

# INTERNAL AUDIT REPORT

(SPUR-PMU/194/IA-140ULBs & SLMA/G-15/MMS/2016/136/32)

OF

## NAGAR PANCHAYAT BAHADURGANJ

FOR THE F.Y. 2015-16



*Conducted by:*

**M/s MANMOHAN SINGH & Co.**

2ND FLOOR, VYAPAR BHAWAN

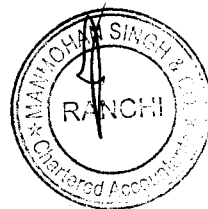
LALJI HIRJI, RANCHI

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**AUDIT METHODOLOGY AND APPROACH**

**Audit Methodology**

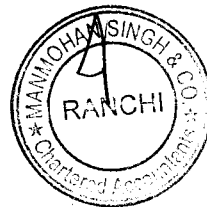
We have conducted the internal audit of **Nagar Panchayat – Bahadurganj**, for the year ending on 31<sup>st</sup> March, 2016 (as per TOR). We familiarized ourselves with documents of Nagar Panchayat, the internal guidelines and circulars applicable during this period under review. We also reviewed the working of the Nagar Panchayat and evaluated the accounting systems and related controls of the Nagar Panchayat in order to plan and perform our audit.

We reviewed transactions from April 01, 2015 to March 31, 2016. Our objective was to check all transactions and to design procedures to detect omissions. We also applied procedures to assess the adequacy of the Nagar Panchayat financial management systems, including internal controls for entire audit period. We applied necessary tests and controls, as we considers necessary under the circumstances.

During the course of our audit we reviewed the below mentioned documents and registers:

- 1) General Cash Book and all Subsidiary Cash Book for the period from 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016 maintained manually in the N.P.
- 2) Vouchers (Cash, Bank, Journal etc) along with supporting documents;
- 3) Receipt Books
- 4) Log Books
- 5) Other necessary records and registers

The major observations during the course of internal audit have been discussed with the Executive Officer & Accountant of the Nagar Panchayat.



**Audit Approach**

The purpose of defining the audit approach is to ensure that sufficient, appropriate audit evidence is collected to enable the drawing of a conclusion with respect to each of the audit objectives.

An effective approach will normally incorporate a variety of auditing tools and techniques. Different tools and techniques have various strengths and weaknesses.

Our approach to the internal audit started with an overview of activities through a study and documentation of the existing systems and procedures in all the ULBs. Testing of internal controls was carried out by checking a sample of transactions for the period covered by the audit.

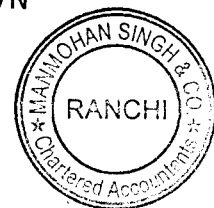
Apart from the test of controls and samples, we also carried out various types of analytical reviews to understand as well as highlight unusual or significant trends in the business.

Our observations, resulting from the audit tests performed on a sample of transactions, are set out under "Part-A, Part-B & Part-C" of the audit report and include our recommendations for addressing these observations.

Place : Ranchi

Date : Dec 30,2016

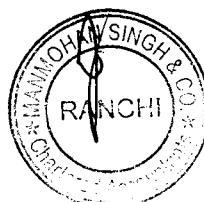
For Manmohan Singh & Co.  
Chartered Accountants  
FRN NO.-000107N



CA. J.P. Sharma  
(Partner)  
M.N.- 402655

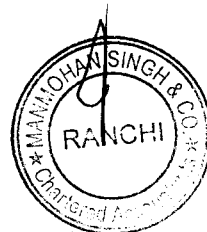
**Internal Audit Report –Nagar Panchayat- BAHADURGANJ F.Y- 2015-16**

