

# INTERNAL AUDIT REPORT

(SPUR-PMU/194/IA-140ULBs & SLMA/G-14/SJA/2016/134/39)

## OF NAGAR PANCHAYAT SAHEBGANJ



FOR THE F.Y. 2015-16

*Conducted by:*

**R.SHAH & CO.**

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**AUDIT METHODOLOGY AND APPROACH**

**Audit Methodology**

We have conducted the internal audit of Nagar Panchayat – Sahebganj, for the year ending on 31<sup>st</sup> 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's 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) General Cashbook, all Subsidiary Cash Books for the period from 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016 maintained manually in the Nagar Panchayat..
- 2) Vouchers along with supporting documents;
- 3) Receipt Books
- 4) Cheque Issue Register
- 5) 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.

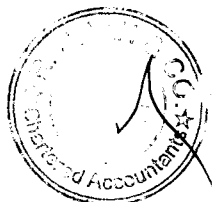
Place : Ranchi  
Date : 31-03-2017



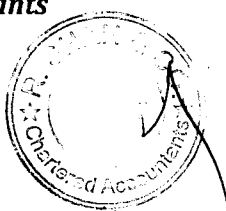
**For R.Shah & Co.**  
Chartered Accountants  
FRN.- 502010C

  
**CA. Neetu Jeani**  
(Partner)  
M.N.- 406561

Name of Auditor: R. Shah & Co.		Name of ULB: Sahebganj	
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 <b>Part 2 (Result &amp; findings)</b> of <b>Executive Summary</b> 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&amp;HD. In its report there must be a separate section for non-compliance of rules/directives of UD&amp;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 &amp; Payment Account and Trial Balance</p> <p><input type="checkbox"/> Rule 130: Audit to be completed &amp; reported within 6 month</p>	<p>a) Complied in para no <b>XII, XIII</b> of Part 2. of <b>Executive summary</b> at Page no 8.</p> <p>b) Complied in para no <b>VI, XIII, XIV &amp; XV</b> of Part 2 of <b>Executive summary</b> at page no. 7&amp;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</p> <p>area of Property Tax, Mobile Transmission Towers Tax, Rental of Municipal properties, Advertisement Taxes/Fees, Sairat etc;</p>	<p>Complied in para no <b>XVI, &amp; X</b> of Part 2 of <b>Executive Summary</b> at Page no .7&amp;8.</p> <p>b) Complied in Para no. <b>IV, V, VI &amp; VIII</b> of Part</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;	4 ( <b>Audit Recommendation</b> ) at page no.10.
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 5(c) of <b>Audit Observation with Annexure A of Main Audit Report</b> at Page no ..17..
5	4.7	Voucher 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>VII</b> of Part...2.. of Executive Summary at Page no ..7..
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 <b>XVII</b> of Part.2. of Executive Summary at 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 <b>XXIV</b> of Part...2.. of <b>Executive Summary</b> 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... <b>I To IX</b> ... of Part.4. of <b>Audit Recommendations</b> 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 <b>Part A</b> of <b>Main Audit Report</b> at Page no.17

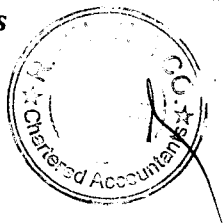


**EXECUTIVE SUMMARY****1. Introduction**

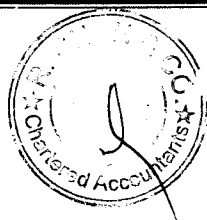
<b>Name of the Municipality</b>	<b>Sahebganj Nagar Panchayat</b>
<b>Period Covered under Current Audit</b>	<b>1<sup>st</sup> Apr 2015 to 31<sup>st</sup> March 2016</b>
<b>Name of the Chief Municipal Officer for the period under Audit</b>	<b>Smt. Punam Kumari</b>
<b>Audit Conducted on</b>	<b>13/01/2017,06/03/2017</b>

