

SPUR-PMU (Samvaradhan)
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In Coming Date.....

Internal Audit Report –Nagar Panchyat- Ramnagar | F.Y- 2015- 2016

INTERNAL AUDIT REPORT OF NAGAR PANCHYAT- RAMNAGAR (West Champaran)

For the period from 01.04.2015 to 31.03.2016



Internal Audit Conducted by:

GK Sureka & Co.
Chartered Accountants

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Audit conducted From: July 19, 2016 to July 27, 2016

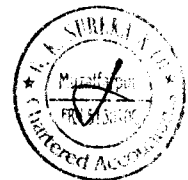
Report Issued on: September 08, 2016

NAGAR PANCHYAT – Ramnagar (West Champaran)

INTERNAL AUDIT REPORT OF F.Y.2015-16

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Internal Audit Report of Financial year 2015- 2016

Section A: Audit Methodology and Approach

Audit Methodology

We have conducted the internal audit of Nagar Panchyat – RAMNAGAR (West Champaran), for the year ending on 31st March , 2016 (as per TOR). We familiarized ourselves with N.P. documents, 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 N.P. in order to plan and perform our audit.

We reviewed transaction 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 N.P. 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:

- General Cash Book for the period from 1st April 2015 to 31st March 2016 maintained manually in the N.P. ;
- Vouchers (Cash, Bank, Journal etc)along with supporting documents;
- Receipt Books
- Other necessary records and registers

The major observations, in respect of the depot have been discussed with the Executive Officer & Accountant of the N.P.

Audit Approach

Our approach to the internal audit started with an overview of activities through a study and documentation of the existing systems and procedures. We then identified, evaluated and tested the adequacy, efficiency and effectiveness of internal controls including standard policies and procedures laid down by the management (where applicable), 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.

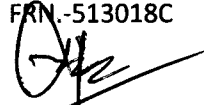
Apart from the test of controls and samples we also carried out various types of analytical reviews to understand as well as highlight unusual or significant trends in the income & expenditure.



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 : Muzaffarpur
Date : September 08,2016

For G.K.Sureka & Co.
Chartered Accountants
FRN.-513018C



(CA. Dhruv Narayan)
Partner
M.N.- 501415



Executive Summary**1. Introduction**

Name of the Municipality	N.P. Ramnagar (West Champaran)
Period Covered under Current Audit	01.04.2015 to 31.03.2016
Name of the Chief Municipal Officer for the period under Audit	Shri Rajesh

2. Results and Findings

Strength observed during the audit engagement	<ul style="list-style-type: none"> ➤ General Cash Book has been written ➤ Staff Cooperation during the Audit period was very good.
Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement.	<ul style="list-style-type: none"> ➤ There are lack of internal control w,r,t collection of taxes. ➤ Demand collection Register has not been prepared hence it is not possible to ascertain total arrear of taxes ➤ Taxes collected by tax collector are on deposited on daily basis we observed that it is being deposited after significant delay which is not proper. As per Rule 27 of BMAR it should be deposited on daily basis otherwise penalty up to Rs. Rs. 5000/-may be imposed for delayed deposit. ➤ Tower tax dues are not collected on time basis. ➤ Books of accounts are not verified by E.O, Chairman or vice chairman on time to time basis. ➤ Tender of Ghat, Crematorium, Gate, Palm trees and lands are not done on yearly basis. ➤ Grant Register is not being maintained hence it is difficult to find unutilized grant at any point of time. ➤ Bank Reconciliation Statement is not prepared hence it is difficult to monitor possible fraud, if any. ➤ There is 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 VAT, I.T. Royalty etc are collected from time to time but its payments are made on yearly basis which is not proper. Taxes should be remitted to the Govt. account on timely basis



	otherwise penal action may be taken by the concerned department for delayed deposit of taxes.
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3. Opinion

<p>Overall opinion of the Audit team about the functioning of the Municipality</p>	<p>The functioning of the Municipality is very weak due to following reasons:</p> <ul style="list-style-type: none"> • 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. • Collection from own sources is very poor. • Grant received for various purposes are not utilized on timely basis. • There are serious lapses in deduction and deposit of statutory dues such as TDS, VAT, Royalty, Labour cess etc.
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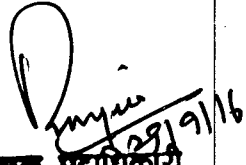
4. Audit Recommendations

