

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 Danapur Nagar Parishad

For the period from 01/04/2016 to 31/03/2017

Internal Audit Conducted By

K R A & 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 – DANAPUR NIZAMAT 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. Shashi Bhushan Prasad

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.

- Delay in deposit of collected Holding/property tax by the Tax collector.
- Unable to collect mobile transmission tax of Rs1,24,53,000/- and shop rent Rs 15,438/- as on 31st March 2017.
- Non Maintenance of prescribed books of accounts as per BMAR 2014.
- Irregularity/violation of BMAR'14 in disbarment of daily wage.
- Advance register not maintained at ULB.
- Final Payments have been made without M and N form/affidavit from Contractor.
- Non-compliance of Income Tax Act & Rules related to TDS & non collection documents from employees.
- Fixed assets register not maintained/updated properly & deviation in sample physical verification of Fixed Assets found.
- Fixed Asset purchased & not capitalized rather expensed off.
- Stores Register not maintained properly.

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.

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



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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 maintained properly. Team at ULB should have adequate coordination between them for making their internal control system perfect.

5. Comments from 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 Patna Danapur 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 Patna Danapur 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 23.06.2012. The incumbency in the key Administrative and executive positions were as under:

Executive Officer: - Mr. Shashi Bhushan Prasad
Chairman: - Dr. Anu Kumari.
Vice-Chairman: - Mr. Raj Kishor Singh
City Manager: Mrs. Abhaya Priya

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 14-15 & 15-16 done in April'2016 | 32 | 32 | 7 | NIL | NIL | 32 | NA |

Particulars of outstanding paras of AG audit are given below:

| S. No. of Paras | Particulars |
|-----------------|---|
| LA/SSI/SPS/01 | Misc. receipt not deposited Rs. 0.69 Lakh |



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| | |
|---------------|--|
| LA/SSI/SPS/02 | Annual Account and Financial Statement not prepared |
| LA/SSI/SPS/03 | Pending mobile tower registration, renewal fees |
| LA/SSI/SPS/04 | Non revision of assessment |
| LA/SSI/SPS/05 | Compliance of outstanding paras of previous audit report not submitted |
| LA/SSI/SPS/06 | Internal Audit of ULB not done |
| LA/SSI/SPS/07 | Municipal solid waste management & regulation rules not followed |
| LA/SSI/SPS/08 | completion & ownership certificate not issued |
| LA/SSI/SPS/09 | Contract employee payments |
| LA/SSI/SPS/10 | Non deduction of compensation of late completion of scheme |
| LA/SSI/SPS/11 | Irregular cartage payments |
| LA/SSI/SPS/12 | Short credit |
| LA/SSI/SPS/13 | Unauthorized payment of daily wage |
| LA/SSI/SPS/14 | Non deduction of compensation of late completion of scheme |
| LA/SSI/SPS/15 | Irregular cartage payments |
| LA/SSI/SPS/16 | Collection through H receipt not deposited |
| LA/SSI/SPS/17 | Collection through H receipt not deposited |
| LA/SSI/SPS/18 | Collection through H receipt not deposited |
| LA/SSI/SPS/19 | Municipal licenses not issued |
| LA/SSI/SPS/20 | Movable & immovable assets register not maintained |
| LA/SSI/SPS/21 | Rate of holding tax not revised |
| LA/SSI/SPS/22 | Diversion of funds of 13th Finance Grant |
| LA/SSI/SPS/23 | Irregular cartage payments |
| LA/SSI/SPS/24 | Irregular provision of Labour cess resulting excess payment |
| LA/SSI/SPS/25 | No collection of labour cess in passing maps |
| LA/SSI/SPS/26 | Irregular cartage payments |
| LA/SSI/SPS/27 | No collection of development fees in passing maps |
| LA/SSI/SPS/28 | Municipal council schemes not sent to District Scheme Committee |
| LA/SSI/SPS/29 | Irregular cartage payments |
| LA/SSI/MM/16 | Purchase of Fixed Assets/Equipments without requisition |
| LA/SSI/MM/30 | Non maintenance of demand & collection register |
| LA/SSI/SPS/32 | Shop rent not collected Rs. 2.72 Lakh |



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4. Finance

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

| Year | 2016 -17 | 2015-16 | 2014-15 |
|----------------------|----------------|----------------|----------------|
| Final/Revised Budget | 29,94,58,781/- | 58,96,08,100/- | 28,80,36,575/- |
| Actual Expenditure | 29,92,40,601/- | 36,29,53,898/- | 16,89,19,989/- |
| Savings(+)/Excess(-) | 02,18,180/- | 22,66,54,202/- | 11,91,16,586/- |

