URBAN DEVELOPMENT & HOUSING DEPARTMENT

Internal Audit Report
Of

Masaurhi Nagar Parishad

for the period from 01-04-2015 to 31-03-2016

Internal Audit conducted by

Mr. Krishna Singh
under the guidance of CA Ashok Kumar Pandey

From:-
M/s Chanakya Ashok & Co.
Chartered Accountants

From :- 04/07/2016 to 08/07/2016 & 11/07/2016.
Report issued on – 14/07/2016.

M/s Chanakya Ashok & Co.
Chartered Accountants
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Compliance Report for the scope of work as per the Contract with Internal Auditor

Name of Auditor: Chanakya Ashok & Co.			Name of ULB: - Mashauri Nagar Panchayat
Sl. No.	Relevant Clause of Scope of Work of the Contract		Compliance (Mention the para no & Page no of audit report)
	Clause No.	Description	
1	4.1	Internal Audit should undertake risk-based review and evaluation of the internal control as discussed in Bihar Internal Control Manual. Internal Audit should devote particular attention to any aspects of the internal control environment affected by significant changes to the ULBs's risk environment.	Complied in para no 4 of Part B of Detailed Audit Report Under Head Lack of internal control measures at Page no 17.
2	4.2 & 4.3	a) Internal Auditor should see the compliance of Bihar Municipal Act and specifically Chapter IX to XV and related rules and regulations as well as related directives by UD&HD. In its report there must be a separate section for non-compliance of rules/directives of UD&HD, GoB; b) Report on compliance of Bihar Municipal Accounting Manual, Bihar Municipal Accounts Rules,2014 and Bihar Municipal Budget Manual with special attention to following Rules of BMAR □ Rule 22: All moneys to be brought to account □ Rule: 27: Collections to be deposited into Bank on the same day □ Rule 69: Grant Related Compliance □ Rule 120-121: Monthly Receipt & Payment Account and Trial Balance □ Rule 130: Audit to be completed & reported within 6 month	a) Complied in para no 3 of Part B of Detailed Audit Report (Non-Compliance of Act and rule) at Page no 17. b) Complied in para no 2 of Part B of Detailed Audit Report (Non-compliance of directives by UD&HD, Government of Bihar) at Page no 17.
3	4.4 & 4.5	a) Report and quantify all major Own revenue losses and opportunities lost or missed including in the area of Property Tax, Mobile Transmission Towers Tax, Rental of Municipal properties, Advertisement Taxes/Fees, Sairat etc; b) Check on audit trail of all collection of Taxes and Non-Taxes either through staff or outsourced agency and report of any lapses in controls, if any and also advise recommendations to strengthen the prevailing processes;	a) Complied in para no 4 of Part A of detailed audit report at Page no 11. b) Complied in para no 2 of Part B of detailed audit report at Page no 18.
4	4.6	Report in a separate chapter on implementation of SAS of Property Tax in	Complied in para no C of Part A of detailed Audit Report at Page no 13..

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Name of Auditor: Chanakya Ashok & Co.			Name of ULB: - Mashauri Nagar Panchayat
Sl. No.	Relevant Clause of Scope of Work of the Contract		Compliance (Mention the para no & Page no of audit report)
	Clause No.	Description	
		the ULB; internal auditor should witness some assessment procedures to check any in-consistencies in assessment. At least 20 high value properties in the city /town (irrespective of the fact that SAS is received or not) must be surveyed and checked in each quarter and reported variations, if any, in PTRs and Actuals as per internal audits;	
5	4.7	Vouch on all payments above Rs. 10,000 and report on adequacy and appropriateness of its documentation, approvals, compliance of procedures etc.	Complied in para no B of Part A of Detailed Audit Report at Page no 13. And Complied in para no 1 of Part B of Detailed Audit Report at Page no 16.
6	4.8	Report on Procurement made including through E-Tendering and E-Auction indicating exceptions, if any and whether a register is kept for all Procurements with value above Rs. 15,000/-	Complied in para no 1 of Part B of Detailed Audit Report at Page no 17.
7	4.9	Internal auditor shall also report on presence or absence of a system of issuance of utilization certificate for the different schemes for any utilisation made during the reporting period; Where there is no system for issuance of U/Cs, the Internal Audit report shall prepare Utilisation Certificate for various schemes/grants as per the guidelines of such scheme available on the UD&HD website.	Complied in para no 4 of Part B of Detailed Audit Report at Page no 18.
8	4.10	Internal Audit can also, provide recommendations to help the ULB management improve the ULB's internal control environment;	Complied in para no 1 of Part 4 of Executive Summary at Page no 4 .
9	4.11	Internal Audit should report instances of losses, failures or inefficiencies and recommendations and/or measures which can be taken to avoid their recurrence in future.	Complied in para no 1 of Part 4 of Executive Summary at Page no 4.

