

INTERNAL AUDIT REPORT

SPUR-PMU (Samvardhan)
No. 1138
In Coming Date. 31/01/17
OF ISLAMPUR NAGAR PANCHAYAT

**FINANCIAL
YEAR
2015-
2016**

Internal Audit Report

NAGAR PANCHAYAT, ISLAMPUR

For the period from 1/04/2015 to 31/03/2016

Internal Audit conducted by

M/S R.N. Singh & Co.

Chartered Accountants,

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Patna-800 001

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From 22/08/2016 to 27/08/2016

Report issued on 31/08/2016

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

Name of Auditor: R N Singh & Co.		Name of ULB:-Nagar Panchayat Islampur	
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 (e) of Part B of Detailed Audit Report (Lack of internal control measures) at Page no 16
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 (d) of Part B of Detailed Audit Report (Non-Compliance of Act and rule) at Page no 15 & 16</p> <p>b) Complied in para no (c) of Part B of Detailed Audit Report (Non-compliance of directives by UD&HD, Government of Bihar) at Page no 15.</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, 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 (a) & (b) of Part A of detailed audit report at Page no 10 to 14.



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	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 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 (c)of Part A of detailed Audit Report at Page no 14.
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) & (c) of Part 2 of Executive Summary at Pg 2 and Para (b) of Part- A of Detailed Audit Report at Page no 14.
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 (b) of Part B of Detailed Audit Report at Page no 15.
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 (h) of Part B of Detailed Audit Report at Page no 17 & 18.
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 (a) to (i) of Part 4 of Executive Summary at Page no 4.
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 (a), (c), (d) & (e) of Part 4 of Executive Summary at Pg No 4 and Para(a), (b) & (c) of Part A of Detailed audit report at Pg No 10-14.



Executive Summary

1. Introduction:

- Name of the Municipality: Islampur Nagar Panchayat
- Period covered under current audit: 01-04-2015 to 31-03-2016.
- Name of Chief Municipal Officer for the period under audit: Shri Dina Nath.

2. Results and Findings:

- **Strengths observed during the audit engagement:**
 - a) Islampur Nagar Panchayat is in practice to prepare Cash book of each scheme and a separate cash book of receipt from own source. Also, a consolidated cash book of all the scheme is made which is termed as Central Cash Book.
 - b) All vouchers are serially arranged, binded, authorized by competent authority and kept properly by the ULB.
 - c) Separate files of the parties to whom payments are made are properly maintained. Proper documentation process is followed.
 - d) Board meetings of Islampur Nagar Panchayat are held regularly and problems faced in the smooth operation are resolved by passing resolutions.
 - e) The assigned revenue has been increased from 21,42,905.00 in 2014-15 to 57,58,513.00 in 2015-16.
 - f) Office of Islampur Nagar Panchayat is very clean, proper care of cleaning and maintenance has been done.
 - g) The closing balance of cash book and pass book have been tallied there is no need to prepare bank reconciliation account.
- **Weaknesses observed in the functioning of office, maintenance of records etc.:-**
 - (a) Islampur Nagar Panchayat has adopted Single Entry Accounting System; this is not as per Accounting Manual.
 - (b) Budget has not been prepared as per Bihar Budget Manual.
 - (c) Collection of property tax, mobile tower tax, shop rent are not satisfactory which are under its Jurisdiction.
 - (d) TDS return & VAT return has not been filled for the financial year 2015-16.



- (e) Statutory Deduction such as TDS, VAT, Labor Cess, and Royalty has not been deposited on stipulated time by the ULB.
- (f) Computerized accounting system has not been implemented by the ULB.
- (g) ULB is not in practice to prepare monthly receipt and payment account.
- (h) ULB is not in practice to deposit the collection in Bank account on the same day.
- (i) Various registers, books of records etc. are not being prepared by the ULB. Such as, Statutory Register with regards TDS, VAT, and Royalty, Vehicle and Generator log book, Assessment register of property tax, Record & Revision of taxes and rent, Monthly receipt & payment.
- (j) ULB is not in practice to charge service tax on rent received from shop.
- (k) 3% Stamp duty has not been collected on shairat in the financial year 2012-13, 2013-14 & 2014-15, details have been provided in detailed audit report.
- (l) The arrear amount of shairat for the financial year 2012-13, 2013-14 & 2015-16 has not been collected till the date of audit.
- (m) Assessment of property tax has not been done by the ULB.

3. Opinion:

The ULB is required to improve in all the field of its operation particularly in the following field:

- a. Preparation of Accounts, Ledger Books, Various Registers and Records as per requirement.
- b. It requires improving its Internal Control Procedures with regards to Demand, Collection of Revenue, and Deposit of Collected revenue in the Banks on scheduled time.
- c. 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.
- d. Monthly receipt & Payment account should be prepared by ULB.



4. Audit Recommendations:

- a. ULB should make survey and assessment of Property / Holdings. So that proper and correct tax can be levied and collected.
- b. 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.
- c. ULB should levy and collect service tax as per applicable rate from shops given on rent.
- d. ULB must collect property tax, mobile tower tax, advertisement tax, shop rent etc. on timely manner which are under its Jurisdiction.
- e. ULB must file return and deposit TDS, VAT and other statutory on timely basis.
- f. ULB should 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.
- g. 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.
- h. ULB must maintain all the Books of Account, Register, Records etc. as prescribed in Bihar Municipal Accounts Act, Manual and Rules.
- i. ULB shall deposit all collections from own source of revenue in to the bank account on the same date on which it has been received.

5. Comments from Management:

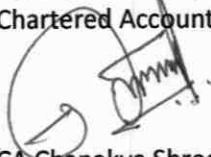
As per discussion with Management, they have ensured that they are looking into the matter and proper action will be taken for all the irregularities coming out from audit.



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 M/S R.N. Singh & Co.
Chartered Accountants



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

