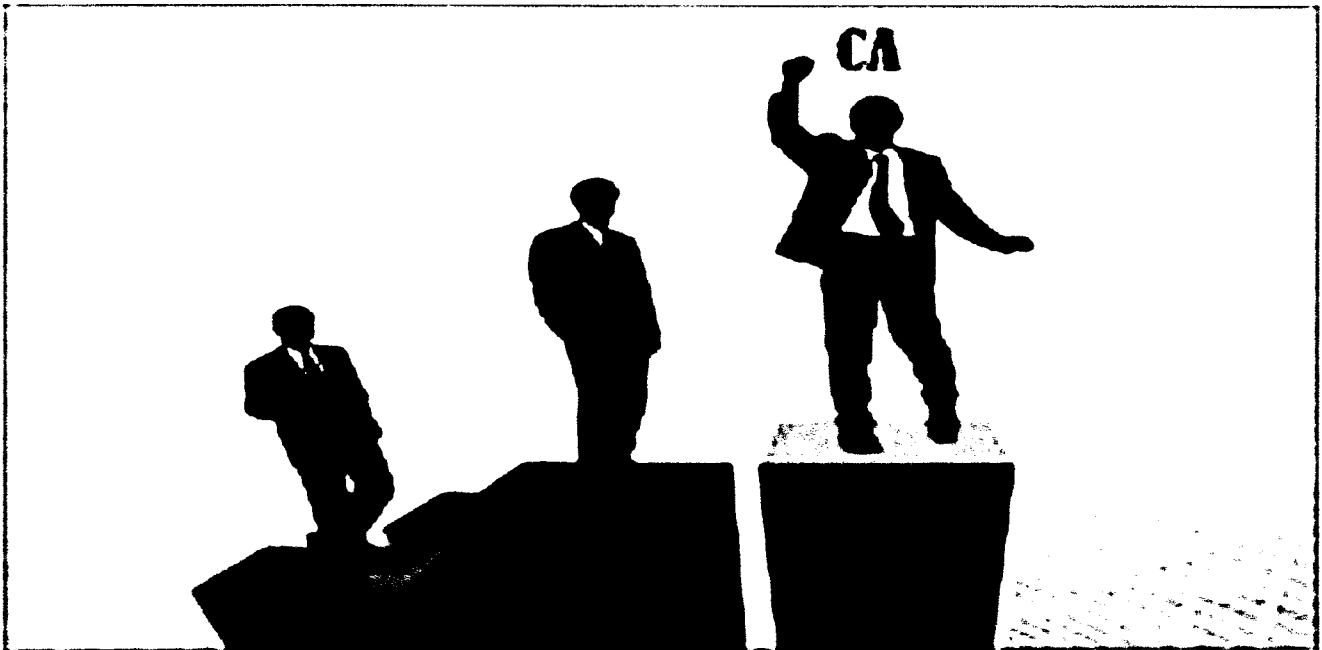


INTERNAL AUDIT REPORT
(SPUR-PMU/194/IA-140ULBs & SLMA/G-17/SJA/2016/138/35)
OF
NAGAR PANCHAYAT
JANAKPUR ROAD
FOR THE F.Y. 2015-16



Conducted by:

R.SHAH & CO.

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AUDIT METHODOLOGY AND APPROACH

Audit Methodology

We have conducted the internal audit of Nagar Panchayat – Janakpur Road, 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 Cash book & Subsidiary Cash Book for the period from 1st April 2015 to 31st March 2016 maintained manually in the Nagar Panchayat.
- 2) Vouchers along with supporting documents;
- 3) Receipt Books
- 4) Budgets prepared by the ULB
- 5) Cheque Issue Register
- 6) All Pass Book & Bank Statements
- 7) 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

Once the audit objectives, scope and criteria have been clearly established, the auditor needs to design an approach to carrying out the audit that will provide the most meaningful result in the most cost-effective manner.

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.