<p>The recommendations of Audit team on the observed weakness</p>	<p>We recommend the followings:</p> <ul style="list-style-type: none"> ✓ All the prescribed books of accounts and Registers should be prepared on real time basis ✓ Bank reconciliation Statement should be prepared on monthly basis ✓ Cashier Cash Book should be written on daily basis. ✓ Collection by tax collector should be deposited on daily basis. ✓ Grant Register should be prepared ✓ All the statutory dues should be deposited on timely basis and returns prescribed under the statute should also be deposited on timely basis. ✓ Demand Collection Register of all the wards should be prepared. ✓ Property tax register should be prepared as per new assessment. ✓ Collection from own sources should be improved.
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	<ul style="list-style-type: none"> ✓ Grant Register should be prepared ✓ All the statutory dues should be deposited on timely basis and returns prescribed under the statute should also be deposited on timely basis. ✓ Demand Collection Register of all the wards should be prepared. ✓ Property tax register should be prepared as per new assessment. ✓ Collection from own sources should be improved.
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5. Comments from Management

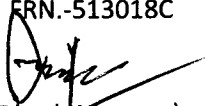
Comment from Management	<p>The audit report has been discussed with us; we will try our best to remove the irregularities pointed out in the audit report.</p> <p>For Nagar Panchyat- Ramnagar (Executive Officer)</p> <p style="text-align: right;">  निर्वाहक पदाधिकारी नगर पंचायत, रामनगर </p>
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6. Acknowledgment

We thank Mr. Rajesh (Chief Municipal Officer) and Mr. Krishna singh nepali(Accountant) for their support during the period of our audit. We are also thankful to Tax Daroga and support staffs of the municipality for their cooperation extended to us during the period of our audit.

Place : Muzaffarpur
Date : September 08,2016

For G.K.Sureka & Co.
Chartered Accountants
ERN.-513018C


 (CA. Dhruv Narayan)
 Partner
 M.N.- 501415



Detailed Audit Report

1. Introduction

The Internal audit of N.P.- Ramnagar(West Champaran) covering period from 1st April 2015 to 31st March, 2016 was conducted by following persons under guidance of CA. Dhruv Narayan

- i. CA. Chandra Bhushan Kumar
- ii. Shri Avinash kumar
- iii. Md. Irshad Siddique

2. Administration

The present body of the ULB has taken charge on 5 September 2015. The incumbency in the key administrative and executive position was as under:

Smt Bidyawati devi, Chairman from 27.08.2015 to till date, Shri Rajesh Executive officer from 05.09.2015 to 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

No A.G. Audit has been conducted since the date of completion of our previous audit for the F.Y. 2014-15



4. Finance**I. Budgetary provisions and expenditure for the last three years**

Year	2013-14	2014-15	2015-16
Final/ Revised Budget	215523106.00	86345451.00	515273015.00
Actual Expenditure	59007630.00	182700721.00	39162602.00
Savings (+)/ Excess (-)	156515476.00	-96355270.00	476110413.00

II. Volume of transactions

Period	Budgeted	Previous year (For One year)	Corresponding period of previous year	Current Period	Cumulative for the current period
Opening Balance	80682822.00	68218613.00	68218613.00	15986955.00	15986955.00
Receipts	437610000.00	130469063.00	130469063.00	121763315.23	121763315.23
TOTAL	518292822.00	198687676.00	198687676.00	137750270.23	137750270.23
Net Expenditure	515273015.00	182700721.00	182700721.00	39162602.00	39162602.00
Closing Balance	3019807.00	15986955.00	15986955.00	98587668.23	98587668.23

III. Bank Reconciliation

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

Sl.No	Name of Bank	Account No.	Balance as on 31.03.2016	Name of Scheme	Reconciliation position
1	C.B.I	2359801544	1400045.00	Mukhay sahari yogna	Un-reconciled
2	C.B.I	3226851148	525350.00	Kabir Anthesthi Special FUND	Un-reconciled
3	S.B.I	11428247147	136003.00	S.G.S.R.Y	Un-reconciled
4	C.B.I	3226850803	1311006.00	Kabir Anthesthi	Un-reconciled



5	C.B.I	2359778228	31706.40	B.R.G.F	Un-reconciled
6	S.B.I	11428237138	350361.75	General Fund	Un-reconciled
7	UBGB	100923103007 6518	4620603.00	Gandi Basti & office Building	Un-reconciled
8	UBGB	1306	892.00	Nagar Nidhi	Un-reconciled
9	S.B.I	31160731414	9393.00	Gandhi Basti	Un-reconciled
10	S.B.I		5830169.00	Swachh Bharat Mission	Un-reconciled
11	UBGB	100923101000 4034	123186.50	Nagar Nidhi	Un-reconciled
12	PLA		79259505.00	Various Schemes	
		Grand Total	93598220.65		
		Cash Book Total	98587668.23		

Bank Reconciliation statements have not been prepared by the N.P. There is a difference of Rs. 49,89,448.00 between Cash Book and consolidated balance as per pass book of all accounts.

