

SPUR-PMU (Samvardhan)
No.....648.....
In Coming Date.....30/8/16.....

INTERNAL AUDIT REPORT

(SPUR-PMU/194/IA-140ULBs & SLMA/G-17/RS&C/2016/138/38)

OF

NAGAR PANCHAYAT

MAHUA

FOR THE F.Y. 2014-15

Conducted by:

R.SHAH & CO.

2ND Floor, Vyapaar Bhawan,
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The major observations during the course of internal audit have been discussed with the Executive Officer & Accountant of the Nagar Panchayat.

- 1) General Cashbook, all Subsidiary Cash Books for the period from 1st April 2014 to 31st March 2015 maintained manually in the Nagar Panchayat.
- 2) Vouchers (Cash, Bank, Journal etc) along with supporting documents;
- 3) Receipt Books
- 4) Pass Book & Bank Statement
- 5) Other necessary records and registers
- 6) Budget not prepared by the ULB.

During the course of our audit we reviewed the below mentioned documents and registers:

We reviewed transactions from April 01, 2014 to March 31, 2015. 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.

We have conducted the internal audit of Nagar Panchayat - Mahua, for the year ending on 31st March, 2015 (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.

Audit Methodology

AUDIT METHODOLOGY AND APPROACH

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: Aug 27, 2016



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

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



- Grant Register is not maintained, hence it is difficult to find unutilized grant at any point of time.
 - Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.
 - There were no any taxes collected by the tax collector. Taxes
 - There is no proper cash handling neither any locker was kept by the ULB.
 - Demand and collection register have not been prepared in a proper manner hence it seems difficult to ascertain total tax dues.
 - Fixed Assets Register is not maintained by the ULB.
- ❖ Following weaknesses have been observed in the functioning of office, maintenance of records etc.

➤ Weakness

- Staffs were cooperative during the Audit period.
- All the Books & Register have been verified by Executive Officer on monthly basis.
- Salary Register maintained by the ULB.
- The General Cash book & all the Subsidiary Cash Books have been maintained by the ULB.

➤ Strength

❖ Following strengths have been observed in the audit of Nagar Panchayat.

2. Result and Findings

Name of the Municipality	Mahua Nagar Panchayat
Period Covered under Current Audit	1 st Apr 2014 to 31 st March 2015
Name of the Chief Municipal Officer for the period under Audit	Shri Hemant Kumar
Audit Conducted on	16 th , 17 th & 25 th May & 24 th July 2016

1. Introduction

EXECUTIVE SUMMARY

- Bank Reconciliation Statement for any of the account is not prepared hence it is difficult to monitor possible fraud.

➤ Nagar Panchayat has failed to comply with certain rules and directives of UD & HD.

1. Directives relating to forming a "Municipal Accounts Committee" have not been complied till date.

2. Directives relating to prepare a practical budget have not been complied with.

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

➤ The ULB has not maintained the proper Log Book Register.

➤ No ESI, Pension Fund have been deducted from the salary of the employees.

3. Opinion

❖ Overall opinion of the Audit team about the functioning of the Municipality is as under:-

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

➤ Collection from own sources is nil during the year 2014-15.

➤ Budget for the period 2014-15 has not been prepared by the Nagar Panchayat.

➤ 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 by the Nagar Panchayat.

➤ 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.

➤ Fund received by the ULB from GOB on 27/03/2015 is left unspent.

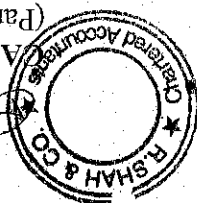


4. Audit Recommendations

❖ The recommendations of Audit team on the observed weakness is as under:-

- All the prescribed books of accounts and Registers should be prepared on real time basis.
- PF & ESI should be deducted from salary, if applicable.
- Grant Register should be prepared.
- Demand & Collection Register of all the wards should be prepared and calculation should be done as per new assessment.
- Collection from own sources should be improved.
- Collection by tax collector should be deposited on daily basis.
- Bank reconciliation Statement should be prepared on monthly basis.
- All the statutory dues (If any) should be deposited on timely basis and returns prescribed under respective laws should also be filed on timely basis.
- New staffs are required to be appointed by the management for smooth running of the ULB and they should be equipped with adequate training to run the ULB smoothly.





 (Partner)

 M.N.-406561

 A. Nectn Jejani

Date : Aug 27, 2016

Place : Ranchi

For R.Shah & Co.

