

INTERNAL AUDIT REPORT

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

OF

NAGAR PARISHAD

FORBESGANJ

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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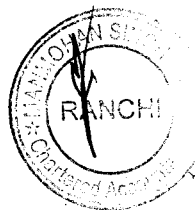


AUDIT METHODOLOGY AND APPROACH

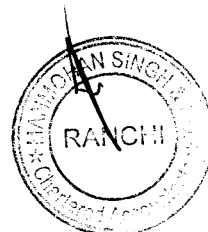
Audit Methodology

We have conducted the internal audit of Nagar Parishad – Forbesganj, for the year ending on 31st March, 2016 (as per TOR). We familiarized ourselves with documents of Nagar Parishad, the internal guidelines and circulars applicable during this period under review. We also reviewed the working of the Nagar Parishad and evaluated the accounting systems and related controls of the Nagar Parishad 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 Parishad's financial management systems, including internal controls for entire audit period. We applied necessary tests and controls, as we considers necessary under the circumstances.

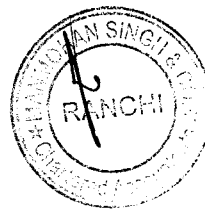


Name of Auditor: M/s Manmohan Singh & Co.		Name of ULB : Forbesganj	
Sl. No	Relevant Clause of Scope of Work of the Contract		Compliance (Mention the para no & Page no of audit report)
	Clause No.	Description	
1	4.1	Internal Audit should undertake risk-based review and evaluation of the internal control 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 risk environment.	Complied in Para no. 2 of Part 2 of Executive Summary At Page no..2& 3
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>	Complied in para no 1,5,7,13 16,17,18 & 19 of Part 2 of Executive Summary at Page no ..6&7
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, Sairatetc;</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>	Complied in Para no. Part A of Main Audit Report at Page no ..15&16



Internal Audit Report -Nagar Parishad- Forbesganj F.Y- 2015 -2016

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 SASis 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.20 of Part 2 of Executive Summary at Page no .7..
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. 21 of Part 2 of Executive Summary at Page no ..7..
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. 22 of Part 2 of Executive Summary 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 23of Part 2 of Executive Summary at Page no ..7..
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 to 10 of Part 10 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.Part A of Part of Main Audit Report at Page no ..15,16&17



EXECUTIVE SUMMARY

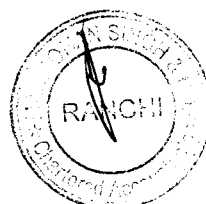
1. Introduction

Name of the Municipality	Forbesganj Nagar Parishad
Period Covered under Current Audit	1st April 2015 to 31st March 2016
Name of the Chief Municipal Officer for the period under Audit	Sri Suman Kumar
Audit Conducted on	26th & 27th July 2016.

2. Result and Findings

The major Weaknesses and observations during the course of internal audit have been found & discussed with the Executive Officer & Accountant of the Nagar Parishad.

1. Delay in Deposit of Collected Holding/Property Tax by the Tax Collector.
2. Daily Collection Register is not maintained by Tax Inspector, Tax Collector & Nazir.
3. Failed to Collect Mobile Tower Tax/Fees of Rs.28,20,00.00 **List Attached**
4. Vouchers were not properly kept and arranged and renumbered.
5. Bank Reconciliation Statement not Prepared by Management.
6. Cash book for the 13th & 14th Finance are Combined maintained by ULBs.
7. Lacking of Internal Control on Collection of Taxes.
8. Security Deposit not deducted in Construction Work for the F.Y.2015-16.
9. Unavailability of Information and Files relating to Security Deposits, TDS, VAT, Royalty & Labour Cess.
10. Non Collection of Market/Shop, Bus Stand, Station hat, Kali Mela, Nagar Parishad hat, Live stock hat, Rent and Non Collection of late Fine Rs.2845800. **List Attached**
11. Failed to collect Holding/Property tax from Government Department and Organizations.
12. There is no proper cash handling neither any locker was kept by the ULB.
13. Non Maintenance of of Prescribed books of account. **List Attached**
14. Attendance Register is neither maintained properly nor authenticated by concerned Officer on daily basis. Casual leave of staff was also blank in attendance Register.



