

INTERNAL AUDIT REPORT

OF

**SUPPORT PROGRAMME FOR
URBAN REFORMS IN BIHAR
(SPUR)**

ULB : MAKHADUMPUR

FOR THE PERIOD

(01-04-2015 TO 31-03-2016)

Audited By :

U. S. Prasad & Co.
Chartered Accountants

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To,
The Secretary, UD & HD
Urban Development and Housing Dept.
Govt. of Bihar
101, 1st Floor, Vikash Bhawan
New Secretariat
Bailey Road
Patna – 800 015 (BIHAR)

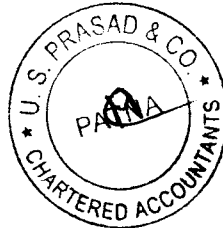
Dear Sir,

**Sub: Internal Audit Report of NAGAR PANCHAYAT, MAKHDUMPUR for the Period
01.04.2015 to 31.03.2016.**

We are submitting the audit report of Nagar Panchayat, Makhdumpur for the period starting from 01-04-2015 to 31-03-2016 in reference to our appointment as Internal Auditor for Group 9 issued by support programme for urban reforms in Bihar (SPUR), Patna vide Notice to proceed no. SPUR-PMU/194/IA-140ULBs&SLMA/S-3/USP/2016/139/36 Dated 05th April 2016.

Our scope of audit covers the requirement of specific points as spelled out in contract agreement entered with the management of SPUR.

for U. S Prasad & Co.
Chartered Accountants



(Signature)

MANOJ KUMAR

PARTNER

M. No.: 418631

NAGAR PANCHAYAT, MAKHDUMPUR

INTERNAL AUDIT REPORT OF F.Y.2015-16

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Executive Summary

1. Introduction:-

Name of Municipality:- NAGAR PANCHAYAT, MAKHDUMPUR

Period covered under current audit: - 01-04-2015 to 31-03-2016.

Name of the Executive Officer for the period under audit:-Shri Binod Kumar Rajak

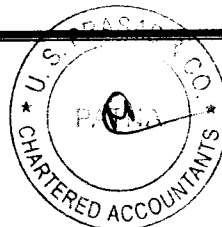
2. Results and Findings

Strength observed during the audit engagement

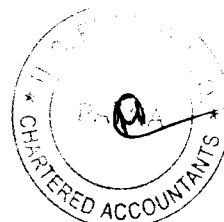
1. Subsidiary Cash Book has been written.
2. Office infrastructure is sufficient for operation.
3. Response from officer and clerk are satisfactory.

Weaknesses observed in the functioning of office, maintenance of records etc. during the audit engagement

1. General Cash Book has not been prepared properly.
2. Fixed Assets Register has not been maintained.
3. Advance Register has not been maintained.
4. Stock Register has not been maintained.
5. Daily collection register is maintained but the same is not maintained Revenue receipt wise separately.
6. In some case where payment has been made to contractors, TDS has not been deducted and in some other cases where TDS have been deducted but it has not been deposited till date. Therefore, TDS Return has not filled till date. It attracts penalty u/s 234E.



7. Holding tax has not been levied on any property by the ULB.
8. The Nagar Panchayat, Makhdumpur, did not maintain demand and Collection Register of Mobile Tower. The data made available to us revealed that tower tax has not been properly collected. The total number of tower is 17 including 8 antenna as on 31-03-2016. Thus, total outstanding tax amount is Rs. 23,17,456/- for registration fee and renewal there of including interest thereon.
9. Daily collection amount not timely deposited into bank account as per the procedure prescribed by the BMA, 2007.
10. Municipal Accounts Committee has not been constituted.
11. There is lack of internal control with / in respect to collection of revenue covered under sairat during the FY 2015-16. For example - Tender/Bandobasti for parking, public toilet, Mobile Tower, or advertisements are not being executed.
12. No Separate Grant register is being maintained, hence, it is difficult to find out the amount of unutilised grant at any point of grant.
13. Amount of Rs. 2,19,612/- collected during the Financial Year 2015-16 as shown in Daily Collection Receipt but the same is neither entered in Cash Book nor deposited in to bank by Md. Anwar Ansari (Tax Daroga) and Raja Ram Prasad (Head Clerk). Detail has been mentioned in Part A of Audit Observations.
14. Bank Reconciliation statement has not been prepared for any bank account by the ULB.
15. Logbook has not been maintained.
16. Procurement Register is not maintained & Procurement document file is not provided by the ULB.
17. Statuary deduction file has not been provided during the course of audit by the ULB.



