

SPUR-PMU (Samvardhan)
No. 441
In Coming Date 13/07/16

Internal Audit Report

Of

Purnea Nagar Nigam

For the period from 1st April' 2014 to 31st March' 2015

Internal Audit conducted by

KGRS & Co

From 18th April, 2016 to 26th April, 2016

Report Issued on 20th May, 2016

Executive Summary

1. Introduction :	
Name of the Municipality :	Purnea Nagar Nigam
Period covered under current audit :	1st April 2014 to 31st March 2015
Name of Municipal Commissioner for the period under Audit :	Mr. Suresh Choudhary

2. Results and Findings :	
Strengths observed during the audit engagement :	<ul style="list-style-type: none"> ➤ Cash Book and Bank Book has been updated properly. ➤ Vouchers are chronologically maintained. ➤ Regular staff payments and Muster Roll has been updated periodically. ➤ BRS has been done in regular interval.
Weaknesses observed in the functioning of office, maintenance of records etc. observed during the audit engagement :	<ul style="list-style-type: none"> ➤ For Statutory payments like TDS, Royalty, VAT Cess returns are not available for F.Y. 2014-15. ➤ Advance Register is not maintained.

3. Opinion :	
1. The record-keeping at the Nagar Nigam needs improvement	
2. Efforts should be made for increasing revenue under various heads like, property tax, trade license, advertisement/hoarding tax, mobile tower tax	



4. Audit Recommendations :

With respect to Property tax and other revenue items :

- Special campaign is required to be organized to realize the dues of Trade Licence fees
- Taxes and registration fees on Mobile Towers should be collected

With respect to record keeping :

- Fixed Assets Register is required to be maintained. Periodic verification of Fixed Assets should be done by the management
- Double Entry Accounting System is required to be implemented at the earliest. Entries in accounting software tally for the year 14-15 and 15-16 has been made. However, the opening Balance Sheet is yet to be drawn up
- Advance Register is required to be maintained. The advance should properly be adjusted
- Register for Security Deposit deducted from the vendors is required to be maintained
- Provident Fund register is required to be maintained properly
- TDS returns are required to be filed regularly
- VAT, CST and Royalty records, challans and returns are required to be filed properly





6. Acknowledgement :

The management of the municipality has assured for corrective actions in this regard.

5. Comments from Management :

The points have been discussed with Mishra Ji, Accountant and Mr. Mukesh Kumar, Financial Co-ordinator of the cluster.
Management comments have been included in the relevant section of the report.

Detailed Audit Report

1. Introduction :

The Internal audit of Purnea Nagar Nigam (Name of ULB) covering the period from 1st April, 2014 to 31st March, 2015 was conducted by following persons under guidance of CA Kanchan Duta :

- i. CA Aranu Taradhar
- ii. Shri Shubajit Mukherjee

2. Administration :

The present body of the ULB has taken charge on May' 2011. The incumbency in the key administrative and executive positions was as under:

Sri Kaniz Raza, Mayor from May' 2011.

Sri Suresh Choudhary, Municipal Commissioner from February' 2014.

3. Review of outstanding audit paras:

Status of Audit Observations is as under:

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 Audit Report for FY 2013-14 has been provided to us after the field visit. The points will be followed up at the time of next field visit.							

4. Finance

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

Year	Amount (₹)			Savings(+)/Excess(-)
	2014-15	2013-14	2012-13	
Final/Revised Budgeted Expenditure	119,68,31,741	32,52,99,065	74,71,17,149	
Actual Expenditure	40,11,86,344	18,53,32,745	7,96,97,052	
	79,56,45,397	13,99,66,320	66,74,20,097	



II. Volume of transactions :

Period	Budgeted	Actual	Actual	Current Period	Cumulative for the current period	Amount (₹)	
						Amount (₹)	Amount (₹)
Apr'14-Mar'15	117,19,87,102	61,05,84,786	49,44,61,527	N.A.	N.A.	Opening balance	N.A.
						Receipts	N.A.
						Total	N.A.
						Net expenditure	N.A.
						Closing balance	N.A.