Using professional judgment, the auditor develops the approach and methodology based on the nature and extent of evidence needed to reach a conclusion with a high degree of assurance and the most appropriate and cost-effective mix of audit tests and procedures to gather that evidence. An effective approach will normally incorporate a variety of auditing tools and techniques. Different tools and techniques have various strengths and weaknesses. For example, one may require a high degree of technical skill while another a high degree of interpersonal skill; one may be expensive but reliable, another inexpensive but less reliable.

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. We then identified, evaluated and tested the adequacy, efficiency and effectiveness of internal controls including standard policies and procedures laid down in the TOR and BMAM, 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 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.

Place : Ranchi
Date : 31.03.2017



For R.Shah & Co.
Chartered Accountants
FRN.- 502010C


CA. Neetu Jeani
(Partner)
M.N.- 406561

Internal Audit Report - Nagar panchayat Janakpur Road, F.Y 2015-2016

Name of Auditor: M/s R.Shah & Co.		Name of ULB : Dumra	
Sl. No	Relevant Clause of Scope of Work of the Contract	Description	Compliance (Mention the para no & Page no of audit report)
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..7&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> <p>Rule 22: All moneys to be brought to account</p> <p>Rule: 27: Collections to be deposited into Bank on the same day</p> <p>Rule 69: Grant Related Compliance</p> <p>Rule 120-121: Monthly Receipt & Payment Account and Trial Balance</p> <p>Rule 130: Audit to be completed & reported within 6 month</p>	<p>Complied in para no 2,4&5 of Part 2 of Executive Summary at Page no ..7&8</p> <p>Complied in para no 13,14,15&16 .of part ...of Executive Summary at page no..8&9</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 3,5&6of part of Executive Summary .at page no..6&7
4	4.6	Report in a separate chapter on implementation of SAS of	Complied in Para no.17 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:	Part 2 of Executive Summary at Page no .8
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. 18 of Part 2 of Executive Summary at Page no ..9.
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. 19 of Part 2 of Executive Summary at Page no 9
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 20 of Part 2 of Executive Summary at Page no 9
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 TO9 of Part 4 of Audit Recommendations at Page no 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.	5. Complied in para no.Part A of Part5 of Audit Observations at Page no .17.



EXECUTIVE SUMMARY

1. Introduction

Name of the Municipality	Janakpur Road 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	Shri. Kamal Nath Jha
Audit Conducted on	3rd March, 4th March, 2017

2. Result and Findings

Strength observed during the engagement	<ul style="list-style-type: none"> • The General Cash book & all the Subsidiary Cash Books have been maintained by the ULB. • Attendance Register of Staff were maintained properly. • Salary Register maintained by the ULB. • All the Books & Register have been verified by Executive Officer on monthly basis. • Staffs were cooperative during the Audit period.
Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement	<ol style="list-style-type: none"> 1. There is a lack of internal control w.r.t collection of taxes. 2. Fixed Assets Register is not maintained by the ULB. 3. Demand and collection register have not been prepared in a proper manner hence it seems difficult to ascertain total tax dues. So in this situation we tried our best and checked documents on the basis of available data. Total dues of TDS, VAT, Royalty as on 31.03.2016 was Rs.136638/- ,Rs.362620/-,Rs.56631/- respectively. Rs.72525/- Short deducted towards Sales Tax & Labour Cess Rs.72524/- (As per Annexure - A) No penalty/ surcharge have been imposed for non-payment of demand. 4. There is no proper cash handling neither