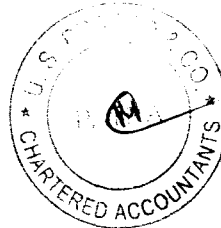
3. Opinion

Core Municipal functions are performed by the ULB. However, the ULB is not working properly. Even internal control applied by the ULB is poor. Revenue collection of the ULB is very poor. If revenue collection is made effectively and efficiently, it may be increased to much higher level. All cash collection from source of revenue is not deposited in bank on same day or next working day. Due to lack of manpower, there is delay in performing day to day work. There should be proper segregation of duties to perform day-to-day work in efficient manner. Bank reconciliation should be done on monthly basis. We find that rules and regulation are there but ULB is not following them properly. Most of the Books of Accounts as prescribed by BMA are not maintained by the ULB. Fee and charges for the different categories cover under Sairat have not been collected. There are serious lapses in deduction and deposit of statutory dues, such as VAT, Royalty, TDS, and Labour Cess Etc.



4. Audit Recommendations

- i) Fixed Assets Register should be maintained.**
- ii) Grant Register should be maintained.**
- iii) Advance Register should be maintained.**
- iv) Stock Register should be maintained.**
- v) Daily Collection Register separately for each head should be maintained.**
- vi) TDS deduction & deposit thereof and e filling of TDS return should be timely and in proper manner.**
- vii) Tax amount should be collected from Mobile tower.**
- viii) Daily collection amount should be deposited into bank account as prescribed in BMA 2007.**
- ix) Municipal Accounts Committee should be constituted.**
 - x) Budget must be prepared by the ULB and should be submitted on time to the Government.**
- xi) Book of accounts should be verified by EO on regular interval.**
- xii) All statutory deduction must be deducted before making payment to contactor.**



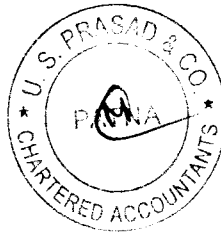
5. Comments from Management

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

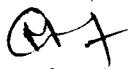
For, Nagar Panchayat, Makhdumpur
(Executive Officer.)

6. Acknowledgement

We thank Mr. Binod Kumar Rajak (Executive Officer), for his support during the period of our audit. We are also thankful to accountant and other staff of the Nagar Panchayat for their co-operation during the period of audit.



for, U S PRASAD & CO.
Chartered Accountants


Manoj Kumar
(Partner)
M.NO:- 418631

Detailed Audit Report

1) Introduction

The Internal audit of **Nagar Panchayat, Makhdumpur** covering the period from **01-04-2015 to 31-03-2016** was conducted by following persons under guidance of CA Manoj Kumar

- i) Mr. Dharmendra Kumar
- ii) Mr. Arun Kumar

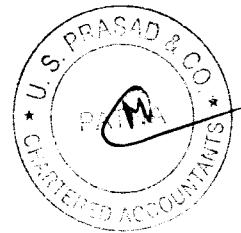
2) Administration

The present Chairman of ULB Smt. Girja Sinha has taken charge on 09-06-2012.
The incumbency in the key administrative and executive positions was as under:

Smt. Girja Sinha, Chairman From 09-06-2012 to till date.

Shri Sanjay Kumar, Commissioner / Executive Officer from 02-08-2012 to 20-05-2015.

Shri Binod Kumar Rajak, Commissioner, / Executive Officer from 21-05-2015 to till date.



