

INTERNAL AUDIT REPORT
(SPUR-PMU/194/IA-140ULBs & SLMA/G-15/MMS/2016/136/32)
OF
NAGAR PANCHAYAT
BANMANKHI
FOR THE F.Y. 2015-16

Assurance

Internal Auditing

Insight

Objectivity

Conducted by:

M/s MANMOHAN SINGH & Co.

2ND FLOOR, VYAPAR BHAWAN

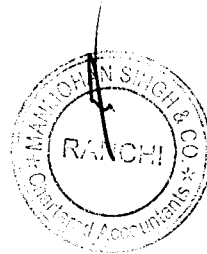
LALJI HIRJI, RANCHI

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AUDIT METHODOLOGY

Audit Methodology

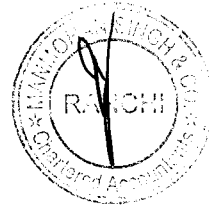
We have conducted the internal audit of **Nagar Panchayat – Banmankhi**, for the year ending on 31st March, 2016 (as per TOR). We familiarized ourselves with documents of Nagar Panchayat, the internal guidelines and circulars applicable during this period under review. We also reviewed the working of 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's 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 & all Subsidiary Cash Book for the period from 1st April 2015 to 31st March 2016 maintained manually by the N.P.
- 2) Vouchers (Cash, Bank, Journal etc) along with supporting documents;
- 3) Receipt Books
- 4) Log Books
- 5) Budgets prepared by the ULB
- 6) 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.

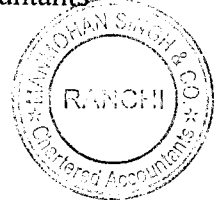
Apart from the test of controls and samples, we also carried out various types of analytical reviews to understand as well as highlight unusual or significant trends in the business.

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



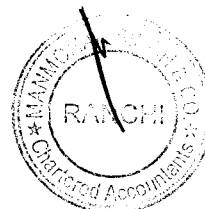
CA. J.P. Sharma
(Partner)
M.N.- 402655

Internal Audit Report –Nagar Panchayat- BANMANKHI F.Y- 2015 -2016

Name of Auditor : M/s Manmohan Singh & Co.

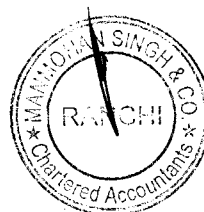
Name of ULB : Banmankhi

S l. N o.	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.2,3,5,7,14,15 of Part 2 of Executive Summary at Page no.7-8.
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&HD. In its report there must be a separate section for non-compliance of rules/directives of UD&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> <ul style="list-style-type: none"> <input type="checkbox"/> Rule 22: All moneys to be brought to account <input type="checkbox"/> Rule: 27: Collections to be deposited into Bank on the same day <input type="checkbox"/> Rule 69: Grant Related Compliance <input type="checkbox"/> Rule 120-121: Monthly Receipt & Payment Account and Trial Balance <input type="checkbox"/> Rule 130: Audit to be completed & reported within 6 month 	<p>Complied in Para no. 12,13,11,6&19 Part 2 of Executive summary at Page no.8.</p> <p align="center">&</p> <p>Complied in Para no 21-24 Part 2 of Executive summary at Page no.8.</p>
3	4.4 & 4.5	<p>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 Taxes/Fees, Sairat etc;</p> <p>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</p>	<p>Complied in para no. A (Part A) of Part 5 of Main Audit Report at Page no.17-19.</p> <p align="center">&</p> <p>Complied in para no.1-10 & 1-6 of Part 3&4 of Executive Summary at Page no.9</p>



Internal Audit Report –Nagar Panchayat- BANMANKHI F.Y- 2015 -2016

		prevailing processes;	
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 SAS is received or not) must be surveyed and checked in each quarter and reported variations, if any, in PTRs and Actual as per internal audits;	Complied in para no.23 of Part-2 of Executive Summary at Page no.8.
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 no.25 of Part-2 of Executive Summary at Page no.8
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 no.26 of Part-2 of Executive Summary at Page no.8
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 utilisation made during the reporting period; Where there is no system for issuance of U/Cs, the Internal Audit report shall prepare Utilisation Certificate for various schemes/grants as per the guidelines of such scheme available on the UD&HD website.	Complied in para no.27 of Part-2 of Executive Summary at Page no.8.
8	4.10	Internal Audit can also, provide recommendations to help the ULB management improve the ULB's internal control environment;	Complied in para no.1-10 of Part -4 of Executive Summary at Page no.9
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 no.2-10 of Part-4 of Executive summary at Page no.9.



