

-[INTERNAL AUDIT REPORT OF NAGAR PANCHAYAT - BALLIA

For the Period from April-2015 to March - 2016

INTERNAL AUDIT CONDUCTED BY

THAKUR BHUWANESH & ASSOCIATES

Chartered Accountants
2nd Floor, Nathani Market
Sutapatti, Muzaffarpur
Bihar-842001

Audit Conducted from: 28th Sep'16 to 2nd Oct'16

NAGAR PANCHAYAT - BALLIA (BEGUSARAI)**INTERNAL AUDIT REPORT FOR THE FINANCIAL YEAR 2015-16****INDEX**

Section	Contents	Page No.	
		From	To
I	Audit Methodology and Approach		
II	Executive Summary		
III	Detailed Audit report		
IV	Audit Observations – Part-A		
V	Audit Observations – Part-B		
VI	Audit Observations – Part-C		
VII	Annexure to Audit report		
VIII	Report on Field Survey of 80 high value properties		

INTERNAL AUDITOR'S REPORT

Joint Secretary and
Additional Project Director
Urban Development & Housing
Department, Patna

We have conducted internal audit of the Books of Accounts and related document and vouchers of **Nagar Panchayat – Ballia (ULB)** for the period of **1-4-2015 to 31-03-2016** in terms of agreement with UD&HD dated 21.03.2016. These Books of Accounts and related document and vouchers are the responsibility of Management. Our responsibility is to express an opinion on the Books of Accounts and related document and vouchers based on our audit.

We have conducted our audit in accordance with the **Standard on Internal Audit (SIA) formulated by ICAI**. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Books of Accounts and related document and vouchers are free from material misstatement. An audit includes examining, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our observations. The salient points of the scope covered by the internal audit are as follows:

1. The effectiveness of accounting system.
2. Compliance with the legal and statutory requirements.
3. Risk-based review and evaluation of the Internal Control.
4. Compliance of Bihar Municipal Act.
5. Compliance of Bihar Municipal Accounting Manual.

Moreover, our scope of examination also covered the requirements of the specific points as spelled out by the management of the Urban Development & Housing Department. The result and recommendations of our internal audit are set out in Scope, Observations and Annexure of our report.

The statutory auditor of the Urban Development & Housing Department expresses opinion as to the true and fair view of the financial statements. We have not expressed any opinion on the financial statements and accordingly, this report should not be constructed as our opinion on the financial statements.

For Thakur Bhuwanesh & Associates

Chartered Accountants.

FRN: 019690N



(CA. Rajesh Kumar Jha)

Partner

M.NO. 412318

Date: 2nd Nov 2016

Executive Summary

1. Introduction

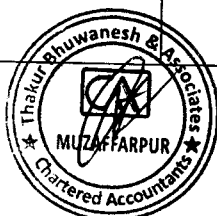
Name of the Municipality : Nagar Panchayat – Ballia

Period covered under current audit : 01.04.2015 to 31.03.2016

Name of Chief Executive Officer for the period under Audit : Mr. Naveen Kumar Kanth

2. Results and Findings

<p>Strength observed during the audit engagement</p>	<ul style="list-style-type: none"> • The following records are available: <ul style="list-style-type: none"> ✓ Cash Book with Subsidiaries ✓ Cheque issue register ✓ Log Book of Vehicle • Staff Cooperation during the Audit period is satisfactory.
<p>Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement.</p>	<ul style="list-style-type: none"> • Total Collection against Own source is only 298542.00 • Total Due from tower is Rs. 266000.00 yet to be collected. • Photograph of scheme executed is not available in file. • No House plan is passed in Nagar Panchayat and neither any register is maintained. • Some cash expenditure has been made against cash collection. • There are some lapses in internal control w.r.t collection of taxes. • Dues from Tower tax has not been collected on time. • Interest @1.5% not imposed on delay payment of Tower registration fees and annual fees beyond 30 days. After 5 years there should be increase by 25% in renewal fee has not been demanded. • There is lack of internal control on deposit of various taxes. Due to cash basis accounting liability of Taxes has not been



