

INTERNAL AUDIT REPORT

(SPUR-PMU/194/IA-140ULBs & SLMA/G-14/SJA/2016/134/39)

OF NAGAR PANCHAYAT BIRPUR

FOR THE F.Y. 2015-16



Conducted by:

SUMAN JEJANI & ASSOCIATES

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AUDIT METHODOLOGY AND APPROACH

Audit Methodology

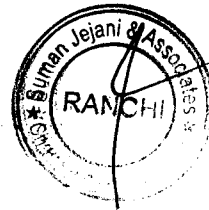
We have conducted the internal audit of Nagar Panchayat – Birpur, for the year ending on 31st March, 2016 (as per TOR). We familiarized ourselves with documents of Nagar Panchayat, the internal guidelines and circulars applicable during this period under review. We also reviewed the working of the Nagar 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 Cashbook, Subsidiary Cash Book for the period from 1st April 2015 to 31st March 2016 maintained manually in the Nagar Panchayat.
- 2) Vouchers (Cash, Bank, etc) along with supporting documents;
- 3) Stock Register
- 4) Staff Attendance Register
- 5) Receipt Book
- 6) Log Book
- 7) Collection Register
- 8) Budgets prepared by the ULB
- 9) 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.

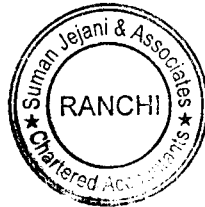
Testing of internal controls was carried out by checking a sample of transactions for the period covered by the audit. Apart from the test of controls and samples, we also carried out various types of analytical reviews to understand as well as highlight unusual or significant trends in the business.

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.

**For Suman Jejani & Associates
Chartered Accountants
FRN.- 009650C**

Place : Ranchi

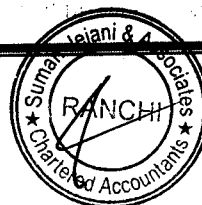
Date : 31-12-2016



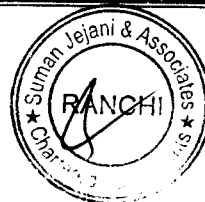
A handwritten signature in black ink, appearing to read "Suman Modi".

**CA. Suman Modi
(Partner)
M.N.- 079078**

Name of Auditor : Suman Jejani & Associates.		Name of ULB : Birpur	
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 UBS's risk environment.	Complied in para no.06 & 07 of Part 2 (A) of Executive summary 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> <ul style="list-style-type: none"> ➤ Rule 22: All moneys to be brought to account ➤ Rule: 27: Collections to be deposited into Bank on the same day ➤ Rule 69: Grant Related Compliance ➤ Rule 120-121: Monthly Receipt & Payment Account and Trial Balance ➤ Rule 130: Audit to be completed & reported within 6 month 	<p>(a) Complied in para no. 02,12,13. of Part 2(B) page no. 08 and para no. 01,02 of part no.02(A) of Executive Summary at Page no. 07.</p> <p>(b) Complied in para no. 06,14,16 & 17. of Part.2(B). of Executive Summary. At Page no. 08 to 09.</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>Complied in para no. 01,07, 09 & 18 of Part 2(B). of Executive Summary. At Page no. 08 to 09</p>
4	4.6	<p>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;</p>	<p>Complied in para no. 19 of Part 02(B) of Executive Summary . At Page no. 09.</p>
5	4.7	<p>Vouch on all payments above Rs. 10,000 and report on adequacy and appropriateness of its documentation, approvals, compliance of procedures etc.</p>	<p>Complied in para no. 09 of Part no. 02(A).of Executive Summary . At Page no. 08</p>
6	4.8	<p>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/-</p>	<p>Complied in para no. 10 of Part 2(A) of Executive Summary. At Page no. 08</p>
7	4.9	<p>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.</p>	<p>Complied in para no. 15 of Part 2(B) of Executive Summary at Page no. 08</p>



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. 01 to 10 of Part 04 of Executive Summary. At Page no.09 to 10
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. (Part A) of Part 5 of Main Audit Report at Page no. 19 to 24.

EXECUTIVE SUMMARY

1. Introduction:

Name of the Municipality	Birpur Nagar Panchayat
Period Covered under Current Audit	1st Apr 2015 to 31st March 2016
Name of the Chief Municipal Officer for the period under Audit	Mr. Amol Mishra
Audit Conducted on	25th & 26th July 2016

2. Result and Findings:

A. Strength Observed

1. The General cash book is being maintained.
2. All the Subsidiary Cash Books have been maintained by the ULB.
3. Attendance Register of Staffs was maintained.
4. Salary Register was maintained by the ULB.