EXECUTIVE SUMMARY

1. Introduction:-

Name of the Municipality	:	Banmankhi Nagar Panchayat
Period Covered under Current Audit	:	1 st Apr 2015 to 31 st March 2016
Name of the Chief Municipal Officer for the period under Audit	:	Sri Sanjeev Kumar Singh
Audit Conducted on	:	15 TH & 16 TH December 2016

2. Result and Findings:-

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

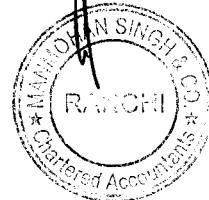
➤ Following weaknesses have been found in the Nagar Panchayat during the course of audit:-

1. There is lack of internal control w.r.t collection of taxes. Demand and collection register for holding tax has not been prepared.
2. Delay in Deposit of Collected Holding/Property Tax by the Tax Collector.
3. Bank Reconciliation Statement for any of the account as mentioned in the **Point IV of main audit report** has not prepared.
4. Attendance Register is neither maintained properly nor authenticated by concerned Officer on daily basis. Casual leave of staff was also blank in attendance Register.
5. Daily collection register is not maintained by the Nagar Panchayat.
6. Fees and taxes collected are not deposited by the Tax Collector on daily basis.
7. Tender file and security deposit register is not maintained by the Nagar Panchayat.
8. Deficiency has been observed in collection of tower tax. Also interest has not charged for nonpayment of tower tax.
9. There is no proper cash handling neither any locker was kept by the ULB.
10. Assigned revenue is not collected at yearly basis. It is being collected at interval of 2 or 3 years.



11. Vouchers are not properly kept and arranged.
12. Grant Register is not maintained, hence it is difficult to find unutilized grant at any point of time.
13. Taxes such as Income Tax, Sales Tax(VAT), TDS, Royalty, and Labour Cess etc are collected from time to time but payments were made on after due date which is not proper.
14. On deduction of taxes, liability is not created hence it is difficult to ascertain tax payable at any point of time.
15. Various Books of Accounts as per BMAR has not been Maintained. **(List Attached)**
16. 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 prepare a practical budget have not been complied with.
17. Unavailability of information and files relating to TDS, VAT, Royalty and Labour cess.
18. Payment of electricity bill are not paid within due date. It is paid after due date.
19. Deduction and contribution of GPF, GIS and payment thereof has been made but such GPF has been deposited in the account kept with the State Bank of India instead of Employee Provident Fund A/c.
20. Yes, All moneys have been brought to account.
21. No, Collections have not been deposited into Bank on the same day.
22. Monthly Receipt & Payment Account and Trial Balance is not being made.
23. No Self Assessment of property tax is being done.
24. The process of audit to be completed and reported within 6 months is in progress.
25. On verification of vouchers on all payments above Rs. 10,000.00, we have found that these are appropriate and is in order with respect to documentation and approval etc.
26. No, Register for E-tender & Auction is not been maintained by ULBs.
27. Yes, there is a system of issuance of utilization certificate for the different schemes for any utilisation made during the reporting period.
28. Log Book is not maintained properly, starting kilometer and closing kilometer is not written. A lump sum kilometer is written only and it is not authenticated by concerned officer on daily basis.

Logbook is relevant for check/internal control on expenses for fuel and lubricants which are major heads of expenses for ULB.



3. Opinion

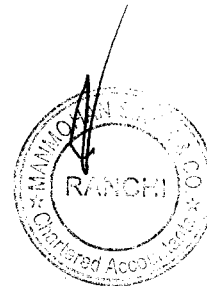
➤ **Overall opinion of the Audit team about the functioning of the Municipality**

1. The functioning of the Municipality is weak due to the following reasons:-
 1. Collection from own sources is very poor.
 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**

2. All the prescribed books of accounts and Registers should be prepared on real time basis.
3. TDS should be deducted from salary, if applicable.
4. Bank reconciliation Statement should be prepared on monthly basis.
5. Demand & Collection Register of all the wards and schemes should be prepared 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
9. Cash Book should be written and updated on daily basis.
10. All the statutory dues should be deposited on timely basis and returns prescribed under respective laws should also be filed on timely basis.