Name of Auditor : M/s Manmohan Singh & Co.		Name of ULB : Bahadurganj	
Sl. No	Relevant Clause of Scope of Work of the Contract		Compliance (Mention the Para no & Page no of audit report)
	Clause No.	Description	
1	4.1	Internal Audit should undertake risk-based review and evaluation of the internal control as discussed in Bihar Internal Control Manual. Internal Audit should devote particular attention to any aspects of the internal control environment affected by significant changes to the ULBs risk environment.	Complied in Para no. B of Part 2 of Executive Summary at Page no. 8 & 9
2	4.2 & 4.3	<p>a) Internal Auditor should see the compliance of Bihar Municipal Act and specifically Chapter IX to XV and related rules and regulations as well as related directives by UD&amp;HD. In its report there must be a separate section for non-compliance of rules/directives of UD&amp;HD, GoB;</p> <p>b) Report on compliance of Bihar Municipal Accounting Manual, Bihar Municipal Accounts Rules,2014 and Bihar Municipal Budget Manual with special attention to following Rules of BMAR</p> <p><input type="checkbox"/> Rule 22: All moneys to be brought to account</p> <p><input type="checkbox"/> Rule: 27: Collections to be deposited into Bank on the same day</p> <p><input type="checkbox"/> Rule 69: Grant Related Compliance</p> <p><input type="checkbox"/> Rule 120-121: Monthly Receipt &amp; Payment Account and Trial Balance</p> <p><input type="checkbox"/> Rule 130: Audit to be completed &amp; reported within 6 month</p>	Complied in Para no. C, D,G,H,T,U,X &Y of Part 2B of Executive Summary at Page no. 8&9
3	4.4 & 4.5	a) Report and quantify all major Own revenue losses and opportunities lost or missed including in the area of Property Tax, Mobile Transmission Towers Tax, Rental of Municipal properties, Advertisement	Complied in Para 1 to 5 (Part A) of Part 5 of Main Audit Report(Audit Observations) at Page no.18&19 & Complied in



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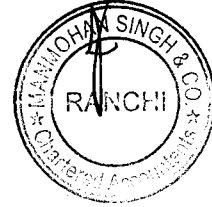
		Taxes/Fees, Sairat etc;  b) Check on audit trail of all collection of Taxes and Non-Taxes either through staff or outsourced agency and report of any lapses in controls, if any and also advise recommendations to strengthen the prevailing processes;	Para I. of Part 2B & 4 of Executive Summary at Page no. 9&10
4	4.6	Report in a separate chapter on implementation of SAS of Property Tax in the ULB; internal auditor should witness some assessment procedures to check any in-consistencies in assessment. At least 20 high value properties in the city /town ( irrespective of the fact that SASis received or not) must be surveyed and checked in each quarter and reported variations, if any, in PTRs and Actuals as per internal audits;	Complied in Para Z of Part 2B of Executive Summary at Page no.9
5	4.7	Vouch on all payments above Rs. 10,000 and report on adequacy and appropriateness of its documentation, approvals, compliance of procedures etc.	Complied in Para AA of Part 2B of Executive Summary at Page no.9
6	4.8	Report on Procurement made including through E-Tendering and E-Auction indicating exceptions, if any and whether a register is kept for all Procurements with value above Rs.15,000/-	Complied in Para BB of Part 2B of Executive Summary at Page no.10
7	4.9	Internal auditor shall also report on presence or absence of a system of issuance of utilization certificate for the different schemes for any utilization made during the reporting period; Where there is no system for issuance of U/Cs, the Internal Audit report shall prepare Utilization Certificate for various schemes/grants as per the guidelines of such scheme available on the UD&HD website.	Complied in Para CC of Part 2B of Executive Summary at Page no.10
8	4.10	Internal Audit can also, provide recommendations to help the ULB management improve the ULB's internal control environment;	Complied in Para 1 to 10 of Part 4 of Executive Summary at Page no.10&11.



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9	4.11	Internal Audit should report instances of losses, failures or inefficiencies and recommendations and/or measures which can be taken to avoid their recurrence in future.	Complied in Para A,B,C,D,E Part B (Main Audit Report) at Page no.23
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**EXECUTIVE SUMMARY**

**1. Introduction:-**

Name of the Municipality	:	Nagar Panchayat - Bahadurganj
Period Covered under Current Audit	:	1 <sup>st</sup> April 2015 to 31 <sup>st</sup> March 2016
Name of the Chief Municipal Officer for the period under Audit	:	Mr. Lalit Kumar Jha
Audit Conducted on	:	13th & 14th December 2016

**2. Result and Findings:-**

**A) Strength Observed During the audit**

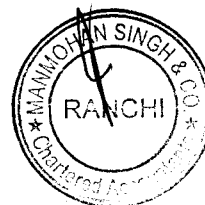
➤ We have observed following strength during the course of audit:-

- A) General cash book and all the Subsidiary Cash Books have been maintained by the ULB.
- B) Salary Register was maintained by the ULB.
- C) Staffs were cooperative during the Audit period.