**2. Result and Findings**

Strength observed during the engagement	<p>I. The General Cash book &amp; all the Subsidiary Cash Books have been maintained by the ULB.</p> <p>II. Attendance Register of Staff were maintained properly.</p> <p>III. Salary Register maintained by the ULB.</p> <p>IV. All the Books &amp; Register have been verified by Executive Officer on monthly basis.</p> <p>V. Staffs were not cooperative during the course of Audit period.</p> <p>VI. All moneys have been brought in the bank account.</p> <p>VII. 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</p>
Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement	<p>VIII. There is a lack of internal control w.r.t collection of taxes.</p> <p>IX. Fixed Assets Register is not maintained by the ULB.</p> <p>X. Demand and collection register have not been prepared by the N.P. hence it seems difficult to ascertain total tax dues. No penalty/ surcharge have been imposed for non-payment of demand.</p> <p>XI. Bank Reconciliation Statement for any of the account is not prepared</p>



	<p>XII. Nagar Parishad has failed to comply with certain rules and directives of UD &amp; HD.</p> <p>a). Directives relating to forming a "Municipal Accounts Committee" have not been complied till date.</p> <p>b). Directives relating to prepare a practical budget have not been complied with</p> <p>XIII. There is no proper cash handling neither any locker was kept by the ULB.</p> <p>XIV. Taxes collected by tax collector are not deposited on daily basis. As per Rule 27 of BMAR it should be deposited on daily basis otherwise a sum of Rs. 500/- per day may be imposed for delayed deposit.</p> <p>XV. Monthly Receipt &amp; Payment Account and Trial Balance is not being made</p> <p>XVI. Tower tax is not being collected at all. Rs. 648000/- Outstanding as on 31.03.2016. (As per Annexure-A)</p> <p>XVII. Register for E-tender &amp; Auction is not been maintained by ULBs.</p> <p>XVIII. Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.</p> <p>XIX. Bank Reconciliation Statement for any of the account is not prepared hence it is difficult to monitor possible fraud, if any.</p> <p>XX. 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.</p> <p>XXI. The ULB has not properly maintain the Log Book Register.</p> <p>XXII. No ESI, Pension Fund have been deducted from the salary of the employees.</p> <p>XXIII. Taxes such as Sales Tax(VAT), TDS, Royalty, and Labour Cess etc are collected from time to time but payments are made on yearly basis which is not proper. Taxes should be</p>
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	remitted to the Govt. account on timely basis otherwise delayed interest charges may be imposed.
	XXIV. There is lacking a system of issuance of Utilization Certificate for the different schemes for any Utilisation made during the reporting period.

### 3. Opinion

Overall opinion of the Audit team about the functioning of the Municipality	<p>The functioning of the Municipality is very weak due to following reasons:</p> <ul style="list-style-type: none"> <li>• Collection from own sources is very poor as demand register is not maintained. Holding tax not implemented for F.Y. 2015-16. Survey has completed on 19/02/2016 for holding Tax.</li> <li>• The procurement of fixed assets is not proper and non-maintenance of Fixed Asset Register would lead to failure of determining the replacement cost.</li> <li>• BRS is not prepared on a monthly basis, so it is difficult to keep record of variances between Cash Book and Bank Passbook balances. Non preparation of BRS would lead to improper use of available funds.</li> <li>• Most of the prescribed Books of accounts are not maintained.</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>• 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, Sales Tax(VAT), Royalty, Labour cess etc. TDS, VAT, Royalty &amp; Labour Cess Rs.178555/-, 44637/-, Rs.5503/- &amp; Rs.9128/- respectively deposited on 10/11/15, 11/12/2015/13/10/2015, 02/09/2015 &amp; 30/09/2015. Sales Tax(VAT) Short</li> </ul>
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	<p>Deducted Rs.26782/- (As per Annexure – B)</p> <ul style="list-style-type: none"> <li>Maximum portion of fund received by the ULB from GoB is left unspent during the financial year 2015-16. So the Closing Bank Balance is huge.</li> </ul>
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**4. Audit Recommendations**

