

SPUR-PMU (Samvardhan)

No.....1204

In Coming Date 23/02/17

Internal Audit Report -Nagar Panchayat- Chakiya

F.Y- 2015- 2016

INTERNAL AUDIT REPORT OF NAGAR PANCHAYAT- CHAKIYA (EAST CHAMPARAN)

For the period from 01.04.2015 to 31.03.2016



Internal Audit Conducted by:

GKSureka & Co.
Chartered Accountants

2nd Floor, Nathani Market, Sutapatty,

Muzaffarpur-842001 (Bihar).

Telefax: +91-621-2246018, Mobile: 9835290195

E-Mail- mfp@gksureka.com

Audit conducted From: August 02, 2016 to August 25, 2016

Report Issued on: September 08, 2016

NAGAR PANCHAYAT – CHAKIYA (EAST CHAMPARAN)**INTERNAL AUDIT REPORT OF F.Y.2015-16**

INDEX

Section	Contents	Page No.	
		From	To
A	Audit Methodology and Approach	3	4
B	Executive Summary	5	8
C	Detailed Audit report	9	13
D	Audit Observations – Part-A	14	14
E	Audit Observations – Part-B	15	18
F	Audit Observations – Part-C	19	22
G	Annexure of irregularities observed in collection & deposit of taxes	23	27
H	Annexure-1 Report on field survey of 80 properties	28	30
I	Compliance Report as per Scope of work of tender	31	32

Internal Audit Report of Financial year 2015- 2016**Section A: Audit Methodology and Approach****Audit Methodology**

We have conducted the internal audit of Nagar Panchayat – Chakiya (East Chmparan), for the year ending on 31st March , 2016 (as per TOR). We familiarized ourselves with N.P. documents, 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 N.P. in order to plan and perform our audit.

We reviewed transaction 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 N.P. 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:

- General Cash Book & Subsidiary Cash Book for the period from 1st April 2015 to 31st March 2016 maintained manually in the N.P. ;
- Vouchers (Cash, Bank, Journal etc)along with supporting documents;
- Receipt Books
- Other necessary records and registers

The major observations, in respect of the depot have been discussed with the Executive Officer & Accountant of the N.P.

Audit Approach

Our approach to the internal audit started with an overview of activities through a study and documentation of the existing systems and procedures. We then identified, evaluated and tested the adequacy, efficiency and effectiveness of internal controls including standard policies and procedures laid down by the management (where applicable), for each of the areas included in the Scope of Work.

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 income & expenditure.

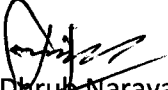


Our observations, resulting from the audit tests performed on a sample of transactions, are set out under “Part-A, Part-B & Part-C” of the audit report and include our recommendations for addressing these observations.

Place : Muzaffarpur

Date :

For G.K.Sureka & Co.
Chartered Accountants
FRN.-513018C


(CA. Dhruv Narayan)
Partner
M.N.- 501415



Executive Summary

1. Introduction

Name of the Municipality	N.P. Chakiya (East Champaran)
Period Covered under Current Audit	01.04.2015 to 31.03.2016
Name of the Chief Municipal Officer for the period under Audit	Sh. Maheshwar Prasad Singh

2. Results and Findings

Strength observed during the audit engagement	<ul style="list-style-type: none"> ➤ General Cash Book & Subsidiary Cash Book has been written. ➤ Staff Co-operation during the Audit period was very good.
Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement.	<ul style="list-style-type: none"> ➤ Different types of taxes and other charges collected during the financial year by Sh. Upendra Kumar (Accountant) had not been deposited fully. We found that as against total collection of Rs. 59,69,386/- during the financial year 2015-16 only Rs. 55,54,030/-had been deposited till 31.03.2016 and balance of Rs.4,15,356 has been deposited next financial year 2016-17. ➤ Tower tax is not being collected on timely basis as more than Rs.2.40 lacs is receivable as tower tax as on 31.03.2016. (Details of Tower tax dues is annexed in Annexure) ➤ Shop rent is not being collected on timely basis as Rs. 2.17 lacs is overdue as shop rent as on 31.03.2016. ➤ There are lack of internal control w,r,t collection of taxes. ➤ Demand collection Register has not been maintained properly hence it is not possible to ascertain total arrear of taxes. ➤ Taxes collected by tax collector are not deposited on daily basis we observed that it is being deposited after significant intervals which is not proper. As per Rule 27 of BMAR it should be deposited on daily basis otherwise a penalty up to Rs. 5000/- may be imposed for delayed deposit. ➤ Tower tax dues are not collected on time basis. ➤ Tender of Ghat, Crematorium, Gate, Palm trees and lands are not done on yearly basis.



