

SPUR-PMU (Samvaranin)

No. 1138

In Coming Date 31/01/17

Internal Audit Report

Of

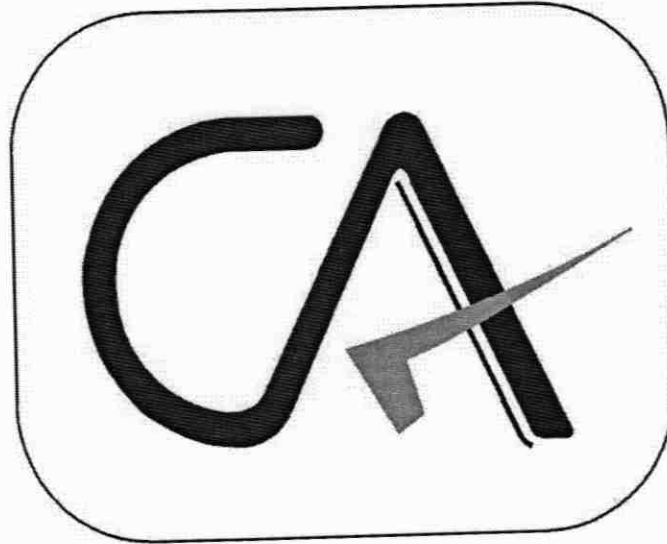
NAGAR PANCHAYAT RAJGIR

For the period from 01/04/2015 to 31/03/2016

Internal Audit conducted by

Mr. Nishedh Kumar Pawar

Under the guidance of CA Chanakya Shree



M/S RN Singh & Co.

Chartered Accountants,

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Patna-800 001

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*From 13/07/2016 to 18/07/2016
Report Issued on 25/07/2016*

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

Name of Auditor: R N Singh & Co.		Name of ULB:- Rajgir 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 (Lack of internal control measures) at Page no 14.
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 2 of Part B of Detailed Audit Report (Non Compliance of Act and rule) at Page no 14</p> <p>b) Complied in para no 1 of Part B of Detailed Audit Report (Noncompliance of directives by UD&HD, Government of Bihar) at Page no 14.</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 3of Part A of detailed audit report at Page no 10 and para 1 of page 11.</p> <p>b) Complied in para no 4 of Part B of detailed audit report at Page no 14.</p>
4	4.6	Report in a separate chapter on	Complied in para no C of Part A of detailed Audit



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Sl. No.	Relevant Clause of Scope of Work of the Contract		Compliance (Mention the para no & Page no of audit report)
	Clause No.	Description	
		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 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;	Report at Page no 11& 12.
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 11. And Complied in para no 1 of Part B of Detailed Audit Report at Page no 13.
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 13.
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 2 of Part B of Detailed Audit Report at Page no 15.
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 3 of Part 4 of Excutive Summary at Page no 3.
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 3 of Part 4 of Excutive Summary at Page no 3.



Executive Summary

1. Introduction:

- **Name of the Municipality: Nagar Panchayat, Rajgir**
- **Period covered under current audit: 01-04-2015 to 31-03-2016.**
- **Name of Chief Municipal Officer for the period under Audit:**

Name	Period
Smt. Shakuntala Devi (Chairman)	01/04/2015 to 31/03/2016
Sri Shiv Shankar Prasad (EO)	01/04/2015 to 21/08/2015
Sri Mu. Ahmad Buland Akhtar (EO)	21/08/2015 to 31/03/2016

2. Results and Findings:

- **Strengths observed during the audit engagement:**
 - a) Vouchers are serially numbered, arranged and properly kept.
 - b) Receipts for Peshakar has been increased from last year to this year by Rs.1,13,625 (Rs.8,90,695- Rs.7,77,070).
 - c) The Collection of Holding tax of the unit of ULB has been improved. The Holding tax collection has increased from Rs.5,91,925/- in F.Y 2014-15 to Rs.17,03,997/- in F.Y 2015-16.
 - d) Interest earned on S/B Accounts of Nagar Panchayat, Rajgir has increased From Rs.5,23,776/- in F.Y 2014-15 to Rs.16,58,239/- in F.Y 2015-16 i.e. by Rs.11,34,463/-.
 - e) Budget for Interest Earned on S/B Accounts for F.Y 2015-16 Made For Rs.25,00,000/-. However, actual Interest Earned is Rs.16,58,239/-.
- **Weaknesses observed in the functioning of office, maintenance of records etc.: -**
 - a. Budget has not been prepared in the format BMAR 75 to 80 Bihar Municipal Accounts Rule 2014.
 - b. Bank Reconciliation Statements are not being prepared by the ULB.
 - c. Accounting process adopted by ULB is Single Entry System based (i.e. Cash basis of Accounting). It is not as BMAM & Rules.
 - d. Huge collection of Mobile tower tax including Arrears has not been collected by the ULB.
 - e. No Municipal Accounts Committee has been constituted till 31/03/2016.
 - f. Computerized accounting system has not been implemented by the ULB.



- g. Statutory Deduction such as Sales Tax, TDS, Labor Cess etc. has not been deposited on stipulated time and there is non-filing of return of TDS and Sales tax by the ULB.
- h. Amount collected from own source revenue i.e. Holding tax has not been deposited on the same day as required by the Act.
- i. Various registers, books of records etc are not being prepared by the ULB. Such as, Fixed Assets Register, Stock Register, Advance & Recovery Register, Statutory Register with regards TDS, VAT, Royalty and Labor Cess etc.

3. Opinion:

The ULB is required to improvement in the following areas :

- a. Preparation of Accounts, Ledger, Registers, Bank Reconciliation Statement, Various Registers and Records as required.
- b. It requires improving its Internal Control Procedures with regards to Demand of mobile tower tax, collection of revenue and depositing the collected revenue in the concerned bank accounts.
- c. The ULB is not able to present the actual Income and Expenditure due to cash basis of accounting system. Hence, the ULB should maintain Double Entry Accounting System.
- d. The ULB is not effective in Collection of Assigned Revenue. Hence the ULB should improve efficiency with regards to collection of the Assigned Revenue.

4. Audit Recommendations:

- a. The ULB must prepare Budget in accordance with the section 75 to 80 of Bihar Municipal Accounting Rule, 2014.
- b. The ULB must prepare Bank Reconciliation Statements on monthly basis.
- c. The ULB should constitute Municipal Accounts Committee and hold the meeting regularly to analyse the progress of various activities and accounting procedure.
- f. ULB must collect property tax, mobile tower tax, advertisement tax, shop rent etc efficiently which are under its jurisdiction.
- g. ULB must deposit TDS, VAT etc and file the required return on timely basis.