5. Staffs were cooperative during the Audit period.
6. Log Books were maintained.
7. Fixed Assets Register was maintained by the ULB.
8. Fixed assets were numbered in the Nagar Panchayat.
9. On verification of 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.
10. Register for E-Tender, security deposit & Auction is maintained by the Nagar Panchayat.

B. Weakness Observed

1. Receipt Book is not being maintained by the tax collector and there holding no. has not been mention.
2. Demand and collection register have not been prepared. No penalty/surcharge have been imposed for non-payment of demand.
3. There is no proper cash handling neither any locker was kept by the ULB.
4. Vouchers are not kept and arranged.
5. Budget is not prepared in a proper manner as closing balance of cash as at the end of the year 2014-15 (Rs. 5,67,27,120.00) is not equal to opening balance of cash at the beginning of the year 2015-16 (Rs. 3,84,49,161.00).
6. Taxes collected by tax collector are not deposited on daily basis as required as par rule no 27.
7. There is a lack of internal control w.r.t collection of taxes.
8. Tower tax Rs. 2,74,000.00 is not being collected at all. Annexure "C" is listed below.
9. Property Tax amounted to Rs. 28,82,557.00 is not collected yet. Annexure "A" is listed below.
10. Taxes on Govt. building Rs.10,73,631.00 is not collected at all. Annexure "B" is listed below.
11. Books of accounts are not verified by E.O and other assigned officials on time to time basis.
12. Bank Reconciliation Statement for any of the account mentioned in the point 4 (III) of main audit report is not prepared.
13. Cash book is not closed on daily basis.
14. Yes, all money have been brought to the account as par Rule No. 22.
15. Advance Register is not maintained so the proper monitoring for advances given and adjustment thereof cannot be done. Tender file and security deposit register is not maintained by the Nagar Panchayat. Grant Register is not maintained, hence it is difficult to find unutilized grant at any point of time.



16. Grant Register is not maintained, hence it is difficult to find unutilized grant at any point of time As par Rule No. 69 .
17. Monthly receipt payment are maintained but the trail balance not prepared by the ULB As par Rule No. 120-121.
18. Fees and taxes collected are not deposited by the Tax Collector on daily basis as par clause no. 4.4.
19. Self assessment of property tax is not being done.
20. Taxes such as Sales Tax **Rs. 15,04,305.00**, Royalty **Rs. 1,59,399.00**, and Labour Cess **Rs. 2,55,535.00** etc. are collected but payments were pending till the date of audit.

3. Opinion:

**Overall opinion of the Audit team about the functioning of the Municipality.
The functioning of the Municipality is very weak due to following reasons:**

1. Most of the prescribed Books of accounts like journal, Ledger Bank Book Advance Reg. etc are not maintained
2. Internal Control w.r.t. collection of taxes, monitoring of grant, monitoring of advances, monitoring of schemes etc. is very poor.
3. Grant received for various purposes are not utilized on timely basis.
4. BRS is not prepared on a 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.
5. There are serious lapses in deposit of TDS, Sales Tax **Rs.15,04,305.00** Royalty **Rs.1,59,399.00**, Labour Cess **Rs.2,55,535.00** .

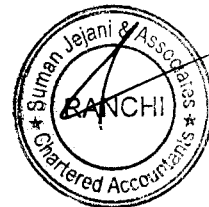
4. Audit Recommendations:

**The recommendations of Audit team on the observed weakness
We suggest the followings:**

1. All the prescribed books of accounts and Registers should be prepared on real time basis.
2. P.F., E.S.I., should be deducted from salary, if applicable.
3. Demand & Collection Register of all the wards should be prepared and calculation should be done as per new assessment.

4. Collection from own sources should be improved.
5. Collection by tax collector should be deposited on daily basis.
6. Grant Register should be prepared.
7. Compliance of AG audit report should be made as early as report is received from AG.
8. All the statutory dues should be deposited on timely basis and returns prescribed under respective laws should also be filed on timely basis.
9. New staff should be appointed by the management for smooth running of the ULB.
10. Following post should be filed as soon as possible :

Sl. No.	Post Vacant	No. of Post Vacant
01	Head Clerk	01
02	Clerk	01
03	Admin	01
04	Sweeper	03
05	Plumber	01
06	Assistant Tax Collector	01



5.

COMMENTS FROM MANAGEMENT

NAGAR PANCHYAT/PARISHAD, ...Birpur...

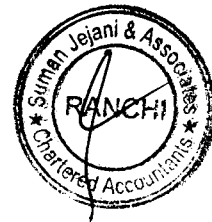
We are trying regularly for correction and strengthen the system. We are also trying to develop internal control and internal check. So that resources can be at optimum level.

