

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: 9971178375, 9708747261

APPENDIX – V

Annual Internal Audit Report

ULB

Of Patna Nagar Nigam

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

Mb: 09708747261, 09971179375, E-mail: krapatna@gmail.com

Executive Summary

1. Introduction

- Name of the Municipality – PATNA NAGAR NIGAM
- Period covered under current audit – 1st April 2016 to 31st March 2017
- Name of Chief Municipal Officer for the period under Audit – Mr. Abhishek Singh

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.

- Non Preparation of Bank Reconciliation Statements
- Delay in deposit & non deposition of collected Revenue/property tax by the Tax collector.
- Significant Amount of Rs. 71,90,000 Mobile Transmission Tower Tax (Registration & Renewal fees) Collection / recovery Pending as on 31st March 17.
- Unable to collect Govt. Building tax of Rs. 16.55 Crore Calculated based on records Produced approx. as on 31st Mar 17.
- Significant amount of uncollected Market/Shop/stall rent Rs. 19,57,804 as on 31st march 17.
- Cash book not maintained properly
- 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.
- Non Deposit / Late Deposit of Royalty, VAT & Labour Cess by the circles & divisions of PMC.
- Fixed assets register not maintained/updated properly. Maintained up to 2006-07.
- Advance register not maintained properly & Long Outstanding advances not adjusted at ULB.
- Stores Register not maintained properly.
- Non Maintenance of prescribed books of accounts including Annual account as per BMA 2007 & BMAR 2014 till the date of audit.



[Annual Internal Audit Report - Patna Nagar Nigam for Financial Year 2016-17]

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 due to lack of skilled staff.

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 effective 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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Mb: 09708747261, 09971179375, E-mail: krapatna@gmail.com

Detailed Audit Report

1. Introduction

As per the agreement no. 4 of contract we have already submitted the quarterly internal audit report of Patna Nagar Nigam 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 Nagar Nigam covering the period from 01/04/2016 to 31/03/2017.

2. Administration

The present body of the ULB has taken charge on 01.07.2012. The incumbency in the key Administrative and executive positions were as under:

Municipal Commissioner: - Mr. Abhishek Singh
Mayor: - Mr. Afzal Imam
Dy. Mayor: - Mrs. Amrawati

Executive Officer

Bankipur Circle: - Mr. Abdul Hamid
New Capital Circle: - Mr. Vishal Anand
Kankarbagh Circle: - Md. Irfan Alam
Patna City Circle – Mr. Ajay Kumar

3. Finance

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

Year	2016 -17	2015-16	2014-15
Final/Revised Budget	3,29,21,64,000	2,303,853,000	4,733,120,807
Actual Expenditure	4,10,78,79,618	2,663,710,333	1,877,009,788
Savings(+)/Excess(-)	81,57,15,618	35,985,73,33	2,856,111,019



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II. Volume of transactions

Period	Budgeted (FY 2016-17)	Corresponding Period of Previous Year (FY 2015-16)	Current Period (FY 2016-17)
Opening balance	3,78,95,53,402	2,86,99,33,596	3,78,95,53,402
Receipts	3,29,21,64,000	3,58,33,30,139	1,26,15,81,015
Total	7,08,17,17,402	6,45,32,63,735	5,05,11,34,417
Net expenditure	4,10,78,79,618	2,66,37,10,333	2,34,67,56,883
Closing balance	2,97,38,37,784	3,78,95,53,402	2,70,43,77,534

III. Bank reconciliation

PMC Head Office

Bank reconciliations have not been prepared up to 31.03.2017. Also as per Rule 12(i) of Bihar Municipal Accounting Rules 2014, Cashbook shall be maintained by the accountant in the form of BMAR Form number 1 but the same is not maintained as per rule.

Closing Balance of Bank Accounts as on 31st March 2017 were Rs. 54,96,80,979.30/- in total

Closing Balance as per Cash Book could not be ascertained as payment entries are not made in the register

Bankipur Circle

No bank reconciliation statement has been made available during audit 16-17 by any circle.