<p><b>The recommendations of Audit team on the observed weakness</b></p>	<p><b>We suggest the followings:</b></p> <ol style="list-style-type: none"> <li><b>I.</b> All the prescribed books of accounts and Registers should be prepared on real time basis.</li> <li><b>II.</b> PF &amp; ESI should be deducted from salary, if applicable.</li> <li><b>III.</b> Grant Register should be prepared.</li> <li><b>IV.</b> Bank reconciliation Statement should be prepared on monthly basis.</li> <li><b>V.</b> Demand &amp; Collection Register of all the wards should be prepared and calculation should be done as per new assessment.</li> <li><b>VI.</b> Collection from own sources should be improved.</li> <li><b>VII.</b> Collection by tax collector should be deposited on daily basis.</li> <li><b>VIII.</b> All the statutory dues should be deposited on timely basis and returns prescribed under respective laws should also be filed on timely basis.</li> <li><b>IX.</b> New staff are to be appointed by the management for smooth running of the ULB and they should be equipped with regular training to run the ULB smoothly.</li> </ol>
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**5. Comments from Management**

The audit report has been discussed with us; we will try our best to remove the irregularities pointed out in the audit report.

**For Sahebganj Nagar Panchayat  
(Executive Officer)**


**6. Acknowledgment**

We thanks Smt Punam Kumari (Executive Officer), for her support during the period of our audit. We are also thankful to Md. Sazzad Alam (Accountant), Tax Daroga and support staffs of the municipality for their cooperation extended to us during the period of our audit.

Place : Ranchi  
Date : 31-03-2017



**For R.Shah & Co.**  
Chartered Accountants  
FRN.- 502010C

  
**CA Neetu Jejani**  
(Partner)  
M.N.- 406561

## COMMENTS FROM MANAGEMENT

Nagar Panchayat, Sahebganj

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: 29/8/16

For, Nagar Panchayat/ Parishad

Place: Nagar Panchayat, Sahebganj

कार्यपालक अधिकारी  
नगर पंचायत साहेबगंज  
(Executive Officer)  
29/8/16



**MAIN AUDIT REPORT****1. Introduction**

The Internal audit of Nagar Panchayat Sahebganj covering period from 1<sup>st</sup> April 2015 to 31<sup>st</sup> March, 2016 was conducted by following persons under guidance of CA Neetu Jejan

- i. Rana Burha Gohain
- ii. Ajay Singh
- iii. Anjali Singh

**2. Administration**

The present body of the ULB is functioning since April 2013 The incumbency in the key administrative and executive position was as under:

1. Smt. Kiran Devi, Chairperson from 20/04/2013 to till date
2. Smt Punam Kumari, Executive officer from 26/07/2015 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
1.	AG Audit Dated (20/10/2014)	24	24	03	0	0	18	6,20/05/2015

Details of major irregularities pointed out in the AG Audit Report are as under -:

1. Budget not prepared
2. Holding tax not assessed
3. Excess recovery against entry tax of Truck Rs.2227500/- is not given to NP by the contractor.
4. Loss Rs.307620/- for purchasing of solar light.
5. Penalty Rs.745658/- not deducted against final payment of contractor for work executed lately.
6. Recovery of Cash is proposed Rs.4500594/



## 4. Finance

## I. Budgetary provisions and expenditure for the last three years

Year	2015-16	2014-15	2013-14
Final/ Revised Budget	Budget not Prepared	Budget not Prepared	Budget not Prepared
Actual Expenditure	20000172.00	12536940.00	15160459.00
Savings (+)/ Excess (-)			

