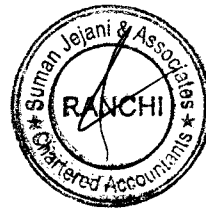


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4	Audit Observations – Part-A	16-18
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AUDIT METHODOLOGY AND APPROACH

Audit Methodology

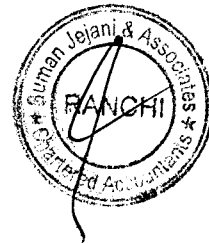
We have conducted the internal audit of Nagar Panchayat – Murliganj, for the year ending on 31st March, 2016 (as per TOR). We familiarized ourselves with documents of Nagar Panchayat, the internal guidelines and circulars applicable during this period under review. We also reviewed the working of the 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 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) All Subsidiary Cash Books for the period from 1st April 2015 to 31st March 2016 maintained manually in the N.P.
- 2) Vouchers (Cash, Bank, Journal etc) along with supporting documents;
- 3) Demand & Collection Register
- 4) Receipt Books
- 5) Log Books
- 6) Cheque Issue Register
- 7) Budgets prepared by the ULB
- 8) 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.

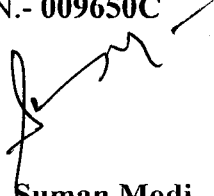
Our observations, resulting from the audit tests performed on a sample of transactions, are set out under “Part-A, Part-B & Part-C” of the audit report and include our recommendations for addressing these observations.

Place : Ranchi

Date : 31-12-2016

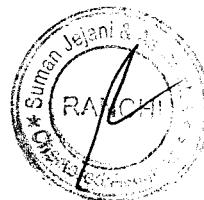


For Suman Jeani & Associates
Chartered Accountants
FRN.- 009650C


CA. Suman Modi
(Partner)
M.N.- 079078

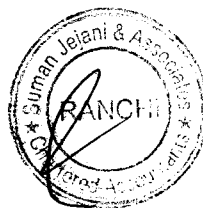
Internal Audit Report –Nagar Panchayat- Murliganj F.Y- 2015 -2016

Name of Auditor: Suman Jejani & Associates		Name of ULB: Murliganj	
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.
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 1,3,9&10 of Part 2. of Executive summary. at Page no .7</p> <p>Complied in para no.17,18,19&20of. Part 2.of Executive summary at page no.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, Sairatetc;</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>	Complied in para no 7 & 8 of Part.2 of Executive summary at Page no ..7..



Internal Audit Report –Nagar Panchayat- Murliganj F.Y- 2015 -2016

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 21 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 22 of Part 2 of Executive Summary Page no 8
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 23 of Part 2 of Executive Summary Page no..8.
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 24 of Part 2 of . Executive Summary at Page no..8..
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 4 of Part 4 of Audi Recommendations at Page no 9
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 Audit Observations . of Main Audit Report . at Page no 16,17&18



EXECUTIVE SUMMARY

1. Introduction

Name of the Municipality	Murliganj 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	Raman Kumar Choupal
Audit Conducted on	24th-25th July 2016

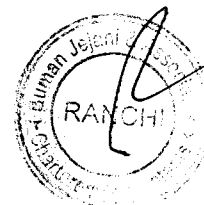
2. Result and Findings

➤ **Strength observed**

1. All the Subsidiary Cash Books have been maintained by the ULB.
2. Attendance Register of Staff were maintained properly.
3. Salary Register maintained by the ULB.
4. Staffs were cooperative during the Audit period.
5. Office infrastructure is sufficient for operation.