Closing Balance as per bank account statement as on 31st March having Dena Bank Moryalok account no 018310027398 is Rs 2,13,33,601.25/- and BOB Main Branch A/c No-30100008721 is Rs.7,31,535.70/-

Un-reconciled difference could not be properly worked out because cash book was not properly maintained. Neither opening balance as on 01/04/2016 was written, nor closing balances were written in cash book during audit.

New Capital Circle

Closing Balance as per bank account statement as on 31st March 2017 having Dena Bank Moryalok account no 018310028649 is Rs 66,55,887.21/- and BOB Main Branch A/c No-00030100008708, bank statement is not available., Indian Bank A/c No-968418542 is Rs.75,30,137/-.

Closing Balance as per Cash Book as on 31st March is 2017 Rs.1,12,46,038.53

Un-reconciled Difference is Rs. 29,39,985.68



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Patna City Circle

Bank account statement has not been produce after 1st QTR during audit (16-17).

Closing Balance as per Cash Book as on 31st March 2017 is Rs. 1,93,03,094.00/-

Kankarbagh Circle

Closing Balance as per bank account statement as on 31st March 2017 having Canara Bank(SBM) account no.58125 is Rs 13,03,126, Canera Bank account no.- 51777 is Rs. 2,48,86,056.95/-, Indian Bank a/c No.961687272 is Rs.1,23,050/-, Dena Bank a/c No.-28621 is Rs. 14,46,329, PNB a/c -323906 is not produce.

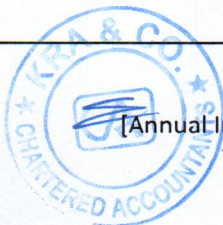
Closing Balance as per Cash Book 31.03.2017

1 Canara Bank a/c no.-51777	2,48,38,859.95/-
2 Indian Bank a/c no.-961687272	Not Produce
3 Dena Bank a/c no.-28621	14,46,329.00/-
4 Canara bank(SBM) a/c no.58125	13,03,126.00/-

Un-reconciled difference is Rs. 1,70,247

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	45,88,16,000	35,93,76,691	32,69,40,239
Assigned Revenue	50,93,90,000	39,72,76,137	34,24,21,589
Others (Fee & User Charges)	10,86,12,000	1,14,45,826	3,03,47,396
(b) Administrative grant	25,00,00,000	10,00,000	-
(c) Specific Grant Total:	83,00,00,000	1,53,72,49,942	35,90,79,292
(Scheme wise)			
Social Security & retirement benefit	-	-	-
Grant for Expenditure	20,00,00,000	17,67,78,600	37,28,000
Other Grants 4th & 5th Finance	10,00,00,000	-	-
Special Grant	-	-	-
AMRUT	-	11,16,000	28,60,000
Maintenance Grant (drain cleaning etc.	20,00,00,000	50,30,68,435	16,06,08,526



Miscellaneous Revenue Grant(Electricity Bill Census and Untied Fund) 4 th State finance	-	-	-
SJRY/NULM	1,00,00,000	46,66,500	-
Census Grant	-	56,37,860	-
SBM	5,00,00,000	11,94,59,020	-
RAY Grant	12,00,00,000	10,75,14,000	5,75,14,000
Other Revenue Grants	15,00,00,000	61,90,09,527	13,43,68,766

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.



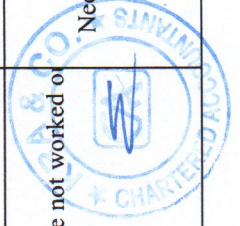
5. Annual Internal Audit/Compliance Report of Patna Nagar Nigam for Financial Year 2016-17

