

URBAN DEVELOPMENT & HOUSING DEPARTMENT

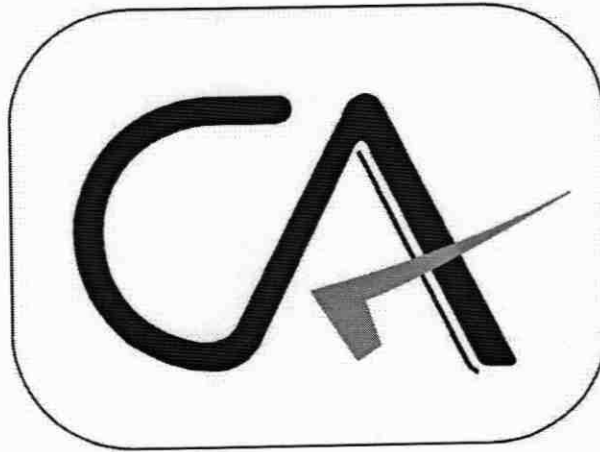
*Internal Audit Report
Of
Masaurhi Nagar Parishad
for the period from 01-04-2015 to 31-03-2016*

Internal Audit conducted by

*Mr. Krishna Singh
under the guidance of CA Ashok Kumar Pandey*

From:-

**M/s Chanakya Ashok & Co.
Chartered Accountants**



*From :- 04/07/2016 to 08/07/2016 & 11/07/2016.
Report issued on - 14/07/2016.*

**M/s Chanakya Ashok & Co.
Chartered Accountants
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Compliance Report for the scope of work as per the Contract with Internal Auditor

Name of Auditor: Chanakya Ashok & Co.		Name of ULB: - Mashauri 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 4 of Part B of Detailed Audit Report Under Head Lack of internal control measures at Page no 17.
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>a) Complied in para no 3 of Part B of Detailed Audit Report (Non-Compliance of Act and rule) at Page no 17.</p> <p>b) Complied in para no 2 of Part B of Detailed Audit Report (Non-compliance of directives by UD&HD, Government of Bihar) at Page no 17.</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>a) Complied in para no 4 of Part A of detailed audit report at Page no 11.</p> <p>b) Complied in para no 2 of Part B of detailed audit report at Page no 18.</p>
4	4.6	Report in a separate chapter on implementation of SAS of Property Tax in	Complied in para no C of Part A of detailed Audit Report at Page no 13..



Name of Auditor: Chanakya Ashok & Co.		Name of ULB: - Mashauri 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	
		the ULB; internal auditor should witness some assessment procedures to check any inconsistencies 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;	
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 13. And Complied in para no 1 of Part B of Detailed Audit Report at Page no 16.
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 1 of Part B of Detailed Audit Report at Page no 17.
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 4 of Part B of Detailed Audit Report at Page no 18.
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 of Part 4 of Executive Summary at Page no 4 .
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 1 of Part 4 of Executive Summary at Page no 4.



Executive Summary

1. Introduction:

- **Name of the Municipality: Masaurhi Nagar Parishad**
- **Period covered under current audit: 01-04-2015 to 31-03-2016.**
- **Name of Chief Municipal Officer for the period under audit: Shri Prahlad Lal.**

2. Results and Findings:

- **Strengths observed during the audit engagement:**
 - a) Subsidiary Cash book of each scheme has been maintained properly.
 - b) Board meetings of Masaurhi Nagar Parishad are held regularly and problems faced in smooth operation are resolved by passing resolutions.
- **Weaknesses observed in the functioning of office, maintenance of records etc.: -**
 - (a) We observed that Bank Reconciliation Statements are not being prepared by the Masaurhi Nagar Parishad.
 - (b) Masaurhi Nagar Parishad has adopted Single Entry Accounting System which is not as per Bihar Municipal Accounting Manual.
 - (c) TDS, VAT & Royalty for the 4th qtr. for financial year 2015-16 has not been deposited to the concerned department till audit date.
 - (d) Labour Cess has not being deposited by the Masaurhi Nagar Parishad to the concerned department.
 - (e) Computerized Accounting System has not been implemented by the Masaurhi Nagar Parishad yet.
 - (f) Masaurhi Nagar Parishad is not in practice to prepare Monthly Receipt and Payment Account and Trial Balance.
 - (g) Masaurhi Nagar Parishad is not in practice to deposit the collection in Bank account on the same day.



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- (h) Various registers, books of records etc. are not being prepared by the Masaurhi Nagar Parishad. Such as Demand Register, Collection Register, Statutory Register with regards TDS, VAT, Labour Cess and Royalty, Vehicle and Generator log book, Assessment register of Property Tax, Record & Revision of taxes and rent, Rent register of shop, Survey register/files of hoardings, Monthly Receipt & Payment.
- (i) The collection of holding tax is very poor, only 20.732% of total demand has been collected in the financial year 2015-16.
- (j) We observed that there are 15 mobile towers installed in Masaurhi Nagar Parishad but proper collection is not made from them.
- (k) Assessment of property tax has not been done by the ULB for the financial year 2015-16.
- (l) PF & ESIC with respect to contractual employees are not paid to the concerned department.

3. Opinion:

The function of ULB is satisfactory. But still, it has lots of scope of improvement. The ULB is required to improve in the following fields:

- a. Preparation of Accounts, Ledger Books, Bank Reconciliation Statement, various Registers and Records as per requirement.
- b. It requires improving its Internal Control Procedures with regards to Demand, Collection of Revenue, and Deposit of Collected revenue in the Banks on scheduled time.
- c. 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.
- d. Proper documentation regarding vouchers and supporting.