➤ **Weakness observed**

1. Cashier Cash Book and General Cash Book are not maintained by the ULB.
2. There is a lack of internal control w.r.t collection of taxes. new holding assessment has not been done since yr.1998.
3. Demand and collection register have not been prepared hence it seems difficult to ascertain total tax dues.
4. There is no proper cash handling neither any locker was kept by the ULB.
5. Taxes collected by tax collector is not deposited on daily basis.
6. The ULB is hired local residents for collection of property tax on 4% commission basis.
7. Failed to collect Mobile Tower tax of Rs.746000.00
8. Failed to collect taxes on Govt. building.
9. Bank Reconciliation Statement for any of the account is not prepared hence it is difficult to monitor possible fraud, if any.
10. Fixed Assets Register is not maintained by the ULB
11. Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.
12. Vouchers were not properly kept and arranged.
13. No effective system of timely survey and assessment of new properties.
14. In some scheme, we found that more than one bank account has been opened.
15. Full dependency on the tax collectors for the information on dues and assesses ledgers.



16. There is a 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. Taxes such as Sales Tax(VAT), TDS, Royalty, and Labour Cess etc are collected from time to time but payments were pending till the date of audit which is not proper. Taxes should be remitted to the Govt. account on timely basis otherwise delayed interest charges may be imposed.
17. Yes, All moneys have been brought to account.
18. No, Collections have not been deposited into Bank on the same day.
19. Monthly Receipt & Payment Account and Trial Balance is not being made.
20. The process of audit to be completed and reported within 6 months is in progress.
21. No Self Assessment of property tax is being done.
22. 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.
23. No, Register for E-tender & Auction is not been maintained by ULBs.
24. Yes, there is a system of issuance of utilization certificate for the different schemes for any utilisation made during the reporting period.
- 25.

3. Opinion

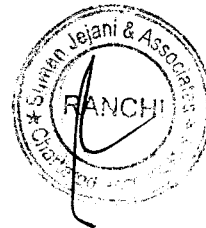
Overall opinion of the Audit team about the functioning of the Municipality

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

- Collection from own sources is very poor as demand and collection register is not maintained.
- BRS is not prepared on a monthly basis, so it is difficult to keep record of variances between Cash Book and Bank Passbook balances.
- 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.
- Grant received for various purposes are not utilized on timely basis.
- There are serious lapses in deposit of statutory dues such as TDS, Sales Tax(VAT), Royalty, Labour cess etc and non filing of ETDS return since long.

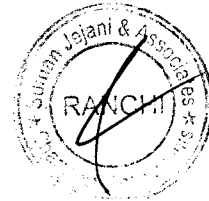
4. Audit Recommendations

The recommendations of Audit team on the observed weakness



We suggest the followings:

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. Grant Register should be prepared.
5. Demand & Collection Register of all the wards should be prepared and calculation should be done as per new assessment.
6. Collection from own sources should be improved.
7. Collection by tax collector should be deposited on daily basis.
8. Cashier and General 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.
10. 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.



COMMENTS FROM MANAGEMENT

NAGAR PANCHYAT/PARISHAD,,S.U.P.A.U.L.

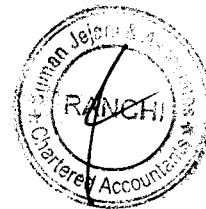
We are trying regularly for correction and strengthen the system. We are also trying to develop internal control and internal check. So that resources can be at optimum level.

Date: 24/07/16

For Nagar Panchyat/Parishad

Place: Supaul

Handwritten signature
24/7/16
Executive Officer
Municipal Council
Supaul

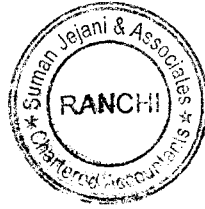


6. Acknowledgment

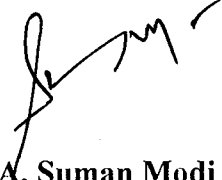
We thank Mr. Sushil Kumar Mishra (Executive Officer), for his support during the period of our audit. We are also thankful to Mr. Amrendra Kumar Yadav (Head Clerk-Bada Babu) and support staffs of the municipality for their cooperation extended to us during the period of our audit.