	<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. ➤ Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof. ➤ There is lack of internal control on deduction and deposit of various taxes. On deduction of taxes liability is not created 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. 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.
--	--

3. Opinion

Overall opinion of the Audit team about the functioning of the Municipality	<p>The functioning of the Municipality is very weak due to 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. • Collection from own sources is very poor. • Grant received for various purposes are not utilized on timely basis. • There are serious lapses in deduction and deposit of statutory dues such as TDS, VAT, Royalty, Labour cess etc.
--	--

4. Audit Recommendations


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 ✓ Cashier Cash Book should be written on daily basis. ✓ Collection by tax collector should be deposited 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.
---	---



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

	<ul style="list-style-type: none"> ✓ Demand Collection Register of all the wards should be prepared. ✓ Property tax register should be prepared as per new assessment. ✓ Collection from own sources should be improved. ✓ AG Audit report for financial year 2015-16 should be provided.
--	---

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 align="center">  For Nagar Panchayat , Chakiya नगर कार्यपालक पदाधिकारी (Executive Officer) नगर पंचायत, चकिया </p>
---------------------------------------	--

6. Compliance of Terms of Contract as per scope of work	Terms of Internal Audit Contract as per scope of work has been complied with and a report of compliance of terms of the contract is attached in Annexure.
--	---

7. Compliance of Previous Internal Audit Report	Audit report of F.Y. 2014-15 has been submitted after completion of the financial 2015-16 hence possibility of compliance of previous year's report in the current financial year does not arise.
--	---

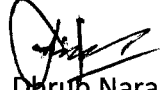


6. Acknowledgment

We thank Mr. Maheshwar Prasad Singh (Executive Officer), Mr. Ramesh Sharma (Head Clerk) and Mr. Krishan Kumar (Accountant) for their support during the period of our audit. We are also thankful to Tax Daroga and support staffs of the municipality for their cooperation extended to us during the period of our audit.

Place : Muzaffarpur
Date :

For G.K.Sureka & Co.
Chartered Accountants
FRN.-513018C


(CA. Dhruv Narayan)
Partner
M.N.- 501415



Detailed Audit Report

1. Introduction

The Internal audit of N.P.- Chakiya (East Champaran) covering period from 1st April 2015 to 31st March, 2016 was conducted by following persons under guidance of CA. Dhruv Narayan

- i. Md. Javed Akhtar
- ii. Vivek kumar

2. Administration

The present body of the ULB has taken charge on 21st June 2012. The incumbency in the key administrative and executive position was as under:

Smt. Vina Devi, Chairman from 09.06.2012 to till date ,Shri Maheshwar Prasad Singh Executive officer from 10.04.2015 to 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

No A.G. Audit has been conducted since the date of completion of our previous audit for the F.Y. 2014-15



4. Finance**I. Budgetary provisions and expenditure for the last three years**

Year	2013-14	2014-15	2015-16
Final/ Revised Budget	26,81,78,249	14,08,97,070	41,60,95,435.00
Actual Expenditure	4,27,41,125	3,43,15,404	7,79,42,620.37
Savings (+)/ Excess (-)	22,54,37,124	10,65,81,666	33,81,52,804.63

II. Volume of transactions

Period	Budgeted	Previous year (For One year)	Corresponding period of previous year	Current Period	Cumulative for the current period
Opening Balance	851680.00	10,51,77,378.70	10,51,77,378.70	10,45,56,161.10	10,45,56,161.10
Receipts	23961500.00	33694186.00	3,36,94,186.00	15,62,97,941.00	15,62,97,941.00
TOTAL	24813180.00	13,88,71,564.70	13,88,71,564.70	26,08,54,102.10	260,854,102.10
Net Expenditure	416095435.00	3,43,15,404.00	3,43,15,404	7,79,42,620.37	7,79,42,620.37
Closing Balance	391282255.00	10,45,56,161.10	10,45,56,161.10	18,29,11,481.73	18,29,11,481.73



