

SPUR-PMU (Samvardhan)  
No. 1138  
In Coming Date 21/01/17

## Internal Audit Report

Of Hilsa Nagar Parishad

For the period from 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016

### Internal Audit Conducted By

Mr. SANTRAJ KUMAR

UNDER GUIDANCE OF CA CHANAKYA SHREE

From :-M/S R.N.SINGH & CO.

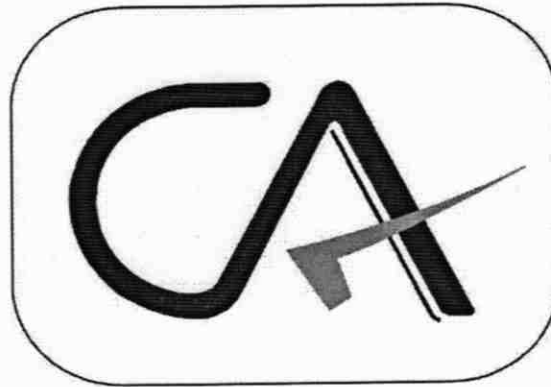
Chartered Accountants.

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From 18<sup>th</sup> August 2016 to 24<sup>th</sup> August 2016

Report Issued on 31<sup>st</sup> August 2016

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

Name of Auditor: R N Singh & Co.		Name of ULB:- Hilsa Nagar Parisad.	
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 3 of Part B of Detailed Audit Report (Lack of internal control measures) at Page no 11.
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&amp;HD. In its report there must be a separate section for non-compliance of rules/directives of UD&amp;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 &amp; Payment Account and Trial Balance</p> <p><input type="checkbox"/> Rule 130: Audit to be completed &amp; 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 11.</p> <p>b) Complied in para no 2 of Part B of Detailed Audit Report (Non-compliance of directives by UD&amp;HD, Government of Bihar) at Page no 11.</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 05 and para 1 of page 6.</p> <p>b) Complied in para no 5 of Part B of detailed audit report at Page no 11.</p>
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	Complied in para no C of Part A of detailed Audit Report at Page no 7 to 10.



Name of Auditor: R N Singh & Co.			Name of ULB:- Hilsa Nagar Parisad.
Sl. No.	Relevant Clause of Scope of Work of the Contract		Compliance (Mention the para no & Page no of audit report)
	Clause No.	Description	
		and Actuals as per internal audits;	
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 10.
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 1 of Part B of Detailed Audit Report at Page no 11.
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 3 of Part B of Detailed Audit Report at Page no 12.
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 of Part 4 of Excutive Summary at Page 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 1 of Part 4 of Excutive Summary at Page no 2.



## **Executive Summary**

### **1. Introduction:**

Name of the Municipality :- Nagar Parishad, Hilsa

Period covered under current audit:- **1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016.**

Name of Chief Municipal Officer for the period under audit : **Shree Vijay Kumar Singh.**

### **2.Results and Findings:-**

#### **a). Strengths observed during the audit engagement:-**

i) No such strengths have been observed by us during the course of our audit to report under this head.

#### **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). Hilsa Nagar Parishad is not in practice to follow Computerised Accounting System.

iii). Hilsa Nagar Parishad is not in practice to write cash book properly. There are cuttings and overwriting on many pages. In some cases regarding recording of transaction with respect to paymen, details of cheque numbers are missing.

iv). Hilsa Nagar Parishad is not in practice to collect Mobile Tower Registration Fee and Renewal Charges.

v). Hilsa Nagar Parisad is not in practice to do field survey and assessment of property tax. After 2009, ULB has not revised its property tax rate.

vi). Hilsa Nagar Parishad has not provided many records during the audit like Log book of generator, Agreement or plan file of Sairat, Register or details of Assets kept in The ULB etc.

vii) Hilsa Nagar Parishad is not in practice to prepare Bank Reconciliation Statement.

viii) Hilsa Nagar Parishad has not been depositing the statutory dues of Royalty, VAT & Labour Cess deducted by it to the concerned authority. Details of which are available in Detailed Audit Report.

ix) Hilsa Nagar Parisad is not in practice to get its log book and vouchers checked, verified and authorised by the higher authority. Internal control is very weak at this ULB.

### **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 on 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 basis which are under its jurisdiction.
- iv) Statutory Dues like TDS, VAT, Royalty and Labour Cess deducted 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.

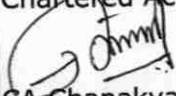
#### **5. Comments From Management:-**

No comments have been given with regards to observations made by us by the Executive Officer or any other officials of the ULB.

#### **6.) Acknowledgement:-**

We have not received satisfactory co-operation and support from the officials and Staffs of the ULB. Without co-operation, co-ordination and support from the auditee, the very purpose of the audit will be jeopardised.

For R.N.Singh & Co.  
Chartered Accountants

  
CA Chanakya Shree  
Partner  
Mem No : 079332  
FRN : 322066E