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Executive Summary

1. Introduction:

- **Name of the Municipality: Masaurhi Nagar Parishad**
- **Period covered under current audit: 01-04-2015 to 31-03-2016.**
- **Name of Chief Municipal Officer for the period under audit: Shri Prahlad Lal.**

2. Results and Findings:

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

  a) Subsidiary Cash book of each scheme has been maintained properly.

  b) Board meetings of Masaurhi Nagar Parishad are held regularly and problems faced in smooth operation are resolved by passing resolutions.

- **Weaknesses observed in the functioning of office, maintenance of records etc.: -**

  (a) We observed that Bank Reconciliation Statements are not being prepared by the Masaurhi Nagar Parishad.

  (b) Masaurhi Nagar Parishad has adopted Single Entry Accounting System which is not as per Bihar Municipal Accounting Manual.

  (c) TDS, VAT & Royalty for the 4th qtr. for financial year 2015-16 has not been deposited to the concerned department till audit date.

  (d) Labour Cess has not being deposited by the Masaurhi Nagar Parishad to the concerned department.

  (e) Computerized Accounting System has not been implemented by the Masaurhi Nagar Parishad yet.

  (f) Masaurhi Nagar Parishad is not in practice to prepare Monthly Receipt and Payment Account and Trial Balance.

  (g) Masaurhi Nagar Parishad is not in practice to deposit the collection in Bank account on the same day.

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(h) Various registers, books of records etc. are not being prepared by the Masaurhi Nagar Parishad. Such as Demand Register, Collection Register, Statutory Register with regards TDS, VAT, Labour Cess and Royalty, Vehicle and Generator log book, Assessment register of Property Tax, Record & Revision of taxes and rent, Rent register of shop, Survey register/files of hoardings, Monthly Receipt & Payment.

(i) The collection of holding tax is very poor, only 20.732% of total demand has been collected in the financial year 2015-16.

(j) We observed that there are 15 mobile towers installed in Masaurhi Nagar Parishad but proper collection is not made from them.

(k) Assessment of property tax has not been done by the ULB for the financial year 2015-16.

(l) PF & ESIC with respect to contractual employees are not paid to the concerned department.

3. <u>Opinion:</u>

The function of ULB is satisfactory. But still, it has lots of scope of improvement. The ULB is required to improve in the following fields:

a. Preparation of Accounts, Ledger Books, Bank Reconciliation Statement, various Registers and Records as per requirement.

b. It requires improving its Internal Control Procedures with regards to Demand, Collection of Revenue, and Deposit of Collected revenue in the Banks on scheduled time.

c. Due to non-implementation of Double Entry Accounting System and following of Cash basis of Accounting, proper recognition of Income and Expenses are not possible in accounts.

d. Proper documentation regarding vouchers and supporting.

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4. Audit Recommendations:

a. ULB must prepare Bank Reconciliation Statement on monthly basis.

b. ULB should adopt Double Entry Accounting System. Double-entry accounting allows accounting departments to prepare financial statements easily. Double entry accounting system present accurate report of accounts on the income statement, balance sheet, cash flow statement and other financial statements and reports. It provides checks and balances, which prevent fraudulent activity and reduces errors. Double-entry accounting system prevents fraud in a greater way than single-entry accounting because it makes it difficult to manipulate accounts. You can easily detect account manipulation by examining the journal entries and comparing them to previous journal entries for the same or similar transactions.

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

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

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

f. Labour Cess must be deposited to the concerned department on timely basis.

g. ULB should adopt computerized accounting system. It provides automatic ledger entries, accuracy and speed of automatic calculation, automatic production of trial balance from ledger entries, potential to create customized reports and provide additional analysis.

h. ULB should prepare Receipts & Payment Account on monthly basis, due to which it becomes very easy to find out that how much fund has been received by the ULB and whether its utilization has been made properly or not.

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

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

5. Comments from Management:

As per discussion with Executive Officer and Head Clerk, he has ensured that they are looking into the matter and proper action will be taken for all the observations coming out from audit.

6. Acknowledgement:

We have received satisfactory co-operation and support from the officials and staffs of the ULB. We convey our sincere thanks to them for the same.

For Chanakya Ashok & Co.
Chartered Accountants

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

Detailed Audit Report

1. Introduction:

The internal audit of Masaurhi Nagar Parishad covering the period from 01st April 2015 to 31st March 2016 was conducted by following persons under guidance of Shri CA Ashok Kumar Pandey:

i. Shri Krishna Singh

2. Administration:

The present body of the ULB has taken charge on 01st April 2013. The incumbency in the key administration and executive was as under:
Shri Rajnikant Kumar, Chair Person from 01st April 2013 to till date.
Shri Prahlad Lal, Executive Officer from 17th February 2014 to till date.