II. Volume of transactions

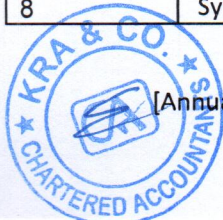
| Period | Budgeted (FY 2016-17) | Previous Year (For FY 2015-16) | Cumulative for the current period (FY 2016-17) |
|-----------------|--------------------------|-----------------------------------|---|
| Opening balance | 63,97,03,940/- | 65,38,11,628/- | 63,97,03,940/- |
| Receipts | 29,94,58,781/- | 34,88,46,210/- | 22,49,25,795/- |
| Total | 93,91,62,721/- | 100,26,57,838/- | 86,46,29,735/- |
| Net expenditure | 39,89,87,467/- | 36,29,53,898/- | 29,92,40,601/- |
| Closing balance | 54,01,75,254/- | 63,97,03,940/- | 56,53,89,134/- |

III. Bank reconciliation

Bank reconciliation has been done regularly up to 30.06.2016 but Syndicate bank A/c No.5538 & Bank A/c 142311(SBM) is not reconciled. **Unexplained Difference of Rs 155476 & 32,62,500 Respectively has been found.**

Closing Balances as per Passbook & Cashbook are as follows: -

| S No. | Bank Name | Amount as per Cash book | Amount as per Passbook | Difference |
|-------|----------------------|----------------------------|---------------------------|------------|
| 1 | Treasury A/c-PLA-130 | 460545964.24 | 460545964.24 | 0 |
| 2 | PNB-A/c No.77873 | 131564.00 | 131564.00 | 0 |
| 3 | PNB A/c No.628 | 9407410.27 | 10399284.27 | 991874 |
| 4 | ICICI-A/c No-0127 | 1681945 | 1681945 | 0 |
| 5 | Syndicate bank-7316 | 7891648.98 | 10348212.98 | 2456564 |
| 6 | Syndicate bank-5538 | 54311.71 | 54311.71 | 0 |
| 7 | Syndicate bank-56429 | 176,486.08 | 176,486.08 | 0 |
| 8 | Syndicate bank-56490 | 84996.87 | 84996.87 | 0 |



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| | | | | |
|----|--------------------------------------|--------------------|--------------------|----------------|
| 9 | CANERA BANK-25241 | 1208100.00 | 1208100.00 | 0 |
| 10 | NDN A/C NO.-479 | 1083683.00 | 1083683.00 | 0 |
| 11 | IDBI-2936 | 0.00 | 0.00 | 0 |
| 12 | IDBI-56489 | 18080684.00 | 18080684.00 | 0 |
| 13 | IDBI-108409 | 131584.00 | 131584.00 | 0 |
| 14 | BOI-093 | 1312900.00 | 1312900.00 | 0 |
| 15 | SJSRY A/c No.9022 | 10335.00 | 10335.00 | 0 |
| 16 | Axis Bank A/c.No.94395(Nagar Nidhi) | 4651116.68 | 4651116.68 | 0 |
| 17 | Oriental Bank A/c:220 (Nagar Nidhi) | 3618353.00 | 3618353.00 | 0 |
| 18 | Bank A/c No.;49131(Pay/Pension) | 262394.00 | 262394.00 | 0 |
| 19 | Bank A/c No.:141048(State Fund) | 2482111.00 | 2482111.00 | 0 |
| 20 | Bank A/c No:5337 (E Governance) | 510735.39 | 510735.39 | 0 |
| 21 | Amrut A/c no. 271 | 1000000.00 | 1000000.00 | 0 |
| 22 | HFA A/c no.987 | 5311000.00 | 5311000.00 | 0 |
| 23 | Bank A/C No: 142311(SBM) | 255471.00 | 255471.00 | 0 |
| | Total | 519892794.2 | 523341232.2 | 3448438 |

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 | 2,26,85,038 | 1,58,42,354 | 1,70,13,778 |
| Assigned Revenue | 0 | 46,11,113 | 0 |
| Others (Fee & User Charges) | 1,98,02,862 | 1,40,33,028 | 12,19,782 |
| | | | |
| (b) Administrative grant | 7,33,056 | 3,54,000 | 7,61,692 |



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| | | | |
|--|--------------------|--------------------|--------------------|
| | | | |
| (c) Specific Grant (Scheme wise) | 2,34,91,106 | 7,68,01,967 | 1,76,18,330 |
| Family Welfare Grant/Social Security Grant | 89,47,174 | 2,16,07,200 | 67,10,380 |
| Census Grant | - | - | - |
| Irrigation Cess & Water Rate Grant | | - | - |
| state fund | - | - | - |
| NULM | 1,09,333 | 82,335 | 82,000 |
| Ward Councilors Grant | 20,19,047 | 5,06,215 | 15,14,286 |
| Slum Development/Toilet | | 2,12,02,987 | |
| SPUR Grant under slam | - | - | - |
| Other Revenue Grant | 47,00,352 | 1,57,02,030 | 35,25,264 |
| Special Grants/Nagrik Subidha | 77,15,200 | 1,73,59,200 | 57,86,400 |
| JNNURM Grant | | - | - |
| Special Grants (Kabir Anteyasthi) | | 3,42,000 | - |
| Maintenance Grant/E-Governance | | - | |