	<p>accounted for hence it is difficult to ascertain tax payable at any point of time. Taxes such as VAT, I.T. Royalty etc are collected from time to time but its payments are made on yearly basis which is not proper. Due to late payment of TDS, interest has been imposed to Rs.46,380 and late filing fee u/s 234E of Income Tax Act-1961 demanded to Rs. 1,33,200/- in previous year.</p> <ul style="list-style-type: none"> • Grant Register is not being maintained hence it is difficult to find unutilized grant at any point of time. • Bank Reconciliation Statement is not prepared hence it is difficult to monitor possible fraud, if any. • Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof. • Salary register not maintained.
--	---

3. Opinion

<p>Overall opinion of the Audit team about the functioning of the Municipality</p>	<p>In our opinion some improvements are required in the functioning of the Municipality due the following reasons</p> <ul style="list-style-type: none"> • Most of the prescribed Books of accounts are not maintained • Internal Control w.r.t. collection of taxes, monitoring of grant, monitoring of advances, monitoring of schemes etc. is very poor. • Grant received for various purposes are not utilized on timely basis. • There are serious lapses in deposit of statutory dues such as TDS, VAT, Royalty, Labour cess etc. • Bank Reconciliation statement has not been prepared on monthly basis. • Scheme wise Bank Account has not been maintained
---	--



4. Audit Recommendations

<ul style="list-style-type: none"> • The recommendations of Audit team on the observed weakness 	<p>We recommend the followings:</p> <ul style="list-style-type: none"> • All the prescribed books of accounts and Registers should be prepared on real time basis • Bank reconciliation Statement should be prepared on monthly basis • Cashier Cash Book should be maintained and written on daily basis. • Grant Register should be prepared • All the statutory dues should be deposited on timely basis and returns prescribed under the statute should also be deposited on timely basis. • Collection from own sources should be improved.
--	---

5. Comments from Management

<p>Comment from Management</p>	<p>The audit report has been discussed with us; we will try our best to remove the irregularities pointed out in the audit report.</p> <p>For Nagar Panchayat – Ballia (Executive Officer)</p>
---------------------------------------	--

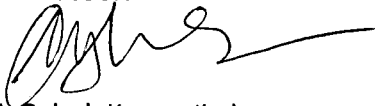
6. Acknowledgment

We are thankful to Mr Naveen Kumar Kanth (Executive Officer) and Mr. Sanjay Kumar (Head Clerk) for their support during the period of our audit. We are also thankful to the support staffs of the municipality for their cooperation extended to us during the period of our audit.

For Thakur Bhuwanesh & Associates

Chartered Accountants.

FRN: 019690N



(CA. Rajesh Kumar Jha)

Partner

M.NO. 412318



Detailed Audit Report

1. Introduction

The Internal audit of Nagar Panchayat covering period from 1st April 2014 to 31st March, 2015 was conducted by following persons under guidance of CA. Rajesh Kumar Jha

- i. Mr. Shashank Shekhar
- ii. Amit Kumar

2. Administration

The present body of the ULB has taken charge on 08th April'2011. The incumbency in the key administrative and executive position was as under:

Smt. Champa Devi, Chairman from 08th April'2011 to till date, Mr. Naveen Kumar Kanth Executive officer from 18.04.2016 to till date.

3. Review of outstanding audit paras : Status of Audit Observations are as under:No Audit has been carried out till date

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
Not Applicable due to no AG audit has been carried out till date								

4. Finance

i. Budgetary provisions and expenditure for the last three years

Year	2013-14	2014-15	2015-16
Final/ Revised Budget	28,95,07,428	34,53,36,328	37,81,77,428.00
Actual Expenditure	2,58,77,507	5,87,95,812	9,96,39,870.00
Savings (+)/ Excess(-)	26,36,29,921	28,65,40,516	27,85,37,558.00



II. Volume of transactions

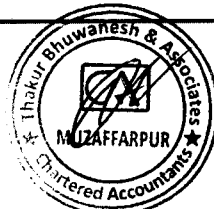
Period	Budgeted (F.Y.15-16)	Previous year (F.Y. 14-15)	Corresponding period of previous year (F.Y. 14-15)	Current Period (F.Y. 15-16)	Cumulative for the current period (F.Y. 15-16)
Opening Balance	11708275	7,54,58,519	7,54,58,519	7,54,58,519.00	7,54,58,519.00
Receipts	398246709	4,54,94,188	4,54,94,188	85872827.00	85872827.00
TOTAL	409954984	12,09,52,707	12,09,52,707	161331346.00	161331346.00
Net Expenditure	378177428	5,87,95,812	5,87,95,812	99639870.00	99639870.00
Closing Balance	31777556	7,54,58,519	7,54,58,519	61691476.00	61691476.00

