

Principal Secretary,

Urban Development & Housing Department, Govt of Bihar

Vikas Bhawan, New Secretariat, Patna

Annual Internal Audit
Report Submitted as per
Contract Agreement No 140
dated 05th April 2016.

As submitted by
K R A & Co.
(Chartered Accountant)
Naya Tola, Patna, Bihar
Contact No: 9971179375, 9708747261

APPENDIX – V

Annual Internal Audit Report
ULB

Of Khagaul Nagar Parishad

For the period from 01/04/2016 to 30/03/2017

Internal Audit Conducted By

KRA & Co.

(Chartered Accountants)

Naya Tola, Patna, Bihar



K R A & Co. (Chartered Accountants)

Naya Tola, Patna, Bihar-800004

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Executive Summary

1. Introduction

- Name of the Municipality – KHAGAUAL NAGAR PARISHAD
- Period covered under current audit – 1st April 2016 to 31st March 2017
- Name of Chief Municipal Officer for the period under Audit – Mr. Prabhat Ranjan

2. Results and Findings

A. Strengths observed during the audit engagement:

- Manual Accounting system is in existence though not much effective.
- Responses from Executive officers, Head Clerks were satisfactory.
- Office Infrastructure is sufficient for operation.

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

- Unable to collect Holding Tax of **Rs. 1.52** Crore approx. as on 31st March 17.
- Unable to collect mobile transmission tax of **Rs. 8,78,770/-**
- Unable to collect Market/Shop rent of **Rs. 46,884/-** as on 31st March 17.
- Security Deposit @ 5% of **Rs. 49,33,595/-** not deducted on payment to vendor in sample cases
- Final Payments have been made without M and N form/affidavit from Contractor.
- Non-compliance of Income Tax Act & Rules related to TDS deduction, deposit & return filing.
- Interest & penalty may be imposed for non-compliance of Income Tax Act & Rules related to TDS deduction, deposit & return filing.
- Fixed assets register not maintained/updated properly & deviation in sample physical verification of Fixed Assets found.
- Advance register not maintained at ULB.
- Stores Register not maintained properly.
- Delay in deposit & non deposition of collected Holding/property tax by the Tax collector.
- Tendering process at ULB Level seems to be weak
- Non Maintenance of prescribed books of accounts including Annual account as per BMA 2007 & BMAR 2014.

3. Opinion

In our overall opinion - ULB is not much efficient due to non-implementation of proper accounting system and financial management of records and not following Bihar Municipal Accounting Rules 2014 properly.



[Annual Internal Audit Report - Khagauval Nagar Parishad for Financial Year 2016-17]

4. Audit Recommendations

The Concerned Authority at ULB should raised request for proper manpower requirements at ULB. Proper & relevant Training Programs for existing manpower must be developed, depending upon their Key Responsibilities Area. Further they must be given training on Bihar Municipal Act & Rules so that proper adherence to the Act & Rules could be done at ULB.

The Concerned Officers should explore other areas of Revenue Generation by surveying their area for Tower tax, Trade tax, Advertisement Tax, Hoarding Fees, Other Fees Taxes & Record Keeping should be done properly. Several Books and registers which are not maintained or maintained in improper manner should be done properly. Team at ULB should have adequate coordination between them for making their internal control system perfect.

5. Comments from Management

As per local management, due to shortage of competent staff and absence of centralised financial control over reporting, they have not been able to resolve the pending issues. In line with the action plan, requisition of placement of proper staff shall be made in future for better financial management.

6. Acknowledgement

We acknowledge that we have received cooperation at the respective ULB and corporation and acceptance of findings and management will follow the recommendations





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Detailed Audit Report

1. Introduction

As per the agreement no. 4 of contract we have already submitted the quarterly internal audit report of Khagaul Nagar Parishad for the financial year 2016-17 which was conducted by our Audit Team under guidance of CA. Manvinder Kaur, Partner, K R A & Co. (Chartered Accountants). Now we are submitting the Annual Internal audit of Khagaul Nagar Parishad covering the period from 01/04/2016 to 31/03/2017.

