

INTERNAL AUDIT REPORT OF NAGAR PARISHAD- RAXAUL (EAST CHAMPARAN)

For the period from 01.04.2015 to 31.03.2016

SPUR-PMU (Samvardhan)

No. 1204

In Coming Date 23/02/17



Internal Audit Conducted by:

**GKS Sureka & Co.**  
Chartered Accountants

2<sup>nd</sup> Floor, Natnani Market, Sutapatty,

Muzaffarpur-842001 (Bihar).

Telofax: +91-621-2246018, Mobile: 9835290195

E-Mail- [mfp@gksureka.com](mailto:mfp@gksureka.com)

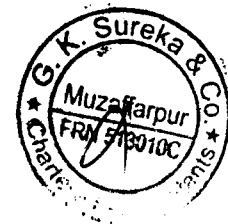
Audited conducted From: September 15, 2016 to September 22, 2016

Report Issued on: Septmber24, 2016

**NAGAR PARISHAD – RAXAUL (EAST CHAMPARAN)****INTERNAL AUDIT REPORT OF F.Y.2015-16**

## INDEX

Section	Contents	Page No.	
		From	To
A	Audit Methodology and Approach	3	4
B	Executive Summary	5	8
C	Detailed Audit report	09	13
D	Audit Observations – Part-A	14	14
E	Audit Observations – Part-B	15	18
F	Audit Observations – Part-C	19	22
G	Details of Tower Tax dues	23	23
H	Details of UC Sent	24	27
I	Report on field visit of 20 high value property	28	33
J	Details of late deposit of Taxes	34	37
K	Serious irregularities in Procurement	38	39
L	Details of arrear of Shop Rent	40	41
M	Compliance Report as per Scope of work of tender	42	43



**Internal Audit Report of Financial year 2015- 2016**

**Section A: Audit Methodology and Approach**

**Audit Methodology**

We have conducted the internal audit of Nagar PARISHAD – RAXAUL (EAST CHAMPARAN), for the year ending on 31<sup>st</sup> 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 PARISHAD 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 certain records necessary for the audit were either not maintained or could not be provided these records includes:

- ✓ Demand collection register
- ✓ Fixed assets register
- ✓ Stock register

In course of audit, however we reviewed the below mentioned documents and registers:

- ✓ Subsidiary Cash Book for the period from 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016 maintained manually in the N.P.
- ✓ Vouchers (Cash, Bank, Journal etc) along with supporting documents; however not all the vouchers could be made available to us in-spite of several requests.
- ✓ Receipt Books, receipts books for the relevant period could not be made available to us however certain receipt books were provided which were verified.
- ✓ Other records and registers

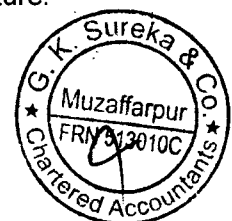
The major observations, in respect of the Nagar Parishad have been discussed with the Executive Officer & Accountant of the N.P.

**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.

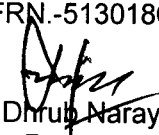
Apart from the test of controls and samples we also carried out various types of analytical reviews to understand as well as highlight unusual or significant trends in the income & expenditure.

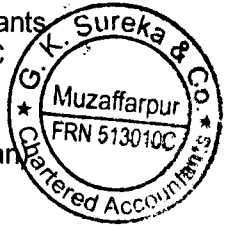


Our observations, resulting from the audit tests performed on a sample of transactions, are set out under "Part-A, Part-B & Part-C" of the audit report and include our recommendations for addressing these observations.

Place : Muzaffarpur  
Date : September 24,2016

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

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



**Executive Summary****1. Introduction**

<b>Name of the Municipality</b>	N.P. RAXAUL (EAST CHAMPARAN)
<b>Period Covered under Current Audit</b>	01.04.2015 to 31.03.2016
<b>Name of the Chief Municipal Officer for the period under Audit</b>	Sh. Arun Kumar Singh