COMMENTS FROM MANAGEMENT

NAGAR PANCHYAT/PARISHAD, ..BANMANKHI

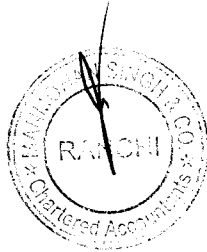
We are trying regularly for correction and strengthen the system. We are also trying to develop internal control and internal check. So that resources can be at optimum level.

Date: 21/07/2016

Place: BANMANKHI

For Nagar Panchyat/Parishad

21.7.16
नगर पंचायत परिषद
बनमन्की
(बनमन्की)



6. Acknowledgment

We thank Mr. Sri Sanjeev Kumar Singh (Executive Officer), for his support during the period of our audit. We are also thankful to Mr. Vijay Kumar (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 Banmankhi covering period from 1st April 2015 to 31st March, 2016 was conducted by following persons under guidance of CA J.P Sharma.

- i. Venkatesh Pathak
- ii. Vivek Kumar

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:

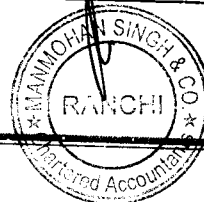
1. Smt. Sanjana Devi, Chairman from 27.09.2014.
2. Sri Sanjeev Kumar Singh Executive officer from 06.09.2015.

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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- S.N.3:- Short Deposit of Rs.1010190.00 by Tax Collector.
- S.N.4:- Irregularities on Administrative Building construction Rs.26.17 Lacs.
- S.N.5:- Short deposit of Rs.1,78,100.00 by Mr. Anil KUMAR Yadav (Bandobastdhari) for Vivekanand Bus Padav (Sairat Bandobasti)
- S.N.6:- Revenue loss of Rs.68,000.00/- Due to non allotment of commercial Shop.
- S.N.7:-Non collection of Labour cess on passing of Map.
- S.N.8:- Rs.6.71 lacs outstanding amount of Tower Tax.
- S.N.9:- Revenue loss Rs.132791.18.00/- has been observed due to less collection of property Tax.
- S.N.12:- **Unadjusted Advance**

S.N.	Name of Employee	Designation	Amount(Unadjusted)
1	Sunil Kumar Mishra	Office Employee	67000.00
2	Vijay Kumar	Lower Grade Clerk	4600000.00
3	Sobhanand Yadav	Tahsildar	7509944.00
4	Ajay Kumar Sinha	Office Employee	24874.00
5	Shiv Shankar Kamti	Office Employee	3000.00



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6	Sanjay Kumar Mishra	Tahsildar	2481.00
7	Sadanad Malik	Sweepar	2500.00
8	Rajat Ranjan	Computer Operator	2500.00
Total			1,22,12,299.00

- Comment -1:-Non collection of consumer Fees of Rs.39.24/- Lacs.
- Comment-3 :- Bank reconciliation Statement has not been prepared by ULBs and there are huge difference between cash book & Passbook is Rs.38,04,73094.00

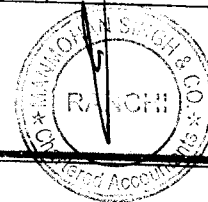
4. Finance

I. Budgetary provisions and expenditure for the last three years

Year	2015-16	2014-15	2013-14
Final/ Revised Budget	5,23,85,000.00	1,03,17,756.00	Not prepared
Actual Expenditure	5,29,90,512.80	1,04,90,996.00	1,05,54,342.00.00
Savings (+)/ Excess (-)	-6,05,512.80	-1,73,240.00	Indeterminable

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	Not Considered.	4,83,92,576.69*	4,83,92,576.69*	4,85,00,557.50	4,85,00,557.50
Receipts	5,20,08,650.00	1,78,53,594.00	1,78,53,594.00	3,96,30,784.50	3,96,30,784.50
TOTAL	5,20,08,650.00	6,62,46,170.69	6,62,46,170.69	8,81,31,342.00	8,81,31,342.00
Net Expenditure	5,23,85,000.00	1,04,90,996.00	1,04,90,996.00	5,29,90,512.80	5,29,90,512.80
Closing Balance	-3,76,350.00	5,57,55,174.69	5,57,55,174.69	3,51,40,829.20	3,51,40,829.20