III. Bank reconciliation :

Name of Bank & Branch	For which Fund maintained	Account No.	Balance as per Bank Statement on 31.03.2015	Balance as per cash book on 31.03.2015	Remarks
Treasury	PIA Account	PIA-116	31,24,53,997.61	31,74,68,697.61	
PNB, Purnea	I H S D P Housing	2931000100156213	3,37,50,147.15	2,28,49,747.15	
Central Bank of India, Purnea	NULM	3317277496	1,07,12,623.00	1,07,12,189.00	
SBI, Purnea	Social Economic & Caste Census-2011	32558867120	5,141.00	5,296.00	
SBI, Purnea	SBI Current Account	10954138032	29,04,880.00	19,31,421.00	
Bank of Baroda, Lime Bazar	BRGF	29440100010404	47,83,469.00	47,83,469.00	
Bank of Baroda, Gulab Bag	BRGF	00130100017843	1,48,66,939.00	1,48,66,939.00	
PNB, Purnea	I H S D P Infrastructure	2931000100151528	5,21,19,807.15	5,21,19,807.15	
Canara Bank, Purnea	I H S D P Housing (Canara Bank)	4959101001949	9,24,00,000.00	9,24,00,000.00	
PNB, Purnea	State Plan	2931000100148551	1,09,30,091.30	1,09,30,091.30	
SBI, Purnea	Samajik Suraksha Pension	32856418631	11,83,800.00	11,83,800.00	
PNB, Purnea	4 th State Finance	2931000100148542	1,81,93,952.30	1,81,93,952.30	
Bank of Baroda, Lime Bazar	13 th Finance (BOB)	29440100007797	83,20,337.00	83,20,337.00	
PNB, Purnea	13 th Finance (PNB)	2931000100148560	3,66,72,383.00	3,66,72,383.00	
Bank of Baroda, Lime Bazar	Pension Account	29440100009054	83,15,738.00	83,15,738.00	
SBI, Purnea	E-Governance	33916934539	9,50,000.00	9,50,000.00	
PNB, Purnea	Slum Infrastructure Development	7883000100008360	3,18,88,787.00	3,18,88,787.00	
Canara Bank, Purnea	Bus Stand	4959101001765	2,50,42,964.00	2,50,42,964.00	
UCCO Bank, Z.P. Purnea	Pension Account	18860100001289	89,86,389.00	89,86,389.00	
PNB, Purnea	Holding Tax	2931000100150176	4,733.00	4,733.00	
UCCO Bank, Z.P. Purnea	Municipal Corporation Municipal Commissioner, Purnea	18860200001054	25,718.00	25,718.00	
Balance tallied.					
Reconciled and balance tallied.					



IV. Revenue Receipts :

Period	Budgeted	Actual	Actual	Actual	Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)
Period	Apr'14-Mar'15	Apr'14-Mar'15	Apr'13-Mar'14	Current Period	Current Period	Cumulative for the current period		
(a) Own source	12,37,40,296	2,05,53,209	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Property Tax	8,12,50,000	8,44,72,355	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Assigned Revenue	1,38,84,859	1,30,25,251	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Others (Fee & User Charges)	62,83,19,556	35,57,57,308	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
(b) Administrative grant								
(c) Specific Grant (Scheme wise)								
i) Central Government Scheme:								
1. 11 th Finance	9,947	0						
2. 12 th Finance	5,26,411	0						
3. 13 th Finance	4,93,29,866	2,62,87,940						
4. BRGF	4,23,93,457	1,47,90,928						
ii) State Government Schemes:								
1. 4 th Finance	8,63,14,134	5,12,52,594						
2. State Plane	16,54,90,560	2,11,27,955						

V. Status of implementation of Double Entry Accounting System : Double Entry Accounting System is required to be implemented at the earliest. Entries in accounting software, tally, for the year 14-15 and 15-16 has been made. However, the opening Balance Sheet is yet to be drawn up.

Management Comment : DEAS team has been appointed and the implementation of DEAS is in progress.

VI. Status of Municipal Accounts Committee : That committee is yet to be formed and no meeting has been held during the year under audit.

Management Comment : Committee will now be formed by the new Board.



3. Audit Observations :

I. Part-A

- a) Irregularities and deficiency in Revenue Section :

Property Tax :

- i) Assessment Register, Demand collection Registers are not updated. Entries has been passed upto March 2014. Computerized database is being prepared following the survey report based on GIS system which is yet to be completed.

Management Comment : Demand collection Register is being maintained from FY 2016-17.

- ii) Property Tax records maintained by the Tax Collectors are not available. The collection of Arrear dues depends upon voluntary payment of tax dues by the assesses.

Management Comment : These records are being maintained from FY 2016-17.

Others :

- iii) An amount of Rs. 5,42,173/- has been collected as advertisement tax (source Budget 2016-17 Code 110 - 11) during the FY 2014-15. Periodic check is required to be made to identify the hoardings for further collection of tax.

- iv) An amount of Rs. 12,42,882/- has been collected for FY 2014-15 on account of trade license fees (source Budget 2016-17 Code 140 - 11). Initiative should be taken for assessment and increasing the collection of trade licence fees.

Management Comment : The collection from Trade License has been regularized from FY 2016-17.

- v) Actual receipt from tower tax is Rs. 3,60,000/- (Code 110 - 18) for FY 2014-15 as shown in the budget document of 2016-17. The collections should be increased as per scheduled rate.

