

SPUR-PMU (Samvardhan)
No. 1134
In Coming Date. 31/01/17

Internal Audit Report

Of Vikram Nagar Panchayat

For the period from 1st April 2015 to 31st March 2016

Internal Audit Conducted By

Mr. SANTRAJ KUMAR

UNDER GUIDANCE OF CA ASHOK KUMAR PANDEY

From :-M/S CHANAKYA ASHOK & CO.

Chartered Accountants.

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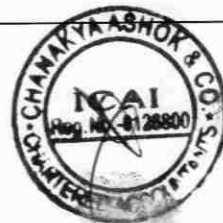


From 09th August 2016 & 11th August 2016 to 13th August 2016

Report Issued on 17th August 2016

Compliance Report for the scope of work as per the Contract with Internal Auditor

Name of Auditor: Chanakya Ashok & Co.		Name of ULB:- Vikram Nagar Panchayat	
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's risk environment.	Complied in para no 2 of Part B of Detailed Audit Report Under Head Lack of internal control measures at Page no 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> <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 & Payment Account and Trial Balance</p> <p><input type="checkbox"/> Rule 130: Audit to be completed & reported within 6 month</p>	<p>a) Complied in para no 3 of Part B of Detailed Audit Report (Non Compliance of Act and rule) at Page no 7.</p> <p>b) Complied in para no 4 of Part B of Detailed Audit Report (Non compliance of directives by UD&HD, Government of Bihar) at Page no 7.</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 prevailing processes;</p>	<p>a) Complied in para no 3 of Part A of detailed audit report at Page no 6.</p> <p>b) Complied in para no 3 of Part B of detailed audit report at Page no 8.</p>



Name of Auditor: Chanakya Ashok & Co.			Name of ULB:- Vikram Nagar Panchayat
Sl. No.	Relevant Clause of Scope of Work of the Contract		Compliance (Mention the para no & Page no of audit report)
	Clause No.	Description	
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 inconsistencies 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 Actuals as per internal audits;	Complied in para no C of Part A of detailed Audit Report at Page no 6..
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 B of Part A of Detailed Audit Report at Page no 06. And Complied in para no 1 of Part B of Detailed Audit Report at Page no 6.
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 2 of Part B of Detailed Audit Report at Page no 7.
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 2 of Part B of Detailed Audit Report at Page no 09.
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 2 of Part 4 of Excutive Summary at Page no 2 .
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 of Part 4 of Excutive Summary at Page no 2.



Executive Summary

1. Introduction:

Name of the Municipality :- **NAGAR PANCHAYAT, VIKRAM**

Period covered under current audit:- **1st April 2015 to 31st March 2016**

Name of Chief Executive Officer for the period under audit: **Shri Mati Savita Somya**

2. Results and Findings:-

a). Strengths observed during the audit engagement:-

- i) Cash book of each schemes has been maintained properly.
- iii) Registers & Records maintained by the Vikram Nagar Panchayat are being checked and verified by the competent authority.
- iii) Board meetings of Vikram Nagar Panchayat are held regularly and problems faced in smooth operation are resolved by passing resolution.
- iv) Procurement process followed by the Nagar Panchayat is satisfactory
- v) Vouchers of different schemes are serially arranged, binded and properly kept.

b). Weaknesses observed in the functioning of office, maintenance of records etc. during the audit engagement:-

- i). Accounting process adopted by ULB is Single Entry System based on Cash Basis of accounting. It is not as per BMAM. BMAM requires adoption of Accrual Basis Double Entry Accounting System.
- ii). Vikram Nagar Panchayat is not in practice to follow Computerised Accounting System.
- iii). Vikram nagar panchayat is not in practice to deposit statutory dues of Royalty, VAT, TDS and Labor cess during the financial year to the Government. Non depositing of such amount would lead to imposition of interest charges. Details of which are available in Detailed Audit Report
- iv). Vikram Nagar Panchayat is not in practice to collect Mobile Tower Registration Fee and Renewal Charges.
- v). No field survey and assessment of Property / Holdings at the ULB has been done. No Action for collection of Property Tax had been taken by the ULB
- vi). Vikram Nagar Panchayat is not in practice to collect Sairat. Non collection of such revenue would lead to loss of revenue to the ULB.
- vii) Vikram Nagar Panchayat is not in practice to prepare Bank Reconciliation Statement.
- viii) Vikram Nagar Panchayat has not deducted statutory dues of TDS during the financial year; details of which are available in Detailed Audit Report.



3. Overall opinion of audit team about the functioning of Municipality:-

The function of ULB is not Satisfactory. It has lots of scope of improvement. The ULB is required to improve in following fields :-

a) It requires to improve its Internal Control Procedures with regards to Demand & collection of revenue from its own sources and depositing of the collected revenue in the concerned bank accounts in timely manner.

b) Due to non-implementation of Double Entry Accounting System and following of Cash basis of Accounting, proper recognition of Income and expenses are not possible in accounts.

c) It requires to improve its Internal Control Procedures with regards to Demand, Collection of Revenue, and Deposit of Collected revenue in the Banks on scheduled time.

4. Audit Recommendations:-

i). ULB should adopt double entry accounting system. Double-entry accounting allows accounting departments to prepare financial statements easily. Double entry accounting system present accurate report of accounts on the income statement, balance sheet, cash flow statement and other financial statements and reports. It provides checks and balances, which prevent fraudulent activity and reduces errors. Double-entry accounting system prevents fraud in a greater way than single-entry accounting because it makes it difficult to manipulate accounts. You can easily detect account manipulation by examining the journal entries and comparing them to previous journal entries for the same or similar transactions.

ii). ULB must prepare bank reconciliation statement on monthly basis.

iii). ULB must collect property tax, mobile tower tax, advertisement tax, shop rent etc. on timely manner which are under its jurisdiction.

iv) Statutory Dues like TDS, VAT, Royalty and Labour Cess must be deposited to the concerned department on timely basis.

v) ULB should prepare receipts and payment account on monthly basis, due to which it becomes very easy to find out that how much fund has been received by the ULB and whether its utilization has been made properly or not.

vi) ULB must adopt computerized accounting system. It provides automatic ledger entries, accuracy and speed of automatic calculation, automatic production of trial balance from ledger entries, potential to create customized reports and provide additional analysis.

5. Comments From Management:-

At the time of discussion, Executive officer was not present. So, we have not found any comments from management on observations during the audit.



6.) Acknowledgement:-

We have received satisfactory co-operation and support from the officials and Staffs of the ULB. We convey our sincere thanks for the same.

For Chanakya Ashok & Co.
Chartered Accountants



CA Ashok Kumar Pandey
Partner

Mem No : 404207

FRN : 012680C

