

**Support Program for Urban Reforms in Bihar (SPUR)**

**Urban Development & Housing Department, Govt of Bihar**

**Vikas Bhawan, New Secretariat, Patna**

**Annual Internal Audit Report**  
**Submitted as per Contract**  
**Agreement No 140**  
**dated 05<sup>th</sup> 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 Phulwarisharif 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 – PHULWARISHARIF NAGAR PARISHAD
- Period covered under current audit – 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017
- Name of Chief Municipal Officer for the period under Audit – Mr. Lakhindar Paswan

### 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 & non deposition of collected Holding/property tax by the Tax collector.
- Unable to collect mobile transmission tax of **Rs. 87,445.08.00/-**
- Labour Cess of **Rs. 4,03,933/-** & Royalty of **Rs.6,16,906/-** deducted but not deposited till date.
- 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 maintained but not updated properly & deviation in sample physical verification of Fixed Assets found.
- 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.

### 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



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Responsibilities Area (KRA). 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 Patna Phulwarisharif 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 Phulwarisharif Nagar Parishad covering the period 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. Lakhindar Paswan  
Chairman: - Mr Mohammad Aftab Alam  
Vice-Chairman:- Mrs. Asha Devi  
City Manager: - Mr. Anand Kumar

### 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	43	43	14	NIL	NIL	43	NA
2.	Finance Audit for 15-16 done in June & Sept.2016	36	36	4	4	91961	32	17.12.16

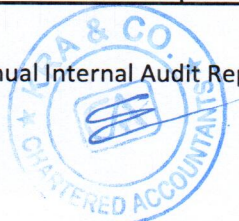


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**Particulars of outstanding paras of AG audit are given below:**

S. No. of Paras	Particulars
13	No Annual Accounts prepared
14(i)	Income & Expense separate books
14(ii)	BRS not prepared
Part II (K)1	Labour cess non compliance
Part II (K)2	Non collection of development fees in passing maps
Part II (K)3	FA not taken back Ramki Invero
Part II (K)4	Extra payment to Ramki for cleaning job
Part II (K)5	Non collection of mobile tower tax
Part II (K)6	Delay penalty not deducted
Part II (K)7	Collected tax not deposited
Part II (K)8	Irregular Salary payments
Part II (K)9	Loss on purchase of fogging machine
Part II (K)9A	Excessive expense on fogging machine
Part II (K)10	fogging machine purchase without requirement
Part II (K)11	Purchase of Diesel without fogging
Part II (K)12	Excess advance payment
Part II (K)13	Municipal money misused for councillors' gift
Part II (K)14	Municipal money used for snacking
Part II (K)15	Purchase of Diesel without Tractor use
Part II (K)16	irregularity in Sodium vapour light installation
Part II (K)17	Tax collection used without approval
Part II (K)18	Irregular SJSRY payments
Part II (K)19	No TDS on SJSRY payments
Part II (K)20	No collection of penalties
Part II (K)21	Irregular double payment in SJSRY
Part III (TAN)1	Laws not followed in passing maps
Part III (TAN)1	No supervision of under construction building
Part III (TAN)2	Completion & ownership certificate not issued
Part III (TAN)2	Irregular cartage payments
Part III (TAN)3	Unauthorized Map passed due to Vastu
Part III (TAN)2	Irregularity in holding tax collection
Part III (TAN)3	Grant register issues
Part III (TAN)4	Cash register issues
Part III (TAN)5	Important registers not maintained
Part III (TAN)6	Voucher not properly maintained
Part III (TAN)7	Government grant & usage

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Part III (TAN)8	Advances
Part III (TAN)9	Misuse of holding tax by R S Sharma
Part III (TAN)10	Pending holding tax list not presented
Part III (TAN)11	Holding tax receipt not presented
Part III (TAN)12	Grant used for other purpose
Part III (TAN)13	Unused money of old schemes
Part III (TAN)14	Payment issue

#### 4. Finance

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

Year	2016 -17	2015-16	2014-15
Final/Revised Budget	39,97,55,346/-	30,20,60,175/-	17,63,86,000/-
Actual Expenditure	20,86,86,025/-	15,83,43,872/-	6,26,60,520/-
Savings(+)/Excess(-)	19,10,69,321/-	14,37,16,303/-	11,37,25,480/-