	<p>any locker was kept by the ULB.</p> <p>5. Taxes collected by tax collector are not deposited on daily basis. As per Rule 27 of BMAR it should be deposited on daily basis otherwise a sum of Rs. 500/- per day may be imposed for delayed deposit.</p> <p>6. Tower tax is not being collected at all. Total Dues Rs 602000/-as on 31.03.2016. (As per Annexure – B)</p> <p>7. Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.</p> <p>8. Grant Register is partly maintained by N.P.hence it is difficult to find unutilized grant at any point of time.</p> <p>9. Bank Reconciliation Statement for any of the account is not prepared hence it is difficult to monitor possible fraud, if any.</p> <p>10. 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.</p> <p>11. The ULB has not maintain the Log Book Register. No ESI. Pension Fund have been deducted from the salary of the employees.</p> <p>12. Taxes such as Sales Tax(VAT), TDS, Royalty, and Labour Cess etc are collected from time to time but payments are made on yearly basis which is not proper. Taxes should be remitted to the Govt. account on timely basis otherwise delayed interest charges may be imposed.</p> <p>13. Yes.All money have baae brought to account.</p> <p>14. No. Collection have not been deposited into bank on the same day.</p> <p>15. Monthly Receipt & payment Account and trail balance is not being made.</p> <p>16. The process of audit to be completed and report within 6month is in progress.</p> <p>17. No Self Assesment of property tax being done.</p> <p>18. On verification of vouchers on all</p>
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	<p>payments above Rs. 10,000.00, we have found that these are appropriate and is in order with respect to documentation and approval etc.</p> <p>19. No. Register for E-tender & Auction is not been maintained by ULBs.</p> <p>20. Yes, there is a system of issuance of utilization certificate for the different schemes for any utilisation made during the reporting period.</p>

3. Opinion

<p>Overall opinion of the Audit team about the functioning of the Municipality</p>	<p>The functioning of the Municipality is very weak due to following reasons:</p> <ul style="list-style-type: none"> • Collection from own sources is very poor as demand register is not maintained. • The procurement of fixed assets is not proper and non-maintenance of Fixed Asset Register would lead to failure of determining the replacement cost. • 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. • 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.
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	<ul style="list-style-type: none">• 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, Sales Tax(VAT), Royalty, Labour cess etc.• Maximum portion of fund received by the ULB from GoB is left unspent during the financial year 2015-16. So the Closing Bank Balance is huge.
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4. Audit Recommendations

<p>The recommendations of Audit team on the observed weakness</p>	<p>We suggest the followings:</p> <ol style="list-style-type: none">1. All the prescribed books of accounts and Registers should be prepared on real time basis.2. PF & ESI should be deducted from salary, if applicable.3. Grant Register should be prepared.4. Bank reconciliation Statement should be prepared on monthly basis.5. Demand & Collection Register of all the wards should be prepared and calculation should be done as per new assessment.6. Collection from own sources should be improved.7. Collection by tax collector should be deposited on daily basis.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 are to be appointed by the management for smooth running of the ULB and they should be equipped with regular training to run the ULB smoothly.
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5. Comments from Management

The audit report has been discussed with us; we will try our best to remove the irregularities pointed out in the audit report.

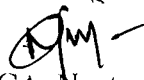


6. Acknowledgment

We thanks Shri. Kamal Nath Jha (Executive Officer), for her support during the period of our audit. We are also thankful to Mr. Ram Kr Choudhery (Nazir), Tax Daroga and support staffs of the municipality for their cooperation extended to us during the period of our audit.

Place : Patna
Date : 31.03.2017

For R.Shah & Co.
Chartered Accountants
FRN.- 502010C


CA. Neetu Jejani
(Partner)
M.N.- 406561



COMMENTS FROM MANAGEMENT


Nagar Panchayat, Janakapur, Road

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: _____

For, Nagar Panchayat/ Parishad

Place: _____


Executive Officer
Nagar Panchayat, Janakapur Road,
Dist.-Sitamarhi



MAIN AUDIT REPORT

1. Introduction.

The Internal audit of Nagar Panchayat Janakpur Road covering period from 1st April 2015 to 31st March, 2016 was conducted by following persons under guidance of CA Neetu Jejani

- i. Rana Burha Gohain
- ii. Ajay Singh
- iii. Anjali Singh

2. Administration

The present body of the ULB is functioning since January 2015 The incumbency in the key administrative and executive position was as under:

- 1. Shri. Manoj Kr Yadav, Chairman from 25/03/2015 to till date.
- 2. Shri. Kamal Nath Jha, 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
1.	AG Audit Dated (30/06/2015)	14	14	04	0	0	14	No compliance has been made till date.

