

Internal Audit Report
OF
Shahpur Nagar Panchyat
(District – Bhojpur)

SPUR-PMU (Samvardhan)
No. 618
In Coming Date. 28/8/17

FOR THE FINANCIAL YEAR: 2014-15

INTERNAL AUDIT CONDUCTED BY :



M/s. SANTAY JAGANNATH & ASSOCIATES
Chartered Accountants

Address Flat No. 201, Sai Krupa Apartment
Near L. F. Flat, Plot No.-9, South S.K. Puri,
Patna-1

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Report issued on : 24/08/2016

To,
The Joint Secretary, UD & HD
Urban Development and Housing Deptt.

Govt. of Bihar
101, 1st Floor, Vikash Bhawan

New Secretariat

Bailey Road

Patna - 800 015 (BIHAR)

Dear Sir,

Sub: **Internal Audit of Shahpur Nagar Panchayat for the Financial Year 2014-**

15

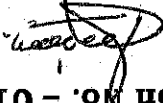
With reference to Notice to proceed (NTP) for the assignment of Internal Audit of 140 ULBs of Bihar, Tender no:-**SPUR-PMU/194/IA-140ULBs & State Level Monitoring Agency /2015/130 - Group-16** was received on 5th April, 2016. We have conducted Internal Audit of Shahpur Nagar Panchayat from the period 01/04/2014 to 31/03/2015, we have undergone the applicable guidelines, rules, Accounting standards, Bihar Municipal Accounting Manual and the provisions of Bihar Financial Rules (as amended, 2005)/ Bihar Municipal Act 2007/ Bihar Municipal Accounts Rules 2014/Bihar Municipal Budget Manual and compliance with financing agreements under the various Schemes/Programmes of the Central and State Government. We also reviewed the activities of the Nagar Panchayat and evaluated the internal control system in order to perform the Internal Audit.

This Internal Audit Report explains about the procedures of checking and examination of Books of account of Shahpur Nagar Panchayat by M/s. Sanjay Jagannath & Associates, Chartered Accountants as per scope of Internal Audit as given in "Terms of Reference".

for **Sanjay Jagannath & Associates**

Chartered Accountants

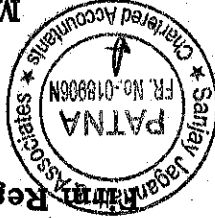
Registration No. - 018906N



[C.A. Sanjay Kumar]

Partner

Membership No. 501621



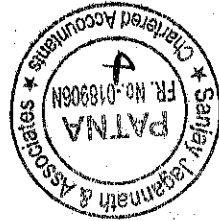
Place : Patna
Date : 24/08/2016

Internal Audit Report of Shahpur Nagar Panchayat
Sanjay Jagannath & Associates (Chartered Accountants)

INTERNAL AUDIT REPORT
SHAHPUR NAGAR PANCHAYAT

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EXECUTIVE SUMMARY

1. Introduction

➤ Name of the Municipality	:	Shahpur Nagar Panchayat
➤ Period covered under current Audit	:	01/04/2014 to 31/03/2015
➤ Name of Chief Municipal Officer for the period under audit	:	I. Sri Birendra Kumar Singh

2. Results and Findings

➤ Weaknesses Observed :

➤ Strengths Observed : Nil

A. Functioning of Office

- Weak Internal Control as discussed in Bihar Internal Control Manual on the Administration and Collection of Municipal Taxes as follows :
 - No proper control on the maintenance of attendance, Leave not considered for salary calculation.
 - No Proper control for Safe Guard of Municipal Assets.
 - No effective system of timely survey and Assessment of New properties
 - Non availability of Centralise database of the House hold at the Nagar Panchyat level.
 - Full Dependency on the Tax Collectors for the Information on Dues and Assesses ledgers.
 - License Fee and Rent on Mobile Tower in the Nagar Panchyat area is also not being collected since long.
 - Some transactions involving cash withdrawal by cheque by official for which appropriate explanations not provided.