III. Bank Reconciliation

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

Sl.No	Bank Name	Account Number	Balance	Name of scheme	Reconciliatio position
1	State bank of India	11374065868	477,737	Nagar Palika Nidhi	Reconcile
2	Panjab National Bank	7211000100011716	2,954,662	Nagar Palika Nidhi	Reconcile
3	State bank of India	315724163332	1,042,655	BRGF	Reconcile
4	State bank of India	31572429357	15,455	12th,13th &14th Finance	Reconcile
5	Central Bank Of India	2066713455	279,5901.8	MNVY AND SJRY AND 11 & 13 FC	Reconcile
6	Central Bank Of India	2066791648	701,137	UIDSSMT	Reconcile
7	Utter Bihar Gramin Bank	10019510002905	564,786	Mukhaya Mantri Nagar VIKAS YUJNA	Reconcile
8	Panjab National Bank	7211000100032816	12,098,777	UIDSSMT	Reconcile
9	Central Bank Of India	2066678033	22,976	Nagar Palika Nidhi and other	Reconcile
10	State bank of India	11373986201	1,685	Nagar Palika Nidhi and other	Reconcile
11	Central Bank Of India	2066726113	684	VAMBAY	Reconcile
12	Panjab National Bank	7211000100080309	182,140	E.Governance	Reconcile
13	Panjab National Bank	7211000100080301	2,136,226	Swatch Bharat Mission	Reconcile
14	Bandhan Bank		2,856,622	NAGARPALIKA NIDHI	Reconcile
15	P/I Treasury A/c		152,636,032	4th & State plane	Reconcile
		Total	178,487,475.8		
	Total as per cash book		182,911,481.73		
	Difference		4,424,005.93		

IV. Bank Reconciliation Statements have been prepared by the N.P. There is a difference of Rs. 4424005.93 between Cash Book and consolidated balance as per pass book of all account.



V. Revenue Receipts

Period	Budgeted	Previous year (For One year)	Corresponding period of previous year	Current Period	Cumulative for the current period
a) Own Source					
Property Tax	11700000	6,01,574	6,01,574	938,577	938,577
Assigned revenue	10100000	0	0	0	0
Others (Fees & User Charges)	9057250	35,10,793	35,10,793	4,615,453	4,615,453
(b) Administrative Grant	5600000	44,07,122	44,07,122	0.00	0.00
© Specific Grant (Scheme wise)					
Grant for Construction of Road	6500000	0	0	12488700	12488700
Grant for Construction of Drain	5500000	0	0	48393500	48393500
13th Finance Commission Grant	4687500	1979806	1979806	1487180	1487180
4th Finance Commission Grant	6500000	4373678	4373678	105151	105151
Grant for Water Supply	22000000	0	0	2404397	2404397
BRGF	3000000	1002977	1002977	0	0
Grant for construction of Building	2500000	0	0	0	0
Kabir Antyesti Yojna	200000	7500	7500	318846	318846
Grant for salary of City Manager	400000	Included in Administrative Grant	Included in Administrative Grant	Included in Administrative Grant	Included in Administrative Grant
Grant for Sal & Allow. Of CWC & VCWC	400000	190800	190800	137932	137932
Grant for Hand Pump	2200000	0	0	0	0
Grant for SJSRY	3500000	0	0	700000	700000
Grant for MNVY	1200000	0	0	16171	16171
Grant for Ghat Construction	1800000				
Grant for Bus stand Construction	16000000	6547000	6547000		



Grant for Marriage Hall Construction	5000000				
Other Development Schemes	15000000				
BMA, 2007, Sec.,46 Grant	312500	0	0		
Social security Pension	2585000				
Interest (Scheme & Others)	770000	2427264	2427264		
Census	500000	82000	82000	8050	8050
Balika Samriddhi Yojna	0	4648700	4648700	0	0
E-Governance	0	300000	300000	180000	180000
UIDSSMT	0	107766	107766	0	0
Mukhyamantri Kanya Vivah Yojna	0	640000	640000	0	0

VI. Status of Implementation of Double Entry Accounting System

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

Till date no Chartered Accountant firm has been appointed by the UD & HD for implementation of Double Entry Accounting System in the Nagar Panchayat . The process of appointment of C.A firm is in progress.

VII. 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.



b) 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>Different types of taxes and other charges collected during the financial year by Sh. Krishana kumar sinha (Accountant had not been deposited fully we found that as against total collection of Rs.59,69,386/- only Rs.55,54,030/- has been deposited balance of Rs. 4,15,356/- has not been deposited end of financial year 2015-16. Outstanding balance of Rs. 415356/- has been deposited next financial year.</p> <p>Tower tax is not being collected on timely basis as more than Rs.2.40 lacs is receivable as tower tax as on 31.03.2016. (Details of Tower tax dues is annexed in Annexure)</p> <p>Shop rent is not being collected on timely basis as ore than Rs. 2.17 lacs is receivable as shop rent. Details of shop rent dues is annexed in 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 did not observe any such cases.</p>
<p>c. Report on findings of field survey of Property Tax of minimum 80 high value properties per year</p>	<p>Field survey of 80 high value properties has been conducted by us and our 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>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>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- 19 Register of Refunds, Remissions and Write-offs GEN-26 20 Summary Statement of Refunds and Remissions GEN-27 21 Summary Statement of Write-Offs GEN-28 22 Statement of Outstanding Liability for Expenses GEN-29 23 Documents Control Register/Stock Account of Receipt/Cheque Book GEN-30 24 Register of Immovable Property GEN-31 25 Register of Movable Property GEN-32
--	---