Internal Audit Report of Nagar Panchayat, Makhdumpur

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

Compliance of Previous Audit Report

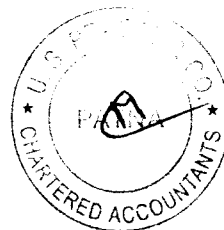
Compliance of previous audit report has not been done by the Nagar Panchayat Details are follows :-

Sl.No.	Particulars of Audit And date of report	Total No. of Audit Paras.	Total No. of Audit Paras where necessary improvement/corrective measure is required	Total No of Audit Paras where recovery of cash is proposed	Total No. of Audit Paras where recovery has been made	Total Amount of Recovery	Total No. of Outstanding Para Where no action has been taken	No. & dated of compliance report
1	CAG 26-04-2016	25	25	7	0	0	25	No compliance reported till reporting date



Deficiency Pointed Out in AG Audit Report

- 1 Property tax has not been levied on any property.
- 2 There is short deposit of Rs 64,889/- of miscellaneous receipt in cashbook during the period 2013-16.
- 3 VAT & Performance security has not been deducted in purchase of CFL street light during the period 2012-16.
- 4 Proper tendering system has not been adopted in purchase of Dustbin during the period 2012-16.
- 5 Tender for Purchase of cleaning material has not been awarded to the lowest quoted bidder.
- 6 Purchase of JCB, suction machine, fogging machine has been purchased during the year 2014-15 of total amounting Rs. 24,45,250/- but no documents related to these machines has been produced before us. VAT and performance security has not been deducted in purchase of fogging and suction machine.
- 7 Outstanding amount of Rs 2,22,908/- of badobasti of Vehicle entrance charges of Makhdumpur Nawabganj road is yet to be recovered.
- 8 Outstanding amount of Rs 73,480/- of badobasti of Vehicle entrance charges of Makhdumpur paibigha road is yet to be recovered.
- 9 Labour cess has not been deducted from any bill of contract work.
- 10 Total outstanding amount of Mobile tower tax as on 31-03-2015 is Rs 24,77,464/-



4) Finance :-

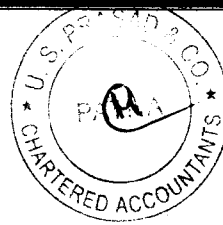
I. **Budgetary Provisions and expenditure for the last three years:-**

Nagar Panchayat, Makhdumpur, has not prepared budget for the financial year 2013 – 14, 2014 – 15 and 2015-16.

Year	2013-14	2014-15	2015-16
Revised/ Estimated Budget	No Budget prepared by the ULB.		
Actual Expenditure	2,19,43,229.00	2,06,26,627.00	18,18,25,790.00
Savings(+)/Excess(-)	-2,19,43,229.00	-2,06,26,627.00	-18,18,25,790.00

II. Volume of transactions :-

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
(A) Opening Balance	No Budget prepared by the ULB.	4,39,61,724.70	NOT APPLICABLE	24,09,74,110.70	NOT APPLICABLE
(B) Receipts		21,76,39,013.00		10,18,50,638.00	
(C) Total (A +B)		26,16,00,737.70		34,28,24,748.70	
(D) Expenditure		2,06,26,627.00		18,18,25,790.00	
(E) Closing Balance (C-D)		24,09,74,110.70		16,09,98,958.70	

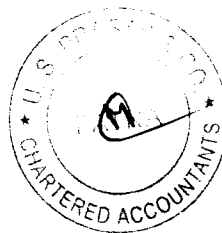


III. **Bank Reconciliation**

Since different scheme has been maintained in single cash book therefore segregation of balances of different Scheme as on 31st March 2016 cannot be determined.

Similarly, since through one bank account different schemes are being operated, the bank balance of a particular scheme on a particular date cannot be determined.

Nagar Panchayat, Makhdumpur, has not prepared Bank Reconciliation Statement. However, balance as on 31st March 2016 of different bank account is as below:-