S No	Period	Observations	Management Comments/Compliance	Reference	Status
1	Q1, Q2, Q3 & Q4	<p>Delay in deposit of Holding Tax / Other Revenue collection:</p> <p>Criteria - 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.</p> <p>Condition -</p> <ul style="list-style-type: none"> Delays (ranging from 8 days to 12 days, ranging from 4 days to 27 days, ranging from 3 days to 24 days and ranging from 8 days to 12 days,) observed in depositing of collected tax money to the bank. Control over Tax collection receipt book seems to be weak as lower serial number receipt booklet issued later than higher serial number receipt booklet. 	It will be followed from Next financial year.	Point No. 5 Part-A (i)	Pending
2	Q1, Q2, Q3 & Q4	<p>Uncollected Holding Tax on Government Buildings Rs. 16,55,69,903</p> <ul style="list-style-type: none"> Holding Tax of Rs. 14,13,81,498/- was pending to be recovered on 69 Government buildings till 31st march 2017 as per records produced by Process Owner at BANKIPUR CIRCLE. Holding Tax of Rs. 1,18,65,745/- was pending to be recovered on 59 Government buildings till 31st march 2017 as per records produced by Process Owner at Patna City CIRCLE. Holding Tax of Rs. 1,23,22,660/- was pending to be recovered on 59 Government buildings till 31st march 2017 as per records produced by Process Owner at Kankarbagh CIRCLE. Related Records not produced by Nutan Capital Circle despite of rigorous follow ups. 	Necessary instructions are being given to concern person.	Point No. 5 Part-A (ii)	Pending



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

S No	Period	Observations	Management Comments/Compliance	Reference	Status
3	Q1, Q2, Q3 & Q4	<p>Approx Rs. 71,90,000/- Mobile Transmission Tower Tax (Registration & Renewal fees) Collection / recovery Pending</p> <ul style="list-style-type: none"> Rs.32,35,000 /- as on 31.03.2017 was pending to be collected from Mobile Transmission Towers under BANKIPUR CIRCLE as per record produced by Process Owner of the Circle. Rs. 19,05,000/- as on 31.03.2017 was pending to be collected from Mobile Transmission Towers under PATNA CITY CIRCLE. Rs. 20,50,000/- as on 31.03.2017 was pending to be collected from Mobile Transmission Towers under NUTAN CAPITAL CIRCLE. Related Records not produced by KANKAR BAGH CIRCLE despite of rigorous follow ups No records kept for number of antennas placed at each tower. Renewal fees have not been increased even after 5 years as per rules & demands are generated on old rates only. No late fine/interest as per rule imposed for delays in collection of Registration & Renewal fees 	Necessary instructions are being given to concern person.	Point No. 5 Part-A (iii)	Pending
4	Q1, Q2, Q3 & Q4	<p>Stall / Shop Rent Pending Recovery / Collection Rs. 19,57,804/-</p> <p>Criteria - Stall Rent should be collected on time. Further late fine should be imposed on uncollected/pending collection.</p> <p>Condition -</p> <ul style="list-style-type: none"> Shop rent of Rs. 2,77,359/- as on 30th June.16 was pending to be recovered at BANKIPUR CIRCLE of PMC. Shop rent of Rs. 1,88,890/- as on 30th June.16 was pending to be recovered at NEW CAPITAL CIRCLE as per records produced by process owner. Shop rent of Rs. 23,202/- as on 30th June.16 was pending to be recovered related to FY 2016-17 for 30 shops at PATNA CITY CIRCLE as per records produced by process owner. Previous pending records not provided to us Records not provided by KANKAR BAGH CIRCLE related to shop rent pending collection 	Necessary instructions are being given to concern person.	Point No. 5 Part-A (iv)	Pending
5	Q1, Q2, Q3 & Q4	<p>Cash Book not maintained properly</p> <ul style="list-style-type: none"> Opening balance & closing balance for any of the months were not worked out during FY 2016-17 No Monthly & Yearly reconciliation prepared during 2016-17 No grants are recorded in the cash book register. Bank interest not recorded in the cash book at receipt side 	Necessary instructions are being given to concern person.	Point No. 5 Part-B (i)	Pending