3. Review of Outstanding Paras:

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 recover has been made	Total amount of recovery	Total No. of outstanding para where no action has been taken	No. & date of compliance report
1			Compliance Report of AG audit for the year 2014-15 & 2015-16 is not provided.					
2	Internal Audit 2014-2015	11	11	0	0	0	11	Compliance Report Not Provided.

Detailed Report on Compliance of Previous Internal Audit Report:-

Audit Observation	Nature of Irregularities	Complied/Non-Complied
We observed that Bank Reconciliation Statements are not being prepared by the Masaurhi Nagar Parishad	Persisting since last year	Not Complied
Masaurhi Nagar Parishad has adopted Single Entry Accounting System which is not as per Bihar Municipal Accounting Manual	Persisting since last year	Not Complied

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Vouchers are not arranged and kept serially and no index number is mentioned.	Persisting since last year	Not Complied
Labor Cess is not being deposited by the Masaurhi Nagar Parishad to the concerned department.	Persisting since last year	Not Complied
Computerized accounting system has not been implemented by the Masaurhi Nagar Parishad yet.	Persisting since last year	Not Complied
Masaurhi Nagar Parishad is not in practice to prepare monthly receipt and payment account and trial balance.	Persisting since last year	Not Complied
Masaurhi Nagar Parishad is not in practice to deposit the collection in Bank account on the same day.	Persisting since last year	Not Complied
Various registers, books of records etc are not being prepared by the Masaurhi Nagar Parishad. Such as, Demand Register, Collection Register, Statutory Register with regards TDS, VAT, and Royalty, Vehicle and Generator log book, Assessment register of property tax, Bid register, Record & Revision of taxes and rent, Rent register of shop, Survey register/files of hoardings, Monthly receipt & payment.	Persisting since last year	Not Complied
The collection of holding tax is very poor, only 27.53% of total demand has been collected in the financial year 2014-15.	Persisting since last year	Not Complied
We observed that there are 15 mobile towers installed in Masaurhi Nagar Parishad but proper collection is not made from them.	Persisting since last year	Not Complied
Assessment of property tax has not been done by the ULB.	Persisting since last year	Not Complied

4. <u>Finance:</u>

I. Budgetary provisions and expenditure for the last three years:

Year	2013-14	2014-15	2015-16
Final/Revised Budget	12,05,83,400.00	16,51,55,500.00	30,44,43,460.00
Actual Expenditure	7,91,40,635.00	11,36,42,085.55	12,07,96,037.80
Savings(+)/Excess(-)	4,14,42,765.00	5,15,13,414.45	18,36,47,422.20

II. Volume of transaction:

Period	Budgeted (2015-16)	Previous year (For one Year) (2014-15)	Corresponding period of previous year (2014-15)	Current period (2015-16)	Cumulative for the current period (2015-16)
Opening balance	7,19,25,856.38	7,19,25,856.38	7,19,25,856.38	6,79,40,805.83	6,79,40,805.83
Receipts	23,57,52,270.42	10,96,57,035.00	10,96,57,035.00	18,11,20,568.26	18,11,20,568.26
Total	30,76,78,126.80	18,15,82,891.38	18,15,82,891.38	24,90,61,374.09	24,90,61,374.09
Net expenditure	30,44,43,460.00	11,36,42,085.55	11,36,42,085.55	12,07,96,037.80	12,07,96,037.80
Closing balance	3,23,46,668.00	6,79,40,805.83	6,79,40,805.83	12,82,65,336.29	12,82,65,336.29

III. Bank reconciliation:

We observed that ULBs has maintained different cash book and pass book for different scheme. Cash book and pass book of some schemes are tallied and some are not tallied. Bank reconciliation statement has not been prepared by the ULB.

Scheme	Bank & A/c Detail	Balance as per pass book	Balance as per cash book	Difference	Remarks
14th Finance	PNB – 2734000100207134	14,31,280.82	73,17,910.00	58,86,629.18	Not Reconcilled
BRGF	Canara Bank – 0352101040428	8,200.00	8,200.00	0.00	
E-Governance	PNB – 2734000100216868	1,67,068.00	1,67,068.00	0.00	
Own Source	MBGB – 73190100021592	91,31,437.00	1,07,95,173.29	16,63,736.29	Not Reconcilled

IV. Revenue Receipts:

Period	Budgeted (2015-16)	Previous year (2014-	Corresponding period of	Current Period (2015-16)	Cumulative for the current period