15. Registration of the following vehicles has not been done with Transport Office.

<u>S.N.</u>	<u>Name of vehicles</u>	<u>Total no. of Vehicles</u>
1.	Auto	2
2.	Tractors	6
3.	Tata Magic	2
4.	Hydraulic Machine	2
5.	Compactor	1
6.	J.C.B	1
7.	Mini J.C.B	2
8.	Fogging Machine	1
9.	Stitchery in Magic	2
10.	Chalant Souchalaya (Trailer)	1
11.	Septic Tank Cleaner (With Engine)	1
12.	Trailer	1
Total		22

16. Yes, All moneys have been brought to account.

17. No, Collections have not been deposited into Bank on the same day.

18. Monthly Receipt & Payment Account and Trial Balance is not being made.

19. The process of audit to be completed and reported within 6 months is in progress.

20. No Self Assessment of property tax is being done.

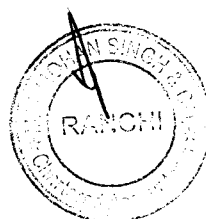
21. On verification of vouchers on all payments above Rs. 10,000.00, we have found that these are appropriate and is in order with respect to documentation and approval etc.

22. No, Register for E-tender & Auction is not been maintained by ULBs.

23. Yes, there is a system of issuance of utilization certificate for the different schemes for any utilisation made during the reporting period.

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

- I. There is a lack of internal control w.r.t collection of taxes.
- II. Tower tax is being levied but full recovery has not been done.
- III. On deduction of taxes, liability is not created hence it is difficult to ascertain tax payable at any point of time.
- IV. Taxes collected by Tax Collector are not deposited on daily basis.
- V. Demand and collection register is not prepared by the Nagar Panchayt.
- VI. There is no proper cash handling neither any locker was kept by the ULB.
- VII. Assigned revenue is not collected at yearly basis. It is being collected at interval of 2 or 3 years.
- VIII. Unavailability of information and files relating to TDS, VAT, Royalty and Labour Cess.
- IX. Deduction and contribution of GPF, GIS and payment thereof has been made but such GPF has been deposited in the separate account instead of Employee Provident Fund A/c.
- X. Fixed Assets Register is not maintained by the ULB.



4. Opinion

As referred above and detailed in Audit Report, we are of the opinion that The Functions of concerned ULB is confined to collection of Holding Tax. There are many other sources of Revenue which are not explored and taken care of by the Officers of concerned officer ULB. Record Keeping is not proper. Transparency in Procurement is lacking due to non availability of proper documents.

5. Audit Recommendation

The concerned officers should explore other areas of Revenue Generations by surveying their area has Tower Tax, Advertisement Tax, Holding Fee, Trade License Fees, Others Fees and Taxes. Record keeping should done properly that any document can traceable as and when required for any purpose. Procurement related documents and files should be made available for verification and transparency purposes. cash book should be maintained properly by making entries of balances of each Bank account separately. several Books and registers which are not maintained or maintained in improper manner should be done properly. BRS should be prepared and reconciled on regular intervals. Internal Auditor and Accountant should have adequate coordination between them making the system perfect.

6. Fixed Assets Register

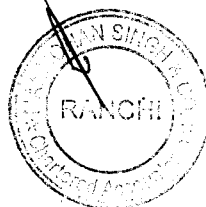
- I. The procurement of fixed assets is not proper and non-maintenance of Fixed Asset Register would lead to failure of determining the replacement cost.
- II. There is lack of knowledge in respect of maintaining fixed assets register amongst the ULB personals.
- III. The unit has not done the number mark for the assets physically lying with the unit.
- IV. Any loss and obsolescence of fixed assets during the year has not been reported to us.

7. Bank Reconciliation Statement:-

- I. Bank Reconciliation statement not prepared by ULB, thus we are unable to comment on Difference between Balance of Cash book & Bank Book.
- II. During the discussion with E.O. and Head Clerk we are suggest for the preparation of BRS on monthly basis for each schemes.