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

S No	Period	Observations	Management Comments/Compliance	Reference	Status
6	Q1, Q2, Q3 & Q4	<u>Carriage payment made without M and N Form</u> Criteria - As per rule 40, Sub-rule (10) of the Bihar Minor Mineral Concession Rule, 1972, contractor are liable to submit Form 'M' and Form 'N' in compliance of the Bihar Minor Mineral Concession Rules. Condition - Final payment has been done without affidavit form M and N.	In future will be followed strictly.	Point No. 5 Part-B (ii)	Pending
7	Q1, Q2, Q3 & Q4	<u>TDS Deducted but Deposited Late</u> Criteria - On Sample verification of records of Patna Nagar Nigam, it is observed that TDS deposited late for various quarter of FY 2016-17.	In future will be followed strictly.	Point No. 5 Part-B (iii)	Pending
8	Q1, Q2, Q3 & Q4	<u>TDS Return Filled Late & Legal notice served by Contractor for non-issuance of form 16A</u> Criteria - Records not provided by KANKARBAGH, BANKIPUR, N.C (NORTH),(SOUTH),PATNACITY DIVISION related to TDS RETURN.	Necessary instructions are being given to concern person.	Point No. 5 Part-B (iv)	Pending
9	Q1, Q2, Q3 & Q4	<u>VAT, Labour Cess & Royalty Deducted but Deposited Late</u> • As per rule 40, Sub-rule (8&9) of the Bihar Minor Mineral Concession Rule, 1972, Royalty at prescribed rate must be deducted from the contractor's invoices & to be deposited to the concerned authority on or before the due date i.e. within 7 days from the date of deduction. • As per relevant Act & Rules of Bihar VAT, VAT at prescribed rate needs to be deducted from the contractor's invoices & to be deposited to the concerned authority on or before the due date i.e. 15th of the following month from the month of deduction. • Further as per rule 5 (3) of Building and other Construction Cell Rules 1998, Labour Cess @1% needs to be deducted from the contractor's invoices & to be deposited to the concerned authority on or before the due date i.e. within 30 days from the date of deduction. On Sample verification of records of Patna City Division of Patna Nagar Nigam, it is observed that labour Cess, Royalty, Sales Tax and Labour cess etc. deducted on various bills during the financial year 2016-17 but not yet deposited till date. Ref: Quarterly Report for details	Necessary instructions are being given to concern person.	Point No. 5 Part-B (v)	Pending



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

S No	Period	Observations	Management Comments/Compliance	Reference	Status
10	Q1, Q2, Q3 & Q4	<p><u>Advance Register not maintained Properly 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. 	Necessary instructions are being given to concern person.	Point No. 5 Part-B (vi)	Pending
11	Q1, Q2, Q3 & Q4	<p><u>Fixed Assets Register not maintained & updated for FY 2015-16</u></p> <p><u>Criteria -</u> 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> <p>a) Register of Land (BMAR Form 37) b) Register of Immovable Properties (BMAR Form 38) c) Register of Movable Properties (BMAR Form 39)</p> <p><u>Condition -</u></p> <ul style="list-style-type: none"> • Fixed asset register is not maintained & updated. It was maintained up to F. Y. 2006-07. 	Necessary instructions are being given to concern person.	Point No. 5 Part-B (vii)	Pending
12	Q1, Q2, Q3 & Q4	<p><u>Store Register not maintained properly:</u> Stores Register is maintained, however stock like printing and stationary, cleaning material, bleaching powder & brooms etc. are not updated in the register.</p> <p><u>Other Remarks & observations</u></p> <p>A. As per Bihar Municipal Act 2007 Section 86 & 88 & BMAR 2014, annual accounts not prepared for F Y 2016-17.</p>	It will be followed from current financial year.	Point No. 5 Part-B (viii)	Pending
13	Q1, Q2, Q3 & Q4	<p>B. As per rule no 27, collection register separate for each fund is not maintained.</p> <p>C. As per Rule 69 of BMAR 2014, Grant Register in BMAR Form 28 is not maintained</p> <p>D. As per rule no 120 of BMAR 2014, monthly receipt and payment statements are not prepared</p> <p>E. As per rule no 121 of BMAR 2014, monthly trial balance is not prepared.</p>	Necessary instructions are being given to concern person.	Point No. 5 Part-C (ii)	Pending