		15)	previous year (2014-15)		(2015-16)
(a) Own source					
Property Tax	1,17,60,000.00	19,72,525.00	19,72,525.00	32,95,240.00	32,95,240.00
Assigned Revenue	72,91,200.00	14,73,022.00	14,73,022.00	22,57,600.00	22,57,600.00
Others (Fees & user charges)	5,45,29,870.42	1,68,83,899.00	1,68,83,899.00	3,04,46,249.26	3,04,46,249.26

(b) Administrative grant	0.00	0.00	0.00	0.00	0.00
(c) Specific Grant (Scheme wise)	16,21,71,200.00	8,93,27,589.00	8,93,27,589.00	14,51,21,479.00	14,51,21,479.00
i). 13th Finance	60,00,000.00	53,87,398.00	53,87,398.00	1,64,99,992.00	1,64,99,992.00
ii). E-Governance	0.00	1,20,000.00	1,20,000.00	3,30,000.00	3,30,000.00
iii). Ward Parshad Bhatta	0.00	3,85,200.00	3,85,200.00	2,85,715.00	2,85,715.00
iv). Jalapurti Yojna	6,00,00,000.00	4,98,69,400.00	4,98,69,400.00	3,50,80,200.00	3,50,80,200.00
v). Vanijyakar Peshakar	0.00	10,81,783.00	10,81,783.00	13,73,863.00	13,73,863.00
vi). Path & Puliya Nirman	2,50,00,000.00	30,83,550.00	30,83,550.00	0.00	0.00
vii). Nala & Sewage Nirman	2,50,00,000.00	55,82,950.00	55,82,950.00	0.00	0.00
viii). Samrat Ashok Bhawan Nirman	0.00	10,00,000.00	10,00,000.00	57,63,000.00	57,63,000.00
ix). Tablet for Mahila Ward Parshad	0.00	3,90,000.00	3,90,000.00	0.00	0.00
x). Tablet for Chairman & Officers	0.00	2,00,000.00	2,00,000.00	0.00	0.00
xi). 4th Finance	2,20,00,000.00	2,22,27,308.00	2,22,27,308.00	3,18,19,309.00	3,18,19,309.00
xii). Municipal Fund	29,40,000.00	0.00	0.00	3,54,000.00	3,54,000.00
xiii). Rajya Yojna	0.00	0.00	0.00	4,69,73,400.00	4,69,73,400.00
xiv). Kabir Antyosti	8,23,200.00	0.00	0.00	12,42,000.00	12,42,000.00

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xv). Swach Bharat Mission	50,00,000.00	0.00	0.00	54,00,000.00	54,00,000.00
xvi). SJSRY	94,08,000.00	0.00	0.00	0.00	0.00
xvii). BRGF	60,00,000.00	0.00	0.00	0.00	0.00

V. Status of implementation of Double Entry Accounting System:

Masaurhi Nagar Parishad has not implemented the Double Entry Accounting System.

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

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

5. Audit Observations:

I. Part - A

All Audit objections / irregularities which have monetary implications, particularly in following areas are provided here in below:

a. Leakage of own source revenue either due to wrong assessment or non-levy of property tax, mobile tower tax, rent on municipal properties, advertisement tax, fee etc.:

i. We observed that the collection of Property Tax (Holding tax) is very poor and the collected amount is not deposited on timely basis in the respective account of government in the financial year 2015-16.

In Masaurhi Nagar Parishad there are 11305 holdings and demand raised for holding taxes was of Rs. 1,58,94,562.00 including previous arrear of Rs. 71,39,913.00 out of which only Rs. 32,95,240.00 has been collected during the financial year 2015-16 and remaining amount of Rs. 1,25,99,322.00 is due. It means only 20.73% has been received during this financial year.

	Demand	Collection	Balance
Arrear	71,39,913.00	19,77,210.00	51,62,703.00
Current	87,54,649.00	13,18,030.00	74,36,619.00
Total	**1,58,94,562.00**	**32,95,240.00**	**1,25,99,322.00**

The unrecovered amount of Rs. 1,25,99,322.00 is required to be recovered.

ii. **As per rules, if any tower will have to be installed in the municipality, then they should give an application to the concerned ULBs and take the No Objection Certificate (NOC) and pay registration fee of Rs. 40,000/- and renewal charges of Rs. 10,000/- per annum. If it has not taken registration or renewal on time, then they will have to pay 1.5% interest per month as penalty. But in this respect, we have found that there are 15 mobile towers installed in the Jurisdiction of Masaurhi Nagar Parishad but they could not take registration or renewal on timely basis.**

So, in this respect, Rs. 12,20,000.00 is required to be recovered from them as per details provided here in below:

Sl. No.	Tower Name	Address	Year of installation	Amount due
1.	Idea – I	Malkana	2008-09	70,000.00
2.	Idea – II	Satisthan	2008-09	70,000.00
3.	Idea – III	Taregana Gola	2008-09	70,000.00
4.	Idea – IV	Masaurhi Deeh	2008-09	70,000.00
5.	TTSL – I	Taregana	2008-09	70,000.00
6.	TTSL – II	Satisthan	2008-09	70,000.00
7.	Aircel – I	Malkana	2008-09	70,000.00
8.	Aircel – II	Janki Market	2008-09	70,000.00
9.	Aircel – III	Cinema Hall	2008-09	70,000.00
10.	Aircel – IV	Gangachak Malikana	2008-09	70,000.00
11.	Tata Docomo	Taregana Gola		70,000.00
12.	Uninor	Pavedhi Road	2009-10	1,00,000.00
13.	Reliance	Lakhibagh	2008-09	1,10,000.00
14.	BSNL – I	Anumandal Parisar	2008-09	1,20,000.00
15.	BSNL – II	Gandhi Maidan	2008-09	1,20,000.00
Total				**12,20,000.00**

iii. ULB has not provided the information or any details about advertisement tax. So, we are unable to comment on this.

iv. We observed that the collection of Shop Rent Tax is very poor and the collected amount is not deposited on timely basis in the respective account of government in the financial year 2015-16.

In Masaurhi Nagar Parishad there are 12 Shops and Demand for Shop Rent taxes raised of Rs. 2,63,762.00 including previous arrear of Rs. 2,27,262.00. Out of which only Rs. 98,930.00 has been collected during the financial year 2015-16 and remaining amount of Rs. 1,64,832.00 is due. It means only 37.50% has been collected during this financial year.

Si. No.	Shopkeeper Name	Shop Number	Arrear Amount	Current Demand	Collection	Closing	Receipt Number
1.	DinaNath Sah	4	31920.00	3000.00	15688.00	19232.00	3237
2.	Rajendra Ram	5	30000.00	3000.00	15000.00	18000.00	3244
3.	Laljee Sah	6	9000.00	3000.00	9000.00	3000.00	3235 & 3286
4.	Girjaa Prasad	7	9000.00	3000.00	0.00	12000.00	-
5.	Reyazuddin	8	27992.00	3000.00	15992.00	15000.00	3238
6.	Md. Idrish	9	7250.00	3000.00	7500.00	2750.00	3230
7.	Md. Inayat Miya	10	16000.00	3000.00	6000.00	13000.00	3222, 3227, 3234 & 3243
8.	Mehndi Hasan	11	7250.00	3000.00	8750.00	1500.00	3229 & 3270
9.	Tara Babu	12	30000.00	3000.00	12000.00	21000.00	3236
10.	Wenga Miya	13	31600.00	3000.00	0.00	34600.00	-
11.	Sudhir Kumar	14	18000.00	3000.00	6000.00	15000.00	3233
12.	Jawahar Sah	15	9750.00	3000.00	3000.00	9750.00	3231
Grand Total			**227762.00**	**36000.00**	**98930.00**	**164832.00**	

The unrecovered amount of Rs. 1,64,832.00 is required to be recovered.

b. Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs.

During the year 2015-16, Sairat for Rs. 22,37,600.00 has been made but 3% stamp duty has not been collected on amount of Rs. 17,36,600.00. Due amount of 3% stamp duty is Rs. 52,098.00 which is a loss of revenue to the ULB. The amount of Rs. 52,098.00 is required to be recovered from the concerned parties.

c. Report on findings of field survey of property tax of high value properties:

Field survey of property and assessment has not been done by the Masaurhi Nagar Parishad for the year 2015-16. As per details provided by the ULB, survey of property and assessment had been previously conducted in March, 2015. As per survey report, 1343 holdings were newly added and total number of holdings became 11305. But the details regarding new holdings added in the survey report are not ascertainable by the ULB. Also, the high value properties are not ascertained by the ULB under its

jurisdiction. So, we are unable to report on field survey of property tax of high value properties. However, the detail of survey report of 30 holdings are provided here in below:

Sl. No.	Owner Name	Holding Detail	Measurement (in sq. ft.)	Taxable Area (70%)	Rate	Value	Tax (9%)
1	Lalan Singh	Cemented 2 floor	62' x 62' = 3844	2690	10	26,900.00	2,921.00
			47' x 14' = 658	460	10	4,600.00	
			15' x 15' = 225	157	6	945.00	
2	Dinesh Kumar	Cemented 2 floor	30' x 41' x 2 = 2460	1722	10	17,220.00	1,549.00
3	Parasnath Singh	Cemented 2 floor	31' x 35' = 1085	759	10	7,590.00	1,049.00
			29' x 20' = 580	406	10	4,060.00	
4	Saroj Sharma	Cemented 1 floor	53' x 31' = 1643	1150	10	11,500.00	1,126.00
			20' x 12' = 240	168	6	1,008.00	
5	Pinki Kumari	Cemented 1 floor	52' x 47' = 2444	1710	10	17,100.00	1,539.00
6	Keshwar Giri	Cemented 2 floor	33' x 67' = 2211	1548	43	66,564.00	6,390.00
			10' x 33' = 330	231	14	3,234.00	
			18' x 33' = 594	594	3	1,782.00	
7	Sudha Devi	Cemented 2 floor	25' x 113' x 2 = 5650	3955	14	55,370.00	4,983.00
8	Bacchi Devi	Cemented 1 floor	36' x 53' x 3 = 5724	4006	29	116,174.00	10,456.00
9	Bharat Sanchar Nigam Limited	Cemented 1 floor	921' x 103' = 94863	66404	43	2,855,372.00	256,983.00
10	Sintu Sinha	Cemented 3 floor	51' x 13' = 663	464	43	19,952.00	5,800.00
			51' x 11' = 561	392	14	5,488.00	
			24' x 54' = 1296	907	43	39,001.00	
11	Krishna Sharma	Cemented 1 floor	46' x 46' = 2116	1481	19	28,142.00	2,533.00

12	Jitendra Singh	Cemented 3 floor	21' x 57' x 3 = 3591	2514	19	47,766.00	4,299.00
13	Siddhi Devi	Uncemented	80' x 27' = 2160	1512	29	43,848.00	5,262.00
			18' x 27' = 486	340	43	14,620.00	
14	Vinod Singh	Uncemented	30' x 1000' = 3000	2100	29	60,900.00	5,481.00
15	Shyama Devi	Cemented 2 floor	26' x 38' x 3 = 2964	2075	10	20,750.00	1,868.00
16	Baleshwar Prasad	Cemented 2 floor	17' x 10' = 170	2450	5	12,250.00	1,103.00
			37' x 45' x 2 = 3330				
17	Raj Ballabh Singh	Cemented 2 floor	42' x 40' x 2 = 3360	2352	5	11,760.00	1,058.00
18	Ajay Kumar	Cemented 3 floor	33' x 38' x 3 = 3762	2633	5	13,165.00	1,300.00
			19' x 32' = 608	426	3	1,278.00	
19	Bhakuntala Devi	Cemented 2 floor	37' x 31' x 2 = 2294	1605	5	8,025.00	723.00
20	Ramwaran Saw	Cemented 2 floor	44' x 29' x 2 = 2640	1848	5	9,240.00	832.00
21	Sunaina Devi	Cemented 3 floor	41' x 62' = 5084	3558	14	49,812.00	5,084.00
			11' x 62' = 682	477	14	6,678.00	
22	Hazari Lal Gupta	Cemented 2 floor	20' x 41' x 12 = 9840	6888	14	96,432.00	9,081.00
			24' x 19' = 456	319	14	4,466.00	
23	Shidir Hayat	Uncemented	56' x 20' = 1120	784	10	7,840.00	2,132.00
			39' x 20' = 780	546	29	15,834.00	
24	Shambhu Viswakarma	Cemented 2 floor	8' x 12' = 96	67	43	2,881.00	5,990.00
			21' x 76' = 3192	1117	43	48,031.00	
				1117	14	15,638.00	
25	Sumitra Devi	Cemented 4 floor	80' x 78' x 4 = 24960	17472	43	751,297.00	67,617.00
26	Yogendra Prasad	Cemented 2 floor	17' x 15' = 255	178	10	1,780.00	2,520.00
			17' x 58' x 2 = 1972	1380	19	26,220.00	

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27	Praveen Kumar Jaiswal	Cemented 2 floor	48' x 21' x 2 = 2016	1411	10	14,110.00	1,535.00
			21' x 20' = 420	294	10	2,940.00	
28	Sachidanand Sinha	Cemented 2 floor	51' x 30' x 2 = 3060	2142	10	21,420.00	2,130.00
			51' x 21' = 1071	749	3	2,247.00	
29	Kanti Devi	Cemented 2 floor	31' x 41' x 2 = 2542	1774	10	17,740.00	1,601.00
30	Siddhnath Jaiswal	Cemented 2 floor	54' x 33' x 2 = 3564	2494	10	24,940.00	2,296.00
			34' x 8' = 272	190	3	570.00	

II. Part – B

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

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

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

(1). Statutory Registers.

(2). Demand and collection register of all taxes/user charges/fees & fines.