8. Vehicle Log Book:- During the course of audit, vehicle log book not provided to us. it is relevant for check/internal control on expenses for fuel and lubricants which are major heads of expenses for ULB.

9. Vouching:- in ULB there is no system of preparation of vouchers and payment has been done only though Bill/Invoices there is no where mention the voucher no. not even on the Bill/invoices and without a voucher no. it is a tough task to identify any particular day vouchers and Bill/Invoices.



10. Opinion

We suggest the followings: Audit Recommendations

1. All the prescribed books of accounts and Registers should be prepared on real time basis.
2. TDS should be deducted from salary, if applicable.
3. Bank reconciliation Statement should be prepared on monthly basis.
4. Demand & Collection Register of all the wards should be prepared as per BMAM format and calculation should be done as per new assessment.
5. Collection from own sources should be improved.
6. Collection by tax collector should be deposited on daily basis.
7. Compliance of AG audit report should be made as early as report is received.
8. Cashier and General Cash Book should be updated on timely basis.
9. All the statutory dues should be deposited on timely basis and returns prescribed under respective laws should also be filed on timely basis.
10. New staff should be equipped with regular training to run the ULB smoothly.

Acknowledgment

We thank Mr. Suman Kumar (Executive Officer), Mr. Surendra Nath Mishra (Ret Head Clerk) for their support during the period of our audit. We are also thankful to Mr. Rajnish (Accountant) & Mr. Mukesh (Computer Operator), and support staffs of the municipality for their cooperation extended to us during the period of our audit.

Place: Ranchi

Date: 30 Dec,2016

For Manmohan Singh & Co.

Chartered Accountants

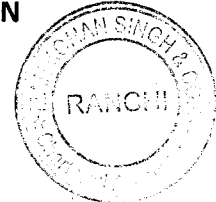
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CA. J.P. Sharma

(Partner)

M.N.- 402655



MAIN AUDIT REPORT

1. Introduction

The Internal audit of Nagar Parishad Forbesganj 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. Durgesh Kumar Singh

2. Administration

The present body of the ULB is functioning since 1912. The incumbency in the key administrative and executive position was as under:

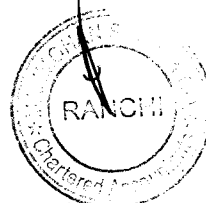
- 1. Anup Kumar Jaiswal, Chairman from 11 March 2015 till date.
- 2. Suman Kumar, Executive officer from 29 March 2016 till date.

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
1	AG AUDIT (25.02.15)	37	08	-	-	-	11	(25.02.15)

Particulars of outstanding audit paras is given below:-

<u>Particulars</u>
Non preparation of practical Budget of financial year 2009-10 to 2012-13.
Deviation in amount of RS. 1032000.00 of SJSRY scheme.
Non deposit of collection of property tax of Rs.355375.00
Non collection of property tax on govt. building of Rs.6714877.00
Failed to collect Tower tax of Rs. 1422000.00 upto 31.03.2013
Non maintenance of demand and collection register properly.
Failed to collect rent & hire charges of Rs.399209.00
Failed to collect stamp fees/registration fees for sairat bandobasti of Rs.260709.00 for financial year 2009-10 to 2012-13
Lapses of security deposit amount of Rs192125.00 from bus stand bandobasti for f.y. 2009-10 to



2011-12
Failed to collect security deposit amount of Rs.1839869.00
Failed to collect security deposit amount of Rs.226276.00 of kali puja for financial year 2011-12 to 2012-13.

