Internal Audit Report

Of MANER Nagar Panchayat

For the period from 1st April 2015 to 31st March 2016

Internal Audit Conducted By

Mr. SANTRAJ KUMAR
UNDER GUIDANCE OF CA ASHOK KUMAR PANDEY
From :- M/S CHANAKYA ASHOK & CO.
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From 30.06.2016 to 09.07.2016

Report Issued on 03.08.2016

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

Name of Auditor: Chanakya Ashok & Co.			Name of ULB:- Maner Nagar Panchayat
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 1, 2, 3, 4 and 5 of Part B of Detailed Audit Report Under Head Lack of internal control measures at Page no 10.
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 following Rules of BMAR □ 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	a) Complied in para no 1 of Part B of Detailed Audit Report (Non-Compliance of Act and rule) at Page no 10. b) Complied in para no 1, 2, 3, 4 of Part B of Detailed Audit Report (Non-compliance of directives by UD&HD, Government of Bihar) at Page no 10.
3	4.4 & 4.5	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; 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;	a) Complied in para no 1of Part A of detailed audit report at Page no 7. b) Complied in para no 4 of Part B of detailed audit report at Page no 10.
4	4.6	Report in a separate chapter on implementation	Complied in para no C of Part A of detailed

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	Clause No.	Description	
		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 Actuals as per internal audits;	Audit Report at Page no 7 & 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 B of Part A of Detailed Audit Report at Page no 07. And Complied in para no 1 of Part B of Detailed Audit Report 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 2 of Part B of Detailed Audit Report 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 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 2 of Part B of Detailed Audit Report at Page no 11.
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 2 of Part 4 of Executive Summary at Page no 2.
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 2 of Part 4 of Executive Summary at Page no 2.

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Executive Summary

1.Introduction:-

Name of the Municipality : NAGAR PANCHAHYAT, MANER
Period covered under current audit : 1st April 2015 to 31st March 2016
Name of Chief Municipal Officer for the period under audit : Shri Ashok kumar singh

2.Results and Findings:-

a). **Strengths observed during the audit engagement:-**
i) Maner Nagar Panchayat is in practice to maintain separate scheme wise cash book.
ii) Board meetings of Maner Nagar Panchayat are held regularly and problems faced in smooth operation are resolved by passing resolution.

b) Weaknesses observed in the functioning of office, maintenance of records etc.:-
i). Accounting process adopted by ULB is Single Entry System based on Cash Basis of accounting. It is not as per BMAM. BMAM requires adoption of Accrual Basis Double Entry Accounting System.
ii). Maner Nagar Panchayat is not in practice to follow Computerised Accounting System.
iii). Maner Nagar Panchayat is not in practice to collect Mobile Tower Registration Fee and Renewal Charges.
iv). Field survey and assessment of Property at the ULB has been done, but no any steps for collection of Property Tax has been implemented at the ULB and collection of property tax is NIL.
v) Maner Nagar Panchayat is not in practice to prepare Bank Reconciliation Statement.
vi). Maner Nagar Panchayat is not in practice to deposit the TDS deducted amount on timely basis. Non depositing of such amount on timley basis would lead to imposition of interest and penalty charges.
vii) All vouchers are not serially arranged, binded, authorised by the competent authority and kept properly by the ULB.

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3.Opinion

The function of ULB is not Satisfactory. It has lots of scope of improvement. The ULB is required to improve in following fields :-

a) It requires to improve its Internal Control Procedures with regards to Demand & collection of revenue from its own sources and depositing of the collected revenue in the concerned bank accounts in timely manner.

b) 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.

c) It requires to improve its Internal Control Procedures with regards to Demand, Collection of Revenue, and Deposit of Collected revenue in the Banks on scheduled time.

4. Audit Recommendations:-

i). 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.

ii). ULB must prepare bank reconciliation statement on monthly basis.

iii). ULB must collect property tax, mobile tower tax, advertisement tax, shop rent etc. on timely manner which are under its jurisdiction.

iv) Statutory Dues like TDS, VAT, Royalty and Labour Cess must be deposited to the concerned department on timely basis.

v) 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.

vi) ULB must 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.

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