**B) Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement**

➤ Following weaknesses have been found in the Nagar Panchayat during the course of audit:-

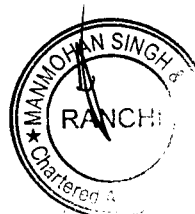
- A) There is a Huge- un traceable difference of Rs. 7,45,50,675.28/- between Consolidated Balance as per Pass Book of all accounts and Treasury PL Account and Cash Book.
- B) Demand and Collection register is not maintained by ULB.
- C) Vouchers are not properly kept and arranged.
- D) Fixed Assets Register is not maintained by the ULB.
- E) Most of the prescribe books of accounts as reported in the Part B(a) are not maintained by the Nagar Panchayat.
- F) Subsidiary cash book is not closed on daily basis and is signed by the Cashier and the Account officer on monthly basis.
- G) Daily collection register is not maintained by the Nagar Panchayat and daily collection is not deposited into the bank on regular basis. Due to this authenticity of deposit with bank cannot be matched with the daily collection. Also there is a interest loss to the ULB.





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- H) Budget for F.Y. 2013-14, 2014-15 & for 2015-16 have not been prepared.
- I) Fees and taxes collected are not deposited by the Tax Collector on daily basis.
- J) Vouchers are not properly kept and arranged.
- K) Procurement File relating to Tender and security deposit register is not maintained by the Nagar Panchayat.
- L) There are lack of internal control w.r.t collection of taxes. Defficiency has been observed in the collection of Holding Taxes. Also, late fine is not imposed for nonpayment or late payment of tax.
- M) Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.
- N) Deduction of **VAT, Income Tax, Royalty & Labour Cess** has been made from various schemes but payment thereof has not been made within due date. These taxes has been deposited at the end of the year.
- O) Tower Tax is not collected by the Bahadurganj Nagar Panchayat. In the absence of demand and collection register it is not possible to quantify list of uncollected tower tax.
- P) There is no proper cash handling neither any locker was kept by the ULB.
- Q) Assigned revenue is not collected since sept.2013.
- R) Nagar Panchayat has failed to comply with certain rules and directives of UD & HD.
1. Directives relating to forming a "Municipal Accounts Committee" have not been complied till date.
  2. Directives relating to preparation of budget is not followed by the Nagar Panchayat.
- S) Unavailability of information and files relating to TDS, VAT, Royalty and Labour Cess.
- T) Grant Register is not maintained, hence it is difficult to find unutilized grant at any point of time.
- U) Bank Reconciliation Statement for any of the account as mentioned in the **Point IV of main audit report** has not prepared.
- V) On deduction of taxes, liability is not created hence it is difficult to ascertain tax payable at any point of time.
- W) Counterfoils of Holding Tax Receipts & Registration of Birth & Death certificate not provided to us during the course of audit, so it not possible to quantify the amount of tax Collected and deposited into the Bank
- X) Monthly Receipt & Payment Account and Trial Balance is not being made.
- Y) The process of audit to be completed and reported within 6 months is in progress.
- Z) No Self Assessment of property tax is being done.
- AA) On verification of vouchers on all payments above Rs. 10,000.00, we have found that these are appropriates and is in order with respect to documentation and approval etc.



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- BB) No, Register for E-tender & Auction is not been maintained by ULBs.  
CC) Yes, there is a system of issuance of utilization certificate for the different schemes for any utilisation made during the reporting period.

### 3. Opinion

#### ➤ Overall opinion of the Audit team about the functioning of the Municipality

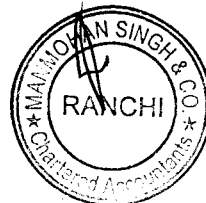
1. The functioning of the Municipality is weak due to the following reasons:-

1. Collection from own sources is very poor as demand register is not maintained.
2. The procurement of fixed assets is not proper and non-maintenance of Fixed Asset Register would lead to failure of determining the replacement cost.
3. BRS is not prepared on monthly basis, so it is difficult to keep record of variances between Cash Book and Bank Passbook balances. Non preparation of BRS would lead to improper use of available funds.
4. Most of the prescribed Books of accounts are not maintained. **Reported in Part B(a)**
5. Internal Control w.r.t. collection of taxes, monitoring of grant, monitoring of advances, monitoring of schemes etc. is very poor.
6. Grant received for various purposes are not utilized on timely basis.