 Chartered Accountants

 FRN. - 502010C

We thank Shri Hemant Kumar (Executive Officer), for his support during the period of our audit. We are also thankful to (Accountant), Tax Daroga and support staffs of the municipality for their cooperation extended to us during the period of our audit.

6. Acknowledgment

MAIN AUDIT REPORT

1. Introduction

The Internal audit of Nagar Panchayat Mahua covering period from 1st April 2014 to 31st March, 2015 was conducted by following persons under guidance of CA Neetu Jeani

i. Rana Burha Gohain

ii. Ajay Singh

iii. Anjali Singh

2. Administration

The present body of the ULB is functioning since May 2013. The incumbency in the key administrative and executive position was as under:

1. Mrs. Kaushlya Devi, Chairperson from 05/12/2013 to till date.

2. Shri Hemant Kumar, Executive officer from Sept 2015 till date.

3. Review of outstanding audit paras : Status of Audit Observations are as under:

SI.No.	Particulars 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
As the Nagar Panchayat was formed on 05/12/2013, hence no AG Audit has been conducted till date of Audit.								





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, but no Municipal Accounts Committee has been constituted by the Nagar Panchayat till the date of our audit.

VI. Status of Municipal Accounts Committee; if meeting held

Appointment of chartered accountant has been done but Double Entry Accounting System is not operational in the Nagar Panchayat Mahua till date.

V. Status of Implementation of Double Entry Accounting System

Note:- No any government grant/ fund received in 2013-14. Fund received in the year had not been spend in the year 2014-15.

Period	Budgeted (14-15)	Previous year (13-14)	Corresponding Period of Previous year (13-14)	Current Period (14-15)	Cumulative for the current period (14-15)
a) Own Source					
Property Tax					
Assigned revenue					
Others (Fees & User Charges)					
(b) Administrative Grant	Budget not prepared	Not Applicable*	Not Applicable*		
(c) Specific Grant					
Admin Building					
Jalapurti Yojana					
TOTAL				276000.00	276000.00

IV. Revenue Receipts

	Difference	0.00
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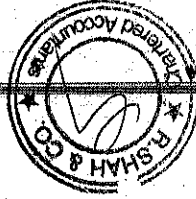


<p>We observed that no any tax have been collected during the year 2104-15 New Assessment has not been done since years and the processes of self assessment of property are in progress but at a slow rate.</p>	<p>a) Leakage of own source revenue either due to wrong assessment or non-levy of property tax, mobile tower tax, rent on municipal properties, advertisement tax fees etc.</p>
<p>During the course of audit, we did not observe any excess payment against bill, lack of prudence against vouchers etc.</p>	<p>b) Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs</p>
<p>Since the ULB does not collect any property tax during FY 2014-15, so we did not find names of 20 high value properties. Also demand register and collection register has not been prepared.</p>	<p>c) Report on findings of field survey of Property Tax of minimum 20 high value properties</p>

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

PART-A

5. Audit Observations



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 –

PART-B

Internal Audit Report –Nagar Panchayat- Mahua, F.Y- 2014 -2015

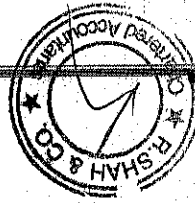
<p>As per Bihar Municipal Accounting Manual following primary Books of accounts are required to be maintained :</p> <ol style="list-style-type: none"> 1. Cash Book (Form Gen-1A) 2. Bank Book (Form Gen-1B) 3. Journal Book (Form Gen-2) 4. Ledger (Form Gen-3) <p>The N.P. is maintaining General & Subsidiary 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 	<p>a) Non-maintenance of books of accounts, subsidiary registers</p>
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<ul style="list-style-type: none"> • Fixed Assets Register is not maintained by collection of taxes. • There is a lack of internal control w.r.t 	<p>e) Lack of internal Control measures</p>
<p>Various books of accounts and records, as provided in the Bihar Municipal Accounting Act and Rules are not maintained. Also, there is non-compliance of various acts such as Income Tax Act, 1961, VAT Rules etc.</p>	<p>d) Non Compliance of Act & Rules</p>
<p>1. Directives relating to forming a "Municipal Accounts Committee" has not been compiled till date.</p> <p>2. Directives relating to prepare a budget has not been complied with.</p> <p>Nagar Panchayat has failed to comply with certain rules and directives of UD & HD.</p>	<p>c) Non-compliance of directives by UD & HD, GOB</p>
<p>No, there is no irregularity observed during Audit</p> <p>15 Bill for Municipal Dues GEN-22 16 Summary Statement of Bills Raised GEN-23 17 Register of Notice Fee, Warrant Fee, Other Fees GEN-24 18 Summary Statement of Notice Fee, Warrant Fee, Other Fees GEN-25 19 Register of Refunds, Remissions and Write-offs GEN-26 20 Summary Statement of Refunds and Remissions GEN-27 21 Summary Statement of Write-Offs GEN-28 22 Statement of Outstanding Liability for Expenses GEN-29 23 Documents Control Register/Stock Account of Receipt/Cheque Book GEN-30 24 Register of Immovable Property GEN-31 25 Register of Movable Property GEN-32 26 Register of Land GEN-33 27 Function-wise Income Subsidiary Ledger GEN-34 28 Function-wise Expense Subsidiary Ledger GEN-35 29 Asset Replacement Register GEN-36 30 Register of Public Lighting System GEN-37</p>	<p>b) Irregularity in procurement process</p>