**2. Results and Findings**

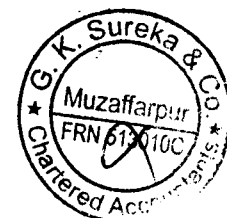
<b>Strength observed during the audit engagement</b>	<ul style="list-style-type: none"> <li>➤ Subsidiary Cash Book has been written</li> </ul>
<b>Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement.</b>	<ul style="list-style-type: none"> <li>➤ Budget have not been prepared for financial year 2015-16</li> <li>➤ General Cash Book has not been updated.</li> <li>➤ There are lack of internal control w,r,t collection of taxes.</li> <li>➤ Demand collection Register has not been prepared hence it is not possible to ascertain total arrear of taxes</li> <li>➤ Taxes collected by tax collector are on deposited on daily basis we observed that it is being deposited at interval of 7-15 days which is not proper. As per Rule 27 of BMAR it should be deposited on daily basis otherwise a penalty up to Rs. 5000/- may be imposed for delayed deposit.</li> <li>➤ The files related to mobile tower were not readily available for verification however comprehensive details have been maintained in a register. Tower tax dues are not being collected on timely basis , as on 31.03.2016 Rs. 16.50 lacs is receivable as tower tax dues.</li> <li>➤ Shop rent is not being collected on timely basis as on 31.03.2016 Rs.2.07 lacs is receivable as shop rent.</li> <li>➤ The receipt of Grant is being maintained in a register however utilization of grant is not being recorded properly hence it is difficult to find unutilized grant at any point of time. This lack of maintenance leads to diversion of funds, since the actual amount of grant in each fund is not known at particular point of time.</li> <li>➤ Bank Reconciliation Statement is not prepared.</li> </ul>



	<ul style="list-style-type: none"> <li>➤ Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof also UC for various advance given could not be made available to us.</li> <li>➤ 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 etc are collected from time to time but its payments are made on yearly basis which is not proper. Royalty and labour cess have not been paid since long the exact amount of arrear tax along with date was not readily available. 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.</li> </ul>
--	---

### 3. Opinion

<p><b>Overall opinion of the Audit team about the functioning of the Municipality</b></p>	<p>The functioning of the Municipality is very poor due to following reasons:</p> <ul style="list-style-type: none"> <li>• Most of the prescribed Books of accounts are either not maintained or have not been updated including General Cash Book.</li> <li>• Budgets for the F.Y. 2015-16 has not been prepared.</li> <li>• Internal Control w.r.t. collection of taxes, monitoring of grant, monitoring of advances, monitoring of schemes etc. is very poor.</li> <li>• Timely survey for Collections from own sources are very poor.</li> <li>• The system of collection and remittance of tax from the own source is not proper as all the collections are not remitted to the bank on the same day or by next working day and also expenses are made directly from the collection without routing the transaction through bank account.</li> <li>• Grant received for various purposes are not utilized on timely basis.</li> <li>• There are serious lapses in deduction and deposit of statutory dues such as TDS, VAT, Royalty, Labour cess etc.</li> <li>• Education Cess &amp; Healthe cess are not paid to the Govt.</li> </ul>
---	--

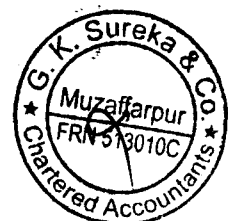


**4. Audit Recommendations**

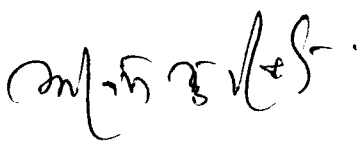
<p><b>The recommendations of Audit team on the observed weakness</b></p>	<p><b>We recommend the followings:</b></p> <ul style="list-style-type: none"> <li>✓ All the prescribed books of accounts including General Cash Book and Registers should be prepared on real time basis</li> <li>✓ Bank reconciliation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

<p><b>5. Compliance of Terms of Contract as per scope of work</b></p>	<p>Terms of Internal Audit Contract as per scope of work has been complied with and a report of compliance of terms of the contract is attached in Annexure.</p>
---	--

<p><b>6. Compliance of Previous Internal Audit Report</b></p>	<p>Audit report of F.Y. 2014-15 has been submitted after completion of the financial 2015-16 hence possibility of compliance of previous year's report in the current financial year does not arise.</p>
---	--



**7. Comments from Management**

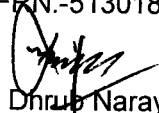
<p><b>Comment from Management</b></p>	<p>The audit report has been discussed with us; we will try our best to remove the irregularities pointed out in the audit report.</p> <p style="text-align: center;">   <b>EXECUTIVE OFFICER</b>                  For Nagar PARISHAD RAXAUL                  (Executive Officer)             </p>
---------------------------------------	--

**8. Acknowledgment**

We thank Mr. Arun Kumar Singh (Executive Officer) for their support during the period of our audit we also thank support staff, Mr. Chander Shekhar (Head Clerk), Mr. Mritunjay Mrinal (UDC) and Md. Suhan (Tax Daroga) for extending their co-operation during the audit period however a more detailed approach is required from them for the smooth conduct of the audit work.