2. Administration

The present body of the ULB has taken charge on 09.06.2012. The incumbency in the key Administrative and executive positions were as under:

Executive Officer: - Mr. Prabhat Ranjan
Chairman: - Mrs. Rinki Kumari
Vice-Chairman: - Mr. Akhilesh kumar pintu.
City Manager: - Mr. Vishnu Prabhakar Lal

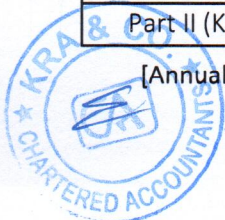
3. Review of outstanding audit paras:

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 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	AG Audit for FY 12-13 13-14 & 14-15 done in May & June 2015	38	38	7	NIL	NIL	38	NA

Particulars of outstanding paras of AG audit are given below:

S. No. of Paras	Particulars
11 (i)	Expenses more than budget
11 (ii)	Budget not sent to State Gov.
11 (iii)	Accounting Rules not followed in Budget Preparation
13	BRS not prepared
Part II (K)1	Labour Cess not collected in Building construction Scheme

[Annual Internal Audit Report - Khagaul Nagar Parishad for Financial Year 2016-17]

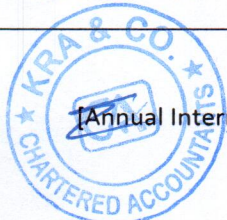


Part II (K)2	Wastage of money in purchase of vehicle
Part II (K)3	Development fees not collected in passing maps
Part II (K)4	FA not taken back from Ramki Invero
Part II (K)5	Extra payment to Ramki for cleaning job
Part II (KH)6	Non collection of mobile tower tax
Part II (KH)7	Irregular Salary payments
Part II (KH)8	Irregular payment in SJSRY
Part II (KH)9	Shop rent uncollected/pending
Part II (KH)10	Pending holding tax
Part II (KH)11	Collected tax not deposited
Part II (KH)12	Collected Misc receipt not deposited
Part II (KH)13	Money not deposited by Cashier
Part II (KH)14	SJSRY training payment made without TDS
Part II (KH)15	Collected Holding tax not deposited
Part II (KH)16	Collected Building tax not deposited
Part II (KH)17	Pension amount retained for long time at ULB
Part II (KH)18	Other head budget used in community hall construction
Part II (KH)19	Hand Trolleys unused
Part II (KH)20	Stamp fee not collected
Part II (KH)21	Unauthorized Payments
Part III (TAN)1	Map passed without following by-laws
Part III (TAN)1	No supervision of under construction building
Part III (TAN)2	Completion & ownership certificate not issued
Part III (TAN)3	Unauthorized Map passed due to Vastu
Part III (TAN)2	Important registers not maintained
Part III (TAN)3	Backward area grant related issue
Part III (TAN)4	Municipal council schemes not sent to District
Part III (TAN)5	Municipal council solid waste management Rules not complied
Part III (TAN)6	Tractor used without registration
Part III (TAN)7	Voucher not properly maintained
Part III (TAN)8	Grant register not maintained
Part III (TAN)9	Payment made on Estimate/rough
Part III (TAN)10	SJSRY training payment made from other budget

4. Finance

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

Year	2016 -17	2015-16	2014-15
Final/Revised Budget	25,56,55,189/-	11,35,84,305/-	20,11,68,000/-
Actual Expenditure	11,43,60,210/-	7,58,52,923/-	9,27,35,318/-
Savings(+)/Excess(-)	14,12,94,979/-	3,77,31,382/-	10,84,32,682/-



[Annual Internal Audit Report - Khagaul Nagar Parishad for Financial Year 2016-17]

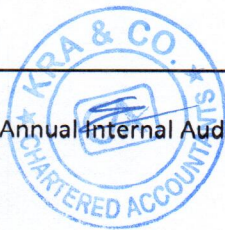
II. Volume of transactions

Period	Budgeted (FY 2016-17)	Corresponding Period of Previous Year (FY 2015-16)	Current Period (FY 2016-17)
Opening balance	14,98,50,297/-	11,21,18,914/-	14,98,50,297/-
Receipts	25,56,55,189/-	11,35,84,305/-	7,10,16,699/-
Total	40,55,05,486/-	22,57,03,219/-	22,08,66,996/-
Expenditure	38,93,07,900/-	7,58,52,923/-	11,43,60,210 /-
Closing balance	1,61,97,586/-	14,98,50,297/-	10,65,06,786/-