##### 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	7,45,31,991/-	16,82,40,820/-	22,00,27,157/-
Receipts	40,89,33,323/	21,01,30,209/-	6,31,90,830/-
Total	48,34,65,314/-	37,83,71,029/-	28,32,17,987/-
Net expenditure	39,97,55,346/-	15,83,43,872/-	20,86,86,025/-
Closing balance	8,37,09,999/-	22,00,27,157/-	7,45,31,991/-

##### III. Bank reconciliation

Bank reconciliations have not been prepared up to 30.06.2016, therefore a total of **Rs. 4577835.36/- unexplained differences observed between Cashbook balances & Passbook balances.**

Closing Balances as per Passbooks are as follows: -

S. No.	BANK ACCOUNT	Scheme Name	BALANCE AS ON 31.03.2017
1	Treasury A/c-PLA	Matching Grant ,MLA Fund, IVth Finance & MLC Fund	124729464.09
2	PNB-A/c No.90016	Municipal Fund	795.99
3	PNB A/c No.90007	IV th Finance	45391.99
4	PNB-A/c No.90025	XIIIth & XIVth Finance	1094327.99
5	OBC-12892	Pension Scheme	257112.00



6	OBC-12502	e-Governance	483253.00
7	CANERA BANK-2885	Municipal Fund	88365.00
8	CANERA BANK-4093	BRGF	368220.00
9	SBI-4186	Municipal Fund	755465.00
10	SBI-6655	BRGF	41978.00
11	OBC-1000258	CENSUSE	71444.00
12	Andhra bank 2688	SPUR	4475224.00
13	CANERA BANK-1874	SJSRY	62093.00
14	Allahabad Bank-75057	SJSRY	82819.85
15	Allahabad Bank-112480	SJSRY	1310.00
16	Madhya Bihar Gramin Bank-4657	ILCS	2551905.00
17	CBI-1333	Kabir Antiasthi	382.50
18	Madhya Bihar Gramin Bank-13059	XIIIth Finance	10606.00
19	OBC 21917	TAX	15269.00
20	Andhra bank 88865	Swach abhiyan	3239210.00
21	Kotak 36084	nikai	330096.00
22	ICICI 789	Pension scheme	19478.00
23	OBC 26844	Housing	7843061.00
24	Cash in Hand		710.00
	<b>TOTAL</b>		<b>146570681.32</b>

Closing Balances as per Cashbooks are as follows:-

S. No	Scheme Name	BALANCE AS ON 31.03.2017
1	Housing	8493061.00
2	Nikai Fund	32624356.35
3	Census	15444.00
4	Mukhya mantra sahri gali	29031.00
5	Agni shaman service	709100.00
6	Swachada fund	1152200.00
7	SJSRY	14622.85
8	S S Pension	276590.00
9	Mukhya mantri adarsh protsahan yojna	30000000.00
10	Kabir Antiasthi	3082.50
11	4 th Finance	45391.99
12	XIIIth Finance	45347.24

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13	Slump development fund	4265377.00
14	E-governance fund	153253.00
15	Xlvth Finance	10866334.75
16	5 <sup>th</sup> Finance	59084515.00
17	Swach bharat Mission	3239210.00
	<b>Total:-</b>	<b>151148516.68</b>

#### IV Revenue Receipts

Period	Budgeted (FY 2016-17)	Corresponding Period of Previous Year (FY 2015-16)	Current Period (FY 2016-17)
<b>a) Own source</b>			
Property Tax/Tax Revenue	79,15,000	62,20,284	53,70,116
Assigned Revenue	6,70,00,000	6,12,10,946	18,57,371
Others (Fee & User Charges)	1,07,52,323	19,46,388	14,60,303
<b>(b) Administrative grant</b>			
<b>(c) Specific Grant Total:</b>	<b>9,25,50,000</b>	<b>9,01,95,829</b>	<b>56,15,936</b>
<b>(Scheme wise)</b>			
Social Security/Pension Grant	71,00,000	1,27,26,300	34,35,243
Census Grant	39,00,000		-
state fund			
NULM	4,30,000	4,16,856	-
SPUR Grant under slam	25,00,000	2,70,000	-
JNNURM Grant	-		
Kabir antheyosti	25,00,000	11,76,000	2,43,000
Special Grant	5,00,00,000	26,80,800	-
E-Governance Grant	-	3,30,000	-
Other Revenue Grants	2,61,20,000	7,25,95,873	19,37,693

#### V. Status of implementation of Double Entry Accounting System

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

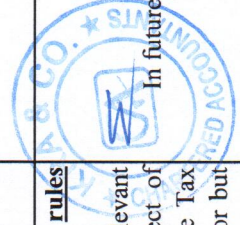
#### VI. Status of Municipal Accounts Committee; if meeting is held

As per management, meeting has been held however double entry accounting system yet to be started.