B. Maintenance of Records

- Books of Accounts are not followed double entry system as per Bihar Municipal Accounting Manual.
- General Cash book is not maintained properly i.e. All pages are overwritten without initial of concerned officer, not balanced on daily basis, Amount written without head etc. Subsidiary Cash Book is maintained since October 2014 for schemes i.e. 12th finance, 13th finance, 4th finance, PLA A/c, SJSRY, Income from internal source and for BRGF.
- Transactions are not recorded in chronological order i.e. Date wise order.
- Cash Book for Kabir Antyesthi Grant Yojna is not maintained. No proper applications/vouchers are maintained for the scheme. It is very difficult to comment on this. It cannot be deny from financial irregularities, So management should take immediate actions.
- It is very difficult to find out closing balance of any scheme on any particular day.
- Advance Register is not maintained.
- Log Book is not maintained.
- Fixed Assets Register is not maintained.
- SAS Form is not taken from Assesses.

3. Opinion

The management has to take serious effort in forming accountability regarding financial activity of the Nagar Panchayat, introducing internal control and internal check for betterment of the functioning of the ULB.

As per Bihar Municipal Accounting Rule scheme wise subsidiary books and a general book to be maintained but the same has not been found at the Nagar Panchayat. General Cash book is maintained since 1st Aug 2014.

In most of cases TDS, Royalty, VAT, and other cess has been deducted but neither deposited to Government Account nor filing etds return since long. Specially Labour Cess is not deducted in all cases.



Place : Patna
Date : 24/08/2016

for Sanjay Jagannath & Associates
Chartered Accountants
Firm Registration No. - 018906N

[CA. Sanjay Kumar]

Partner

Membership No. 501621



6. Acknowledgement
Non Cooperation from the staff to produce/timely produced bills, vouchers, files and other relevant documents which are required for audit.

5. Comments from Management
Details audit observation has been discussed. We are trying regularly for corrections and strengthen the system. We are also trying to develop internal control and internal check. So that resources can be used at optimum level.

- 4. Audit Recommendation**
- Need to develop system of internal check.
 - Need to implement double entry system of accounting immediately.
 - Need to maintain Scheme wise Cash Book separately.
 - Need for placement of competent manpower for preparation of manual accounts and other records.
 - Immediate need for bank reconciliation for all accounts.
 - Immediate need of computerisation for assessment and collection of municipal tax from agency having similar experience.
 - Capacity building of the tax collectors on assessment, calculation of taxes, discounts and penalty
 - Strengthening tax collection department for timely identification, assessment of new holdings and collection of taxes
 - Need to develop system for collections should be deposited into the same day or next working day
 - Immediate need of making the bio-metric system functional.
 - Proper system of regular and proper upkeep and maintenance of the Vehicle.
 - Immediate requirement for insurance of vehicles.
 - System of proper checking of the log book should be implemented with respect to the distance travelled and fuel consumed.

DETAILED AUDIT REPORT

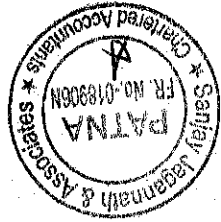
1. INTRODUCTION

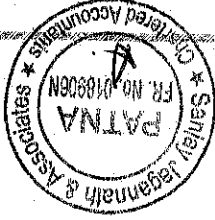
The Internal Audit of Shahpur Nagar Panchyat covering the period from 01/04/2014 to 31/03/2015 was conducted by following persons under guidance of CA. Sanjay Kumar.