Date: 26/07/16

Place: BIRPUR

For Nagar Panchyat/Parishad

[Signature]
कार्यपालक पदाधिकारी
पंचयत बीरपुर (सुपौब)
(Executive Officer)



6. Acknowledgment

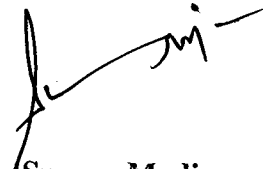
We thank Mr. Amol Mishra (Executive Officer), for his support during the period of our audit. We are also thankful to Mr. Satyanarayan Chaudhary (Accountant), and support staffs of the municipality for their cooperation extended to us during the period of our audit.

Place : Ranchi

Date : 31-12-2016



For Suman Jejani & Associates.
Chartered Accountants
FRN.- 009650C


CA. Suman Modi
(Partner)
M.N.- 079078

Main Audit Report

1. Introduction:

The Internal audit of Nagar Panchayat Birpur covering period from 1st April 2015 to 31st March, 2016 was conducted by following persons under guidance of CA Suman Modi -

- i. Sujit Kumar
- ii. Prashant Kumar

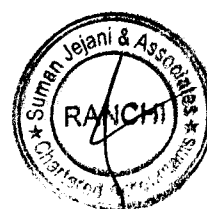
2. Administration:

The present body of the ULB is functioning since 1975. The incumbency in the key administrative and executive position was as under:

- 1. Mr. Gopal Acharya, Chairman from 2012 till date.
- 2. Mr. Amol Mishra, Executive officer from Sept 2015 till date.

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
Audit has been conducted by AG but the report were not available for verification at ULB . Only objection from Audit memo of AG audit has been provided to us.								



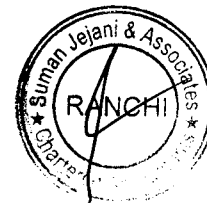
According to objection of AG audit, outstanding paras are given below :-

1. In FY 11-12, There is difference between Cash book & Pass book by Rs. **11,89,511.00**
2. There is Revenue loss of Rs.72,132.00 to State govt. Due to non collection of Stamp Duty :-

Sl. No.	Name of Sairat	Amt. of Bandobasti		Total	Stamp Duty @ 3%	Remark
		14-15	15-16			
01	Bus Stand	6,08,600.00	8,15,100.00	14,23,700.00	42,711.00	In FY 14-15 & 15-16, Stamp Duty on Bus Stand were collected Rs100.00 per stamp only.
02	Hatt	0.00	3,48,000.00	3,48,000.00	10,440.00	
03	Gudari	40,300.00	63,000.00	1,03,300.00	3,099.00	
TOTAL					56,250.00	

3. From FY 15-16 There was an advance given to Employee but there is no adjustment is made till date.

Sl. No.	Scheme Name	Date	Advance Amt.	Advance paid
01	39/15-16	18.06.15	3,000.00	Tablet
02	38/15-16	18.06.15	49,900.00	Tablet
03	40/15-16	18.06.15	19,000.00	Tablet
04	41/15-16	18.06.15	2,200.00	Tablet
05	42/15-16	18.06.15	49,000.00	Tablet
06	62/15-16	22.06.15	2,309.00	Printer
07	117/15-16	14.07.15	10,000.00	Hasim khatun (urdu fest)
08	119/15-16	21.07.15	2,93,000.00	Sudhir kr. Singh(s.s.p)
09	121/15-16	22.07.15	4,26,000.00	Sudhir kr. Singh(s.s.p)
10	123/15-16	23.07.15	3,67,000.00	Sudhir kr. Singh(s.s.p)
11	138/15-16	13.08.15	15,000	Arun kr. Ray (15th aug)
TOTAL			12,21,409.00	



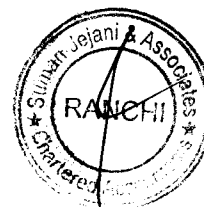
4. Finance:

I. Budgetary provisions and expenditure for the last three years

Year	2015-16	2014-15	2013-14
Final/ Revised Budget	9,61,53,051.00	6,73,85,810.00	2,66,78,850.00
Actual Expenditure	4,45,49,013.00	3,73,16,500.00	1,68,71,313.00
Savings (+)/ Excess (-)	5,16,04,038.00	3,00,69,310.00	98,07,537.00