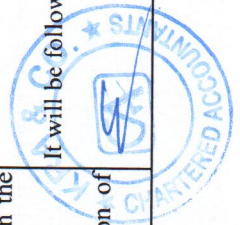
**5. Annual Internal Audit/Compliance Report of Phulwarisharif Nagar Parishad for Financial Year 2016-17**

S No	Period	Observations	Management Comments/Compliance	Reference	Status
1	Q1, Q2, Q3 & Q4	<p><b><u>Holding Tax collection- Irregularity:</u></b> 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> <ul style="list-style-type: none"> <li>Delays (ranging from 6 days to 153 days) observed in depositing of collected tax money to the bank.</li> <li>Control over Tax collection receipt book seems to be weak as lower serial number receipt booklet issued later than higher serial number receipt booklet.</li> </ul>	It will be followed from Next financial year.	Point No. 5 Part-A (i)	Pending
2	Q1, Q2, Q3 & Q4	<p><b><u>Mobile Transmission Tower Tax (Registration &amp; Renewal Fees) of Rs.3,96,201/ Pending Collection</u></b></p> <ul style="list-style-type: none"> <li>Rs. 3,96,201/- is pending to be collected form 16 Mobile Transmission Tower under concerned ULB, in some cases amount are due to be recovered since 2007-08.</li> <li>No records kept for number of antennas placed at each tower</li> <li>No late fine imposed for delays in collection of renewal fees</li> </ul>	Necessary instructions are being given to concern person.	Point No. 5 Part-A (ii)	Pending
3	Q1	<p><b><u>Labour Cess of Rs. 4,11,835 &amp; Royalty of Rs. 5,73,698 deducted but not deposited</u></b></p> <ul style="list-style-type: none"> <li>Amount of Rs. 4,11,835/- deducted as labour cess on various projects during 01.04.2016 to 30.06.2016 but not deposited to concerned authority till date.</li> <li>Further a sum of Rs. 5,73,698/- has been deducted as Royalty but same was also not deposited till date.</li> </ul>	Necessary instructions are being given to concern person.	Point No. 5 Part-B (i)	Pending
4	Q1, Q2, Q3 & Q4	<p><b><u>Carriage payment made without M and N Form.</u></b> 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), Point No. 5 Part-B (ii),	Pending
5	Q1	<p><b><u>Non Deduction of TDS as per Income Tax Act 1961 &amp; rules prescribed there under:</u></b></p> <ul style="list-style-type: none"> <li>No TDS deducted on Commission paid during the relevant Assessment year 2017-18 &amp; Financial Year 2016-17 in respect of income chargeable under sub-section (1) of section 4 of Income Tax Act 1961. Commission of Rs. 82445.08/- paid to a Tax Collector but no TDS deducted under section 194 (H).</li> </ul>	In future will be followed strictly.	Point No. 5 Part-B (iii)	Pending



