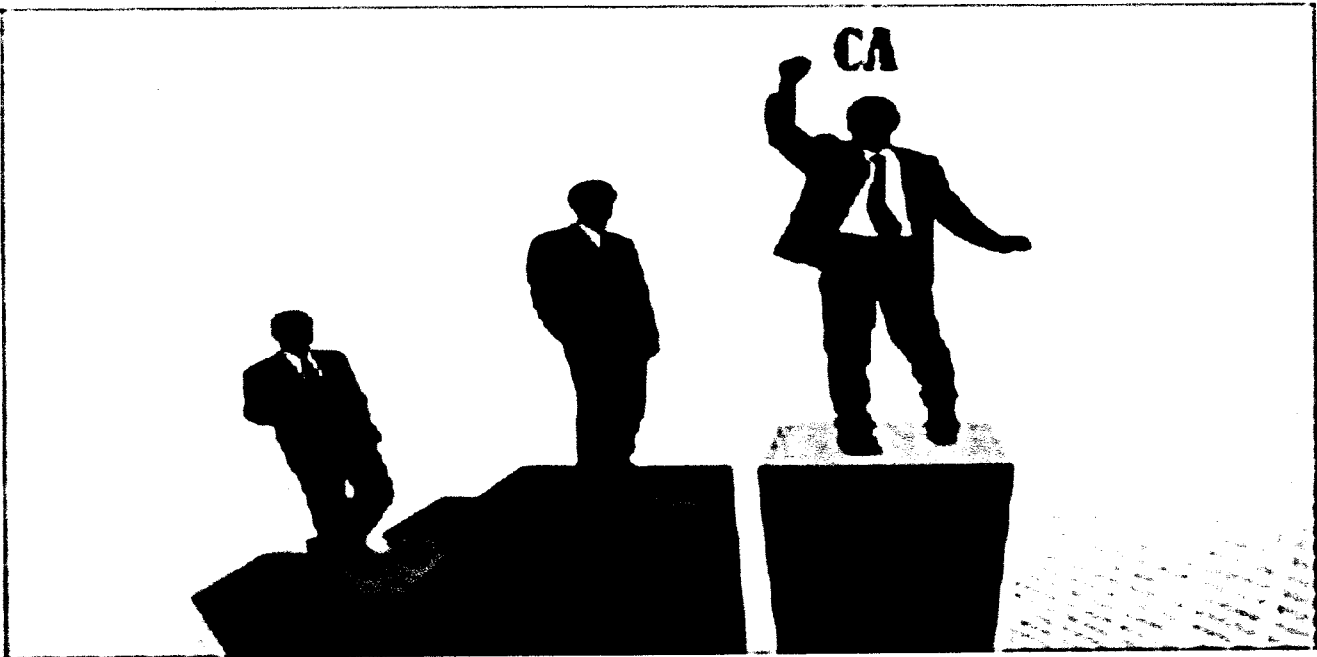


INTERNAL AUDIT REPORT
(SPUR-PMU/194/IA-140ULBs & SLMA/G-17/RS&C/2016/138/35)
OF
NAGAR PANCHAYAT
LALGANJ
FOR THE F.Y. 2015-16