Place : Ranchi

Date : 31-12-2016



For Suman Jeani & Associates.
Chartered Accountants
FRN.- 009650C


CA. Suman Modi
(Partner)
M.N.- 079078

MAIN AUDIT REPORT

1. Introduction

The Internal audit of Nagar Panchayat Murliganj covering period from 1st April 2015 to 31st March, 2016 was conducted by following persons under guidance of CA Suman Modi-

- i. Sujit Kumar
- ii. Prashant Kumar

2. Administration

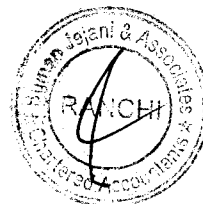
The present body of the ULB is functioning since 1959. The incumbency in the key administrative and executive position was as under:

- 1. Smt. Archana Kumari, Chairman
- 2. Shri Sushil Kumar Mishra, Executive officer from Aug 2013 till date.

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

Sl. No.	Particulars of Audit 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
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Audit has been conducted by AG but the report has not been received till date. Hence compliance will be made after receiving the report.



4. Finance

I. Budgetary provisions and expenditure for the last three years

Year	2015-16	2014-15	2013-14
Final/ Revised Budget	19,90,90,684.00	31,82,81,700.00	35,01,97,200.00
Actual Expenditure	21,41,47,645.00	10,86,85,274.00	95,43,200.00
Savings (+)/ Excess (-)	(1,50,56,961.00)	20,95,96,426.00	34,06,54,000.00

II. Volume of transactions

Period	Budgeted (15-16)	Previous year(14- 15)	Correspond ing Period of Previous year (14-15)	Current Period (15-16)	Cumulativ e for the current period (15-16)
Opening Balance	9,90,20,704.00	13,76,11,370.96	13,76,11,370.96	9,90,20,704.96	9,90,20,704.96
Receipts	19,90,90,684.00	7,00,94,608.00	7,00,94,608.00	19,79,93,195.00	18,73,97,265.00
TOTAL	29,81,11,388.00	20,77,05,978.96	20,77,05,978.96	29,70,13,899.96	28,64,17,969.96
Net Expenditure	19,90,90,684.00	10,86,85,274.00	10,86,85,274.00	21,41,47,645.00	20,35,51,715.00
Closing Balance	9,90,20,704.00	9,90,20,704.96	9,90,20,704.96	8,28,66,254.96	8,28,66,254.96

III. Bank Reconciliation

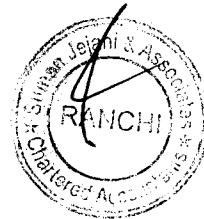
Details of Bank Accounts and their reconciliation position are as under:

S.No	Name of Bank	Account No.	Balance as on 31.03.2015	Name of Scheme
1	Details not provided to us			4th FIN
2				STATE PLAN
3				12TH FIN
4				DRAIN CONST.
5				POND RECONST.
				VIVAH MANDAP
6				ROAD CONST.
7				H. P.
8				ELECTED MEMBER
9				MISCELLANEOUS
	Total of Bank			
	Total as per Cash Book		8,28,66,254.96	
	Difference			

NOTE :-

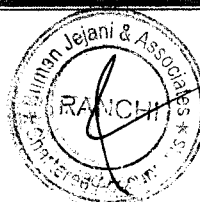
As passbook is not provided to us for verification, we are unable to find out the difference between cash book balance & pass book balance as on date.

The Nagar Panchayat is suggested to prepare B.R.S on monthly basis.