III. Bank Reconciliation

Preparation of Bank Reconciliation Statement is not in practice; however we have verified the cashbook balance and pass book balance and found the same in order except the following:

Bank balance:- The details of bank balances & Treasury P/L balance as per cashbook as on 31st march,2016 are given below:

S. No.	Bank Accounts	Amount (Rs.)
1	Treasury PL	4,41,07,926.00
2	SBI (169 LKH)	8,02,845.00
3	SBI (548 LKH)	13,52,451.00
4	SBI (572 LKH)	7,26,668.00
5	BKG ballia	1,51,889.00
6	BOI (7362)	4,06,854.00
7	BOB Beg.	8,14,049.00
8	BOI (8105)	6,343.00
9	SBI (378)	33,99,235.00
10	BOI (8326)	47,56,456.00



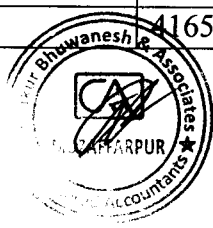
11	BOI 050	38,35,854.00
	Total	6,03,60,570.00

2. Cheque issued but not present for Payments:

Cheque No./Date	Amt.	Remarks
037740 31/10/14	28,195/-	Cheque cancelled, Entry to be reversed

IV. Revenue Receipts

Period	Budgeted (F.Y. 2015-16)	Previous year (For One year)(F.Y. 2014-15)	Corresponding period of previous year	Current Period	Cumulative for the current period
A.Own Source					
Property Tax	1900000	0	0	298542	298542
Assigned revenue	50000000	0	0	18128574	18128574
Others (Fees & User Charges)	39670000			522689	522689
(b) Administrative Grant					
© Specific Grant (Scheme wise)					
S.J.RY	10000000				
MACHING GRANT	20000000				
BRGF	10000000	3396983	3396983		
14 th Finance				4959828	4959828
M.P. Fund					
5 th Finance				17607717	17607717
13th Finance Commission Grant	10000000	6942853	6942853	8376772	8376772
4th Finance Commission Grant	20000000	<u>17193638</u>	<u>17193638</u>	5058766	5058766
Grant from State Misc. Fund		943396	943396		
RENOVATION	6500000				
Allowances of Ward Parsad		255600	255600	137932	137932
Salary of Teacher		4165348	4165348	8426891	8426891



Social Securities		11009183	11009183	4521950	4521950
Loan from Financial Institution					
State Grant	50000000			12924457	12924457
MLA	5000000				
MPLAD	20000000				
Urban Development Fund	50000000				
Swachh Bharat				3835854	3835854
E-GOV	1000000				
OTHERS	270000	1587187	1587187	1072855	1072855
Total	337260000	45494188	45494188	85872827	85872827

V. Status of Implementation of Double Entry Accounting System

Till date Double Entry Accounting System is not operational in the Nagar Panchayat.

M/S Manmotion Singh & Co. , Chartered Accountants have been appointed by the UD & HD for implementation of Double Entry Accounting System in the Nagar Panchayat, Work in progress, actual status not able to explain us.

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

I. PART- A

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

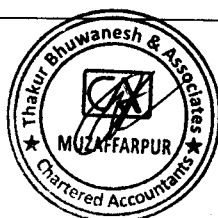
<p>a. Leakage of own source revenue either due to wrong assessment or non- levy of property tax, mobile tower tax, rent on municipal properties, advertisement tax fees etc.</p>	<p><u>Property Tax</u></p> <p>Rs. 298542.00 has been collected a Property tax, property register has not been maintained to ascertain total due.</p> <p><u>Due from Mobile Tower</u></p> <p>Rs. 266000 due from Mobile Tower as per annexure</p>
<p>b. Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs</p>	<p>We have checked the expenditure vouched all above Rs. 10000.00 but no any objectionable thing noticed.</p>
<p>c. Report on findings of field survey of Property Tax of minimum 20 high value properties</p>	<p>Field survey of 80 high value properties has been conducted by us a report thereon is attached in Annexure</p>