Place : Muzaffarpur  
 Date : September 24,2016

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

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





**Detailed Audit Report****1. Introduction**

The Internal audit of N.P.- RAXAUL (EAST CHAMPARAN) covering period from 1<sup>st</sup> April 2014 to 31<sup>st</sup> March, 2015 was conducted by following persons under guidance of CA. Dhruv Narayan

- i. Mr. Dev Narayn
- ii. Mr. Aditya Kumar
- iii. Mr. Vikash Kumar

**2. Administration**

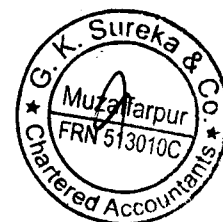
The present body of the ULB has taken charge on 9<sup>th</sup> June 2012. The incumbency in the key administrative and executive position was as under:

Smt. Renu Devi, Chairman from 09.06.2012 to till date, Shri Arun Kumar Singh Executive officer from 12.08.2016 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

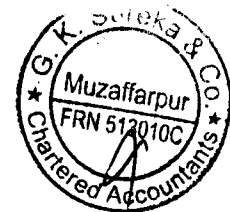


**4. Finance****I. Budgetary provisions and expenditure for the last three years**

Year	2013-14	2014-15	2015-16
Final/ Revised Budget	<b>Budget not prepared</b>	<b>Budget not prepared</b>	<b>Budget not prepared</b>
Actual Expenditure	70510517	88049956	119428468.4
Savings (+)/ Excess (-)			

**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	0	69966337.4	69966337.4	153482061.3	153482061.3
Receipts	0	171565680.0	171565680.0	80613507.24	80613507.24
TOTAL	0	241532017.4	241532017.4	234095568.5	234095568.5
Net Expenditure	0	88049956.1	88049956.1	119428468.4	119428468.4
Closing Balance	0	153482061.3	153482061.3	114667100.1	114667100.1

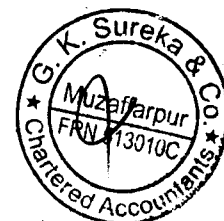


## III. Bank Reconciliation

The scheme wise reconciliation position is as follows:				
Name scheme and bank	A/C No.	Balance As per cash book	Balance as per bank	Status
Government Treasury Account	P/A-092	85706763	85706763	Reconciled
13th Finance Commission, SBI	31765743162	414193	414193	Reconciled
BRGF Bank of India	49731010004175	2112754	2112754	Reconciled
BRGF PNB	4108000400057330	170201	170201	Reconciled
Jalapurti Yojna, BOI	497310110015061	782751	782751	Reconciled
Prashashnik Bhawan, PNB	4108000101001989	344965.17	344965.17	Reconciled
Swarn Jayanti Sahri Rojgar Yojna, PNB	4108000400057322	3587959.29	3748333.77	Not Reconciled
Mukhyamantri Nagar Vikash Yojna, UBGB	1002011010000858	1853009	1853009	Reconciled
Samajik Suraksha pension Yojna, United Bank	1841010000204	1917600	1917600	Reconciled
Kabir Antyoshti yojna, UBGB	1002021010000622	889393	889393	Reconciled
Ambedkar Bus Parao, SBI	31682901848	18484	18484	Reconciled
Vetanadi, State Bank of India	31841351791	856	856	Reconciled
Kar sangrah, PNB	4108000400057261	1147131	1147131	Reconciled
Kar sangrah, UBGB	1002021010000626	1017652	1078035	Not Reconciled
Kar sangrah SBI	32679315138	98828	98828	Reconciled
Rajya Yojna, SBI	32679315875	978966	978966	Reconciled
Ivth State Commision, SBI	32679312353	18263	18263	Reconciled
City Manager Salary, UBGB	1002021010001123	168807	168807	Reconciled
<b>Total as per Cash Book</b>				<b>101129747.5</b>
<b>Total as per Bank.</b>				<b>101350504.9</b>
<b>Difference</b>				<b>220757.5</b>

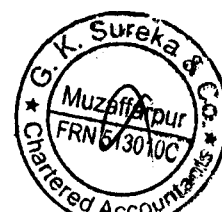
Bank Reconciliation Statements have not been prepared by the N.P. There is a difference of Rs. 220757.5 between Cash Book and consolidated balance as per pass book of all accounts.