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	4,46,62,133.00	5,67,27,120.00	5,67,27,120.00	3,84,49,161.00	3,84,49,161.00
Receipts	4,92,43,380.00	1,91,34,328.00	1,91,34,328.00	3,32,07,468.00	3,32,07,468.00
TOTAL	9,39,05,513.00	7,58,61,448.00	7,58,61,448.00	7,16,56,629.00	7,16,56,629.00
Net Expenditure	6,47,21,051.00	3,73,16,500.00	3,73,16,500.00	4,45,49,013.00	4,45,49,013.00
Closing Balance	2,91,84,462.00	3,85,44,948.00	3,85,44,948.00	2,71,07,616.00	2,71,07,616.00



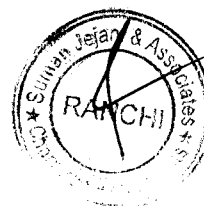
III. Bank Reconciliation

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

Sl. No.	Name of Bank	Account No.	NAME OF SCHEME	Balance as on 31.03.2015	Reconciliation status
1	SBI	XXXX2872	SJSRY	2,58,429.80	Reconciliation not done
2	CBI	XXXX5328	SJSRY	21,480.30	
3	PNB	XXXX5897	PATH NIRMAN	11,04,657.50	
4	PNB	XXXX5903	SPUR(WATER SUPPLY)	51,29,778.94	
5	CBI	XXXX0556	SPUR	48,651.00	
6	PNB	XXXX8937	13TH FIN	26,37,774.92	
7	PNB	XXXX8928	PENSION	9,12,747.00	
8	UBGB	XXXX3696	NAGAR PPANCHAYAT NIDHI	11,99,090.00	
9	CBI	XXXX2660	BRGF	1,56,601.80	
10	-	-	ADVANCE BOOK	9,200.00	
11	UBGB	-	(N.P / S.B.M)	36,00,000.00	
12	SBI	-	CURRENT ACCOUNT	19,939.85	
13	TREASURY P/L A/c			1,24,76,631.00	
	Total of Bank			2,75,74,982.11	
	Total as per Cash Book			2,71,07,616.00	
	Difference			4,66,971.11	

Bank Reconciliation Statements have not been prepared by the Nagar Panchayat. There is a difference of Rs. 4,66,971.11 between Cash Book and Consolidated Balance as per Pass Book of all accounts and Treasury PL Account.

The Nagar Panchayat is suggested to reconcile the above mentioned differences immediately and prepare B.R.S on monthly basis.



IV. Revenue Receipts

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)
a) Own Source					
Property Tax	84,38,200.00	5,79,400.00	5,79,400.00	753281.00	753281.00
Assigned revenue	31,35,000.00	4,32,703.00	4,32,703.00	1226100.00	1226100.00
Others (Fees & User Charges)	28,00,000.00	27,90,886.00	27,90,886.00	171580.00	171580.00
(b) Administrative Grant	38,50,000.00	43,02,196.00	43,02,196.00		
(c) Specific Grant (Scheme wise)					
13th Finance	33,00,000.00	31,98,825.00	31,98,825.00	45,74,052.00	45,74,052.00
Water supply				2,39,886.00	2,39,886.00
Spur grant					
Census grant					
NULM/SJSR Y	12,00,000.00			32,37,409.00	32,37,409.00
4th Finance	49,50,000.00	45,67,834.00	45,67,834.00	31,35,123.00	31,35,123.00
Development fund	1,10,00,000.00			64,39,759.00	64,39,759.00
Social amenities	18,00,000.00	22,88,458.00	22,88,458.00	8,31,400.00	8,31,400.00
Kabir Antyesthi	3,30,000.00	1,86,000.00	1,86,000.00	6,87,000.00	6,87,000.00
Sawch Bharat Mission				36,00,000.00	36,00,000.00
Parshad Bhatta	143000	1,95,300.00	1,95,300.00	1,37,932.00	1,37,932.00
Pension / Samajik				42,77,332.00	42,77,332.00

Surcha					
BRGF	22,00,000.00			7,79,594.00	7,79,594.00
Siksha Niyojan	22,000.00				
Other income	60,75,180.00	5,92,726.00	5,92,726.00	31,17,083.00	31,17,083.00
Total	4,92,43,380.00	1,91,34,328.00	1,91,34,328.00	3,32,07,468.00	3,32,07,468.00

V. Status of Implementation of Double Entry Accounting System;

Double Entry Accounting System has been started in the Nagar Panchayat.

Appointment of Chartered Accountant firms for implementation of Double Entry Accounting System in the Nagar Panchayat is done. A Chartered Accountant firm names **M/s Sarkar Gurumurthy & Associates** has been appointed by the UD&HD.

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 Nagar Panchayat till the date of our audit.**

