

INTERNAL AUDIT REPORT

(SPUR-PMU/194/IA-140ULBs & SLMA/G-15/MMS/2016/136/32)

OF NAGAR PANCHAYAT KASBA

FOR THE F.Y. 2015-16



Conducted by:

M/s MANMOHAN SINGH & Co.

2ND FLOOR, VYAPAR BHAWAN

LALJI HIRJI, RANCHI

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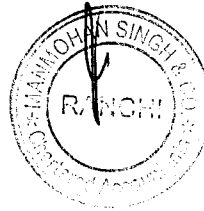
AUDIT METHODOLOGY AND APPROACH

Audit Methodology

We have conducted the internal audit of Nagar Panchayat – KASWAN, 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.

The major observations during the course of internal audit have been discussed with the Executive Officer & Accountant of the Nagar Panchayat.



Audit Approach

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.

An effective approach will normally incorporate a variety of auditing tools and techniques. Different tools and techniques have various strengths and weaknesses.

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.

Testing of internal controls was carried out by checking a sample of transactions for the period covered by the audit.

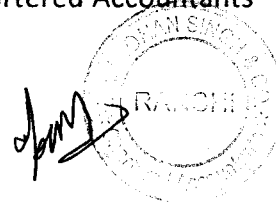
Apart from the test of controls and samples, we also carried out various types of analytical reviews to understand as well as highlight unusual or significant trends in the business.

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: Dec 30,2016

For Manmohan Singh & Co.
Chartered Accountants



CA. J.P.Sharma
(Partner)
M.N.- 402655

EXECUTIVE SUMMARY

1. Introduction

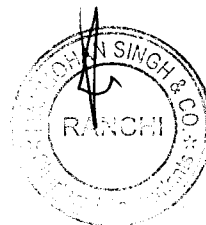
Name of the Municipality	Kasba Nagar Panchayat
Period Covered under Current Audit	1st Apr 2015 to 31st March 2016
Name of the Chief Municipal Officer for the period under Audit	Smt. Indumati Devi
Audit Conducted on	15th Dec.2016 to 16th Dec. 2016

Name of Auditor : M/s Manmohan Singh & Co.		Name of ULB : Kasba	
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 UBS's risk environment.	Complied in para no.02 of Part 2(B) of Executive summary at Page no 8.
2	4.2 & 4.3	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; b) Report on compliance of Bihar Municipal Accounting Manual, Bihar Municipal Accounts Rules,2014 and Bihar Municipal Budget Manual with special attention to	Complied in para no. 01,03,04,17,19. of Part 2 (B) of Executive Summary at Page no. 08 to 09.



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		<p>following Rules of BMAR</p> <ul style="list-style-type: none"> ➤ Rule 22: All moneys to be brought to account. ➤ Rule: 27: Collections to be deposited into Bank on the same day. ➤ Rule 69: Grant Related Compliance. ➤ Rule 120-121: Monthly Receipt & Payment Account and Trial Balance. ➤ Rule 130: Audit to be completed & reported within 6 month 	<p>Complied in para no. 05,06,09,18. of Part.2 (B). of Executive Summary. At Page no. 08 to 09.</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>Complied in para no. 07,15,21&24 of Part 2 (B). of Executive Summary. At Page no. 08 to 09</p>
4	4.6	<p>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 SAS is received or not) must be surveyed and checked in each quarter and reported variations, if any, in PTRs and Actual as per internal audits;</p>	<p>Complied in para no. 27 of Part 02(B) of Executive Summary . At Page no. 09.</p>
5	4.7	<p>Vouch on all payments above Rs. 10,000 and report on adequacy and appropriateness of its documentation, approvals, compliance of procedures etc.</p>	<p>Complied in para no. 25 of Part no. 02(B).of Executive Summary . At Page no. 09</p>
6	4.8	<p>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/-</p>	<p>Complied in para no. 11 of Part 2(B) of Executive Summary. At Page no. 08</p>



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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 utilization made during the reporting period; Where there is no system for issuance of U/Cs, the Internal Audit report shall prepare Utilization Certificate for various schemes/grants as per the guidelines of such scheme available on the UD&HD website.	Complied in para no. 26 of Part 2(B) of Executive Summary at Page no. 09
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. 01 to 09 of Part 04 of Executive Summary . 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.	Complied in para no. (Part A) of Part 5 of Main Audit Report at Page no18 to 21.

