Internal Audit Report

NAGAR PANCHAYAT NAUBATPUR

For the period from 1/04/2015 to 31/03/2016

Internal Audit conducted by

M/S Chanakya Ashok & Co.

Chartered Accountants,

409-502, Hem Plaza, Fraser road

Patna-800 001

Ph No: -0612-2202876, 9431019501

Email- caashok@caandco.in

From 18/08/2016 to 29/08/2016
Report issued on 27/09/2016

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

Name of Auditor: Chanakya Ashok & Co.			Name of ULB:- Naubatpur 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 2 of Part B of Detailed Audit Report Under Head Lack of internal control measures at Page no 21.
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 21. 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 20.
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 3 of Part A of detailed audit report at Page no 13 to 14. b) Complied in para no 3 of Part B of detailed audit report at Page no 21.
4	4.6	Report in a separate chapter on implementation of SAS of Property Tax in the ULB; internal auditor should witness some assessment	Complied in para no C of Part A of detailed Audit Report at Page no 17.

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Name of Auditor: Chanakya Ashok & Co.			Name of ULB:- Naubatpur 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	
		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;	
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 4 of Part A of Detailed Audit Report at Page no 15 to 16. And Complied in para no 1 of Part B of Detailed Audit Report at Page no 19.
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 20.
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 1 of Part B of Detailed Audit Report at Page no 23.
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 Excutive 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 Excutive Summary at Page no 4.

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Executive Summary

1. Introduction:

- **Name of the Municipality: Naubatpur Nagar Panchayat**
- **Period covered under current audit: 01-04-2015 to 31-03-2016.**
- **Name of Chief Municipal Officer for the period under audit: Rajeev Kumar Singh**

2. Results and Findings:

➢Strengths observed during the audit engagement:

(a) We found that collection of other fees & fines increases from Rs. 26,680.00 to 87,945.00 in comparison to the previous financial year 2014-15.

(b) Naubatpur Nagar Panchayat is in practice to prepare Cash book of each scheme.

(c) Separate files of the parties to whom payments are made are properly maintained. Proper documentation process in respect of parties has been followed.

➢Weaknesses observed in the functioning of office, maintenance of records etc: -

(a) Bank Reconciliation Statements are not being prepared by the ULB.

(b) Accounting process adopted by ULB is Single Entry System based cash – basis of accounting. It is not as per Accounting Manual.

(c) Municipal accounts committee has been constituted as on 17-08-2013 but, no meetings have been held till 31-03-2015.

(d) No budget has been prepared by the ULB.

(e) Assessment and survey of property has not been done by the ULB.

(f) Collection of mobile tower tax, shop rent has not been made by the ULB.

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(g) Statutory compliance such as TDS, VAT, Labor Cess, and Royalty has not been deposited on stipulated time by the ULB. Moreover, return filling of TDS, VAT etc have not been made by the ULB.

(h) Labor Cess has not been collected by the ULB from Contractors.

(i) Computerized Accounting System has not been implemented by the ULB as yet.

(j) ULB is not in practice to prepare monthly receipt and payment account.

(k) Lots of fund received in the previous years remain unutilized with respect to fund received for different schemes.

(l) Various registers, books of records etc are not being prepared by the ULB. Such as, Fixed Assets Register, Stock Register, Advance & Recovery Register, Demand Register, Collection Register, Statutory Register with regards TDS, VAT, Royalty etc.

(m) Amount collected from own source revenue has not been deposited by the ULB on the same date as required.

(n) The ULB is not in practice to prepare summary of Daily collection in Form GEN-13.

3. <u>Opinion:</u>

The functioning of ULB is not up to mark rather it has lots of scope of improvement. The ULB is required to improve a lot in the field of:

a. Preparation of Accounts, Ledger, Books, Bank Reconciliation Statement, Various Registers and Records as required.

b. It requires improving its Internal Control Procedures with regards to Demand, Collection of Revenue, and Deposit of Collected revenue in the Banks.

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.

4. Audit Recommendations:

a. ULB must prepare bank reconciliation statement on monthly basis.

b. 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 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.

c. Meetings of Municipal Account Committee are required to be held regularly to analyze the progress of various activities and accounting procedures.

d. Annual Budget is required to be prepared by the ULB and presented to the Government of Bihar for its approval.

e. ULB shall make survey and assessment of Property / Holdings so that proper and correct tax can be levied and collected.

f. ULB must collect mobile tower tax, advertisement tax, shop rent etc which are under its Jurisdiction.

g. ULB must file return and deposit TDS, VAT etc on timely basis.

h. Labour Cess must be deducted from the bills of Contractor and ULB should start doing this.

i. ULB should 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.

j. ULB should prepare receipts and payment account on monthly basis due, to which it becomes very easy to find out how much fund has

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