(3). Assessment register of property tax.

(4). Bid register.

(5). Vehicle & Generator log book.

(6). Records and revision of taxes and rent.

(7). Rent register of shop.

(8). Survey registers/files of Hoardings.

(9). Monthly receipt and payment account is not being prepared by the ULB.

b. Irregularity in procurement process: -

i. Payment made to Milshu & Harsh Workshop, Masaurhi Rs. 60,000.00 for trolley purchase. Quotation detail as well as payment file detail of the concerned vendor is not provided during the audit.

ii. Payment made to M/s Yesh Motors Pvt. Ltd., Patna City Rs. 13,49,000.00 for purchase of Tractor. No procurement procedures have been followed. Advertisement, Technical Bid, Quotation details etc are not provided by the ULB.

c. Non-compliance of directives by UD &HD, Government of Bihar:

No such cases observed during the course of our audit.

d. Non- compliance of Act & Rules.

i. The ULB is not preparing the Accounts and Financial Statement as per Section 86 & 88 of the Bihar Municipal Act, 2007. As required under section 88 of the said Act, the ULB is required to prepare within four months from the close of the year, Financial Statement Containing an Income & Expenditure Accounts and a Receipt and Payment Account for the previous year w.r.t. the accounts of the ULB.

ii. The ULB is not preparing Fund Wise Receipts & Payments under BMAR Form No. 71 within 20th day of the subsequent months as per Rule 120 of the Bihar Municipal Accounts Rule 2014.

iii. The ULB is not preparing following Financial Statement of the Preceding years as required under Rule 122 of the Bihar Municipal Accounts Rule, 2014:

a. Receipt & Payment Accounts for the Year (BMAR Form No 71).

b. Income & Expenditure Account for the Year (BMAR Form No 73).

c. Balance Sheet as on 31st March of the Year (BMAR Form No 74).

e. Lack of internal control measures:

i) During the course of our Audit, we have observed various discrepancies in the Cash Book, which are enumerated below:

a. Voucher numbers were not clearly mentioned through which payment was made.

b. Head wise expenditure were not clearly entered and recorded.

c. The cash book balances are not reconciled with the Balances in Bank Pass Book.

ii) Log book of generator is not properly maintained and consequently its analysis is not possible.

f. Non-compliance of TDS, VAT and other relevant statute.

i. Statutory deductions like TDS, VAT and Royalty for the period January, 2016 to March, 2016 i.e. 4th qtr. of 2015-16 has not been deposited to the concerned department. Also, TDS return is not filed for that quarter.

ii. Details of amount of TDS, VAT and Royalty for the 4th qtr. 2015-16 has not been provided by the Masaurhi Nagar Parishad.

iii. Masaurhi Nagar Parishad is not in practice to deposit the Labour Cess to the concerned department. Labour cess of Rs. 4,06,046.00 from April, 2015 to December, 2015 is required to be deposited to the concerned department. Amount detail of 4th qtr. i.e. from January, 2016 to March, 2016 is not provided by the Masaurhi Nagar Parishad.

iv. Payment made to Milshu & Harsh Workshop, Masaurhi Rs. 60,000.00 for trolley purchase. VAT amount is not deducted on the above amount. Also, form C-II is not available for non-deduction of VAT amount.

g. Deficiency in pay-roll system.

The Payroll system at the ULB is not satisfactory. The register, records relating to statutory deduction like PF, ESIC, Income Tax are not maintained. The PF, ESIC with respect to contractual employees are neither deducted nor paid to statutory authority.

h. Utilisation of grant and report on missing Utilisation Certificates.

Utilisation of grant has been prepared by ULB and no case found of missing utilization certificates.

i. Physical verification of inventory/stores.

No physical verification of inventory/stores is being carried out.

j. Advances, their adjustment & recovery.

Advance given to Shyam Nandan Singh on 10/08/2011 of Rs. 5000/- has not been adjusted till the audit date. The same amount of advance is required to be recovered.

h. Any other.

ULB has idle fund remaining in its account during the financial year 2015-16. If these funds be transferred to other account or utilized in another scheme, there would not be any blockage of fund. Following amounts are lying under different schemes from which not even a single transaction happened in the year 2015-16: -

Si. No.	Scheme	Balance (as on 31/03/2015)	Balance (as on 31/03/2016)
1.	NSDP	1,06,129.00	1,06,129.00
2.	SJSRY	57,83,774.00	57,83,774.00
3.	Manikchand Talab	3,29,855.00	3,29,855.00
4.	Sansad Nidhi	40,496.00	40,496.00
5.	Vidhan Parishad Nidhi	12,110.00	12,110.00
6.	Janganna Karya	1,500.00	1,500.00
7.	Computer Karya	36,620.00	36,620.00

III. <u>Part C</u>

General Observations: -

There are lots of scope for improvement with respect to maintenance of Records and Registers. The important and basic records like annual accounts, assets register were not maintained. Effective steps may be taken to improve the maintenance of accounts and increasing of its own sources of revenues.