The N.P. is suggested to reconcile the above mentioned differences immediately and prepare B.R.S on monthly basis.



IV. Revenue Receipts

Period	Budgeted	Previous year (For One year)	Corresponding period of previous year	Current Period	Cumulative for the current period
a) Own Source					
Property Tax	9200000	4357771	4357771	660197	660197
Assigned revenue	25320000	948682	948682	1148494	1148494
Others (Fees & User Charges)	13117000			2688431	2688431
(b) Administrative Grant				0	0
© Specific Grant (Scheme wise)					
Grant for Construction of Road					
Grant for Construction of Drain					
Toilet construction Grant	150000000			5830581	5830581
11 th & 12 th Finance Commission Grant				15956350	15956350
13 th & 14 th Finance Commission Grant				14015357	14015357
4 th & 5 th Finance Commission Grant		16775120	16775120	18571907	18571907
Grant for Water Supply		79860000	79860000	29175393	29175393
BRGF		992251	992251		
Grant for construction of Building		1788125	1788125		
Kabir Anthesthi Yojna		1000636	1000636	730714	730714
Grant for Old Age Pension					
Chief minister town development grant					
Grant for salary of City Manager					



Grant for Sal & Allow. Of CWC & VCWC		250200	250200	137932	137932
Salary to Nagar Teacher	20000000	3592846	3592846	3630195	3630195
Safai & Swachhta Madd				7298400	7298400
S J S R Y				5281	5281
Grant for Construction of Toilet					
Grant for Steet Light					
Annual grant for all scheme	200000000				
Grant for SECC					
National old age Pension Scheme					
National Widow Pension Scheme					
National Handicap Pension Scheme					
Bihar Handicap pension Scheme					
State Social security Pension Scheme		2668900	2668900	381600	381600
Laxmibai Social Security Pension					
Grant for E-Governance				270000	270000
General Fund		3216000	3216000	2711481	2711481

V. Status of Implementation of Double Entry Accounting System

Till date Double Entry Accounting System is not operational in the Nagar Panchayat.

No Chartered Accountant firm has been appointed by the UD & HD for implementation of Double Entry Accounting System in the Nagar Panchayat till date.

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 N.P. till the date of our audit.



5. Audit Observations

I. 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.	Tower tax is not being collected on timely basis . Tower tax of Rs. 14.94 lacs is receivable as on 31.03.2016. Details of Tower Tax dues are annexed in Annexure.
b. Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs	We did not observe any excess payment against bill, lack of prudence against vouchers etc.
c. Report on findings of field survey of Property Tax of minimum 20 high value properties per quarter	Field survey of 80 high value properties have been conducted by us and our report thereon is attached in annexure.



PART-B

All audit objections/ irregularities which have no monetary implication, but significant violation of Act, Rules & directives of UD & HD. Mention the reference Act & Rules wherein remedial measures is required. In this part auditor should report in respect of –