### 4. Audit Recommendations

#### ➤ Following suggestions can be recommended on the observed weaknesses:-

1. All the prescribed books of accounts and Registers should be prepared on real time basis.
2. TDS should be deducted from salary, if applicable.
3. Bank reconciliation Statement should be prepared on monthly basis.
4. Grant Register should be prepared.
5. Demand & Collection Register of all the wards should be prepared as per BMAM format and calculation should be done as per new assessment.
6. Collection from own sources should be improved.
7. Collection by tax collector should be deposited on daily basis.
8. Compliance of AG audit report should be made as early as report is received from AG

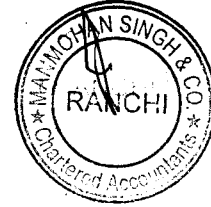


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Cash Book should be written and updated on daily basis.

9. All the statutory dues should be deposited on timely basis and returns prescribed under respective laws should also be filed on timely basis. If returns are submitted after due date, notices can be issued from the concerned authorities.
10. New staff should be equipped with regular training to run the ULB smoothly.



COMMENT FROM MANAGEMENT

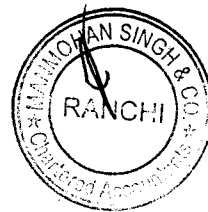
NAGAR PANCHAYAT : BAHADURGANJ

We are trying for correction and strengthen the System. We are also trying to develop internal control and internal check. So that resources can be at optimum level.

Place : Bahadurganj  
Date : 14.12.2016



For Nagar Panchayat  
*Dr. Prudh Kumar Ray*  
Executive Officer 14/12/16



**Internal Audit Report -Nagar Panchayat- BAHADURGANJ F.Y- 2015-16**

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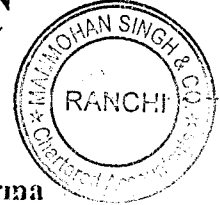
**6. Acknowledgment**

We thank Mr. Lalit Kumar Jha (Executive Officer), for his support during the period of our audit. We are also thankful to Mr. Phool Kumar Roy (Accountant), Tax Daroga and support staffs of the municipality for their cooperation extended to us during the period of our audit.

Place : Ranchi

Date : Dec 30,2016

**For Manmohan Singh & Co.,**  
Chartered Accountants  
FRN.- 000107N



**CA. J. P. Sharma**  
(Partner)  
M.N.- 402655

**Main Audit Report**

**1. Introduction**

The Internal audit of Nagar Panchayat Bahadurganj covering period from 1<sup>st</sup> April 2015 to 31<sup>st</sup> March, 2016 was conducted by following persons under guidance of CA J.P Sharma.

- i. Venkatesh Pathak
- ii. Manish Pathak

**2. Administration**

The present body of the ULB is functioning since July 2002. The incumbency in the key administrative and executive position was as under:

- 1. Mr. Muztaba Anwar Rahi, Chairman from June 2012.
- 2. Sri Lalit Kumar Jha, Executive officer from Sept 2015.

**3. Review of outstanding audit paras : Status of Audit Observations are as under:**

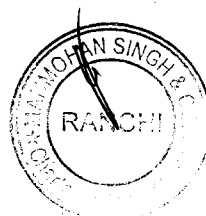
Sl. No.	Particulars of Audit and date of report	Total No. of Audit Paras.	Total No. of audit paras where necessary improvement/ corrective measure is required	Total No. of audit paras where recovery of cash is proposed	Total No. of audit paras where recovery has been made	Total amount of Recovery	Total No. of outstanding paras where no action has been taken	No. & date of Compliance report
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Audit has been conducted by AG but the audit report has not been received till date. Hence, no compliance has been made till now.

**4. Finance**

**1. Budgetary provisions and expenditure for the last three years**

Year	2015-16	2014-15	2013-14
Final/ Revised Budget	5,05,40,000.00	Not Prepared	Not Prepared
Actual Expenditure	4,76,51,966.27	1,86,74,786.00	Not available
Savings (+)/ Excess (-)	28,88,033.73	Indeterminable	Indeterminable



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**II. Volume of transactions**

Period	Budgeted (15-16)	Previous year(14-15)	Corresponding Period of Previous year (14-15)	Current Period (15-16)	Cumulative for the current period (15-16)
Opening Balance	7,11,68,640.00	4,08,93,374.27	4,08,93,374.27	7,11,68,640.27	7,11,68,640.27
Receipts	6,34,33,169.00	4,89,50,052.00	4,89,50,052.00	14,72,85,925.00	14,72,85,925.00
<b>TOTAL</b>	<b>13,46,01,809.00</b>	<b>8,98,43,426.27</b>	<b>8,98,43,426.27</b>	<b>21,84,54,565.27</b>	<b>21,84,54,565.27</b>
Net Expenditure	2,78,14,804.00	1,86,74,786.00	1,86,74,786.00	4,76,51,966.27	4,76,51,966.27
Closing Balance	10,67,87,005.00	7,11,68,640.27	7,11,68,640.27	17,08,02,599.00	17,08,02,599.00

