether the parties to whom loans or advances have been given by the ULB are repaying the principal amounts as stipulated and are also regular in payment of the interest and if not, whether reasonable steps have been taken by the municipality for recovery of the principal and interest? | There is no case of loans and advances other than advance to staff for expenditure. |



| | |
|---|---|
| <ul style="list-style-type: none"> Whether advances given to municipal employees and interest thereon are being regularly recovered; | Advance Register has not been maintained so we are unable to verify whether it is being recovered regularly or not. |
| <ul style="list-style-type: none"> Whether there exists an adequate internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets? | No, there does not exist any internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets |
| <ul style="list-style-type: none"> Whether applicable procurement rules and procedures are being followed and if so, significant deviations should be identified and reported. | We did not notice any such expenses |
| <ul style="list-style-type: none"> Whether the municipality is regular in depositing statutory dues including tax deducted at source, service tax, VAT, works contract tax, cess payable to the government etc., and if not, the nature and cause of such delay and the amount not deposited; | No, the municipality is not regular in timely depositing of its statutory dues. |
| <ul style="list-style-type: none"> Whether the municipality is regular in remittance of pension and leave encashment contributions or any other amounts which the municipality is liable to remit towards the retirement dues of its employees, including employees on deputation; | The municipality has not been giving any contribution to P.F or pension Fund but the employee's contribution to P.F and pension fund is being deducted from the salary of the employee. |
| <ul style="list-style-type: none"> Whether any personal expenses have been charged to the municipality's accounts; if so, the details thereof; | We did not notice any such expenses. |
| <ul style="list-style-type: none"> Whether all the expenditure incurred by the Municipality are authorized by appropriate provision in the sanctioned budget, whether made originally or subsequently and are in all cases such as are authorized by law; | Yes, on our test check we observed that all the expenditure incurred by the Municipality are authorized by appropriate provision in the sanctioned budget. |
| <ul style="list-style-type: none"> Whether all revenue has been properly assessed, accounted for, collected and recovery action taken on timely basis; | Yes, all revenues from own sources have been properly accounted for and collected. |
| <ul style="list-style-type: none"> Whether all sums due to and received by the Municipality have been brought to account within the prescribed time limits and are in all cases such as are authorized by law; | Yes, taxes collected by the tax collector are deposited on daily basis. |
| <ul style="list-style-type: none"> Whether in respect of all bills for charges on account of all works and other expenditure, proper certificates have been furnished in support of them and that no deviation has been made for the sanctioned plans and the estimates without the sanction of the competent authority; | Yes, on our test check we observed that all bills for charges on account of all works and other expenditure, proper certificates have been furnished in support of them and that no deviation has been made for the sanctioned plans and the estimates without the sanction of the competent authority. |



| | |
|--|---|
| <ul style="list-style-type: none"> Whether the amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order; | Yes, on our test check we observed that amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order |
| <ul style="list-style-type: none"> Whether bio-metric devices and payroll software are used at the ULB. If not whether there is satisfactory system of pay-roll accounting; otherwise mention the key deficiencies of the system; | No, bio-metric devices and payroll software are not used at the ULB. Pay roll system of the municipality is deficient as it does not contain leave records, details of deductions made etc. |
| <ul style="list-style-type: none"> Whether the grievance redresses mechanism for the ULB is sufficient; | We did not observe any grievance redresses cell functioning at the ULB. |
| | |

Place:

Date:

For Rajeev R Mishra & Co.

(Chartered Accountants)

FRN: - 021466N

Mritunjay Kumar

(CA Mritunjay Kumar)