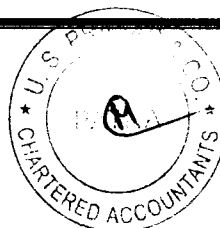


Internal Audit Report of Nagar Panchayat, Makhdumpur

IV. Revenue Receipts:-

Revenue Receipts

Balance As On 31st March 2016.						
Sl. No.	Name of bank	Bank A/C No	Bank Statement	Scheme Name	Cash Book	Status of BRS
1.	Treasury	P/L	6,73,51,285.00	P/L	6,73,51,285.00	Not Prepared
2.	SBI	33981157712	36,56,652.00	Samajik Surakha Pension	47,14,800.00	Not Prepared
3.	SBI	31689063331	8,46,614.00	General Fund	73,74,753.00	Not Prepared
4.	SBI	31689062598	12,62,699.00	Administrative Building	43,143.00	Not Prepared
5.	BOI	447810100009748	74,144.24	13 th Finance	73,437.00	Not Prepared
6.	BOI	447810110004901	3,37,19,114.00	State Plan	12,46,86,649.00	Not Prepared
7.	PNB	1615000100048525	1,52,00,515.92	BRGF	24,02,902.00	Not Prepared
8.	PNB	1615000100048516	6,49,439.42	City Manager Allowance	-2,61,171.00	Not Prepared
9.	PNB	16115000100023906	1,91,35,908.74	SJSRY	13,30,300.00	Not Prepared
10.	HDFC	50100083948693	25,54,272.00	NSDP	1,58,103.00	Not Prepared
11.	MBGB	72050100104031	3,98,586.00	KabirAnthysthi	1,85,000.00	Not Prepared
12.	MBGB	72050100123966	1,40,535.00	Ward Counsellor	-53,070.00	Not Prepared
13.	Allahabad Bank	50273883956	3,11,16,564.00	Matching Grant	61,093.00	Not Prepared
14.	Allahabad Bank	50298520618	28,28,625.00	Gram Complex Building	1,43,400.00	Not Prepared
15.	BOI	444810110004984	17,34,243.00	4 th Financial	-8,42,785.00	Not Prepared
				Rastiya PariwarikLabh	10,000.00	Not Prepared
				PESAKAR	9,90,063.00	Not Prepared
				E Govt	17,538.00	Not Prepared
				14 th Finance	1,20,36,968.00	Not Prepared
				5 th Finance	1,57,37,410.00	Not Prepared
				Swacch Bharat Mission	7,31,557.00	Not Prepared
				Census	1,51,150.00	Not Prepared
				Pay Jal Nischay yojna	43,53,672.00	Not Prepared
				SfayeeBaybstha Sudhar	40,14,400.00	Not Prepared
				NaliGaliNischay Yojna	31,47,482.00	Not Prepared
Total			18,06,69,197.32	Total	18,12,06,794.00	
Difference				5,37,596.68		



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Period	Budgeted 2015-16	Previous Year 2014-15	Corresponding Period of Previous Year	Current Period 2015-16	Cumulative for the current period
a) Own Source					
Property Tax		1,686.00		-	
Assigned Revenue		7,24,516.00		70,74,495.00	
Fee & User /Other Charges		26,08,595.00		9,76,852.00	
b) Administrative Grant		-		-	
c) Specific Grant (Scheme wise)		-		-	
i) 13th Financial		51,59,653.00		-	
ii) Matching Grand		-		-	
iii) Administrative Building		-		-	
iv) 4 th Financial		67,84,807.00		-	
v) B R G F		26,65,959.00		-	
vi) Bhawan Nirman Adi / General Fund		22,29,542.00		1,42,94,904.00	
vii) Nagarc Subhidha / State Plan		4,64,98,500.00		1,85,51,482.00	
viii) S J S R Y		-		-	
ix) City Manager		-		3,23,070.00	
x) E – Govt.		-		2,70,000.00	
xi) Water Supply Fund		7,34,46,400.00		-	
xii) Path shrirnodwar Fund		8,08,54,152.00		1,16,03,357.00	
xiii) Gram Complex		-		2000.00	
xiv) Ward Councillor Allwances		1,52,400.00		84000.00	
XV) 5 th Finance		-		1,57,37,410.00	
xvi) 14 th Finance		-		44,32,991.00	
xvii) Janganna (Census)		-		1,51,150.00	
xviii) SamajikSurakha Pension		-		96,87,506.00	
xix) RastriyaPariwarikLabh		-		2,80,000.00	
xx) Swacch Bharat Mission		-		28,22,500.00	
xxi) Pay JalNischayyojna		-		43,53,677.00	
xxii) SfayeeBaybsthaSudhar		-		40,14,400.00	
xxiii) RTGS (Scheme is not declared by ULB)		-		71,90,844.00	
Total(RS) a+b+c		22,11,26,210.00		10,18,50,638.00	

Budget has not been prepared by the ULB

NOT APPLICABLE

NOT APPLICABLE

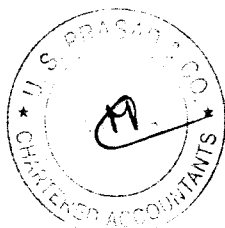


V. Status of Implementation of Double Entry Accounting System

Accounting of Nagar Panchayat, Makhdumpur has not been properly maintained on the basis of Double Entry Accounting System for financial year 2013 -14, 2014 -15 & 2015 – 16.