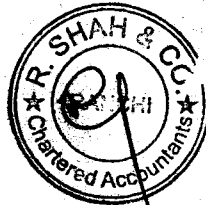
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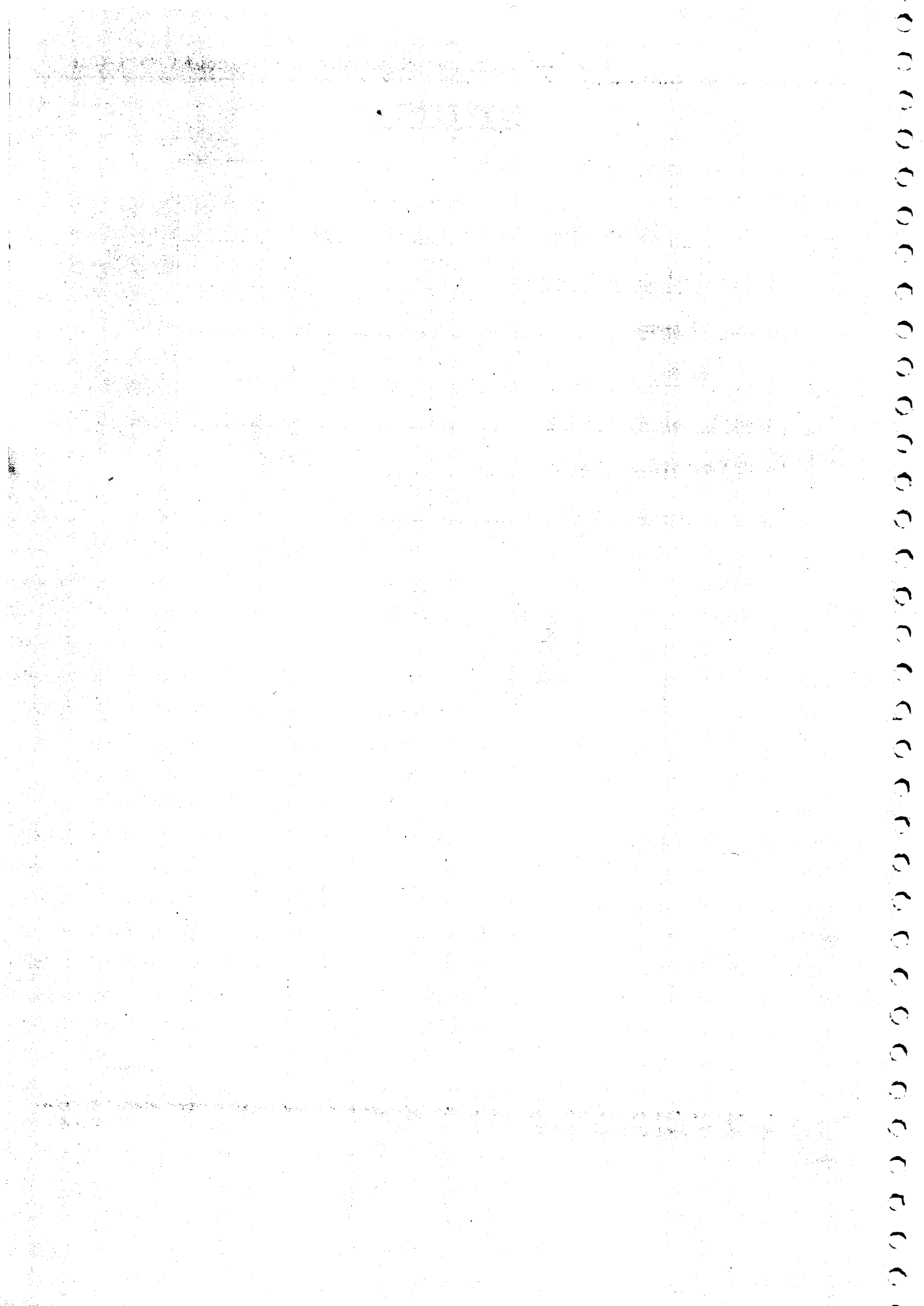
R.SHAH & CO.

2ND Floor, Vyapaar Bhawan,
Lalji Hirji Road, Ranchi - 834001
0651-2227747, 9304828767
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AUDIT METHODOLOGY AND APPROACH

Audit Methodology

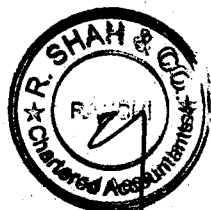
We have conducted the internal audit of Nagar Panchayat – Lalganj, for the year ending on 31st March, 2016 (as per TOR). We familiarized ourselves with documents of Nagar Panchayat, the internal guidelines and circulars applicable during this period under review. We also reviewed the working of the Nagar Panchayat and evaluated the accounting systems and related controls of the Nagar Panchayat in order to plan and perform our audit.