	<p>26 Register of Land GEN-33 27 Function-wise Income Subsidiary Ledger GEN-34 28 Function-wise Expense Subsidiary Ledger GEN-35 29 Asset Replacement Register GEN-36 30 Register of Public Lighting System GEN-37</p> <p>The N.P. is maintaining only Cash Book/Bank Book, Journal Book, Ledgers and other some necessary records are not maintained.</p>
b. Irregularity in procurement process	No major irregularity observed.
c. Non-compliance of directives by UD & HD , GOB	<p>We observed several non compliances of directives of UD & HD, GOB such as :</p> <ul style="list-style-type: none"> i. Non collection of various taxes required to be collected. ii. Non maintenance of some prescribed books of accounts. iii. Non submission of UC and other reports on timely basis etc.
d. Non Compliance of Act & Rules	<p>As per Section 127 of the Bihar Municipal Act , the Municipality can levy the following taxes:-</p> <ul style="list-style-type: none"> (a) Property tax on lands and buildings. (b) surcharge on transfer of lands and buildings, (c) tax on deficit in parking spaces in any non-residential building, (d) water tax, (e) fire tax, (f) tax on advertisements, other than advertisements published in newspapers, (g) surcharge on entertainment tax (h) surcharge on electricity consumption within the municipal area, (i) tax on congregations, (j) tax on pilgrims and tourists, and (k) Toll Tax <ul style="list-style-type: none"> (i) on roads, bridges, ferries and navigable channel and (ii) on heavy trucks which shall be heavy goods vehicles, and buses, which shall be heavy passenger motor vehicles, within the meaning of the Motor Vehicles Act, 1988, plying on a public street. (l) Tax on profession <p>We observed that only property tax has been collected during the year other taxes have not been collected.</p>
e. Lack of internal Control	➤ There are lack of internal control w.r.t collection and



<p>measures</p>	<p>deposited of taxes.</p> <ul style="list-style-type: none"> ➤ Demand collection Register is maintained under process hence it is not possible to ascertain total arrear of taxes. ➤ Taxes collected by tax collector are on deposited on daily basis we observed that it is being deposited after significant interval which is not proper. As per Rule 27 of BMAR it should be deposited on daily basis otherwise a penalty up to Rs. 5000/- per day may be imposed for delayed deposit. ➤ Tower tax dues are not collected on time basis. ➤ There is lack of internal control on deposit of various taxes. On deduction of taxes liability is not created 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. 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>f. Non-compliance of TDS, VAT and other relevant Statute</p>	<p>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. We observed that all such taxes deducted during the financial year 2015-16 partly has been deposited and partly has not been deposited. Income tax deducted has not been deposited till date. Details of Outstanding statutory dues has not been provided to us. so we are unable to provide figure of outstanding dues.</p> <p>We observed that VAT amount of Rs. 16,87,726 on 16/03/2015</p> <p>We also observed that I.T. deduction of 11-12 to F.Y 14-15 amounting to Rs.2,47 070 has been deposited on 02/01/2016.</p>
<p>g. Deficiency in Pay-roll System</p>	<p>There is no any deficiency in pay-roll systems. PF contribution and pension fund contribution of employees are deducted and deposited on or before due date. PF account has been opened with PF department all the deductions of PF contribution and pension fund contribution are being deposited in a separate account opened by the municipality.</p>
<p>h. Utilization of Grant and report on missing</p>	<p>Grant Register is maintained under process. hence it is difficult to ascertain unutilized grant at any particular time. Details of UC sent till</p>



Utilization Certificates	31.03.2016 is enclosed in Annexure.
i. Physical verification of inventory/Stores	Store Register has not been prepared and physical verification of inventory/stores has also not been done.
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.	Staff strength of accounts department needs to be increased.



PART- C

General Observations: Auditor should report the deficiencies noticed during their audit and recommend ULB Management to improve internal systems.

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 been carried out.
Whether the Bank Reconciliation statements have been prepared and are appropriate	yes, Bank Reconciliation Statements have 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.