1. Madan Kumar
2. Rajesh Kumar
3. Suraj Mani Kumar

2. ADMINISTRATION

Sri Shardanand Singh	Chairman	April 2013 To February 15
Smt. Babita Devi	Chairman	March 2015 to till date
Sri Guptaeshwar Sah	Vice Chairman	April 2013 To February 15
Sri Gayanath Yadav	Vice Chairman	March 2015 to till date
Sri Surendra Singh	Executive Officer	01/04/13 to 20/11/2014
Sri Anand Prakash	Executive Officer	20/11/2014 to 09/11/2015
Smt. Seema Gupta	Executive Officer	13/11/15 to 09/06/2015





Note:- Budget of previous years has not been prepared. Nagar Panchayat does not maintain expenditure wise ledger. Financial Statements i.e Balance Sheet, Income & Expenditure Account and Receipts & Payments Account for the year 2011-12, 2012-13, 2013-14 and 2014-15 have not been produced before us for verification

Year	Final/Revised Budget	Actual Expenditure	Savings (+)/Excess (-)
2012-13	Not available	Not Provided	Not ascertainable
2013-14	Not available	Not Provided	Not ascertainable
2014-15	Not available	3,94,47,029.00	Not ascertainable

1. Budgetary provisions and expenditure for the last three years

4. FINANCE :

Note:- AG Audit Report has not been submitted by the AG auditor till date. (Letter of Executive officer is attached)

Sr. No.	Particulars 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 cash is proposed	Total No. of Audit Paras where recovery has been made	Total No. of Amount of outstanding Paras where no action has been taken	No. of dated of compliance report	No. of outstanding compliance is pending yet.
1.	AG Audit Report Dated - 10/06/2016. (For Financial Year 2013-14, 2014-15,2015-16)							

3. REVIEW OF OUTSTANDING AUDIT PARAS :

II. Volume of Transactions

Period	Budgeted (2014-15)	Previous Year (2013-14)	Corresponding period of previous year	Current period (2014-15)	Cumulative for the current period
Opening Balance	30668320.00	39179433.00	----	39179433.00	----
Receipts	37544507.00	26647983.00	----	26647983.00	----
Total	65634606.00	65827416.00	----	65827416.00	----
Net Expenditure	22493281.00	39447029.00	----	39447029.00	----
Closing Balance	43141325.00	26380387.00	----	26380387.00	----

III. Bank Reconciliation
 Bank Reconciliation is not being prepared.

Details of Closing Balance as on 31/03/2015

Sr. No.	Name of Bank	A/C No.	Balance as Per Cash Book	Balance as Per Pass Book	Difference
A. BRGF					
1	CANARA BANK	1710101005610	1212190.00	1719690.00	507500.00
B. SJSRY					
	CANARA BANK	1710101005588	158425.00	161620.00	3195.00
C. INCOME FROM ANTRIK SOURCE					
	CANARA BANK	1710101009147	4264009.00	4669413.00	405404.00
D. 13th FINANCE					
	SBI	31741788316	106616.00	106616.00	00.00
E. 12th FINANCE					
	MBGB	75122100000138	180775.00	190775.00	10000.00



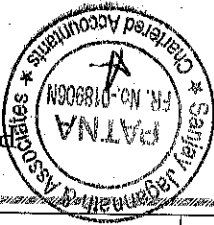
F		4 th finance			
		MBGB	751221000066	9858612.00	10138487.00
		Treasury	PLA A/C No. K-8448001020001	10599760.00	PLA A/c Statement has not provided
					279875.00

IV. Revenue Receipts

Period	Budgeted (2014-15)	Previous Year (2013-14)	Corresponding period of previous year	Current period (2014-15)	Cumulative for the current period
a) Own source					
Property Tax	12368.00	---	---	50308.00	---
Assigned Revenue by the Nagar Panchayat.	276701.00	---	---	4881469.00	---
Others (Fee & User Charges)	1050.00	---	---	1310887.00	---
(b) Administrative grant	16821085.00	---	---	4019930.00	---
c) Specific Grant (Scheme wise)					
(i) Ward Counsellor & city Manager allowance	301800.00			301800.00	
(ii) 13 th Fin	2680907.00			871554.00	
(iii) BRGF	1545000.00			832580.00	
(iv) 4 th Fin	6180456.00			7520330.00	
(v) Adm Building	12280000.00			247125.00	
(vi) Laptop, Tablet	0.00			270000.00	

Internal Audit Report of Shahpur Nagar Panchayat
Sanjay Jagannath & Associates (Chartered Accountants)

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Shahpur Nagar Panchayat is yet to form Municipal Accounts Committee under section 98 of the Municipal Act, 2007.