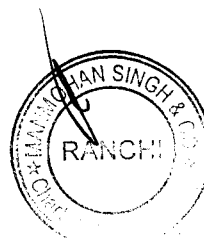
**III. Bank Reconciliation**

Details of Bank Accounts and their reconciliation position are as under:

Sl No	Name of Bank	Account No.	Balance as on 31.03.2016	Name of Scheme	Reconciliation position
1	State Bank of India	32677215238	Passbook not Updated	BRGF General	Un-reconciled
2	State Bank of India	32677215545		BRGF-SC	Un-reconciled
3	State Bank of India	32677214675		BRGF-ST	Un-reconciled
4	Central Bank of India	2092423037	65,95,256.50	----	Un-reconciled
5	Uttar Bihar Gramin Bank	1008391010001159	1,08,720.00	-----	Un-reconciled
6	State Bank of India	32695827985	68,17,880.00	----	Un-reconciled
7	State Bank of India	32986746131	2,34,14,591.00	IHSDP	Un-reconciled
8	Central Bank of India	2092447231	12,44,689.00	BRGF	Un-reconciled
9	P/L A/c		5,95,53,807.22		
	<b>Total of Bank</b>		<b>9,77,34,943.72</b>		
	<b>Total of Cash Book</b>		<b>17,22,85,619.00</b>		
	<b>Difference</b>		<b>7,45,50,675.28</b>		

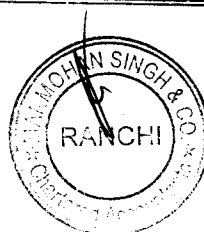
Bank Reconciliation Statements have not been prepared by the Nagar Panchayat. There is a difference of Rs. 7,45,50,675.28 between Consolidated Balance as per Pass Book of all accounts and Treasury PL Account and Cash Book.

\*\* As per Phool Kumar Roy (Bada Babu) Passbook has not been Updated, Due to rush in Bank.



**IV. Revenue Receipts**

Period	Budgetd (2015-16)	Previous Year (For one yearar) (2014-15)	Correspondi ng period of previous year (2014-15)	Current Period (2015-16)	Cumulative for the current year (2015-16)
<b>a) Own Source</b>					
Property Tax		3,76,538.00	3,76,538.00	4,98,168.00	4,98,168.00
Assigned Revenue		6,76,607.00	6,76,607.00	0.00	0.00
Other (Fees & User Charges)		9,19,821.00	9,19,821.00	10,37,526.00	10,37,526.00
<b>b) Administrative Grant</b>		1,65,50,136.00	1,65,50,136.00	91,93,417.00	91,93,417.00
<b>c) Specific Grant (Scheme Wise)</b>		<b>3,04,26,950.00</b>	<b>3,04,26,950.00</b>		
BRGF		4,65,760.00	4,65,760.00	1481661.00	1481661.00
4th Finance		60,22,062.00	60,22,062.00	15523686.00	15523686.00
13th Finance		16,54,128.00	16,54,128.00	0	0
IHSDP	<b>Not prepared</b>	2,18,95,000.00	2,18,95,000.00	0	0
Capital Grant for development E- Gov		3,90,000.00	3,90,000.00	0	0
Swachha Bharat Mission		0	0	6130000.00	6130000.00
Samajik Suraksha Mission		0	0	12506000.00	12506000.00
CM Urban Driking Water Nischay Yojna		0	0	4065809.00	4056809.00
5th Finance		0	0	15523680.00	15523680.00
12th Finance		0	0	17509254.00	17509254.00
SECC		0	0	250350.00	250350.00
Sabke Liye Awaas		0	0	65240000.00	65240000.00



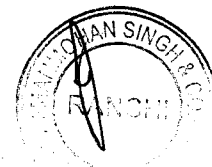


**V. Status of Implementation of Double Entry Accounting System**

Implementation of Double Entry Accounting System has not been done in the Bahadurganj Nagar Panchayat. So no any entry has been recorded in the Nagar Panchayat.