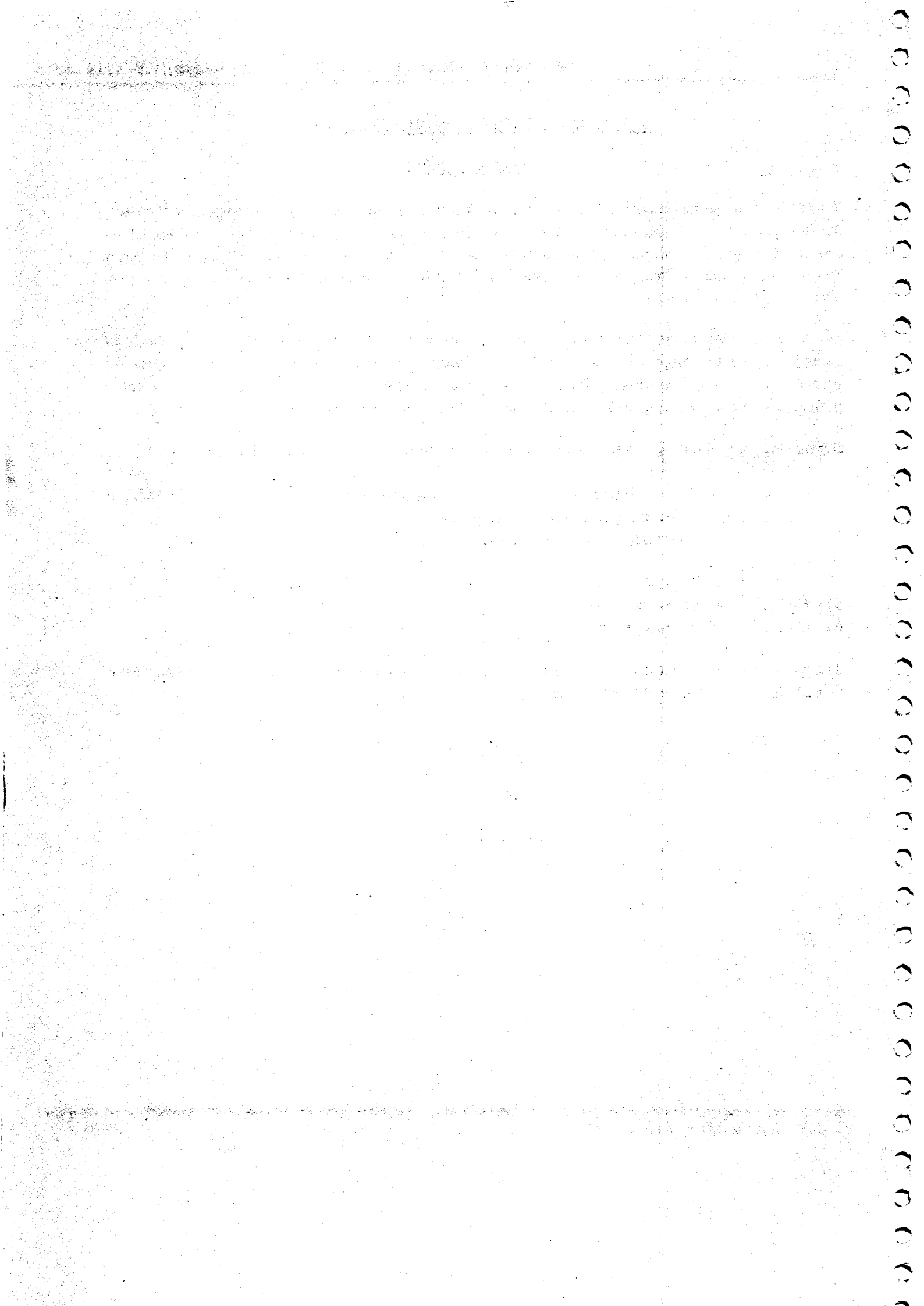
We reviewed transactions from April 01, 2015 to March 31, 2016. Our objective was to check all transactions and to design procedures to detect omissions. We also applied procedures to assess the adequacy of the Nagar Panchayat's financial management systems, including internal controls for entire audit 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 Cashbook, all Subsidiary Cash Books 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) Cheque Issue Register
- 5) Budgets prepared by the ULB
- 6) 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.