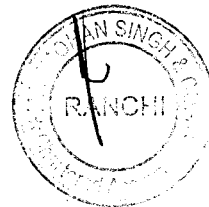
4. Finance

I. Budgetary provisions and expenditure for the last three years

Year	2015-16	2014-15	2013-14
Final/ Revised Budget	31,54,95000.00	18,55,73,000.00	14,12,53,630.00
Actual Expenditure	7,56.61.522.00	11,76,09,975.00	4,14,34,328.00
Savings (+)/ Excess (-)	23,98,33,478.00	6,79,63,025.00	9,98,19,302.00

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	9,83,,7244.00	11,70,90,695.00	11,70,90,695.00	9,82,97,244.00	98297244.00
Receipts	2,17,56,7700.00	9,88,16,524.00	9,88,16,524.00	10,23,27,926.00	102327926
TOTAL	31,58,74,944.00	21,59,07,219.00	21,59,07,219.00	20,06,25,170.00	200625170
Net Expenditure	31,54,95000.00	11,76,09,975.00	11,76,09,975.00	7,56.61.522.00	7,56.61.522.00
Closing Balance	379944.00	9,82,97,244.00	9,82,97,244.00	12,49,63,,648.00	14,93,68,889.00



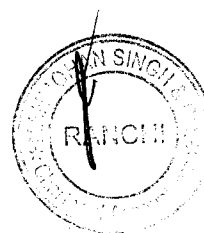
III. Bank Reconciliation

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

Sl. No	Name of Bank	Account No.	Balance as on 31.03.2016	Name of Scheme	Reconciliation position
1	Union Bank	XXXX7289	5328370.00	IHSDP(Infrastructure)	No Difference
2	Bank of Baroda	XXXX2042	1587347..00	SJSRY	No Difference
3	Bank of Baroda	XXXX4485	3126585.13	BRGF	No Difference
4	PNB	XXXX4750	83894.00	Balika Samridhi Yojna	No Difference
5	BOI	XXXX0042	91450.00	Kabir Antyesthi Samanya	No Difference
6	BOB	XXXX9902	1578.00	E.GOVERNENCE	Reconciled
7	Bank of Baroda	XXXX9901	34783538.00	IHSDP(House)	Reconciled
8	Bank of Baroda	XXXX3179	9173484.00	13th&14th Finance	No Difference
9	SBI	XXXX8663	246205.61		No Difference
10	Bank of Baroda	XXXX3719	22005850.00	DFID	No Difference
11	CBI	XXXX0616	33122.68	Own Source	No Difference
12	HDFC	XXXX0017	4417.00	Own Source	Reconciled
13	BOI	XXXX2301	54,775.00	Own source	No Difference
14	PNB	XXXX2570	1564997.00	Own source	
14	Treasury PL A/c		45719799.91	Various Schemes	No Difference
	Total Bank Balance		12,38,05,413.33		
	Total Cash Book Balance		12,49,63,648.04		
	Difference		11,58.234.71		

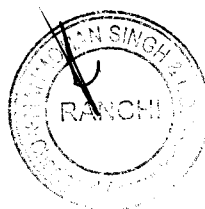
Bank Reconciliation Statements have Not been prepared by the N.P. There is a difference of Rs.11,55,234.71 in Own Source]between Cash Book and Consolidated Balance as per Pass Book of all accounts.

The N.P. is suggested to 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	1,65,46,000.00	40,36,635.00	40,36,635.00	40,91,493.00	40,91,493.00
Assigned revenue	62,00,000.00	1,09,98,510.00	1,09,98,510.00	12,60,029.00	12,60,029.00
Others (Fees & User Charges)	11,11,9700.00	72,06,809.00	72,06,809.00	55,74,955.00	55,74,955.00
(b) Administrative Grant					
	6,19,02000.00	99,03,030.00	99,03,030.00	1,10,29,028.00	11,02,90,28.00
(c) Specific Grant (Scheme wise)					
4th State Finance	1,20,00,000.00	1,09,03,620.00	1,09,03,620.00	-	- 1
Admin Building	-	5,30,000.00	5,30,000.00	-	-
Road Construction	2,00,00,000.00	---	---	-	-
Drainage Construction	2,00,00,000.00	---	---	-	-
IHSDP (House)	5,00,00,000.00	4,31,64,000.00	4,31,64,000.00	71633296.00	71633296.00
IHSDP(Infra)	-	63,85,000.00	63,85,000.00	7328422.00	7328422.00
13th&th Finance	1,00,00,000.00	24,99,720.00	24,99,720.00	16553901.00	16553901.00
BRGF	25,00,000.00	27,81,200.00	27,81,200.00	6032106.5	6032106.5
SJSRY	-	-	-	2910347.00	2910347
Nagrik Suvidha	50,00,000.00			-	-
Balika Samaradhi				83894.00	83894.00
DFID				25566713.00	25566713.00
Kabir Antyesthi	5,00,000.00	30,000.00	30,000.00	391450.00	391450.00
TOTAL	120,000,000.00	9,88,16,524.00	9,88,16,524.00	130500129.5	130500129.5