VI. Status of Municipal Accounts Committee: if meeting is held :

Books of Accounts are not followed double entry system as per Bihar Municipal Accounting Rule.

V. Status of implementation of Double Entry Accounting System :

Note- 1. Budget is not prepared by Shahpur Nagar Panchayat for 2013-14, 2014-15.

			2000000.00	(vii)Asbandh
	0.00	---	0.00	d)Interest earned
	0.00	---	0.00	e)Other Income

5. AUDIT OBSERVATIONS :

I. PART-A

All Audit Objections/Irregularities Which has Monetary Implication, Particularly in following areas :

a. Revenue Leakage :

→ Mobile Tower

: Rs. 4,68,000.00 due up to 31.03.2015 (interest @1.5% p.m should also be recover)
 (As per Annexure-A)

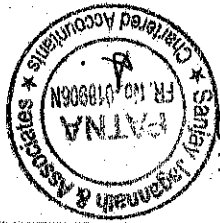
→ Tim Ticket Regd. Fee : Tender has not been awarded for the financial year 2014-15

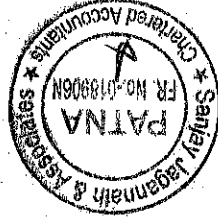
b. Excess Payment

: NIL

c. Report on findings of field survey of property Tax of 20 high value properties as follows:

Sr. No.	Party's Name	Measurement of plot/use of building	Location of Property/Ward No./ Holding No.	Observations
1	BADI MATH	Measurement is not done yet	Ward No.-8, Shahpur	Property tax is not paid from 21 year.
2	CHHOTI MATH	Measurement is not done yet	Ward No.-8, Shahpur	Property tax is not paid from 21 year.
3	GYANSTHALI	Measurement is not done yet	Ward No.-10,Shahpur	Property tax is not paid from 21 year.
4	HIGH SCHOOL	Measurement is not done yet	Ward No.-8, Shahpur	Property tax is not paid from 21 year.
5	MADHYA BIDHALYA	Measurement is not done yet	Ward No.-10,Shahpur	Property tax is not paid from 21 year.
6	ELECTRIC DEPARTMENT	Measurement is not done yet	Ward No.-11,Shahpur	Property tax is not paid from 21 year.
7	BRIJA SADAN	Measurement is not done yet	Ward No.-2, Shahpur	Property tax is not paid from 21 year.
8	RAMCHANDRA SAH	Measurement is not done yet/Industry	Ward No.-10,Shahpur	Property tax is not paid from 21 year.





Note:- Holding No. has not been provided to us.

9	REFRAL HOSPITAL	Measurement is not done yet	Ward No-11,Shahpur	Property tax is not paid from 21 year.
10	NIRMALA SHIKSHA BHAWAN	Measurement is not done yet	Ward No-1, Shahpur	Property tax is not paid from 21 year.
11	RAJ KUMAR LAL	Measurement is not done yet	Ward No-6, Shahpur	Property tax is not paid from 21 year.
12	JIVANANDAN PD YADAV	Measurement is not done yet	Ward No-2, Shahpur	Property tax is not paid from 21 year.
13	CHANMUNI SINGH	Measurement is not done yet	Ward No-2, Shahpur	Property tax is not paid from 21 year.
14	TRIVENI DUBEY	Measurement is not done yet	Ward No-8, Shahpur	Property tax is not paid from 21 year.
15	HARERAM YADAV	Measurement is not done yet	Ward No-3, Shahpur	Property tax is not paid from 21 year.
16	RAISINGARI DEVI	Measurement is not done yet	Ward No-8, Shahpur	Property tax is not paid from 21 year.
17	VIJAY LAL	Measurement is not done yet	Ward No-6, Shahpur	Property tax is not paid from 21 year.
18	KASHINATH SHAH	Measurement is not done yet	Ward No-10,Shahpur	Property tax is not paid from 21 year.
19	AJAY KR SINHA	Measurement is not done yet	Ward No-6, Shahpur	Property tax is not paid from 21 year.
20	RAM AGYA PANDEY	Measurement is not done yet	Ward No-3, Shahpur	Property tax is not paid from 21 year.