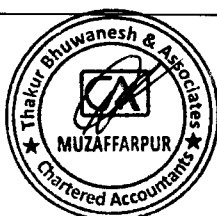
PART-B

All audit objections/ irregularities which have no monetary implication, but significant violation of Act, Rules & directives of UD & HD. Mention the reference Act & Rules wherein remedial measures is required. In this part auditor should report in respect of –

<p>a. Non- maintenance of books of accounts , subsidiary registers</p>	<p>The Nagar Panchayat is maintaining only Cash Book/ Bank Book</p> <p>As per Bihar Municipal Accounting Manual Following primary Books of accounts are required to be maintained :</p> <ol style="list-style-type: none"> 1. Cash Book (Form Gen-IA) 2. Bank Book (Form Gen-IB) 3. Journal Book (Form Gen-2) 4. Ledger (Form Gen-3) <p>Journal Book and Ledger are not maintained.</p> <p>In addition to above following other General Registers and forms are required to be maintained but the same are not being maintained.</p> <ol style="list-style-type: none"> 1 Receipt GEN-8 2 Receipt Register GEN-9 3 Statement on Status of Cheques Received GEN-10 4 Collection Register GEN-11 5 Memorandum of Collection GEN-12 6 Summary of Daily Collection GEN-13 7 Register of Bills for Payment GEN-14 8 Payment Order GEN-15 9 Cheque Issue Register GEN-16 10 Register of Advance GEN-17 11 Register of Permanent Advance GEN-18 12 Deposit Register GEN-19 13 Summary Statement of Deposits Adjusted GEN-20 14 Demand Register GEN-21 15 Bill for Municipal Dues GEN-22 16 Summary Statement of Bills Raised GEN-23 17 Register of Notice Fee, Warrant Fee, Other Fees GEN-24 18 Summary Statement of Notice Fee, Warrant Fee, Other Fees GEN-25 19 Register of Refunds, Remissions and Write-offs GEN-26 20 Summary Statement of Refunds and Remissions GEN-27
--	---



	<p>collected from time to time but its payments are made on yearly basis which is not proper. Taxes should be remitted to the Govt. account on timely basis otherwise penal action may be taken by the concerned department for delayed deposit of taxes.</p> <ul style="list-style-type: none"> • Grant Register is not being maintained hence it is difficult to find unutilized grant at any point of time. • Bank Reconciliation Statement is not prepared hence it is difficult to monitor possible fraud, if any. • Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof. • Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.
f. Non-compliance of TDS, VAT and other relevant Statute	<p>Tax deducted at source of Income Tax, VAT& Royalty are deposited on yearly basis which is not proper it should be deposited within the due date prescribed under the respective statute. Royalty for the year 2014-15 and 2015-16 yet to be deposited.</p> <p>Interest of Rs.46,380/- on delay payment of TDS amount has been imposed.</p> <p>Delay return file fee of Rs. 1,33,200/ demanded on late return filing of TDS.</p> <p>Both amount unpaid till date.</p>
g. Deficiency in Pay-roll System	<p>No pay roll system has been prevailed as all employees except Executive officer and Accountant are on daily basis.</p>
h. Utilization of Grant and report on missing Utilization Certificates	<p>Grant Register has not been prepared hence it is difficult to ascertain unutilized grant at any particular time. As explained to us Utilization certificates up to 31.03.2016 has been sent to the Government but copy of the same could not be provided to us. Also as per head office various utilisation is pending till date.</p>
i. Physical verification of inventory/Stores	<p>Inventory/Store Register has not been prepared and physical verification of inventory/stores has also not been done.</p>



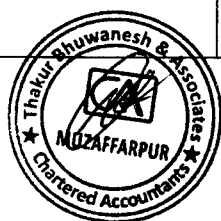
j. Advances, their adjustment & recovery	Advance Register has not been prepared hence it is very difficult to monitor advances, their recovery and adjustment.
k. Any other matters as may be prescribed in due course.	



I. Part – C

General observations: Auditor should report the deficiencies noticed during their audit and recommendation ULB management to improve internal systems.