Status of Implementation of Double Entry Accounting System:- Double Entry Accounting System is not operational in the Nagar Parishad.

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.



Audit Observations

PART-A

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

Collection of Revenue (own source)

Holding & Property Tax Collection

Subject: Collection of Property Tax/Holding Tax by the Concerned ULB.

- Demand and collection register have not been prepared in a proper manner so it seems difficult to ascertain of tax arrears.
- An arrear of property Tax on Government Building of Rs.2565681/-**(List Attached)**
- An arrear of property Tax on Residential Building of Rs.2565681.

Impact: Due to non Collection of Property/holding Tax there is huge operational Revenue Loss to ULB and there is no record/register to know total current & arrear demand of holding tax therefore arrear of Holding /Property Tax on Govt. Building is as per list made available to us during the course of Audit.

Cause: Due to non follow up and monitoring of activities of Tax Inspector/Collector by the Concerned officers on regular intervals.

Recommendation: There Should be day to day monitoring on Collection of Taxes and also maintenance and update Of Demand and Collection Register on Regular interval.

Survey Report should be prepared for construction of new Residential/Commercial building on Yearly basis.

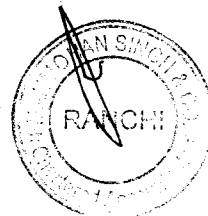
Mobile Tower Tax:

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.40000.00 (Forty Thousand)
Annual Fees :- Rs.10000.00 (Ten Thousand)

Status/Condition: As per Details Provided to us there are total 25 (Twenty Five) Mobile Towers registered with this ULB up to 31.03.2016 and Rs.585200.00/-is due to be recovered from these tower operators on account of Tower Tax.(Annexure-iii)

Impact: Due to non collection of Tower Tax/Fees there is a revenue loss to ULB.



Cause: The ULBs does not have Proper mechanisms for Supervision and monitoring of the tower tax/rent due to which result in Result in Revenue Leakage.

Recommendation:

There should be proper monitoring and further steps are required to be taken for collection of Tower Tax by concerned ULB.

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.2015-16.

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

Advertisement Tax:-chapter XVII of the Bihar Municipal Act,2007 requires license for advertisement of any hording, etc. as per the act Every Person who erects, exhibits, fixes or retains upon or over any land, building ,wall, boarding, frame, post, kiosk, structure, vehicle, neon-sign or sky-sign any advertisement, or display any advertisement to public view in any manner whatsoever (including any advertisement exhibited by means of cinematograph),visible from a public street a public place in any location in a municipal area including airport or a port or a railway station ,shall pay or every advertisement, which is so erected ,exhibited, fixed or retained or so displayed to public view, a tax calculated at such rate as may be determined regulations. it requires payment of certain fee for advertisement. No record regarding the same has been made available to us during the course of Audit.

Market/Shop Rent Collection:-

Subject:- Non collection of Market/Shop Rent and Imposition of late fine by the Concerned ULB.

Impact: Due to non collection of Tower Tax/Fees there is a revenue loss to ULB.

Recommendation:

There should be proper monitoring and further steps are required to be taken for collection of Shop Rent/Taxes by concerned ULB.

Tender of market Place(Sairat)

Collection from station Hat and Kali Mela has been done by the department itself but data not provided to us for the collection made.

During the course of Audit, we have found requisitioned all receipts counterfoils, upon our requisition it has been told to us that the counterfoils has not been submitted by the Tax collector to the "Nazir" or "Bada Babu" it is being held by tax collector with themselves. Even new 'H' book is being made available