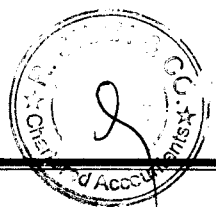
## II. Volume of transactions

Period	Budgeted (14-15)	Previous year(14-15)	Corresponding Period of Previous year (14-15)	Current Period (15-16)	Cumulative for the current period (15-16)
Opening Balance	Budget Not prepared*	16151013.00	16151013.00	51204543.00	51204543.00
Receipts		47590470.00	47590470.00	31497957.00	31497957.00
<b>TOTAL</b>		63741483.00	63741483.00	82702500.00	82702500.00
Net Expenditure		12536940.00	12536940.00	20000172.00	20000172.00
<b>Closing Balance</b>		51204543.00	51204543.00	62702328.00	62702328.00

## III. Bank Reconciliation

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

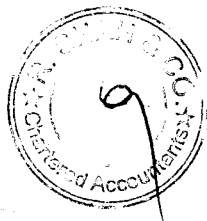
S.No	Name of Bank	Account No.	Balance as on 31.03.2015
1	SBI	XXXX2143	99638.00
2	CBI	XXXX8617	43320.00
3	CBI	XXXX9870	1156.00
4	UBGB	XXXX1162	2843375.00



5	BOB	XXXX1567	546450.00
6	PLA		45761181.00
7	CBI	XXXX8302	506.00
8	CANARA	XXXX4566	696548.00
9	CANARA	XXXX4522	3332638.00
	Total of Bank		53324812.00
	Total as per Cash Book		62702328.00
	Difference		9377516.00

Bank Reconciliation Statements have not been prepared by the Nagar Panchayat. There is a difference of Rs.9377516/- between Cash Book and Consolidated Balance as per Pass Book of all accounts and Treasury PL Account.

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



**IV. Revenue Receipts**

Period	Budgeted (15-16)	Previous year(14-15)	Corresponding Period of Previous year (14-15)	Current Period (15-16)	Cumulative for the current period (15-16)
a) Own Source	Budget Not prepared				
Property Tax					
Assigned revenue				88200.00	88200.00
Others (Fees & User Charges)		625713.00	625713.00	94387.00	94387.00
(b) Administrative Grant					
(c) Specific Grant					
Admin Building					
Jalapurti Yojana				2492601.00	2492601.00
4th Finance		8584398.00	8584398.00		
5th Finance				8036678.00	8036678.00
13th Finance				2654706.00	2654706.00
Samajik Suraksha Pension					
BRGF		219444.00	219444.00	366860.00	366860.00
Various Schemes		38160915.00	38160915.00	17764525.00	17764525.00
<b>TOTAL</b>		<b>47590470.00</b>	<b>47590470.00</b>	<b>31497957.00</b>	<b>31497957.00</b>

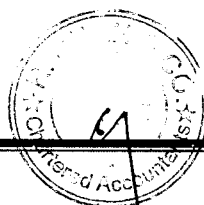
**V. Status of Implementation of Double Entry Accounting System**

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

Appointment of Chartered Accountant firms for implementation of Double Entry Accounting System in the Nagar Panchayat 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.



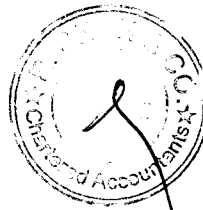


## 5. Audit Observations

**PART-A**

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

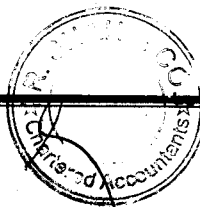
a) Leakage of own source revenue either due to wrong assessment or non- levy of property tax, mobile tower tax, rent on municipal properties, advertisement tax fees etc.	<p>We observed that no property tax, health cess, sanitation tax, education cess have been collected during the year 2015-16 even holding tax is not being collected.</p> <p><b>Monetary implication on revenue leakage could not be assessed due to non collection of taxes during 2015-16.</b></p>
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.
c) Report on findings of field survey of Property Tax of minimum 20 high value properties	This year survey has been completed towards holding tax. The ULB does not collect any holding tax during FY 2015-16, so we did not find any names of 20 high value properties.