<p>a. Non- maintenance of books of accounts , subsidiary registers</p>	<p>As per Bihar Municipal Accounting Manual Following primary Books of accounts are required to be maintained :</p> <ol style="list-style-type: none"> 1. Cash Book (Form Gen-IA) 2. Bank Book (Form Gen-IB) 3. Journal Book (Form Gen-2) 4. Ledger (Form Gen-3) <p>In addition to above following other General Registers and forms are required to be maintained but the same are not being maintained.</p> <ol style="list-style-type: none"> 1 Receipt GEN-8 2 Receipt Register GEN-9 3 Statement on Status of Cheques Received GEN-10 4 Collection Register GEN-11 5 Memorandum of Collection GEN-12 6 Summary of Daily Collection GEN-13 7 Register of Bills for Payment GEN-14 8 Payment Order GEN-15 9 Cheque Issue Register GEN-16 10 Register of Advance GEN-17 11 Register of Permanent Advance GEN-18 12 Deposit Register GEN-19 13 Summary Statement of Deposits Adjusted GEN-20 14 Demand Register GEN-21 15 Bill for Municipal Dues GEN-22 16 Summary Statement of Bills Raised GEN-23 17 Register of Notice Fee, Warrant Fee, Other Fees GEN-24 18 Summary Statement of Notice Fee, Warrant Fee, Other Fees GEN-25 19 Register of Refunds, Remissions and Write-offs GEN-26 20 Summary Statement of Refunds and Remissions GEN-27 21 Summary Statement of Write-Offs GEN-28 22 Statement of Outstanding Liability for Expenses GEN-29 23 Documents Control Register/Stock Account of Receipt/Cheque Book GEN-30 24 Register of Immovable Property GEN-31 25 Register of Movable Property GEN-32
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	<p>26 Register of Land GEN-33 27 Function-wise Income Subsidiary Ledger GEN-34 28 Function-wise Expense Subsidiary Ledger GEN-35 29 Asset Replacement Register GEN-36 30 Register of Public Lighting System GEN-37</p> <p>The N.P. is maintaining only Cash Book/ Bank Book, Journal Book , Ledgers and other prescribed registers are not maintained.</p>
b. Irregularity in procurement process	During the course of Audit we have demanded the Procurement register; same has not been produced before us.
c. Non-compliance of directives by UD & HD , GOB	<p>We observed several non compliances of directives of UD & HD, GOB such as :</p> <ul style="list-style-type: none"> i. non collection of various taxes required to be collected ii. Non maintenance of prescribed books of accounts iii. Non submission of UC and other reports on timely basis etc.
d. Non Compliance of Act & Rules	<p>As per Section 127 of the Bihar Municipal Act , the Municipality can levy the following taxes:-</p> <ul style="list-style-type: none"> (a) property tax on lands and buildings. (b) surcharge on transfer of lands and buildings, (c) tax on deficit in parking spaces in any non-residential building, (d) water tax, (e) fire tax, (f) tax on advertisements, other than advertisements published in newspapers, (g) surcharge on entertainment tax (h) surcharge on electricity consumption within the municipal area, (i) tax on congregations, (j) tax on pilgrims and tourists, and (k) toll – <ul style="list-style-type: none"> (i) on roads, bridges, ferries and navigable channel and (ii) on heavy trucks which shall be heavy goods vehicles, and buses, which shall be heavy passenger motor vehicles, within the meaning of the Motor Vehicles Act, 1988, plying on a public street. (l) Tax on profession <p>We observed that only property tax has been collected during the year other taxes have not been levied till date.</p>



<p>e. Lack of internal Control measures</p>	<ul style="list-style-type: none"> ➤ Subsidiary cash book were not maintained ➤ There are lack of internal control w,r,t collection of taxes. ➤ Demand collection Register has not been prepared hence it is not possible to ascertain total arrear of taxes ➤ Taxes collected by tax collector are on deposited on daily basis we observed that it is being deposited after significant intervals which is not proper. As per Rule 27 of BMAR it should be deposited on daily basis otherwise penalty up to Rs 5000/- may be imposed for delayed deposit. ➤ Reassessment of holding tax has not been done since long and holding tax is being collected at old rates. ➤ Due collection of revenue on old rates there is significant loss the N.P. Quantification of loss is not possible at this point of time. ➤ Advertisement Tax is not being levied by the N.P as a result there is a loss to the N.P of advertisement tax amount. ➤ Tower tax dues are not collected on time basis. ➤ Tender of Ghat, Crematorium, Gate, Palm trees and lands are not done on yearly basis. ➤ Grant Allotment Register is not being maintained hence it is difficult to find unutilized grant at any point of time. ➤ Bank Reconciliation Statement is not prepared hence it is difficult to monitor possible fraud, if any. It is also noted that there were huge difference between Balance of cash book and Bank Balance. ➤ Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof. ➤ There is 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 VAT, I.T. Royalty etc are collected from time to time but its payments are made on yearly basis which
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	is not proper. Taxes should be remitted to the Govt. account on timely basis otherwise penal action may be taken by the concerned department for delayed deposit of taxes.
f. Non-compliance of TDS, VAT and other relevant Statute	Tax deducted at source of Income Tax, VAT & Royalty are deposited on yearly basis which is not proper it should be deposited within the due date prescribed under the respective statute. We observed that Income Tax, VAT, Royalty & labour cess for whole financial year has been deposited in the month of January 2015. Taxes should be remitted to the Govt. account on timely basis otherwise penal action may be taken by the concerned department for delayed deposit of taxes. Further it is also noted that TDS has only been deducted & Deposited on fourth finance.
g. Deficiency in Pay-roll System	The pay-roll system does not contain leave details of employee. PF contribution and pension fund contribution of employees are deducted but municipal contribution is not being paid. PF account has not been opened with PF department all the deductions of PF contribution and pension fund contribution are being deposited in a separate account opened by the municipality.
h. Utilization of Grant and report on missing Utilization Certificates	Grant Allotment Register has not been prepared hence it is difficult to ascertain unutilized grant at any particular time. Details of UC sent to the Govt. as on 31.03.2015 is annexed in Annexure.
i. Physical verification of inventory/Stores	Store Register has not been prepared properly in such a case we are unable to Physically verify inventory/stores.
j. Advances, their adjustment & recovery	As per the information and explanation given to us Advance register is being maintained but not produce before us.
k. Any other matters as may be prescribed in due course.	Nothing Specific.