II. PART-B

Objections/irregularities which have no monetary implication, but significant violation of Act, Rules & directives of UD & HD:-

- a. As per Rule 136 of Bihar Municipal Accounting Manual 2014, every year budget should be prepared for receipts and expenditure in Performa 75, 77 and 80. Budget has not been prepared by Nagar Panchayat Shahrpur.
- b. As per Rule 18 of Bihar Municipal Accounting Manual 2014, voucher should be maintained serially for different schemes in different code, but it is not maintaining accordingly. Vouchers are not keeping in guard file and not systematically arranged.
- c. Books of accounts are not being maintained as per Bihar Municipal Accounts Rules 2013.
- d. General Cash book is maintained since 01/08/2014.
- e. Scheme wise subsidiary cash book is not maintained except for scheme BRGF and SJSRY. Rest all schemes are meshed up with general cash book. So it is very difficult to find out closing balance of each scheme.
- f. There is no proper internal control regarding collecting, depositing and monitoring of property tax.
- g. Tax deducted from the bill of contractors is neither being deposited into government account nor TDS return has been filed. This is gross violation of Income tax Act, which can lead penalty as well as prosecution. (Pl. See Point No.-12)
- h. No proper control on the maintenance of Attendance registers. Attendance register is not authenticated by concerned officer on daily basis. During the course of audit it was found that absentee's employee is kept blank.
- i. Casual leave Register is not maintained.
- j. Advance register is not maintained. So, it is very difficult in adjustment and recovery thereof.
- k. Utilisation certificate has been sent for the financial year 2014-15 according to the Nagar Panchayat except for Rs. 77.90 lakh. The rest utilisation will be send in next month. (Letter is attached).



III. PART-C

General Observations:

1. The Miscellaneous Fees/Receipts have not been provided by Nagar Panchayat for our verification.
2. No Tax Collector has appeared at the time of audit.

3. **Scheme-Samiti Fund**, on 27/10/2014 balance is Rs. 887866.00. Rs. 887000.00 deducted but no appropriate explanation given to us about this adjustment and no supporting documents/ vouchers produced for our verification.

4. Cash Book is not balancing on daily basis, and entries in Cash book has not authenticated/verified by Executive Officer.

5. **Scheme-Antrik Source**, on 20/10/2014 total of cash book is Rs. 45,53,009.00 but as per our calculation total should be Rs. 46,53,009.00, so difference of Rs. 100000.00 not taken in closing balance.

Closing balance as on 31/03/2015 is Rs. 41,48,009.00 mentioned in cash book but it should be Rs. 42,64,009.00 as per our calculation. So total difference is Rs. 1,16,000.00.

6. **Scheme-Samiti Fund** dated 17/11/2014 Rs. 10000.00 vide cheque no 187743 and Rs. 45264.00 has been withdrawn for important work, but supporting vouchers has not been provided.

7. Amount of Rs. 150000.00 and Rs. 120000.00 received for purchases of Tablets for Ward counsellor. Tender has not been awarded for purchases of Tablets.

8. LED lights, Sodium lights, Vapour lights has been installed by M/s Bhojpur Enterprises but no photographs of installation of lights were found attached and also no certificate of installation given by ward counsellors.