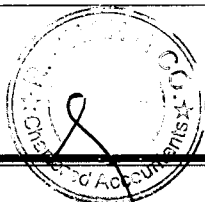
**PART-B**

**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 –**

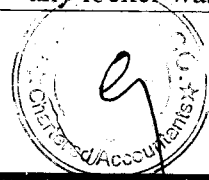
a) Non- maintenance of books of accounts , subsidiary registers	<p>As per Bihar Municipal Accounting Manual Following primary Books of accounts are required to be maintained :</p> <ol style="list-style-type: none"> <li>1. Cash Book (Form Gen-IA)</li> <li>2. Bank Book (Form Gen-IB)</li> <li>3. Journal Book (Form Gen-2)</li> <li>4. Ledger (Form Gen-3)</li> </ol> <p>The N.P. is maintaining General &amp; Subsidiary Cash Books/ Bank Book.</p> <p><b>In addition to above following other General Registers and forms are required to be maintained but the same are not being maintained or not properly 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. Register of Public Lighting System GEN-37</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> </ol>
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	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 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
b) Irregularity in procurement process	No, there is no irregularity observed during Audit
c) Non-compliance of directives by UD & HD , GOB	1) Directives relating to formation of "Municipal Accounts Committee" has not complied till date, 2) It has been observed during the audit that the concerned ULB has been failed to comply certain provisions of Bihar Municipal Act. With respect to section 86 of Bihar Municipal Act, 2007. Executive Officer of ULBs should prepare Income & Expenditure Accounts. Further as per section 88, Executive Officer should prepare a financial statement Assets and Liabilities from the date of ending of Financial Year. As per Section 89 he should prepare a comparative statement to "Standing Committee" for the approval, but the concerned ULB has failed to comply this directives. 3) Directives relating to



	implementation of double accounting system has not complied with. 4) Directives relating to preparation of practical budget has not been followed. 5) Directives relating to not to hire any individual as a daily wages worked by the UD & HD through letter No.04-U.H/1/99/1986/U.D.D25/06/01, but the concerned ULB has failed to comply this directives.
d) Non Compliance of Act & Rules	Various books of accounts and records, as provided in the Bihar Municipal Accounting Act and Rules are not maintained. Also, there is non-compliance of various acts such as Income Tax Act,1961, VAT Rules etc. Also ULB has failed to comply certain provisions of Bihar Municipal Act. With respect to Sec.86 of Bihar Municipal Act,2007, Executive Officer of ULBs should prepare Income & Expenditure Accounts. Further as per sec.88, E.O. should prepare a financial statement within 4 months from the date of ending of Financial year. As per Sec 89 the E.O. should prepare a comparative statement of Assets & Liabilities from previous year. As per Sec 90 the E.O. should make available both the statement i.e. Financial statement & Comparative statement to "Standing Committee" for their approval, but the concern ULB has failed to do so.
e) Lack of internal Control measures	<ul style="list-style-type: none"> <li>• There is a lack of internal control w.r.t collection of taxes.</li> <li>• Demand and collection register have not been prepared in a proper manner hence it seems difficult to ascertain total tax dues. No penalty/ surcharge have been imposed for non-payment of demand.</li> <li>• There is no proper cash handling neither any locker was kept by the ULB.</li> </ul>



	<ul style="list-style-type: none"> <li>• Taxes collected by tax collector are not deposited on daily basis. As per Rule 27 of BMAR it should be deposited on daily basis otherwise a sum of Rs. 500/- per day may be imposed for delayed deposit.</li> <li>• Tower tax is not being collected at all..</li> <li>• Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.</li> <li>• Bank Reconciliation Statement for any of the account is not prepared hence it is difficult to monitor possible fraud, if any.</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.</li> <li>• The ULB has not properly maintain the Log Book Register.</li> <li>• No ESI, Pension Fund have been deducted from the salary of the employees.</li> <li>• 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.</li> </ul>
f) Non-compliance of TDS, VAT and other relevant Statute	Tax deducted at source(TDS), VAT, Labour Cess & Royalty deposited at the end of the year and short deduction of VAT Rs. 26782/- for F.Y.2015-16. (As per Annexure – B) Tax deposited within the due date prescribed under the respective statute. 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.
g) Deficiency in Pay-roll System	The pay-roll system is functioning satisfactorily but ESI, Pension Fund Contribution, LTA have not been deducted from Salary. Only TDS has been deducted from EO Salary.