III. Bank reconciliation

- Bank reconciliation has been done regularly up to 31.03.2017 and found in order.
- Closing Balance as per bank account

BANK ACCOUNT	BALANCE AS ON 31.03.2017
1. Treasury A/c-PLA123	16,72,75,049.86
2. PNB-A/c No.1440	6,36,856.99
3. PNB A/c No.104	6,62,202.99
4. PNB-A/c No.9318	4,83,226.00
5. PNB A/c No.0089	90,959.79
6. PNB-A/c No.0098	77,70,437.03
7. CANERA BANK-283	80,239.00
8. CANERA BANK-5277	9,56,675.00
9. SBI-7201	2,07,103.00
10. SBI-784	9,44,127.00
11. SBI-550	13,60,430.00
12. BOI-682	7,82,097.00
13. BOI-0341	82,721.00
14. BOI-1602	3,77,501.00
15. BOI-263	18,260.00
16. BOI-3379	50,084.00
17. PNB-3625	34,95,600.00
18. UBI-2247	1,62,403.00
19. UBI-3528	1,12,043.00
20. UBI-3672	30,57,193.00
21. UBI-3623	27,18,435.00
22. UBI-3545	14,91,867.50
23. KM-2399	67,41,137.00
TOTAL	19,95,56,648.16/-



IV Revenue Receipts

Period	Budgeted (FY 2016-17)	Corresponding Period of Previous Year (FY 2015-16)	Current Period (FY 2016-17)
a) Own source			
Property Tax/Tax Revenue	75,50,000	90,06,123	57,50,077
Assigned Revenue	0	14,66,698	3,94,70,566
Others (Fee & User Charges)	44,27,500	4,49,350	28,20,450
(b) Administrative grant	1,75,00,000	2,40,000	8,58,316
(c) Specific Grant Total:	2,93,70,000	1,36,68,474	17,20,785
(Scheme wise)			
Social Security/Pension Grant	3,00,000	56,47,200	1,91,500
Census Grant	2,00,000	0	0
Ward counselor fund	13,00,000	5,71,430	10,46,285
City Manager salary	4,20,000	0	0
NULM	25,00,000	0	0
Clean City Grant	0	47,70,600	0
Capital grant (kabir Antensti)	6,00,000	7,14,000	4,83,000
Slam Development	35,00,000	0	0
SPECIAL GRANT	2,00,00,000	0	0
E-Governance Grant	5,50,000	3,30,000	0
Other Revenue Grants	0	16,35,244	0

V. Status of implementation of Double Entry Accounting System

For the relevant financial year i.e. double entry accounting system has not been followed.

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

As per management, no such meeting has been held yet.



5. Annual Internal Audit/Compliance Report of Khagaul Nagar Parishad for Financial Year 2016-17

S No	Period	Observations	Management Comments/Compliance	Reference	Status
1	Q1, Q2, Q3 & Q4	<p>Uncollected Holding Tax of Rs. 1,52,28,935/-</p> <ul style="list-style-type: none"> Holding Tax of Rs. 1,52,28,935 /- was pending to be recovered on buildings till 31st march 2017 as per MIS sent to state government. As per officers of ULB, list of big defaulters has been published in newspaper & report has been sent to the State Government. Demand Register & Summary Register in BMAR Form 23 & 24 not maintained. 	It will be followed from Next financial year.	Point No. 5 Part-A (i)	Pending
2	Q1, Q2, Q3 & Q4	<p>Mobile Transmission Tower Tax (Registration & Renewal Fees) of Rs. 8,78,770/-Pending for Collection</p> <ul style="list-style-type: none"> Registration & Renewal Fees of Rs. 8,78,770/- as on date was pending to be collected form Mobile Transmission Towers under concerned ULB. No records kept for number of antennas placed at each tower No late fine imposed for delays in collection of registration & renewal fees 	Necessary instructions are being given to concern person.	Point No. 5 Part-A (ii)	Pending
3	Q1, Q2, Q3 & Q4	<p>Market/shop Rent Pending Collection of Rs. 46,884/- for each quarter</p> <ul style="list-style-type: none"> Market/shop rent of Rs. 46,884/- was pending to be recovered from quarter 1 to quarter 4 	Necessary instructions are being given to concern person.	Point No. 5 Part-A (iii)	Pending
4	Q1, Q2, Q3 & Q4	<p>Delays Penalty not levied for delay in completion of schemes</p> <p>As per the provision of the agreements entered with vendors/contractors for implementation of schemes, if work is not completed as per the timeline given in the contract then a penalty for delay @ 0.5% per day of delay & maximum up to 10% of contract value to be levied on contractors</p>	In future will be followed strictly.	Point No. 5 Part-A (iv)	Pending
5	Q1, Q2, Q3 & Q4	<p>Security Deposit @ 5% of Rs. 49,33,595/- not deducted</p> <p>Amount of Rs. 49,33,595/- not deducted as Security Deposit on payment of bills related to various projects.</p>	Necessary instructions are being given to concern person.	Point No. 5 Part-B (i)	Pending
6	Q1, Q2, Q3 & Q4	<p>Carriage payment made without M and N Form</p> <p>As per rule 40, Sub-rule (10) of the Bihar Minor Mineral Concession Rule, 1972, contractors are liable to submit Form 'M' and Form 'N' in compliance of the Bihar Minor Mineral Concession Rules.</p> <p>During Audit we observed that final payment has been done without affidavit form M and N.</p>	In future will be followed strictly.	Point No. 5 Part-B (ii)	Pending