Partner

Mob: 9835156869



ANNEXURE-A

OBSERVATION ON PROCUREMENT PROCESS

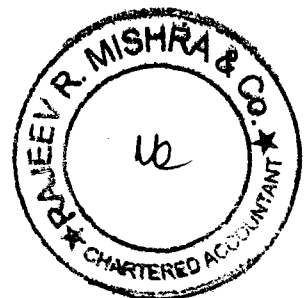
| Date | Party | Amount | Auditors Observation | E.O Reply |
|----------|--|--------------|---|---|
| 27-08-15 | Maurya Motors Limited Patna for Garbage Compactor Purchasing | 3,150,000.00 | For all this purchases no proper process of procurement (By obtaining quotation from the different suppliers) has been followed. Purchases have been made from those suppliers from whom other NPs has made purchases in recent time. | E.O. gave the explanations that, as per the letter no. 862, point no. 12 dated 21/02/2008 by Nagar Vikash And Awaas Vibhag", unnecessary delay should be avoided in purchasing the necessary goods in advertisement process. It should be purchased on the basis of purchases made by the other ULB/NP." So we followed the instruction and made the purchases taking references from other ULB/NP. |
| 11-09-15 | Reliable Corporation Patna for urinal and dustbin purchase | 2,825,000.00 | | |
| 27-11-15 | Kunal Automobiles for tata ace hyd. tipper purchasing | 620,000.00 | | |
| 23-01-16 | Reliable Corporation Patna for dustbin purchase | 2,200,000.00 | | |
| | | | | |



ANNEXURE-B

OBSERVATION ON TENDERING PROCEDURE

| Particulars | Auditors Observation | E.O. Reply |
|---|---|---|
| During the financial year 2015-16 payment has been made to the Rukmini Homes Pvt. Limited amounting to Rs. 57,89,900.00 after deducting the required deduction (I.T., S.T., Royalty Etc. Gross amount is Rs 68,88,635.00) in connection with the contract given for construction of Nagar Parishad Market on the vacant land near administrative building of the NP. Contract was given in March 2015. Total amount of contract is Rs. 6,53,78,749.00 | <p>Our observation is as follows:-</p> <ol style="list-style-type: none"> 1. Proof of public notice in newspaper in respect of advertisement of tender not made available to us. 2. Total 3 parties had applied for the tender but documents submitted by the other parties (except Rukmini Homes Pvt. Ltd.) were not proper. 3. Evaluation sheet has not been signed by all the participants. 4. Terms and condition of the agreement is not sufficient considering the volume and amount involved in the project. 5. Deduction made from the payment like royalty, I.T., Labour Cess etc. have not been made to the respective department. 6. The question is how the same party to whom the contract was allotted earlier to develop a market complex on such land has been given on lease? 7. Also the prudence behind the decision of giving the said property on lease for 99 years instead of developing it as a market complex has not been clarified by the management. | Executive Officer replied that, there could be some minor irregularities in the procurement process but these are not relevant now because the contract has been cancelled in financial year 2016-17 and whatever payment was made to the Rukmini Homes Pvt. Ltd. have been taken back. Also the deductions made at the time of payment are not required to be deposited. And now the whole land property of the ULB has been given to the Rukmini Homes Pvt. Ltd. on lease. In this respect non refundable security money have also been received from the Rukmini Homes Pvt. Ltd. amounting to Rs. 52,23,825.00/- |



ANNEXURE-C

Detail of TDS Deduction and Deposit Date:-

| Particulars | Amount (Rs.) | Date of Deduction | Due Date | Date of Deposit | Remarks |
|--------------|--------------|--|---|-----------------|---|
| TDS U/s 194C | 36976.00 | Various dates of the first quarter of the financial year 2015-16 | Within 7 days from the end of the month in which payment has been made. | 15/07/2015 | It is general practice of the NP to pay TDS deducted on quarterly basis instead of the monthly basis and also not paid within the stipulated time. It may cause interest @1.5 % (As per IT ACT) per month or part of the month for the period delay in payment has been made. |
| | 14251.00 | | | | |
| | 172.00 | | | | |
| | 10127.00 | | | | |
| | 1986.00 | | | | |
| | 1009.00 | | | | |
| | 6524.00 | | | | |
| | 4,360.00 | | | | |
| | 17841.00 | | | | |

ANNEXURE-D

Details of TDS Return Filing

| Particulars | Due Date | Date Of Filing | Remarks |
|-------------------------|------------|--------------------------|--|
| 1 st Quarter | 15/07/2015 | TDS Return Is Not filed. | As per U/S 234E of Income Tax Act a sum of Rs. 200 for every day(maximum to the amount of tax) during which the Failure Continues. |
| 2 nd Quarter | 15/10/2015 | | |
| 3 rd Quarter | 15/01/2016 | | |
| 4 th Quarter | 15/05/2016 | | |