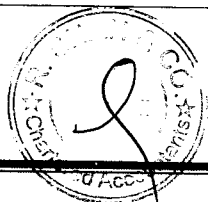
h) Utilization of Grant and report on missing Utilization Certificates	Utilization certificate has been sent to the govt but a copy of utilization certificates have been provided to us during the course of audit.
i) Physical verification of inventory/Stores	Stores Register has not been prepared and physical verification of inventory/stores has also not been done.
j) Advances, their adjustment & recovery	Advance Register has not been prepared hence it is very difficult to monitor advances, their recovery and adjustment. Hence, there is a possibility of defalcation of cash. As discussed with the Accountant there is no advance given to anyone for the financial year 2014-2015.
k) Any other matters as may be prescribed in due course.	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.



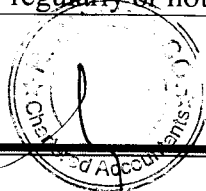
**PART- C**

**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 Nagar Panchayat.
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 Books, 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;	Quarterly Financial Statements have not been prepared by the Nagar Panchayat..
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 Nagar Panchayat.
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. No Grant Register is maintained.
Whether all transactions (incomes, expenditures, assets and liabilities) are correctly classified and stated in sufficient detail;	Yes all transactions have been classified as incomes and expenditure but 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 related to 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 such Special fund has been created by the Nagar Panchayat.
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;	On our test check we did not notice any major deviation.

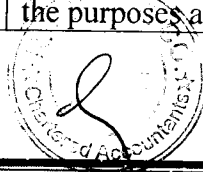


Whether the ULB is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets; whether these fixed assets have been physically verified at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same has been properly dealt with in the books of account;	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.
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;	As explained to us no property of the ULB has been given on lease.
Whether physical verification has been conducted by the ULB at reasonable intervals in respect of stores;	No, physical verification of stores has not been conducted by the ULB at reasonable intervals.
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;	No physical verification of stores has been done.
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;	No physical verification done.
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;	No there are no procedures in place to identify any unserviceable or damaged stores.
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;	No valuation of stores has been done.
Whether the parties to whom loans or advances have been given by the ULB are repaying the principal amounts as stipulated and are also regular in payment of the interest and if not, whether reasonable steps have been taken by the municipality for recovery of the principal and interest?	There is no case of loans and advances other than advance to staff for expenditure.
Whether advances given to municipal employees and interest thereon are being regularly recovered;	Advance Register has not been maintained so we are unable to verify whether it is being recovered regularly or not or any adjustments made or not.