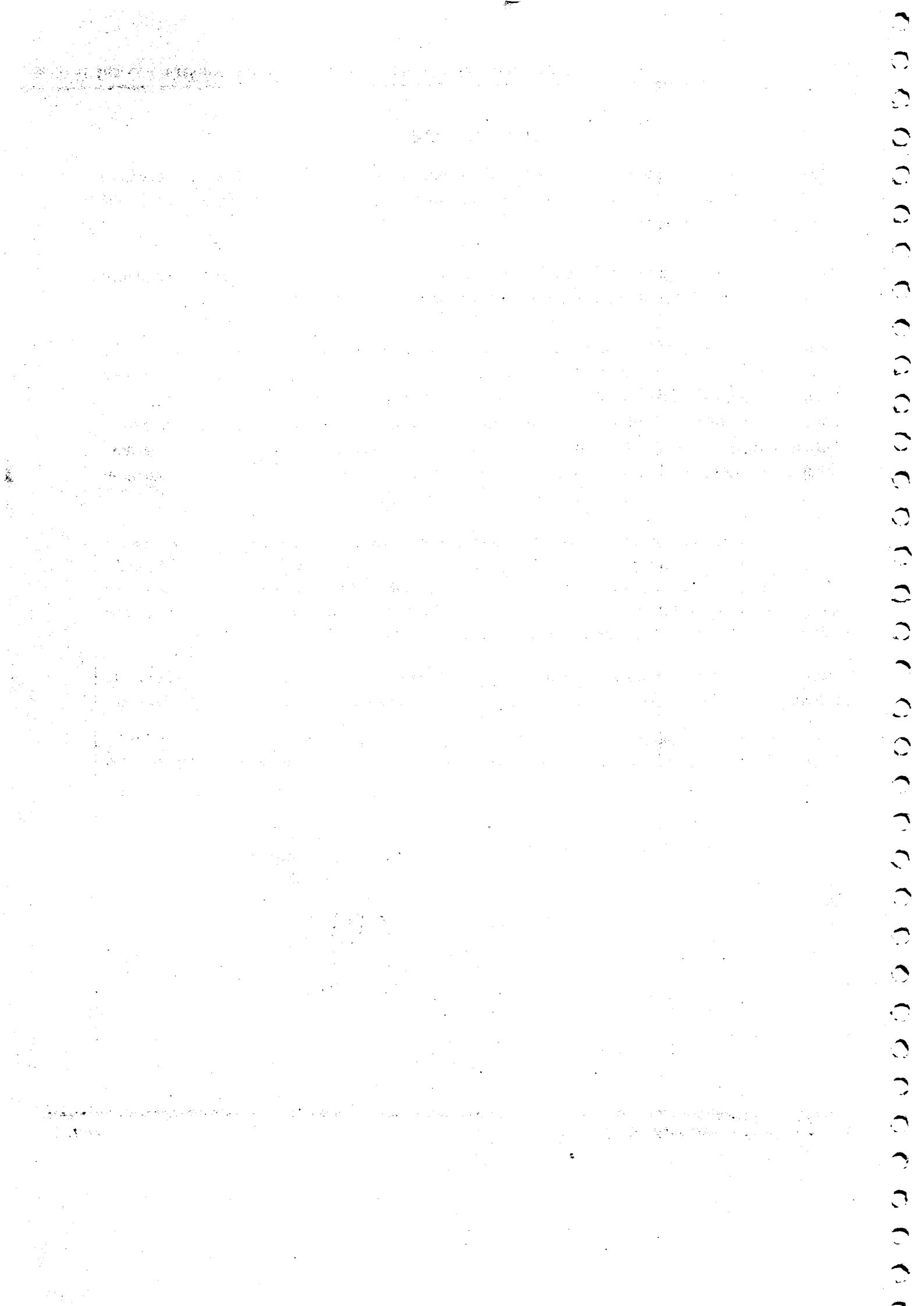
Our observations, resulting from the audit tests performed on a sample of transactions, are set out under "Part-A, Part-B & Part-C" of the audit report and include our recommendations for addressing these observations.