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

As per section 98 of Bihar Municipal Act, 2007 it is necessary for the Municipality to constitute a Municipal Accounts Committee at its first meeting in each year or as soon as may be at any meeting subsequent thereto, but no Municipal Accounts Committee has been constituted by the N.P. till the date of our audit.



**5. Audit Observations**

**PART-A**

**All audit objections/ irregularities which have monetary implication, particularly in following areas:**

Leakage of own source revenue either due to wrong assessment or non- levy of property tax, mobile tower tax, rent on municipal properties, advertisement tax fees etc.

Following discrepancies has been observed in the collection of taxes.

**1) Property Tax :-**

- a) According to Section 127 of Bihar Municipal Act, 2007 annual property tax @ 9% of annual rental value has to be realised, but in the Bahadurganj Nagar Panchayat only 6% has been realised.
- b) According to the directions of state government an increment of 15% in the old rate has to be done in every 5 years. Thus in 2015-16 property tax had to be realised at revised rate but such action has not been taken.
- c) In the absence of demand and collection register it is not possible to quantify complete uncollected holding tax.

**2) Trade License:-**

As per section 342 of Bihar Municipal Act,2007,Trade license fee is to be collected from different types of Trader, who are trading in Concerned Municipal area but such fees has not collected in F.Y.2015-16.

**3) Advertisement Tax**

No advertisement tax is collected by the Nagar Panchayat.

**4) Mobile Tower Tax:**

**Subject: Collection Of Mobile Tower Tax**

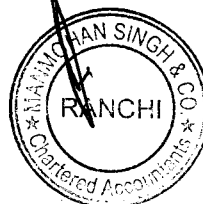
Tower Tax is taxes on communication Tower & related Structure Defined in **BIHAR COMMUNICATION TOWERS AND RELATED STRUCTURES RULES,2012**. As per the rules all operators are required to register with their concerned ULBs and pay registration Fee & renewal charges on Annual Basis for communication tower erected within municipal area.

**Currently the registration Fee and Annual Fees as follow**

Fee for Registration:- Rs.30000.00 ( Thirty Thousand )

Annual Fees :- Rs.8000.00 (Eight Thousand)

**Status :** Mobile tower tax is not collected by the Nagar Panchayat.



**OFFICE OF NAGER PANCHYAT, BADHURGANJ**

**List Of Tower**

S.N.	Name of Tower Company	Name of Land Owner	Ward No.
1	Reliance	Ram Kumar Agarwal	10
2	Aircel	Satal Road Bahadurganj	11
3	BSNL	Main Road Bahadurganj	10
4	Airtel	Jhasi Rani Chowk, Bahadurganj	11
5	Vodafone	Jhasi Rani Chowk, Bahadurganj	11
6	MTS	Main Road Bahadurganj	11
7	TATA	Main Road Bahadurganj	11
8	Airtel	Jureal	6
9	BSNL	LRP Chowk	15
10	Tata Indicom	Satal Nihal Bhag	15
11	Vodafone	Satal Thana Road Shiv Puri	11
12	BSNL	Telephone Exchange Guna Samesher LRP Chowk	3

**\*\*Installation date of Tower is not available at ULB, so we are unable to Calculate outstanding amount of Tower Tax.**

**\*\*As per ULB, Tax on above mention Tower is not collected from the beginning.**

**Impact:** Due to non collection of Tower Tax/Fees there is a revenue loss to ULB

**Recommendation:**

There should be proper monitoring and further steps are required to be taken for collection of Shop Rent/Taxes by concerned ULB.

**5) Market/Shop Rent Collection:-**

**Subject:- Non collection of Market/Shop Rent and Imposition of late fine by the Concerned ULB.**

**Status/Condition:-** There are 56 shops under concerned ULB. and Rs. 4,91,497.00/- is due on account of Shop rent up to 31.03.2016.

Area	Sl. No.	Name of Tenant	Monthly Rent	Outstanding as on 31.03.2016
Near Anupama Market	1	ARUN KUMAR THAKUR	495.00	4,600.00
	2	MAJHRAUL HAK ANSARI	500.00	8,200.00
	3	AESTESAM ANJUM	450.00	8,610.00
	4	DEEP RAJ THAKUR	450.00	10,590.00
	5	AKTHER ALAM	480.00	48,600.00
	6	DILDAR ALAM	600.00	82,200.00
	7	RITISH KUMAR SHAH	360.00	4,300.00
	8	MANOJ KUMAR	500.00	12,000.00