Particulars	Comments
Whether the postings for the entries in the books of original entry have been correctly made in the respective ledger accounts	No, Ledger accounts have not been prepared by the N.P.
Whether all the books of accounts and supplementary registers that are prescribed in the Accounts Manual / other applicable regulations have been properly maintained by the ULB;	No, except General Cash Book and Subsidiary Cash Book no other books of accounts have been maintained.
Whether the Quarterly Financial Statements have been compiled on the basis of the actual entries in the books of accounts;	No quarterly Financial Statements have been prepared by the N.P.
Whether the period-end and reconciliation procedures prescribed have been carried out.	No, period-end and reconciliation procedures as prescribed have not been carried out.
Whether the Bank Reconciliation statements have been prepared and are appropriate	No, Bank Reconciliation Statements have not been prepared by the N.P.
Whether all grants from Government have been accounted at gross value with proper entries to various accounts	Yes, all grants from Government have been accounted at gross value but all transactions are not correctly classified with sufficient details.
Whether all transactions (incomes, expenditures, assets and liabilities) are correctly classified and stated in sufficient detail;	No all transactions have been classified as incomes and expenditure only assets and liabilities have not been recognized.
Whether all grants sanctioned or received by the municipality during the year, have been accounted properly, and where any deduction is made out of such grants towards any dues of the ULB? Whether such deductions have been properly accounted;	Grant received during the year has been properly accounted for. Information about grant sanctioned and deductions made out of such grant is not available with the ULB.
Whether any Special Funds have been created as per the provision of any statute and whether the Special Funds have been utilized for the purposes for which they have been created;	No Special fund has been created by the ULB.
In respect of contracts that are in existence during the year, whether there are any deviations from the sanctioned plans and the estimates without the sanction of the competent authority;	On our test check we did not notice any major deviation.
Whether the ULB is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets; whether these fixed assets have been physically verified at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same has been properly dealt with in the books of account;	No, record of fixed assets has not been maintained by the ULB. Physical verification of fixed assets has not been done during the financial year under audit.



Particulars	Comments
Whether in case of leasehold property given by the ULB, lease rentals are collected regularly by the ULB and that the lease agreements are renewed after their expiry;	As explained to us no property of the ULB has been given on lease.
Whether physical verification has been conducted by the ULB at reasonable intervals in respect of stores;	No, physical verification of stores has been conducted by the ULB at reasonable intervals.
Whether the procedures of physical verification of stores followed by the ULB are reasonable and adequate? If not, the inadequacies in such procedures should be reported;	No
Whether any material discrepancies have been noticed on physical verification of stores as compared to book records, and if so, whether the same has been properly dealt with in the books of account;	No physical verification has been carried out during the audit period.
Whether proper procedures are in place to identify any unserviceable or damaged stores and whether provision for the loss in this respect, if any, has been made in the accounts;	No there is no procedures are in place to identify any unserviceable or damaged stores
Whether the valuation of stores is in accordance with the accounting principles laid down in the rules? Whether the basis of valuation of stores is same as in the preceding year? If there is any deviation in the basis of valuation, the effect of such deviation, if material, should be reported;	No valuation of stores has been done.
Whether the parties to whom loans or advances have been given by the ULB are repaying the principal amounts as stipulated and are also regular in payment of the interest and if not, whether reasonable steps have been taken by the municipality for recovery of the principal and interest?	There is no case loans and advances other than advance to staff for expenditure.
Whether advances given to municipal employees and interest thereon are being regularly recovered;	Advance Register has not been maintained so we are unable to verify whether it is being recovered regularly or not.
Whether there exists an adequate internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets?	No there does not exist any internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets
Whether applicable procurement rules and procedures are being followed and if so, significant deviations should be identified and reported.	On our test check we did not notice any major deviation.
Whether the municipality is regular in depositing statutory dues including tax deducted at source, service tax, VAT, works contract tax, cess payable to the government etc., and if not, the nature and cause of such delay and the amount not deposited;	No, the municipality is not regular in depositing statutory dues including tax deducted at source, service tax, VAT, works contract tax, cess payable to the government etc.
Whether the municipality is regular in remittance of pension and leave encashment contributions or any other amounts which the municipality is liable to remit towards	The municipality is not giving contribution to P.F or pension Fund in prescribed rate and procedure.