Place : Ranchi
Date : 31.03.2017



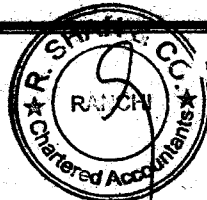
For R.Shah & Co.
Chartered Accountants
FRN.- 502010C

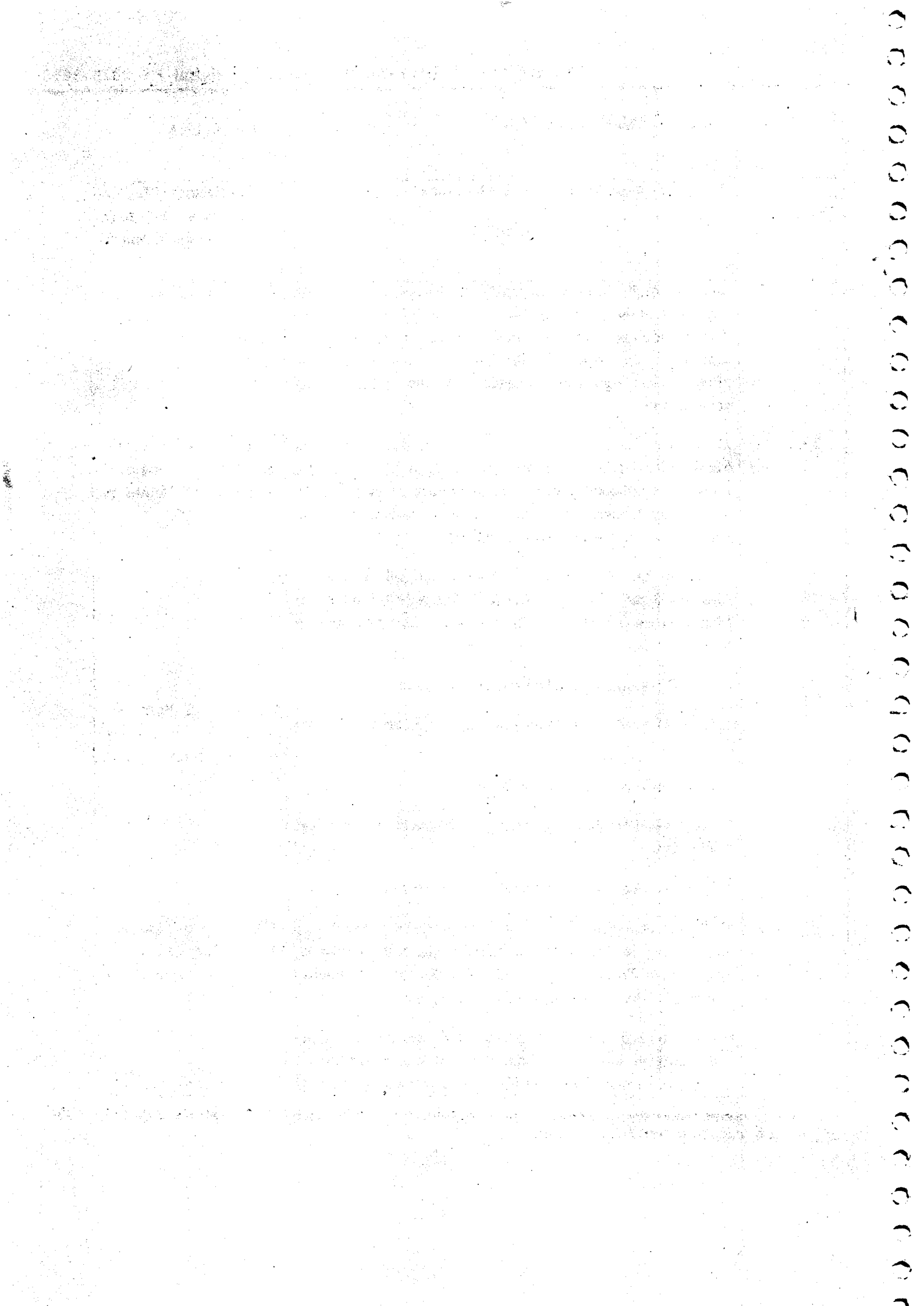

CA. Neetu Jejani
(Partner)
M.N.- 406561



Internal Audit Report -Nagar Panchayat- Lalganj, F.Y- 2015 -2016

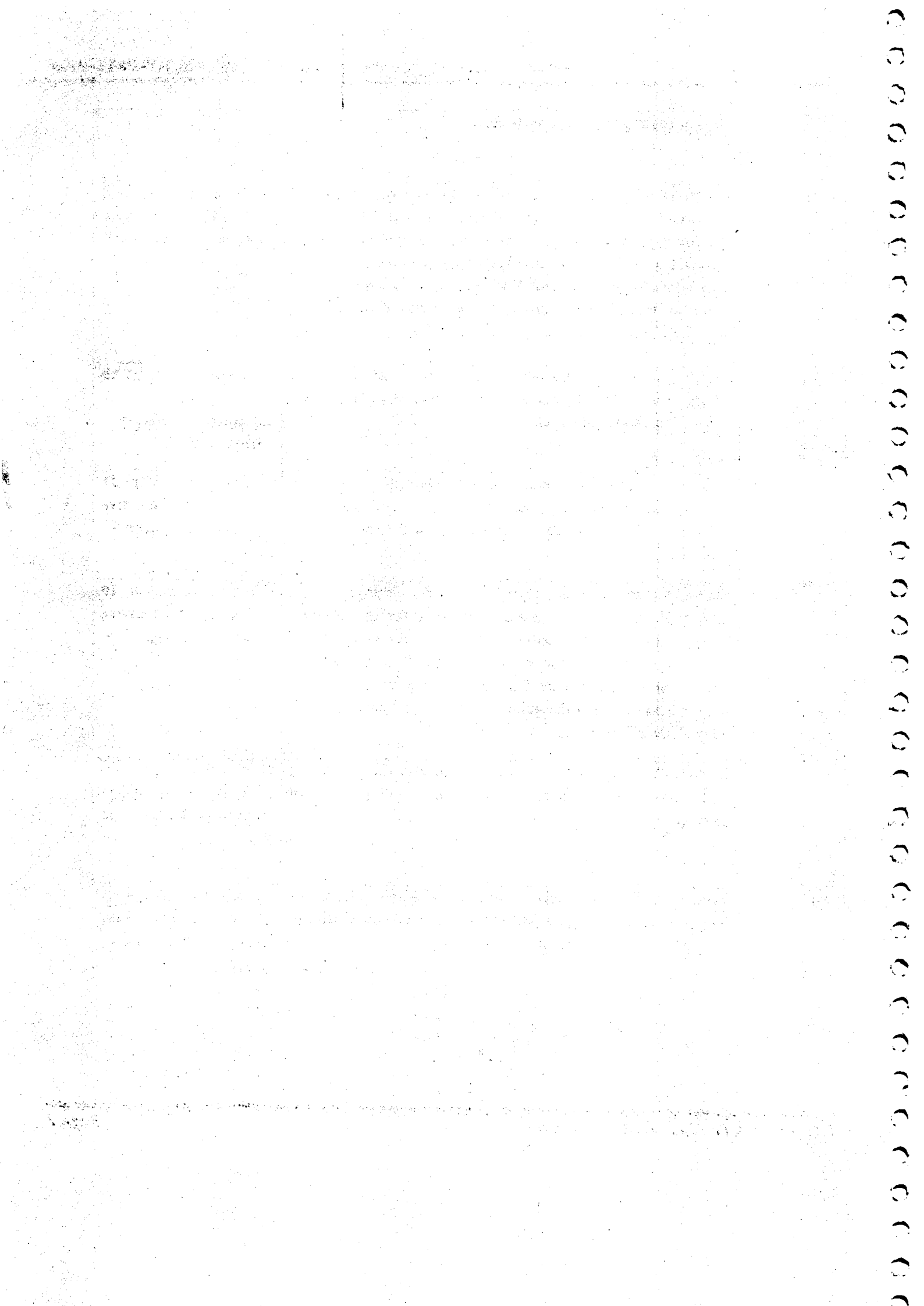
Name of Auditor : M/s R. Shah & Co.		Name of ULB :LALGANJ	
Sl. No.	Relevant Clause of Scope of Work of the Contract		Compliance (Mention the para no & Page no of audit report)
	Clause No.	Description	
1	4.1	Internal Audit should undertake risk-based review and evaluation of the internal control as discussed 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.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><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>Complied in Para No. 2,03,7,8&9 of Part 2 of Executive Summary at Page no 7&8</p> <p>Complied in Para No. 14,15,16&17 of Part.2. of Executive Summary . at Page no 7&8</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</p>	Complied in Para No. 5,6 &13of Part 2. of Executive Summary at Page no 7&8