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



## Revenue Receipts

Period	Budgeted	Previous Year (For one year)	Corresponding period of Previous year	Current Period	Cumulative for the current period
<b>[a] Own source</b>					
Property Tax	0	6355361.00	6355361.00	7323198	7323198
Assigned Revenue		11975044.00	11975044.00	2753640	2753640
Others ( Fee & User Charges )		1775450.00	1775450.00	1263394	1263394
<b>[b] Administrative Grant</b>					
<b>[c] Specific Grant (Scheme wise)</b>					
Various grant received through government treasury account		46780569	46780569	44833751	44833751
Grant for Administrative Building	0	15527003.0	15527003.0	0.0	0.0
XIIIth Finance Commission Grant	0	4954226.0	4954226.0		
4th Finance Commission Grant	0	11605703.0	11605703.0	0.0	0.0
Grant for WaterSupply	0	33000000.0	33000000.0		
BRGF	0	217995.0	217995.0		
Grant for Swarn Jayanti Sahri Rojgar Yojna	0	0	0	276424.0	276424.0
Kabir Anthesthi Yojna	0	0.0	0.0		
Ambedkar Bus Parao	0	0.0	0.0		
Grant for salary of CityManager	0	0	0		
Grant for Sal & Allow. Of CWC & VCWC	0	378000.0	378000.0		
Rajya Yojna	0	4740703.0	4740703.0	13454139.0	13454139.0
Grant for Vetanadi	0	31739126.0	31739126.0	6536800.0	6536800.0
State Social security Pension Scheme	0	4857400.0	4857400.0		
Grant for E- Governance	0	500000.0	500000.0	1821.0	1821.0
12th Finance Commission	0	0.0	0.0		
Mukhyamantri Nagar Vikash Yojna, UBGB	0	19151077	19151077	0.0	0.0



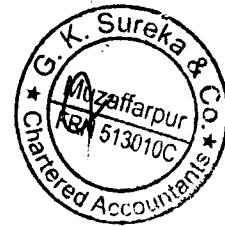
**IV. Status of Implementation of Double Entry Accounting System**

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

Appointment of Chartered Accountant firm for implementation of double Entry System of accounting is in process but till date no progress has been made in this regard.

**V. 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:

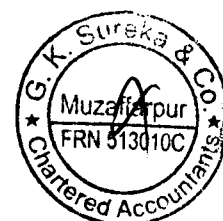
<p>a. Leakage of own source revenue either due to wrong assessment or non- levy of property tax, mobile tower tax, rent on municipal properties, advertisement tax fees etc.</p>	<p>Reassessment of holding tax is not being done on regular basis and holding tax is being collected at old rates.</p> <p>Due to collection of holding tax on old rates there is significant loss the N.P. Quantification of loss is not possible at this point of time.</p> <p>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.</p> <p>Tower tax is not being collected on timely basis as more than Rs. 16.50 lacs is receivable as tower tax as on 31.03.2016. Details have been annexed as <b>annexure I</b></p> <p>Shop Rent is not being collected on timely basis , Rs. 2.07 lacs is receivable as shop rent as on 31.03.2016. Details of shop rent dues have been given in Annexure.</p>
<p>b. Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs</p>	<p>Unable to comment as the relevant records could not be produced to us in-spite of several requests during our visit to Nagar Parishad Raxaul.</p>
<p>c. Report on findings of field survey of Property Tax of minimum 20 high value properties per quarter</p>	<p>Field survey of 20 high value properties per quarter (80 in total) have been conducted by us and our report is attached in annexure.</p>