<p>the ULB.</p> <ul style="list-style-type: none"> There is no proper cash handling neither any locker was kept by the ULB. 	
<p>Grant received on 27/03/2014 agt Laptop & Kabir Anesthi so TDS, VAT and other relevant taxes are not applicable.</p>	<p>f) Non-compliance of TDS, VAT and other relevant Statute</p>
<p>The pay-roll system is functioning satisfactorily but ESI, Pension Fund Contribution, LTA have not been deducted from Salary. Only TDS has been deducted from EO Salary.</p>	<p>g) Deficiency in Pay-roll System</p>
<p>Utilization certificate has been sent to the govt but the copies of utilization certificates have not been provided to us during the course of audit.</p>	<p>h) Utilization of Grant and report on missing Utilization Certificates</p>
<p>Stores Register has not been prepared and physical verification of inventory/stores has also not been done.</p>	<p>i) Physical verification of inventory/Stores</p>
<p>No advance has been given by the N.P. for the financial year 2014-2015.</p>	<p>j) Advances, their adjustment & recovery</p>
<p>Staff strength in the accounts department needs to be increased. Accountant should be provided with necessary training to prepare the books, which can add value addition to the functioning of ULB.</p>	<p>k) Any other matters as may be prescribed in due course.</p>



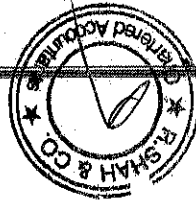
No, Ledger accounts have not been prepared by the Nagar Panchayat.	Whether the postings for the entries in the books of original entry have been correctly made in the respective ledger accounts
No, except General Cash book and Subsidiary Cash Books, no other books of accounts have been maintained.	Whether all the books of accounts and supplementary registers that are prescribed in the Accounts Manual/ other applicable regulations have been properly maintained by the ULB;
Quarterly Financial Statements have not been prepared by the Nagar Panchayat.	Whether the Quarterly Financial Statements have been compiled on the basis of the actual entries in the books of accounts;
No, period-end and reconciliation procedures as prescribed have not been carried out.	Whether the period-end and reconciliation procedures prescribed have been carried out.
No, Bank Reconciliation Statements have not been prepared by the Nagar Panchayat.	Whether the Bank Reconciliation statements have been prepared and are appropriate
Yes, all grants from Government have been accounted at gross value but all transactions are not correctly classified with sufficient details. No Grant Register is maintained.	Whether all grants from Government have been accounted at gross value with proper entries to various accounts
Yes all transactions have been classified as incomes and expenditure but assets and liabilities have not been recognized.	Whether all transactions (incomes, expenditures, assets and liabilities) are correctly classified and stated in sufficient detail;
Grant received during the year has been properly accounted for. Information related to grant sanctioned and deductions made out of such grant is not available with the ULB.	Whether all grants sanctioned or received by the municipality during the year, have been accounted properly, and where any deduction is made out of such grants towards any dues of the ULB? Whether such deductions have been properly accounted;
No such Special fund has been created by the Nagar Panchayat.	Whether any Special Funds have been created as per the provision of any statute and whether the Special Funds have been utilized for the purposes for which they have been created;
On our test check we did not notice any major deviation.	In respect of contracts that are in existence during the year, whether there are any deviations from the sanctioned plans and the estimates without the sanction of the competent authority;
No, record of fixed assets has not been	Whether the ULB is maintaining proper records

General Observations: Auditor should report the deficiencies noticed during their audit and recommend ULB Management to improve internal systems.