VI. Status of Municipal Accounts Committee; if meeting is held

Nagar Panchayat, Makhdumpur is yet to constitute Municipal Accounts Committee under section 98 of the Municipal Act, 2007.



Audit Observations

I. Part - A

All Audit objections / irregularities which has monetary implication, particularly in following areas:-

I. Holding & Property Tax Collection

Audit Objective – As per Point No. – 4.4 of TOR

Criteria – Non - assessment of Property Tax/Holding Tax by the concerned ULB.

Condition – Property tax has been levied and collected on some property but assessment has not been done for property till date.

Consequence / Effect / Impact - Due to non-assessment of Property/Holding Tax, there is a revenue loss to ULB and there is no record / register to know total current & arrear demand of holding tax. Demand / Collection & Arrear Register have also not been provided to us for verification.

Cause – This happens due to lack of proper 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 assessment and collection of taxes and also maintenance and updation of Demand & Collection Register on regular interval.

II. Mobile Tower Collection – Irregularity :-

Audit Objective – As per Point No. – 4.4 of TOR

Criteria – Tower Tax is taxes on Communication Tower & related structure as defined in BIHAR COMMUNICATION TOWERS AND RELATED STRUCTURES RULES, 2012. As per the rule, all operators are required to register with their concerned ULBs and pay registration fee & renewal charges on annual basis for communication tower erected within municipal area. Currently the registration fee for Nagar Panchayat is Rs. 30,000/- per tower and annual renewal fee is Rs. 8,000/- per annum per tower.

Condition –As per details provided to us there are total number of Mobile tower is 17 (Seventeen) including 8 antenna registered with this ULB up to 31.03.2016 and Rs. 23,17,456/-, is due to be recovered from these tower operators on account of Tower Tax.

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

Cause – This happens due to lack of proper follow up and monitoring of activities of concerned person of the ULB on regular interval. The ULB does not have proper mechanisms for supervision and monitoring of the Tower Rent due to which result in Revenue leakage.

Corrective Action / Recommendation – There should be proper monitoring and further steps are required to be taken for collection of Mobile Tower Tax by concerned ULB.

III Advertisement Tax

Audit Objective – As per Point No. – 4.4 of TOR

Criteria – Non – levied of advertisement tax by the ULB.

Consequence / Effect / Impact - Due to non - levied of collection of advertisement tax, there is a revenue loss to ULB.

Cause – This happens due to lack of awareness of imposition of advertisement tax of concerned person of the ULB.

Corrective Action / Recommendation – There should be proper monitoring and further steps are required to be taken for collection of advertisement tax by concerned ULB.

IV. Non / Short Deposit of Rs.2,19,612/- :- Amount of Rs. 2,19,612/- collected during the Financial Year 2015-16 as shown in Daily Collection Receipt but the same is neither entered in Cash Book nor deposited in to bank by Md. Anwar Ansari (Tax Daroga) and Raja Ram Prasad (Head Clerk) .

Sl. No.	Date	Money Receipt	Name	Amount
1	08-04-15 to 15-07-15	1085-1099	Raja Ram Prasad	61,900.00
2	26-05-15	52-53	Md. Anwar Ansari	7,201.00

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3	04-04-15	1352-1358	Md. Anwar Ansari	2,000.00
4	06-06-15	115-116	Md. Anwar Ansari	12,400.00
5	22-07-15 to 27-07-15	8515-8522	Md. Anwar Ansari	601.00
6	14-08-15 to 31-08-15	4001-4002	Raja Ram Prasad	2,700.00
7	15-01-16	4003	Raja Ram Prasad	1,00,000.00
8	18-01-16 to 05-03-16	4004 to 4018	Raja Ram Prasad	27,660.00
9	08-03-16 to 28-03-16	4020 to 4025	Raja Ram Prasad	5,150.00
Total Amount				2,19,612.00

V Outstanding amount of Rs 73,480/- of badobasti of Vehicle entrance charges of Makhdumpur paibigha road is yet to be recovered.