5. Annual Internal Audit/Compliance Report of Khagaul Nagar Parishad for Financial Year 2016-17

S No	Period	Observations	Management Comments/Compliance	Reference	Status
7	Q1	<p><u>Non Deduction of TDS as per Income Tax Act 1961 & rules prescribed there under:</u></p> <ul style="list-style-type: none"> No TDS deducted on the salary paid during the relevant Assessment year 2017-18 & Financial Year 2016-17 in respect of income chargeable under sub-section (1) of section 4 of Income Tax Act 1961. Commission of Rs. 1,28,678/- paid to Tax collectors but no tds deducted under section 194 (H) on the same. 	In future will be followed strictly.	Point No. 5 Part-B (iii)	Pending
8	Q1, Q2, Q3 & Q4	<p><u>TDS Deposit late, No TDS Return Filled:</u></p> <p>As per Income Tax Act 1961 & Rules, "Tax deduction at source" (TDS) is applicable on the specified transactions and TDS deducted needs to be deposited by 7th day of the next month. Also Quarterly TDS returns need to be filed by 15th day of the following quarter.</p>	In future will be followed strictly.	Point No. 5 Part-B (iv)	Pending
9	Q1	<p><u>Advance Register not maintained at ULB:</u></p> <ul style="list-style-type: none"> Advances were given but no adjustments made against the expenditure for which advances were made. Advance Registers were not maintained at ULB as per prescribed rules & in the prescribed forms. Sample cases of advance of Rs. approx Rs 13, 93,000/- found during review of cash book 	Necessary instructions are being given to concern person.	Point No. 5 Part-B (v)	Pending
10	Q1, Q2, Q3 & Q4	<p><u>Fixed Assets Register not updated/ maintained & Difference found in sample physical verification of Fixed Assets</u></p> <p>As per Chapter 15, Rule 84 of Bihar Municipal Accounting Rules 2014, The Municipality shall maintain the following Registers comprising land, building & all other infrastructure, immovable & movable Properties which belongs to municipality.</p> <ol style="list-style-type: none"> Register of Land (BMAR Form 37) Register of Immovable Properties (BMAR Form 38) Register of Movable Properties (BMAR Form 39) <p>During Audit we observed that fixed asset register as maintained has been found updated till March 2011 only.</p>	Necessary instructions are being given to concern person.	Point No. 5 Part-B (vi)	Pending
11	Q1, Q2, Q3 & Q4	<p><u>Store Register not maintained properly:</u></p> <p>Stores Register is maintained, however stock like printing and stationary, cleaning material, bleaching powder & brooms etc. are not updated in the register.</p>	Necessary instructions are being given to concern person.	Point No. 5 Part-B (vii)	Pending