		strengthen the prevailing processes;	
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 18 of 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 19 of Part...2.. of Executive Summary at Page no 8&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 21 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 Ato I 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.	Complied in Para No.A of Part 5 of Main Audit Report at Page no ..17.





EXECUTIVE SUMMARY

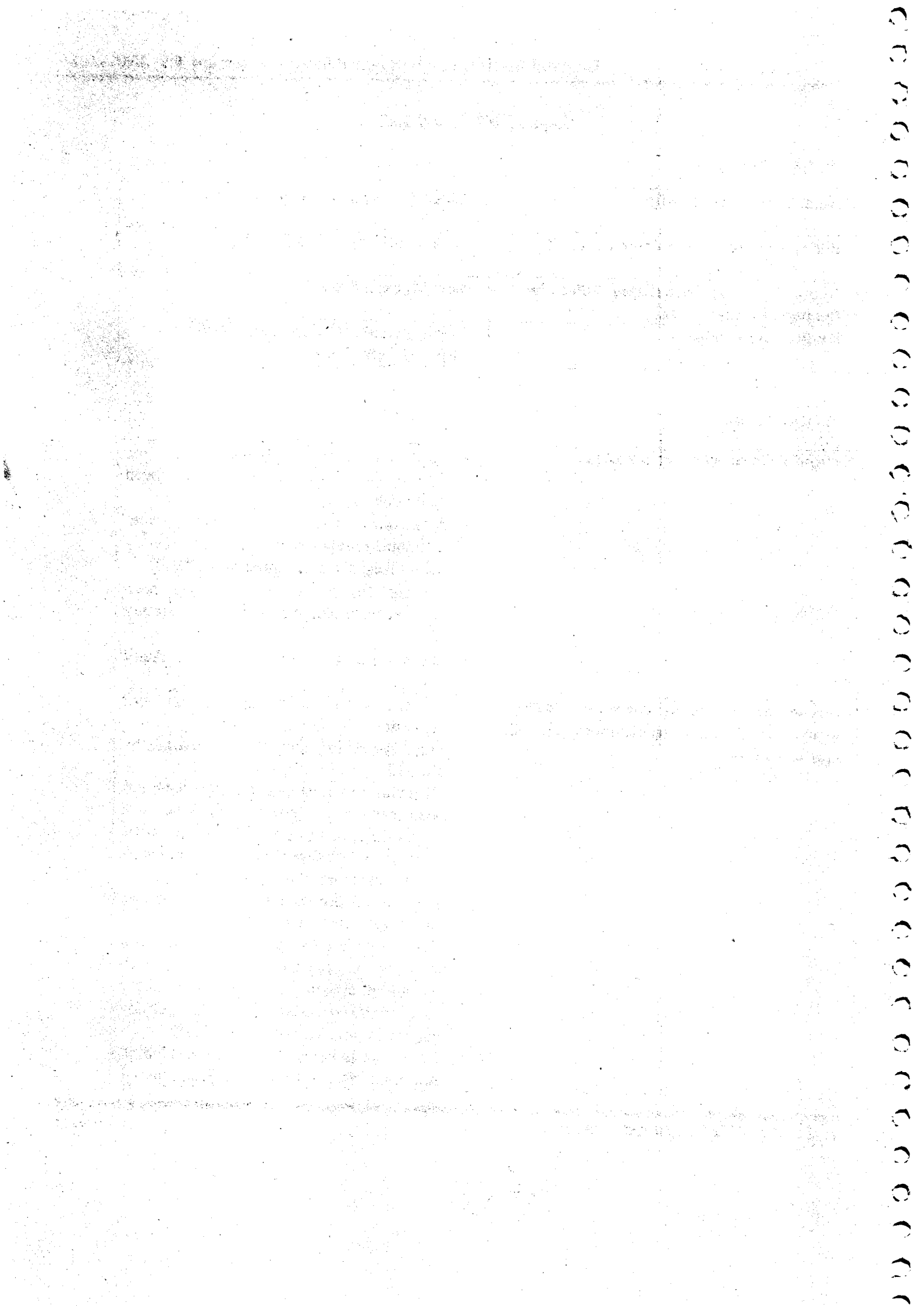
1. Introduction

Name of the Municipality	Lalganj, 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 Mahesh Prasad
Audit Conducted on	3rd June 2016, 5th June 2016 & 26th July 2016, 27th Oct 2016

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. No penalty/ surcharge have been imposed for non-payment of demand. 4. There is no proper cash handling neither any locker was kept by the ULB. 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. 6. Tower tax is being collected. Outstanding amount is Rs 814000/- as on 31.03.2016. (





As per Annexure - A)

7. Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.
8. Grant Register is not being maintained hence it is difficult to find unutilized grant at any point of time.
9. Bank Reconciliation Statement for any of the account is not prepared hence it is difficult to monitor possible fraud, if any.
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. We observed no any taxes has been deposited since 2011.
11. The ULB has not maintain the Log Book Register.
12. No ESI, Pension Fund have been deducted from the salary of the employees.
13. Taxes such as Sales Tax(VAT), TDS, Royalty, and Labour Cess etc are collected from time to time but payments are not yet deposited. Taxes should be remitted to the Govt. account on timely basis otherwise delayed interest charges may be imposed.
14. Yes, All money have been brought to account.
15. No, collection have not been deposited into bank on the same day.
16. Monthly Receipt & payment Account and trail balance is not being made.
17. the process of audit to be completed and report within 6 months is in progress.
18. No self Assesment of property tax being done.
19. 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.
20. Yes, there is a system of issuance of utilization certificate for the different schemes for any utilisation made during the reporting period.