The major irregularities pointed out in the AG Audit report on which no action has been taken are as under:

- 1. The ULB has unable to spent various GoB fund in specified time period.
- 2. Labour Cost has not been deducted.
- 3. Deducted amount of T.T.VAT.Royalty has not been deposited in Govt.A/c.
- 4. Purchase of Hidrolic Tailor,Dustbin & CFL Light has not included in Stock Register.



5. New rate for holding tax has not been done.
6. Mobile tower Survey/Registration has not been done.
7. Education Cess.Health Cess has not been deposited in Govt.A/c amounting to Rs.5.60 Lacs



Finance

I. Budgetary provisions and expenditure for the last three years

Year	2015-16	2014-15	2013-14
Final/ Revised Budget	76049960.00	60996000.00	40440000.00
Actual Expenditure	75862000.00	22965544.00	6670027.00
Savings (+)/ Excess (-)	(+) 187960.00	(+) 38030456.00	(-) 33769973.00

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	33204960.00	37066259.40	37066259.40	38883484.40	38883484.40
Receipts	52845000.00	24782769.00	24782769.00	35622075.00	35622075.00
TOTAL	76049960.00	61849028.40	61849028.40	74505559.40	74505559.40
Net Expenditure	75862000.00	22965544.00	22965544.00	22615719.00	22615719.00
Closing Balance	187960.00	38883484.40	38883484.40	51889840.40	51889840.40



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	1380000.00	223278.00	223278.00	584165.00	584165.00
Assigned revenue	3100000.00			392933.00	392933.00
Others (Fees & User Charges)	1250000.00	328795.00	328795.00	106095.00	106095.00
(b) Administrative Grant	615000.00			5267600.00	5267600.00
(c) Specific Grant					
Admin Building	17000000.00	1788125.00	1788125.00		
Jalapurti Yojana				1931567.00	1931567.00
4th Finance	6000000.00	6851438.00	6851438.00		
5th Finance				6148299.00	6148299.00
Pool And Road Contruction		783300.00	783300.00	251415.00	251415.00
Samajik Suraksha Pension	3000000.00	3821200.00	3821200.00	229623.00	229623.00
BRGF		147826.00	147826.00	618307.00	618307.00
13 th Finance	2500000.00			1016342.00	1016342.00
14 th Finance				3498315.00	3498315.00
Swachh Bharat				3030000.00	3030000.00
Various Schemes	18000000.00	10838807.00	10838807.00	12547324.00	12547324.00
TOTAL	52845000.00	24782769.00	24782769.00	35622075.00	35622075.00

V. Status of Implementation of Double Entry Accounting System



Double Entry Accounting System is not operational in the Nagar Panchayat Janakpur Road till date.

VI. Status of Municipal Accounts Committee; if meeting held

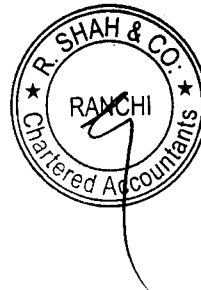
As per section 98 of Bihar Municipal Act, 2007 it is necessary for the Municipality to constitute a Municipal Accounts Committee at its first meeting in each year or as soon as may be at any meeting subsequent thereto. Municipal Accounts Committee has been constituted by the Nagar Panchayat..

6. Audit Observations

PART-A

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

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.	We observed that property tax has been collected during the year but mobile tower tax and advertisement tax has not been collected. <i>New Assessment has not been done since long and the processes of self assessment of property tax are in progress but at a slow rate.</i>
b) Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs	During the course of audit, we did not observe any excess payment against bill, lack of prudence against vouchers etc.
c) Report on findings of field survey of Property Tax of minimum 20 high value properties	As per Annexure - C



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-1A) 2. Bank Book (Form Gen-1B) 3. Journal Book (Form Gen-2) 4. Ledger (Form Gen-3) <p>The N.P. is maintaining General & Subsidiary Cash Books/ Bank Book.</p> <p>In addition to above following other General Registers and forms are required to be maintained but the same are not being maintained or not properly 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. Register of Public Lighting System GEN-37 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
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