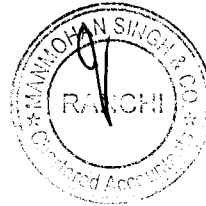
III. Bank Reconciliation

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

Sl. No	Name of Bank	Account No.	Balance as on 31.03.2015	Name of Scheme	Reconciliation position
1	State Bank of India	32684730010	1,19,83,499.00	4th Finance	Un-reconciled
2	State Bank of India	11607546143	57,18,962.06	General Fund	Un-reconciled
3	State Bank of India	11607546063	2,95,899.00	SJSRY	Un-reconciled
4	United Bank of India	1070010103650	42,45,652.00	Municipal Fund	Un-reconciled
5	United Bank of India	1070010135917	38,62,386.00	13th finance	Un-reconciled
6	United Bank of India	1070010159395	24,41,730.50	SJSRY	Un-reconciled
7	United Bank of India	1070010261104	2,71,880.00	E-Governance	Un-reconciled
8	United Bank of India	107001057322	2,35,486.00	SECC	Un-reconciled
9	United Bank of India	1070010145350	8,18,738.00	Samajik Suraksha	Un-reconciled
10	United Bank of India	107001034750	36,87,172.50	Sahayya Anudan	Un-reconciled
11	The Purnea Distt. Central Co-opBank	2055	1,15,635.00	SJSRY	Un-reconciled
12	Treasury P/L		1,16,58,586.53		
	Total of Bank as on 31.03.2015		4,53,35,626.59		
	Total as per Cash Book as on 31.03.2016		3,51,40,829.20		
	Difference		1,01,94,797.39		

Note: Bank Passbook/Treasury P/L has not been updated for the F.Y.2015-16.

Bank Reconciliation Statements have not been prepared by the Nagar Panchayat. There is a difference of Rs. 1,01,94,797.39/- between Cash Book and Consolidated Balance as per Pass Book of all accounts and Treasury PL Account.

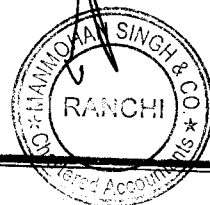


IV. Revenue Receipts

Period	Budgeted 2015-16	Previous year(14-15)	Corresponding Period of Previous year (14-15)	Current Period 2015-16	Cumulative for the current period
a) Own Source					
Property Tax	37,70,000.00	31,65,270.00	3165270	7,85,363.00	7,85,363.00
Assigned revenue	5,80,000.00	6,06,078.00	606078	34,23,500.00	34,23,500.00
Others (Fees & User Charges)	1,08,04,050.00	2,74,100.00	2,74,100.00	-	-
(b) Administrative					
Grant	61,29,487.00	0	-	-	-
(c) Specific Grant (Scheme wise)					
Capital Grant For Devlopment	1,00,00,000.00	-	-	-	-
4TH Finance	1,20,00,000.00	1,16,38,586.00	-	33,39,548.00	33,39,548.00
13TH Finance	20,00,000.00	-	-	23,75,727.00	23,75,727.00
E-Governance	2,10,000.00	3,60,000.00	-	2,70,000.00	2,70,000.00
BRGF	20,00,000.00	15,91,760.00	-	52,49,324.00	52,49,324.00
Others	65,00,000.00	-	-	-	-
Safai Vyastha	-	-	-	34,62,600.00	34,62,600.00
14th finance	-	-	-	75,24,015.00	75,24,015.00
Swachh Bharat Mission	-	-	-	36,30,000.00	36,30,000.00
Parshad Allowance	-	2,17,800.00	-	-	-

***Note:- Assigned revenue is not being collected at yearly basis. It is collected at interval of 2 or 3 years.**

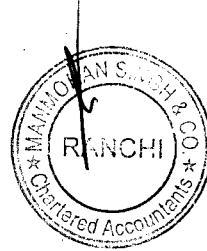
V. Status of Implementation of Double Entry Accounting System



Implementation of Double Entry Accounting System has not been done in the Banmankhi 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:

- 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.

Following discrepancies has been observed in the collection of taxes.

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 Banmankhi 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.

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 not collected in F.Y.2014-15.

Survey for Assess of Trade License not provided to us during the course of audit.

Shop Rent :- The process of Shop allotment to be given on lease is in Process.

Advertisement Tax

Since tender for collection of advertisement tax has not been completed, collection of advertisement tax has not been done.

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)