Whether there exists an adequate internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets?	No there does not exist any internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets.
Whether applicable procurement rules and procedures are being followed and if so, significant deviations should be identified and reported.	No significant deviation observed.
Whether the municipality is regular in depositing statutory dues including tax deducted at source, service tax, VAT, works contract tax, cess payable to the government etc., and if not, the nature and cause of such delay and the amount not deposited;	No, the municipality is not regular in depositing statutory dues including TDS, Service tax, VAT, Works contract tax, Labour cess payable to the government etc. We observed that all such taxes deducted during the financial year have not been deposited.
Whether the municipality is regular in remittance of pension and leave encashment contributions or any other amounts which the municipality is liable to remit towards the retirement dues of its employees, including employees on deputation;	No, Contribution to P.F and pension fund is not being deducted from the salary of the employee.
Whether any personal expenses have been charged to the municipality's accounts; if so, the details thereof;	We did not observed any such expenses.
Whether all the expenditure incurred by the Municipality are authorized by appropriate provision in the sanctioned budget, whether made originally or subsequently and are in all cases such as are authorized by law;	Yes, on our test check we observed that all the expenditure incurred by the Municipality are authorized by appropriate provision in the sanctioned budget.
Whether all revenue has been properly assessed, accounted for, collected and recovery action taken on timely basis;	No revenue has not been properly assessed, accounted for and collected. Recovery action is also not taken on timely basis.
Whether all sums due to and received by the Municipality have been brought to account within the prescribed time limits and are in all cases such as are authorized by law;	No, tax collected by the tax collector are not deposited on daily basis.
Whether in respect of all bills for charges on account of all works and other expenditure, proper certificates have been furnished in support of them and that no deviation has been made for the sanctioned plans and the estimates without the sanction of the competent authority;	Yes, on our test check we observed that all bills for charges on account of all works and other expenditure, proper certificates have been furnished in support of them and that no deviation has been made for the sanctioned plans and the estimates without the sanction of the competent authority.
Whether the amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order;	Yes, on our test check we observed that amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order.




Whether biometric devices and payroll software are used at the ULB. If not whether there is satisfactory system of payroll accounting; otherwise mention the key deficiencies of the system.	No, biometric devices and payroll software are not used at the ULB. Pay roll system of the municipality is satisfactory as its maintain Attendance register, contain leave records, details of deductions made etc.
Whether the grievance redressal mechanism for the ULB is sufficient.	No, we did not observe any grievance redressal cell functioning at the ULB.

Place : Ranchi  
Date : 31-03-2017

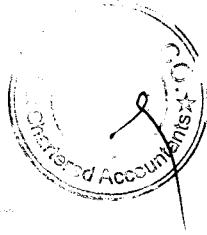


**For R.Shah & Co.**  
Chartered Accountants  
FRN.- 502010C

  
**CA. Neetu Jeani**  
(Partner)  
M.N.- 406561

**Annexure - A**  
**Mobile Tower dues as on 31.03.2016**

Sl No.	Owner of Tower	No. of Tower	Date of Installation	Date of Registration	Registration Amount (Rs.30000/-)	Renewl Fee Upto F.Y.15 16 (Rs.8000/-)	Collection during the year	Dues as on 31.03.2016
1	BSNL	1	2008-09	2008-09	30000.00	56000.00	0.00	86000.00
2	Airtel	3	2008-09	2008-09	90000.00	168000.00	0.00	258000.00
3	Idea	1	2008-09	2008-09	30000.00	56000.00	0.00	86000.00
4	Uninor	1	2008-09	2008-09	30000.00	56000.00	0.00	86000.00
5	Unitech	1	2009-10	2009-10	30000.00	48000.00	0.00	78000.00
6	Aircel	1	2012-13	2012-13	30000.00	24000.00	0.00	54000.00
					240000.00	408000.00	0.00	648000.00



**ANNEXURE - B (Short deduction of VAT)**

Sl No.	Name of Party	Gross Amount	I-Tax (TDS)	VAT Amount	Deducted by N.P.(VAT)	Short Deduction (VAT)	Royalty	Labour Cess
1	Lal Mohamad	93662.00	1873.00	4683.00	1873.00	2810.00	315	937.00
2	Lal Mohamad	421989.00	8440.00	21099.00	8440.00	12659.00	3050	4420.00
16	Vijay Kumar	201686.00	4034.00	10084.00	4034.00	6050.00	1692.00	2017.00
17	Vijay Kumar	17314.00	346.00	866.00	346.00	520.00	116.00	173.00
18	Vijay Kumar	158091.00	3162.00	7905.00	3162.00	4743.00	330.00	1581.00
		<b>892742.00</b>	<b>17855.00</b>	<b>44637.00</b>	<b>17855.00</b>	<b>26782.00</b>	<b>5503.00</b>	<b>9128.00</b>