Management Comment : The collection from Tower Tax has been regularized from FY 2016-17.



II. Part-B

a. Non-maintenance of Books of Accounts :

i) Cash Book has not been maintained as per B/MAR Form I.

ii) Advance Register has not been maintained.

iii) No record/ list is available for Security Deposit deducted from the vendors.

b. Fixed Assets Register :

i) No Fixed Assets Register has been maintained by the Nigam.

ii) No physical verification report of Fixed Assets has been provided to us for our verification.

iii) Due to non-maintenance of fixed assets register, we are unable to provide our comments on their acquisition, ownership, quality, location, condition, maintenance, utility or disposal.

c. Statutory Collection & Payments :

i) Provident Fund register not maintained properly.

ii) TDS returns has not been filed regularly. Due to such irregularities, penalty and interest is payable to Income Tax Authority.

TDS return	Due Date	Filing Date
2 nd quarter	15 th of October, 2014	5 th February, 2015
4 th quarter	15 th of May, 2015	13 th July, 2015

d. Irregularity in Procurement process :

i) Tender Files and register is maintained in the custody of Head Clerk. Such files and documents have not been produced before us for verification. So, we are unable to provide our comment on the procurement process of the Nigam.

e. Physical verification of Inventories/Stores :

i) No Inventory/ Store Register has been maintained by the Nigam.

ii) No physical verification report of Inventory/ Store has been provided to us for our verification.

iii) Due to non maintenance of Inventory/Store register, we are unable to provide our comments on their acquisition, ownership, quality, location, condition, maintenance, utility and disposal.

f. Advances, their adjustment & recovery :

Advance Register is not maintained. Details of opening unadjusted balance of Rs. 3,25,000/- (Code 460) are not available for verification. No adjustments have been done by Nigam.

g. Other Matters :

There is no Cash Vault in the Cash Department for safety measure.

Management Comments :

i) Cash Book will be changed as required.

ii) The records of Fixed Assets are maintained but proper Fixed Asset Register is yet to be prepared.

iii) Physical verification will be conducted after Fixed Asset Register is ready.

iv) The amount of TDS has been deposited but the TDS returns are yet to be regularized.

v) Tender files, documents and register will be provided on next visit by the auditors.

vi) From FY2013-14, no advance was given to staffs. The details for adjustment of opening balance of advance will be provided.

vii) The utilization certificates will be provided on next visit by the auditors.



III. Part-C

General Observations: Auditor should report the deficiencies noticed during their audit and recommend ULB Management to improve internal system: ---

Weak Internal Control in the Administration and collection of Municipal Taxes.

Recommendation :

- Taxes and registration fees on Mobile Towers should be collected as the order of Patna High Court does not debar the municipalities to collect tax.

- Special campaign is required to be conducted to realise the dues of Trade Licence fees.



Internal Audit

For the Year 2014-15

Purnea Nagar Nigam

Sl No	Points	Management Reply
1	For Statutory payments like TDS, Royalty, VAT Cess all challans and returns are not available for F.Y 2014-15	All are there. But returns are yet to be regularized.
2	Double Entry system has not been implemented. However entries are passed for current year in accounting software. Opening Balance sheet has not been prepared	OK.
3	Municipal Accounts Committee is yet to be formed and no meeting has been held during the year under audit.	Committee now pre formed. As new Board formed so now they formed it.
4	Assessment Register, Demand collection Registers are not updated. Entries has been passed upto March 2014. Computerized database is being prepared following the survey report based on GIS system which is yet to be completed	Demand collection Registers started from 16/17 financial year.

Sl No	Points	Management Reply
5	Property Tax records maintained by the Tax Collectors are not available. The collection of Arrear dues depends upon voluntary payment of tax dues by the assessee.	From financial year 16-17 that has been maintained.
6	An amount of Rs. 5,42,173/- has been collected as advertisement tax (source Budget 2016-17 Code 110 - 11) during the FY 2014-15. Periodic check is required to be made to identify the hoardings or other advertisements for further collection of tax.	collection come from Hoardings only.
7	An amount of Rs. 12,42,882/- has been collected for FY 2014-15 on account of trade license fees (source Budget 2016-17 Code 140 - 11). Initiative should be taken for assessment and increasing the collection of trade licence fees.	From 16-17 the collection of Trade License has regularised.
8	Actual receipt from tower tax is Rs. 3,60,000/- (Code 110 - 18) for FY 2014-15 as shown in the budget document of 2016-17. The collections should be increased as per scheduled rate.	From 16-17 the collection has regularised.