PART- C



<p>maintained by the ULB. Physical verification of fixed assets has not been done during the financial year under audit.</p>	<p>showing full particulars, including quantitative details and situation of fixed assets; whether these fixed assets have been physically verified at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same has been properly dealt with in the books of account;</p>
<p>As explained to us no property of the ULB has been given on lease.</p>	<p>Whether in case of leasehold property given by the ULB, lease rentals are collected regularly by the ULB and that the lease agreements are renewed after their expiry;</p>
<p>No, physical verification of stores has not been conducted by the ULB at reasonable intervals.</p>	<p>Whether physical verification has been conducted by the ULB at reasonable intervals in respect of stores;</p>
<p>No physical verification of stores has been done.</p>	<p>Whether the procedures of physical verification of stores followed by the ULB are reasonable and adequate? If not, the inadequacies in such procedures should be reported;</p>
<p>No physical verification done.</p>	<p>Whether any material discrepancies have been noticed on physical verification of stores as compared to book records, and if so, whether the same has been properly dealt with in the books of account;</p>
<p>No there are no procedures in place to identify any unserviceable or damaged stores.</p>	<p>Whether proper procedures are in place to identify any unserviceable or damaged stores and whether provision for the loss in this respect, if any, has been made in the accounts;</p>
<p>No valuation of stores has been done.</p>	<p>Whether the valuation of stores is in accordance with the accounting principles laid down in the rules? Whether the basis of valuation of stores is same as in the preceding year? If there is any deviation in the basis of valuation, the effect of such deviation, if material, should be reported;</p>
<p>There is no case of loans and advances.</p>	<p>Whether the parties to whom loans or advances have been given by the ULB are repaying the principal amounts as stipulated and are also regular in payment of the interest and if not, whether reasonable steps have been taken by the municipality for recovery of the principal and interest?</p>
<p>No advances has been given by the ULB.</p>	<p>Whether advances given to municipal employees</p>



1 st Fund had been received in the last week of	Whether the amounts received as specific grants
No works and expenditure has ben incurred during the F.Y.2014-15	Whether in respect of all bills for charges on account of all works and other expenditure, proper certificates have been furnished in support of them and that no deviation has been made for the sanctioned plans and the estimates without the sanction of the competent authority;
No any tax has been collected by the Municipality during the year.	Whether all sums due to and received by the Municipality have been brought to account within the prescribed time limits and are in all cases such as are authorized by law;
Yes, revenue has been properly assessed, accounted for and collected.	Whether all revenue has been properly assessed, accounted for, collected and recovery action taken on timely basis;
No expenditure has been incurred by the Municipality, because fund has been received in the last week of financial year ending (e.g 27/03/2015)	Whether all the expenditure incurred by the Municipality are authorized by appropriate provision in the sanctioned budget, whether made originally or subsequently and are in all cases such as are authorized by law;
No, personal expenses have not been charged to the municipality's account.	Whether any personal expenses have been charged to the municipality's accounts; if so, the details thereof;
No, Contribution to pension fund is not being deducted from the salary of the employee.	Whether the municipality is regular in remittance of pension and leave encashment contributions or any other amounts which the municipality is liable to remit towards the retirement dues of its employees, including employees on deputation;
No any work has been executed during the year 2014-2015	Whether the municipality is regular in depositing statutory dues including tax deducted at source, service tax, VAT, works contract tax, cess payable to the government etc., and if not, the nature and cause of such delay and the amount not deposited;
No significant deviation observed.	Whether applicable procurement rules and procedures are being followed and if so, significant deviations should be identified and reported.
No there does not exist any internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets.	Whether there exists an adequate internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets?
	and interest thereon are being regularly recovered;

2

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

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



Date : Aug 27, 2016

Place : Ranchi

the Financial Year end. (e.g.27/03/2015)	have been utilized for the purposes as stated in the grant sanction order;
No, biometric devices and payroll software are not used at the ULB. Pay roll system of the municipality is satisfactory as its maintain details of deductions made etc. Attendance register, contain leave records,	Whether biometric devices and payroll software are used at the ULB. If not whether there is satisfactory system of payroll accounting; otherwise mention the key deficiencies of the system.
No, we did not observe any grievance redressal cell functioning at the ULB.	Whether the grievance redressal mechanism for the ULB is sufficient.

COMMENTS FROM MANAGEMENT

Nagar Panchayat, Mahua

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: 18/8/19

Place: Mahua

For, Nagar Panchayat/ Parishad

18/8/19
K

(Executive Officer)