For Chanakya Ashok & Co.
Chartered Accountants

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

Chanakya Ashok & Co.
Chartered Accountants

Masaurhi Nagar Parishad
Masaurhi(Patna)

DISCUSSION NOTES (2015-16)

Sl. No.	Observation	Management Remarks
1	Field survey of property and assessment has not been done by the Masaurhi Nagar Parishad for the year 2015-16.	
2	In Masaurhi Nagar Parishad, holding taxes raised demand of Rs. 15894562/- Including previous arrear of Rs. 7139913/- out of which only Rs. 3295240/- has been collected during the financial year 2015-16 and remaining amount of Rs. 12599322/- is due. It means only 20.72% has been collected during the financial year 2015-16.	
3	ULB is not in practice to charge interest as penalty on the uncollected amount or arrear amount from the property holders regarding holding tax.	
4	Statutory deductions like TDS, VAT and Royalty for the period January 2016 to March 2016 i.e. 4th qtr. has not been deposited to the concerned tax department. Also, TDS Return and VAT Return is not filed for that period.	
5	Amount of TDS, VAT & Royalty for the 4th Qtr. 2015-16 is not provided by the ULB.	
6	Labour Cess [illegible] the year 2015-16 is not deposited to the concerned department. Amount detail for 4th Qtr. 2015-16 is not provided. However, labour cess due amount from April 2015 to December 2015 is Rs. 406046/-.	
7	ULB has 15 mobile towers under its jurisdiction. Most of the mobile towers have not deposited their registration as well as renewal fee. Amount due from mobile towers for the year 2015-16 is Rs. 1220000/-.	
8	ULB is not in practice to charge 1.5% interest as penalty on the uncollected amount or arrear amount from the mobile towers.	
9	ULB is not in practice to deposit the collected amount of tax in the bank account on the same day. There is discrepancy found between [illegible] date and date of deposit	
10	During the year 2015-16, Sairat for Rs. 2237600/- has been done but 3% stamp duty is not collected on amount of Rs. 1736600/-. Due amount of 3% stamp duty is Rs. 52098/- which is a loss of revenue to the ULB.	
11	ULB is not [illegible] to collect Advertisement Tax. No any details regarding Advertisement tax is provided by the ULB.	
12	ULB is not in practice to maintain Double Entry Accounting System. It is not implemented at the unit.	
13	Municipal accounts committee has not being constituted by the Masaurhi Nagar Parishad.	
14	Inventory and store register has not been maintained by the ULB.	
15	Advance given to Shyam Nandan Singh on 10/08/2011 Rs. 5000/- is not adjusted till audit date. It is required to be recovered.	
16	Bank Reconciliation Statement has not been prepared by the ULB.	
17	Computer [illegible] Accounting System has not been implemented by the ULB.	
18	ULB is not in practice to prepare monthly receipt & payment account and trial balance.	

08/7/16

नगर कार्यपालक पदाधिकारी
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19	ULB has idle fund remaining in its account during the financial year 2014-15. If these funds be transferred to other account or used subsequently, there would not be any blockage of fund. **Schemes under which idle fund present are NSDP (Rs. 106129/-), SISRY (Rs. 5791774/-), MANIKCHAND TALAB (Rs. 729855/-), SANSAD FUND (Rs. 40496/-), VIDHAN PARISHAD FUND (Rs. 12110/-), JANGANNA KARYA (Rs. 1500/-) and COMPUTER KARYA (Rs. 36620/-).**	
20	Tractor purchased on 29/09/2015 from M/s Yesh Motors Pvt. Ltd., Patna City for Rs. 1349000/-. Quotation detail not provided by the ULB.	
21	Payment made to Milshu & Harsh Workshop, Masaurhi Rs. 60000/- for Trolley Purchase. Quotation detail as well as payment file detail to concerned vendor is not provided under audit by the ULB.	
22	Payment made to Milshu & Harsh Workshop, Masaurhi Rs. 60000/- for Trolley Purchase. No VAT is deducted on the payment amount. Also, Form C-II is not collected for non deduction of VAT.	
23.	Budget for the financial year 2015-16 is not provided by the ULB.	Complied.
24	Compliance report of AG audit for the year 2014-15 and 2015-16 not provided by the ULB	
25	PF & ESIC with respect to contractual employees are not paid to the concerned department.	

08/7/16

नगर कार्यपालक पदाधिकारी
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