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

S No	Period	Observations	Management Comments/Compliance	Reference	Status
6	Q1, Q2, Q3 & Q4	<b>TDS Return Filled Late</b> Sample verification of records of Phulwarisharif Nagar Parishad, it is observed that late TDS return filed for various quarters of FY 2016-17:	Necessary instructions are being given to concern person.	Point No. 5 Part-B (iv)	Pending
7	Q1, Q2, Q3 & Q4	<b>VAT Deducted during quarter 1, 2, 3 and 4 for F.Y. 2016-17 but Deposited Late:</b> After verification of records of Phulwarisharif Nagar Parishad, it is observed that VAT deducted on various bills but deposited late by the ULB in FY 2016-17.	Necessary instructions are being given to concern person.	Point No. 5 Part-B (v)	Pending
8	Q1, Q2, Q3 & Q4	<b>Unadjusted Old Advances &amp; Advance Register not maintained at ULB:</b> <ul style="list-style-type: none"> <li>Advances were given but no adjustments made against the expenditure for which advances were made.</li> <li>Advance Registers were not maintained at ULB as per prescribed rules &amp; in the prescribed forms.</li> <li>Old advances adjusted in Financial Year 2016-17.</li> </ul>	Necessary instructions are being given to concern person.	Point No. 5 Part-B (vi)	Pending
9	Q1, Q2, Q3 & Q4	<b>Fixed Assets Register not updated/ maintained &amp; Difference found in sample physical verification of Fixed Assets</b> 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. a) Register of Land (BMAR Form 37) b) Register of Immovable Properties (BMAR Form 38) c) Register of Movable Properties (BMAR Form 39)	Necessary instructions are being given to concern person.	Point No. 5 Part-B (vii)	Pending
10	Q1, Q2, Q3 & Q4	On a sample basis, we have conducted the physical verification of fixed assets and found the deviations in book vs. Physical <b>Store Register not maintained properly:</b> Stores Register is maintained, however stock like printing and stationery, cleaning material, bleaching powder & brooms etc. are not updated in the register.	Necessary instructions are being given to concern person.	Point No. 5 Part-B (viii)	Pending
11	Q1, Q2, Q3 & Q4	<b>Tender document:</b> As per Process, open tenders are to be floated and applicant with the minimum cost is to be selected. During audit we observed that there was lack of implementation of standard tendering process at ULB level	It will be followed from current financial year.	Point No. 5 Part-C (i)	Pending



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

S No	Period	Observations	Management Comments/Compliance	Reference	Status
12	Q1, Q2, Q3 & Q4	<p><b>Other Remarks &amp; observations</b></p> <p>A. As per Bihar Municipal Act 2007 Section 86 &amp; 88 &amp; BMAR 2014, annual accounts not prepared for F Y 2014-15.</p> <p>B. As per rule no 27, collection register separate for each fund is not maintained.</p> <p>C. As per rule no 120, monthly receipt and payment statements are not prepared</p> <p>D. As per rule no 121, monthly trial balance is not prepared.</p>	Necessary instructions are being given to concern person.	Point No. 5 Part-C (ii)	Pending
13	Q2	<p><b>Labour Cess of Rs. 5,56,351 &amp; Royalty of Rs. 11,20,221 deducted but not deposited:</b></p> <ul style="list-style-type: none"> <li>• Amount of Rs. 5,56,351/- deducted as labour cess on various projects during 01.07.2016 to 30.09.2016 but not deposited to concerned authority till date.</li> <li>• Further a sum of Rs. 11,20,221/- has been deducted as Royalty but same was also not deposited till date</li> </ul>	Necessary instructions are being given to concern person.	Point No. 5 Part-B (i)	Pending
14	Q2, Q3 & Q4	<p><b>Non Deduction of TDS as per Income Tax Act 1961 &amp; rules prescribed there under:</b></p> <ul style="list-style-type: none"> <li>• No TDS deducted on Commission paid during the relevant Assessment year 2017-18 &amp; Financial Year 2016-17 in respect of income chargeable under sub-section (1) of section 4 of Income Tax Act 1961. Commission of Rs87,445.08/- paid to a Tax Collector but no TDS deducted under section 194 (H).</li> </ul>	In future will be followed strictly.	Point No. 5 Part-B (iii)	Pending
15	Q3	<p><b>Labour Cess of Rs.1,62,024 &amp; Royalty of Rs. 2,30,201 deducted but not deposited:</b></p> <ul style="list-style-type: none"> <li>• Amount of Rs. 4,11,835/- deducted as labour cess on various projects during 01.04.2016 to 30.06.2016 but not deposited to concerned authority till date.</li> <li>• Further a sum of Rs. 5,73,698/- has been deducted as Royalty but same was also not deposited till date</li> </ul>	Necessary instructions are being given to concern person.	Point No. 5 Part-B (i)	Pending
16	Q4	<p><b>Labour Cess of Rs. 4,03,933 &amp; Royalty of Rs. 6,16,906 deducted but not deposited:</b></p> <ul style="list-style-type: none"> <li>• Amount of Rs. 4,03,933/- deducted as labour cess on various projects during 01.01.2017 to 31.03.2017 but not deposited to concerned authority till date.</li> <li>• Further a sum of Rs. 6,16,906/- has been deducted as Royalty but same was also not deposited till date</li> </ul>	Necessary instructions are being given to concern person.	Point No. 5 Part-B (i)	Pending