2.Result and Findings:

A) Ws Strength Observed During the audit:

We have observed following strength during the course of audit:-

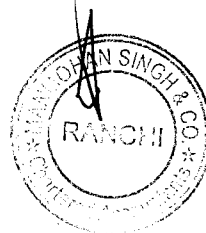
- 1) Main cash books have been maintained by the ULB.
- 2) Attendance Register of Staff were maintained properly.
- 3) Salary Register was maintained by the ULB.
- 4) Staffs were cooperative during the Audit period.



B) Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement:

Following weaknesses have been found in the Nagar Panchayat during the course of audit:-

- 1) Cash book is not maintained properly For ex. Ditail of transation is not clear and cash book not verified by E.O. on daily basis.
- 2) Fixed Assets Register is not maintained by the ULB.
- 3) Subsidiary cash books have not been maintained by the ULB.
- 4) Cash book is not closed on daily basis and not signed by the Cashier and the Account officer on monthly basis.
- 5) As par rule no. 27 Daily collection register is not maintained and not collection has not been deposited into bank on the same day by the Nagar Panchayat.
- 6) Yes, all money have been brought to account as par rule no. 22.
- 7) Fees and taxes collected are not deposited by the Tax Collector on daily basis as par clause no 4.4.
- 8) Vouchers are not properly kept and arranged.
- 9) Monthly receipts & payment Account and trail balance is not being made as par rule no. 120 to 121.
- 10) Budget for the previous year 2012-13, 2013-14, 2014-15 and 15-16 has not been prepared.
- 11) No register for E-Tender, security deposit & Auction is not been maintained by the Nagar Panchayat.
- 12) Deduction of TDS has not done in various schemes.
- 13) Deduction of royalty, VAT and Labor cess has been made but payment thereof has not done in various schemes.
- 14) Deduction and contribution of GPF, GIS and payment thereof has been made but such GPF has been deposited in the separate account kept with the State Bank of India instead of Employee Provident Fund A/c.
- 15) Deficiency has been observed in collection of Holding tax. Also interest or late fine has not charged for nonpayment of Holding tax. In the collection of holding tax ,name of taxpayer and there holding number has not been mention in register and there is no any type of collection receipts voucher.
- 16) There is no proper cash handling neither any locker was kept by the ULB.
- 17) Demand and collection register not produce to us, in this situation it's very difficult to find demand and collection of assigned revenue.
Nagar Panchayat has failed to comply with certain rules and directive



- i. Directives relating to forming a "Municipal Accounts Committee" have not been complied till date.
- ii. Directives relating to preparation of budget has not followed by the Nagar Panchayat.

Unavailability of information and files relating to TDS, VAT, Royalty and Labor Cess.

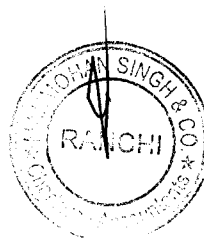
- 18) Grant Register is not maintained, hence it is difficult to find unutilized grant at any point of time as par rule no. 69.
- 19) Bank Reconciliation Statement for any of the account as mentioned in the **Point III of main audit report** has not prepared.
- 20) There is lack of internal control on deduction and deposit of various taxes such as, Royalty, VAT, Labour Cess etc.
- 21) There are lack of internal control w.r.t collection of taxes. Demand and collection register for holding tax has not been prepared.
- 22) On deduction of taxes, liability is not created hence it is difficult to ascertain tax payable at any point of time.
- 23) Taxes such as Sales Tax(VAT), TDS, Royalty, and Labour Cess etc are collected from time to time but payments were not proper.
- 24) Demand and collection register and vouchers not maintained, Hence it is difficult to find lapse of collection.
- 25) On verification of on all payments above Rs. 10,000.00, we have found that these are appropriates and is in order with respect to documentation and approval etc.
- 26) No, there is not any system of issuance of utilization certificate for different schemes for any utilization made during the reporting period.
- 27) No, self assessment of property tax is not being done.

3. Opinion

Overall opinion of the Audit team about the functioning of the Municipality

The functioning of the Municipality is weak due to the following reasons:-

- 1) Collection from own sources is very poor should be improvement and collect tax timely.
- 2) The procurement of fixed assets is not proper and non-maintenance of Fixed Asset Register would lead to failure of determining the replacement cost.
- 3) BRS is not prepared on 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.



- 4) Most of the prescribed Books of accounts are should be maintained.

Reported in Part B(a)

- 5) Internal Control w.r.t. collection of taxes, monitoring of grant, monitoring of advances, monitoring of schemes etc. is very poor
6) Grant received for various purposes are not utilized on timely basis.

4. Audit Recommendations

Following suggestions can be recommended on the observed weaknesses

- 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 are not maintained , So we are unable to know outstanding amount of collections.
- 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 from AG
- 8) Cash Book should be written and updated on daily 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.