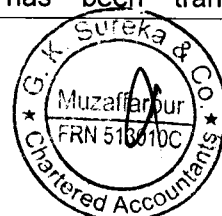
**PART-B**

**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"> <li>1. Cash Book (Form Gen-IA)</li> <li>2. Bank Book (Form Gen-IB)</li> <li>3. Journal Book (Form Gen-2)</li> <li>4. Ledger (Form Gen-3)</li> </ol> <p><b>In addition to above following other General Registers and forms are required to be maintained but the same are not being maintained.</b></p> <ol style="list-style-type: none"> <li>1 Receipt GEN-8</li> <li>2 Receipt Register GEN-9</li> <li>3 Statement on Status of Cheques Received GEN-10</li> <li>4 Collection Register GEN-11</li> <li>5 Memorandum of Collection GEN-12</li> <li>6 Summary of Daily Collection GEN-13</li> <li>7 Register of Bills for Payment GEN-14</li> <li>8 Payment Order GEN-15</li> <li>9 Cheque Issue Register GEN-16</li> <li>10 Register of Advance GEN-17</li> <li>11 Register of Permanent Advance GEN-18</li> <li>12 Deposit Register GEN-19</li> <li>13 Summary Statement of Deposits Adjusted GEN-20</li> <li>14 Demand Register GEN-21</li> <li>15 Bill for Municipal Dues GEN-22</li> <li>16 Summary Statement of Bills Raised GEN-23</li> <li>17 Register of Notice Fee, Warrant Fee, Other Fees GEN-24</li> <li>18 Summary Statement of Notice Fee, Warrant Fee, Other Fees GEN-25</li> <li>19 Register of Refunds, Remissions and Write-offs GEN-26</li> <li>20 Summary Statement of Refunds and Remissions GEN-27</li> <li>21 Summary Statement of Write-Offs GEN-28</li> <li>22 Statement of Outstanding Liability for Expenses GEN-29</li> <li>23 Documents Control Register/Stock Account of Receipt/Cheque Book GEN-30</li> <li>24 Register of Immovable Property GEN-31</li> <li>25 Register of Movable Property GEN-32</li> <li>26 Register of Land GEN-33</li> <li>27 Function-wise Income Subsidiary Ledger GEN-34</li> <li>28 Function-wise Expense Subsidiary Ledger GEN-35</li> <li>29 Asset Replacement Register GEN-36</li> </ol>
--	--



	<p>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	<p>All the relevant records related to procurement were not made available to us. However for the available records we observed few tender. Our details observation on one tender have been annexed as annexure -II</p>
c. Non-compliance of directives by UD & HD , GOB	<p>We observed several non compliances of directives of UD &amp; HD, GOB such as :</p> <ul style="list-style-type: none"> <li>i. non collection of various taxes required to be collected</li> <li>ii. Non maintenance of prescribed books of accounts</li> <li>iii. Non submission of UC and other reports on timely basis etc.</li> </ul>
d. Non Compliance of Act & Rules	<p>Various books of accounts and records, as provided in the Act and Rules are not maintained.</p> <p>As per Section 127 of the Bihar Municipal Act , the Municipality can levy the following taxes:-</p> <ul style="list-style-type: none"> <li>(a) Property tax on lands and buildings.</li> <li>(b) surcharge on transfer of lands and buildings,</li> <li>(c) tax on deficit in parking spaces in any non-residential building,</li> <li>(d) water tax,</li> <li>(e) fire tax,</li> <li>(f) tax on advertisements, other than advertisements published in newspapers,</li> <li>(g) surcharge on entertainment tax</li> <li>(h) surcharge on electricity consumption within the municipal area,</li> <li>(i) tax on congregations,</li> <li>(j) tax on pilgrims and tourists, and</li> <li>(k) toll – <ul style="list-style-type: none"> <li>(i) on roads, bridges, ferries and navigable channel and</li> <li>(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.</li> </ul> </li> <li>(l) Tax on profession</li> </ul> <p>We observed that only property tax, has been collected, professional tax has been transferred by relevant</p>





	<p>department however its detailed calculation was not available, additional stamp duty is also being received by the Nagar Parishad, however its assessment and receivable quantum was not held on record, during the year other taxes have not been levied till date.</p> <p><b><i>New Assessment has not been done since long and holding tax is being collected at old rates.</i></b></p> <p>The processes of self assessment of property is in progress is yet to be completed 100%.</p>
<p>e. Lack of internal Control measures</p>	<ul style="list-style-type: none"> <li>➤ There are lack of internal control w.r.t collection of taxes.</li> <li>➤ Demand collection Register was not available at the time of our visit.</li> <li>➤ Taxes collected by tax collector are on deposited on daily basis we observed that it is being deposited at interval of 7-15 days which is not proper. As per Rule 27 of BMAR it should be deposited on daily basis otherwise a penalty up to Rs. 5000/-may be imposed for delayed deposit.</li> <li>➤ Tower tax dues are not collected on time basis.</li> <li>➤ Books of accounts are not verified by E.O, Chairman or vice chairman on time to time basis.</li> <li>➤ Tender of Ghat, Crematorium, Gate, Palm trees and lands are not done on yearly basis.</li> <li>➤ Grant Register is not being maintained hence it is difficult to find unutilized grant at any point of time.</li> <li>➤ Bank Reconciliation Statement is not prepared hence it is difficult to monitor possible fraud, if any.</li> <li>➤ Advance Register is not prepared / updated hence it is difficult to monitor for advances given and adjustment thereof.</li> <li>➤ 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 not made in time 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</li> </ul>