VI **Property Tax on 20 high value properties**

Property tax has been levied and collected on some property but assessment has not been done for property till date. Therefore, Property tax on minimum 20 high value properties could not be determined.



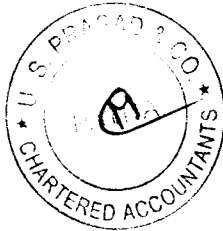
II. Part - B

- A. As per Rule 136 of Bihar Municipal Accounting Manual 2014, every year budget should be prepared for receipts and expenditure in Performa 75, 77 and 80 but ULB has not prepared budget.
- B. As per Rule 18 of Bihar Municipal Accounting Manual 2014, voucher should be maintained serially for different schemes in different code, but it is not maintained accordingly. Vouchers are neither kept in guard file nor systematically arranged.
- C. It has been noticed during the audit that the following Books of Accounts & Subsidiary Registers has either not been maintained or not properly maintained (*Status as mentioned*).

Sl. No.	Particulars	Status
1	Cash Book	Maintained
2	Subsidiary Cash Book	Maintained
3	Ledger Book	Not Maintained
4	Grant Register	Not Maintained
5	Advance Register	Not Maintained
6	Pay-Roll Register	Not Maintained
7	Vehicle LOG Book	Not Maintained
8	Store Register	Not Maintained
9	Fixed Assets Register	Not Maintained
10	Demand & Collection Register of Property Tax, Mobile Tower Tax, Shop Rent etc.	Not Maintained

- D. In ULB, internal control are either not in place or not working in respect of day to day working, payment of expenditure collection of revenue, tender etc.
- E. Non – compliance of TDS, VAT, and Royalty & Labour cess relevant statute:-
- TDS,VAT, Labour Cess and Royalty has been deducted but the same could not be verified whether deposited or not due to non-availability of deposit slip or challan.
- F. Pay-Roll Register has not been shown to us during the period of internal audit, thus we are unable to comment on deficiency in pay-roll system.

- G. Grant Register has not been maintained by the concerned ULB and upon enquiry of status of utilization certificate, the concerned officials has failed to provide above information.
- H. Inventory/ Stores Register and Fixed Assets Register have not been maintained in concerned ULB and in the absence of above register it is difficult to verify the same.
- I. Advance Register has not been maintained by the concerned ULB and in the absence of above register it is difficult to check or comments on adjustment and recovery of advances.



iii PART – “C”

General Observations

Sl. No	Particular	Remarks/ Observation
1	Whether the postings for the entries in the books of original entry have been correctly made in the respective ledger accounts.	No, original entry is not correctly made in the respective ledger accounts.
2	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.	No, except Main Cash Book & Subsidiary Cash Book no other book of accounts / other applicable regulation have been properly maintained by the ULB.
3	Whether the Quarterly Financial Statements have been compiled on the basis of the actual entries in the books of accounts.	No, Quarterly, Half yearly & Yearly Financial Statements have been no prepared by the Nagar Panchayat
4	Whether the period-end and reconciliation procedures prescribed have been carried out.	No, period-end and reconciliation procedures prescribed have not been carried out.
5	Whether the Bank Reconciliation statements have been prepared and are appropriate.	No, Bank Reconciliation statements have not been prepared by the Nagar Panchayat
6	Whether all grants from Government have been accounted at gross value with proper entries to various accounts.	Yes, except for the period 2012-13.
7	Whether all transactions (incomes, expenditures, assets and liabilities) are correctly classified and stated in sufficient detail.	No, all transactions (incomes, expenditures, assets and liabilities) were not correctly classified and stated in sufficient detail
8	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 and all deductions have been properly accounted.
9	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 not been created by the ULB.
10	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.	No irregularity has been found on work contract.
11	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, Fixed asset register has not been maintained, so unable to comment on it.