PART- C

General Observations: Auditor should report the deficiencies noticed during their audit and recommend ULB Management to improve internal systems.

Whether the postings for the entries in the books of original entry have been correctly made in the respective ledger accounts	No, Ledger accounts have not been prepared by the N.P.
Whether all the books of accounts and supplementary registers that are prescribed in the Accounts Manual / other applicable regulations have been properly maintained by the ULB;	No, except General Cash Book and Subsidiary Cash Book no other books of accounts have been maintained.
Whether the Quarterly Financial Statements have been compiled on the basis of the actual entries in the books of accounts;	No quarterly Financial Statements have been prepared by the N.P.
Whether the period-end and reconciliation procedures prescribed have been carried out.	No, period-end and reconciliation procedures as prescribed have not been carried out.
Whether the Bank Reconciliation statements have been prepared and are appropriate	No, Bank Reconciliation Statements have not been prepared by the N.P.
Whether all grants from Government have been accounted at gross value with proper entries to various accounts	Yes, all grants from Government have been accounted at gross value but all transactions are not correctly classified with sufficient details.
Whether all transactions (incomes, expenditures, assets and liabilities) are correctly classified and stated in sufficient detail;	No all transactions have been classified as incomes and expenditure only assets and liabilities have not been recognized.
Whether all grants sanctioned or received by the municipality during the year, have been accounted properly, and where any deduction is made out of such grants towards any dues of the ULB? Whether such deductions have been properly accounted;	Grant received during the year has been properly accounted for. Information about grant sanctioned and deductions made out of such grant is not available with the ULB.
Whether any Special Funds have been created as per the provision of any statute and whether the Special Funds have been utilized for the purposes for which they have been created;	No Special fund has been created by the ULB.



<p>In respect of contracts that are in existence during the year, whether there are any deviations from the sanctioned plans and the estimates without the sanction of the competent authority;</p>	<p>We did not notice any major deviation.</p>
<p>Whether the ULB is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets; whether these fixed assets have been physically verified at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same has been properly dealt with in the books of account;</p>	<p>No, record of fixed assets has not been maintained by the ULB. Physical verification of fixed assets has not been done during the financial year under audit.</p>
<p>Whether in case of leasehold property given by the ULB, lease rentals are collected regularly by the ULB and that the lease agreements are renewed after their expiry;</p>	<p>As explained to us no property of the ULB has been given on lease.</p>
<p>Whether physical verification has been conducted by the ULB at reasonable intervals in respect of stores;</p>	<p>No, physical verification of stores has been conducted by the ULB at reasonable intervals.</p>
<p>Whether the procedures of physical verification of stores followed by the ULB are reasonable and adequate? If not, the inadequacies in such procedures should be reported;</p>	<p>No</p>
<p>Whether any material discrepancies have been noticed on physical verification of stores as compared to book records, and if so, whether the same has been properly dealt with in the books of account;</p>	<p>No physical verification done.</p>
<p>Whether proper procedures are in place to identify any unserviceable or damaged stores and whether provision for the loss in this respect, if any, has been made in the accounts;</p>	<p>No there is no procedures are in place to identify any unserviceable or damaged stores</p>
<p>Whether the valuation of stores is in accordance with the accounting principles laid down in the rules? Whether the basis of valuation of stores is same as in the preceding year? If there is any deviation in the basis of valuation, the effect of such deviation, if material, should be reported;</p>	<p>No valuation of stores has been done.</p>