5. Annual Internal Audit/Compliance Report of Khagaul Nagar Parishad for Financial Year 2016-17

S No	Period	Observations	Management Comments/Compliance	Reference	Status
12	Q1, Q2, Q3 & Q4	Delay in deposit of collected Holding Tax collection- Irregularity: As per rule 27 of Bihar municipal accounting rules 2014, Tax Collected has to be deposited on same day before 4:30 PM to the designated personnel for depositing them to the bank. Delays observed in depositing of collected tax money to the bank.	Necessary instructions are being given to concern person.	Point No. 5 Part-C (i)	Pending
13	Q1, Q2, Q3 & Q4	Tendering Process at ULB: <ul style="list-style-type: none"> Sample checking of records, with respect to the GOI and state government schemes, it has been noticed that in all cases only two quotations were received and tender is granted to one of them. Tender awarded the contractor without TIN number 5% SD Money not deducted from any bill of contractor as per the term 	It will be followed from current financial year.	Point No. 5 Part-C (ii)	Pending
14	Q1, Q2, Q3 & Q4	Other Remarks & observations A. As per Bihar Municipal Act 2007 Section 86 & 88 & BMAR 2014, annual accounts not prepared for F Y 2016-17. B. As per rule no 27, collection register separate for each fund is not maintained. C. As per rule no 120 of BMAR 2014, monthly receipt and payment statements are not prepared D. As per rule no 121 of BMAR 2014, monthly trial balance is not prepared.	Necessary instructions are being given to concern person.	Point No. 5 Part-C (iii)	Pending
15	Q2	Non Deduction of TDS as per Income Tax Act 1961 & rules prescribed there under: <ul style="list-style-type: none"> No TDS deducted on the salary paid during the relevant Assessment year 2017-18 & Financial Year 2016-17 in respect of income chargeable under sub-section (1) of section 4 of Income Tax Act 1961. Commission of Rs. 70,186/- paid to Tax collectors but no tds deducted under section 194 (H) on the same.	In future will be followed strictly.	Point No. 5 Part-B (iii)	Pending



5. Annual Internal Audit/Compliance Report of Khagaul Nagar Parishad for Financial Year 2016-17

S No	Period	Observations	Management Comments/Compliance	Reference	Status
16	Q2	<p>Advance Register not maintained at ULB:</p> <ul style="list-style-type: none"> Advances were given but no adjustments made against the expenditure for which advances were made. Advance Registers were not maintained at ULB as per prescribed rules & in the prescribed forms. Sample cases of advance of Rs. approx Rs 4,50,000/- found during review of cash book 	Necessary instructions are being given to concern person.	Point No. 5 Part-B (v)	Pending
17	Q3	<p>Non Deduction of TDS as per Income Tax Act 1961 & rules prescribed there under:</p> <ul style="list-style-type: none"> No TDS deducted on the salary paid during the relevant Assessment year 2017-18 & Financial Year 2016-17 in respect of income chargeable under sub-section (1) of section 4 of Income Tax Act 1961. Commission of Rs. 41,536/- paid to Tax collectors but no tds deducted under section 194 (H) on the same. 	In future will be followed strictly.	Point No. 5 Part-B (iii)	Pending
18	Q3	<p>Advance Register not maintained at ULB:</p> <ul style="list-style-type: none"> Advances were given but no adjustments made against the expenditure for which advances were made. Advance Registers were not maintained at ULB as per prescribed rules & in the prescribed forms. Sample cases of advance of Rs. approx Rs 6,10,000/- found during review of cash book 	Necessary instructions are being given to concern person.	Point No. 5 Part-B (v)	Pending
19	Q4	<p>Non Deduction of TDS as per Income Tax Act 1961 & rules prescribed there under:</p> <ul style="list-style-type: none"> No TDS deducted on the salary paid during the relevant Assessment year 2017-18 & Financial Year 2016-17 in respect of income chargeable under sub-section (1) of section 4 of Income Tax Act 1961. Commission of Rs. 37,756/- paid to Tax collectors but no tds deducted under section 194 (H) on the same. 	In future will be followed strictly.	Point No. 5 Part-B (iii)	Pending
20	Q4	<p>Advance Register not maintained at ULB:</p> <ul style="list-style-type: none"> Advances were given but no adjustments made against the expenditure for which advances were made. Advance Registers were not maintained at ULB as per prescribed rules & in the prescribed forms. Sample cases of advance of Rs. approx Rs 5,00,000/- found during review of cash book 	Necessary instructions are being given to concern person.	Point No. 5 Part-B (v)	Pending