V. Status of implementation of Double Entry Accounting System

For the relevant financial year i.e. 2016-17 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 Danapur Nagar Parishad for Financial Year 2016-17

| S No | Period | Observations | Management Comments/Compliance | Reference | Status |
|------|-----------------|---|---|--------------------------|---------|
| 1 | Q1, Q2 & Q4 | <p><u>Holding Tax collection- Irregularity:</u> As per rule 27 of Bihar municipal accounting rules 2014, Tax / Revenue Collection has to be deposited on same day before 4:30 PM to the designated personnel for depositing them in the bank.</p> <p>Delays (ranging from 6 to 66 days) observed in handing over the collected tax money to the designated personnel / cashier ultimately resulted in delay in deposit of collected tax / revenue to the bank.</p> | It will be followed from Next financial year. | Point No. 5 Part-A (i) | Pending |
| 2 | Q1, Q2, Q3 & Q4 | <p><u>Mobile Transmission Tower Tax (Registration & Renewal) of Rs.1,24,53,000/- Pending Collection</u></p> <ul style="list-style-type: none"> Mobile Transmission Tower Tax (Registration & Renewal fees) of Rs.1,24,53,000/- as on date was pending to be collected form 70 Mobile Transmission Towers under concerned ULB, based on records produced by Process Owner of the ULB. In some cases payments are due to be recovered since 2007-08. No records kept for number of antennas placed at each tower No late fine imposed for delays in collection of renewal fees | Necessary instructions are being given to concern person. | Point No. 5 Part-A (ii) | Pending |
| 3 | Q1, Q2, Q3 & Q4 | <p><u>Market/shop Rent Pending Collection of Rs. 15,438/- for each quarter</u></p> <ul style="list-style-type: none"> Market/shop rent of Rs. 15,438/- 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 | <p><u>(Irregularity in disbursement of samajik suraksha pension)</u> As per rule no 40, No advance shall be made until the previous advance has been settled. Advance payment exceeding Rs 10000 shall be made by municipality through cheque only. We found that advances of Rs. 63,93,000.00 for previous financial year and Rs. 64,33,000.00 for current financial year given to tax collectors for disbursement of samajik suraksha pension not adjusted till date</p> | Necessary instructions are being given to concern person. | Point No. 5 Part-B (i) | Pending |
| 5 | Q1, Q2, Q3 & Q4 | <p><u>Advance Register not maintained at ULB:</u></p> <ul style="list-style-type: none"> No Advance Registers were maintained at ULB as per prescribed rules & in the prescribed forms. | Necessary instructions are being given to concern person. | Point No. 5 Part-B (ii) | Pending |
| 6 | Q1, Q2, Q3 & Q4 | <p><u>Carriage payment made without M and N Form</u> 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 (iii) | Pending |



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

| S No | Period | Observations | Management Comments/Compliance | Reference | Status |
|------|-----------------|--|---|--------------------------|---------|
| 7 | Q1, Q2, Q3 & Q4 | <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. It has been observed that annual salaries of few employees were more than Rs 3 lakh. Even no support for exempted investment/expenses under Chapter VI (Section 80 etc.) were collected from the employee, which is mandatory to be collected by employer i.e. ULB. | In future will be followed strictly. | Point No. 5 Part-B (iv) | Pending |
| 8 | 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 (v) | Pending |
| 9 | Q1, Q2, Q3 & Q4 | <p><u>Fixed Assets costing more than Rs. 5000 were not capitalized & expensed off in the same year:</u></p> <p>It was observed that fixed assets costing more than Rs. 5000 purchased were not capitalized & expensed off.</p> | It will be followed from current financial year. | Point No. 5 Part-B (vi) | Pending |
| 10 | 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 |
| 11 | Q1, Q2, Q3 & Q4 | <p><u>Tender document:</u></p> <p>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 was granted to one of them.</p> | It will be followed from current financial year. | Point No. 5 Part-C (i) | Pending |



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

| S No | Period | Observations | Management Comments/Compliance | Reference | Status |
|------|--|---|---|-------------------------|---------|
| 12 | | 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. | | | |
| | Q1, Q2, Q3 & Q4 | C. As per Rule 69 of BMAR 2014, Grant Register in BMAR Form 28 is not maintained | Necessary instructions are being given to concern person. | Point No. 5 Part-C (ii) | Pending |
| | | D. As per rule no 120 of BMAR 2014, monthly receipt and payment statements are not prepared | | | |
| | E. As per rule no 121 of BMAR 2014, monthly trial balance is not prepared. | | | | |