Sl No	Points	Management Reply
9	Advance Register is not maintained. Details of opening unadjusted balance of Rs. 3,25,000/- (Code 460) are not available for verification. No adjustments have been done by Nigam	New from 13-14 onwards much advance given. This amount just given for petty advance. In advance it is given track.
10	Cash Book has not been maintained as per BMAR Form-1.	In process.
11	All the utilisations certificates of the grants received during FY 2014-15, have not been provided to us for verification	In next visit of Audit for 15-16 such Utilisation certificate has provided.
12	No Fixed Assets Register has been maintained by the Nigam	Fixed Assets Register has there but proper format of such yet to be prepared.

Sl No	Points	Management Reply
13	No physical verification report of Fixed Assets has been provided to us for our verification.	It has there, proper form of such register has yet to be prepared.
14	TDS returns has not been filed regularly. Due to such irregularities, penalty and interest is payable to Income Tax Authority.	TDS amount has deposited in time and and returns of such TDS has to be regularized from financial year 2016-17
15	Challans have not been provided for Sales Tax and Cess deducted. We are unable to comment whether these have been deposited to Sales tax Department	Challans are there. Now they given that.
16	Royalty related records such as Register and challan files are not properly maintained	They show that all challans are shown to us.

Sl No	Points	Management Reply
17	Tender files and register is maintained in the custody of Head Clerk. Such files and documents have not been produced before us for verification. So, we are unable to provide our comment on the procurement process of the Nigam	# has maintained. Register has not provide during the Audit. In next visit register has provided.
18	There is no Cash Vault in the Cash Department for safety measure	Cash vault has maintained in the country.

Accountant
P. Raju

18th July, 2016

To,
The Joint Secretary,
Urban Development and Housing Department,
Government of Bihar,
Room No.101, 1st Floor, Vikash Bhawan,
New Secretariat, Patna,
Bihar - 800 015.

Dear Sir,

Sub : Internal Audit Report for FY 2014-15 for the assignment "Selection of Chartered Accountants Firms for Internal Audit of 140 ULBs of Bihar: Spur-3
Tender No.: SPUR-PMU/194/IA-140ULBs/2014-15/146
Letter Ref : SPUR-PMU/194/IA-140ULBs & SIMA/S-3/KGRS/2016/135/33 dated 05th April, 2016

We refer to your mail dated 15th July, 2016, and are pleased to attach the revised Table IV : Revenue Receipts for Purnea Nagar Nigam and Saharsa Nagar Parishad for the Financial Year 2014-15 including the revenue figures of year 13-14 in Annexure 1.

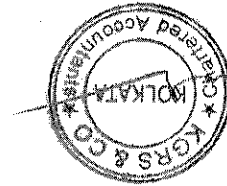
We would also like to inform you that the signature of Mr. Suresh Choudhury, Municipal Commissioner of Purnea Nagar Nigam is affixed in the last page of the discussion sheet for Purnea Nagar Nigam. A copy of the discussion sheet is attached for your ready reference.

Please acknowledge receipt.

Yours faithfully,

For KGRS & CO

Chartered Accountants



K. Dutta
Partner

- Copy to :
1. Team Leader, UTAST, SPUR
 2. The Municipal Commissioner, Purnea Nagar Nigam
 3. The Executive Officer, Saharsa Nagar Parishad
 4. Municipal Finance Coordinator, Purnea Cluster

Purnea Nagar Nigam

IV. Revenue Receipts :

Period	Budgeted	Actual	Actual	Cumulative for the current period
	Apr'14-Mar'15	Apr'14-Mar'15	Apr'13-Mar'14	
(a) Own source	Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)
Property Tax	12,37,40,296	2,05,53,209	1,53,04,581	N.A.
Assigned Revenue	8,12,50,000	8,44,72,355	1,08,43,446	N.A.
Others (Fee & User Charges)	1,38,84,859	1,30,25,251	33,38,578	N.A.
(b) Administrative grant	62,83,19,556	35,57,57,308	0	N.A.
(c) Specific Grant (Scheme wise)			0	N.A.
i) Central Government Schemes:				
1. 1 st Finance	9,947	0		
2. 12 th Finance	5,26,411	0		
3. 13 th Finance	4,93,29,866	2,62,87,940		
4. BRGF	4,23,93,457	1,47,90,928		
ii) State Government Schemes:				
1. 4 th Finance	8,63,14,134	5,12,52,594		
2. State-Plane	16,54,90,560	2,11,27,955		



IV. Revenue Receipts :

Period	Budgeted	Actual	Actual	Current Period	Cumulative for the current period
	Apr'14-Mar'15	Apr'14-Mar'15	Apr'13-Mar'14	Amount (₹)	Amount (₹)
(a) Own source	Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)
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Assigned Revenue	8,12,50,000	8,44,72,555	1,08,43,446	N.A.	N.A.
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