IV. Revenue Receipts

a) Own Source	Budgeted (15-16)	Previous year Actual (14-15)	Corresponding Period of Previous year (14-15)	Current Period Actual (15-16)	Cumulative for the current period (15-16)
Property Tax	1,00,00,000.00	36,22,000.00	36,22,000.00	39,84,200.00	39,84,200.00
Assigned revenue	55,20,000.00	12,93,056.00	12,93,056.00	14,22,361.00	14,22,361.00
Others (Fees & User Charges)	43,07,284.00	35,42,263.00	35,42,263.00	38,96,489.00	38,96,489.00
(b) Administrative Grant	12,92,800.00	12,92,880.00	12,92,880.00	12,92,880.00	12,92,880.00
(c) Specific Grant (Scheme wise)					
4th Finance	4,00,00,000.00	1,84,27,409.00	1,84,27,409.00		
B.R.G.F	25,00,000.00				
Anyanan	50,00,000.00				
E - Governance	6,00,000.00	5,60,000.00	5,60,000.00	2,85,715.00	2,85,715.00
State plan				59,66,650.00	59,66,650.00
Pension	1,51,00,000.00				
14th Finance	1,50,00,000.00			81,74,169.00	81,74,169.00
Census fund	20,00,000.00			2,34,750.00	2,34,750.00
Hand tube-well with Iron Removale Plant				9,95,78,000.00	9,95,78,000.00
5th Finance				2,87,93,712.00	2,87,93,712.00
Parsad bhatta	2,66,400.00				
Janganna	1,00,000.00				
Nulm	1,63,00,000.00				
Spur	2,00,00,000.00				
N.P & Misc.Fund	8,07,000.00			17,14,269.00	17,14,269.00
Kabir Antysthi	12,00,000.00	3,57,000.00	3,57,000.00		
Social amenities		10,00,000.00	10,00,000.00	4,26,50,000.00	4,26,50,000.00
Social welfare	6,00,00,000.00	4,00,00,000.00	4,00,00,000.00		
TOTAL	19,90,90,684.00	7,00,94,608.00	7,00,94,608.00	19,79,93,195.00	19,79,93,195.00



V. Status of Implementation of Double Entry Accounting System

Double Entry Accounting System has been started in the Nagar Panchayat.

Appointment of Chartered Accountant firms for implementation of Double Entry Accounting System in the Nagar Panchayat is done. A Chartered Accountant firm named **M/s Sarkar Gurumurthy & Associates** has been appointed by the UD&HD.

VI. Status of Municipal Accounts Committee; if meeting held

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.

5. AUDIT OBSERVATIONS

PART - A

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

- 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.

HOLDING TAX & TOWER TAX

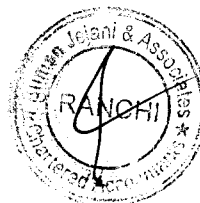
Due to non collection of property/holding tax there is a major operational revenue loss Rs. **9,69,887.00** to ULB.

According to Section 127 of Bihar Municipal Act, 2007 annual property tax @ 9% of annual rental value has to be realised.

According to the directions of state government an increment of 15% in the old rate has to be done in every 5 years. Thus in 2015-16, property tax had to be realised at revised rate but such action has not been taken.

(ANNEXURE- B ATTECHED)

Demand & collection of Shop Rent is not provided to us as concerned officer were not presented during audit period



Impact : Due to non collection of property tax/ holding tax there is a major operational loss to ULB and there is no record or register to know total current & arrear demand of holding tax. Demand Collection register also not provide to us for verification and arrear of holding/ property tax.

Causes: Due to non follow up and monitoring to of activities of tax inspector/collector by the concern officer on regular interval.

Recommendation: there should be day to day monitoring on collection of taxes and also maintenance updated register of demand and collection on regular interval.

TOWER TAX

Tower tax is taxes in communication tower & related structure as defined in BIHAR COMMUNICATION TOWERS AND RELATED STRUCTURE RULES,2012.

As per details provided to us there are total 26 Mobile towers is registered with this ULB up to 31.03.2016 and Rs. 22,17,400.00 is due to be recovered from these towers operators on account of Tower tax.

(ANNEXURE- A ATTECHED)

Impact : Due to non collection of tower tax/ fee there is a revenue loss to ULB.

Causes : The ULB does not have proper mechanisms for supervision and monitoring for the tower tax/ rent due to which result in revenue leakage.

Recommendation : There should be proper monitoring and further step and required to be taken for collection of tower tax by concerned ULB.

b) **Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs.**

During the course of audit, we did not observe any excess payment against bill, lack of prudence against vouchers etc.

Impact : Due to irregularity of vouching or accounting on monthly basis. and there is no arrange of voucher is a major losses to ULB.

Causes : Due to non follow up and monitoring to of activities of vouching and accounting by the concern accountant.

Recommendation : There should be day to day monitoring on vouching or accounting on weekly or monthly basis.