9. Agreement for installing Sodium Vapour Lights has been done on Rs. 100 Stamp paper only.





Sr. No.	Scheme Name	Date of deduction	TDS	Royalty
1	01/2014-15	08/07/2015	13515.00	5262.00
2	02/2014-15	08/04/2015	13563.00	5281.00
3	03/2014-15	08/04/2015	0.00	5506.00
4	04/2014-15	08/04/2015	9892.00	3851.00
5	05/2014-15	08/04/2015	10755.00	4187.00
6	06/2014-15	05/04/2015	12304.00	4795.00
7	07/2014-15	08/04/2015	13396.00	5216.00
8	08/2014-15	14/03/2015	11496.00	4476.00
9	09/2014-15	30/03/2015	0.00	6487.00
10	10/2014-15	30/03/2015	0.00	1252.00
11	11/2014-15	31/03/2015	0.00	2697.00

10. Bank Passbook has not been provided to us for the scheme Nagar Panchayat Fund.
11. The amount Rs. 848980.00 is paid to M/s Bhojpur Enterprises for Sodium Vapour Lights without deducting TDS and VAT.
12. TDS and Royalty has been deducted but not deposited in concerned department. The details are as follows:-

6. SUMMARY RECEIPTS & PAYMENTS A/C:-

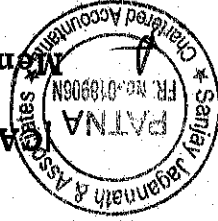
Summary Receipt and Payment Accounts for the year 2014-15.

Sr. No.	Particulars/Schem	Opening Balance	Receipts	Payments	Closing Balance
1	BRGF	2009084.00	913747.00	1710641.00	1212190.00
2	SJSRY	158425.00	0.00	0.00	158425.00
3	12 th Fin	208922.00	0.00	28147.00	180775.00
4	13 th Fin	3711841.00	1015879.00	4621104.00	106616.00
5	Antrik source	5082266.00	1361195.00	2179452.00	4264009.00
6	4 th Fin	4002000.00	10136438.00	4279826.00	9858612.00
7	Nagar Panchayat Fund	8004167.00	4997445.00	12999726.00	1886.00
8	PLA A/C	24006895.00	13220724.00	26627859.00	10599760.00
9	GENERAL CASH BOOK	31478932.00	22166021.00	23589850.00	30055103.00

for Sanjay Jagannath & Associates
Chartered Accountants
Firm Registration No. - 018906N

A. Sanjay Kumar]
Partner

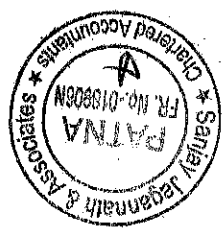
Membership No. 501621



Place : Patna
Date : 24/08/2016

**STATEMENT OF OUTSTANDING REGISTRATION FEES/
RENEWAL FEES OF MOBILE TOWER UP TO MARCH, 31st 2015.**

Sr. No	Particulars	Year of Installation	Due for No. of Months	Registration Fee Due	Renewal Fee Due	Total Due Amount
1	AIRCEL	2008-09	72	30,000.00	48,000.00	78,000.00
2	IDEA	2008-09	72	30,000.00	48,000.00	78,000.00
3	BSNL	2008-09	72	30,000.00	48,000.00	78,000.00
4	RELIANCE COM	2008-09	72	30,000.00	48,000.00	78,000.00
5	TATA INDICOM	2008-09	72	30,000.00	48,000.00	78,000.00
6	AIRTEL	2008-09	72	30,000.00	48,000.00	78,000.00
Total Amount Due						4,68,000.00



COMMENTS FROM MANAGEMENT

Nagar Panchayat, Shahpur

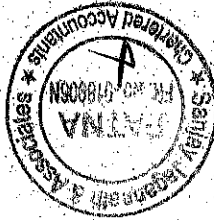
Details audit observation have been discussed . We are trying regularly for correction and strengthen the system . We are also trying to develop internal control and internal check . So that resources can be used at optimum level.

Date:-24/08/2016

Place:-Shahpur

For Nagar Panchayat Shahpur

Deputy of
Nagar Panchayat Shahpur
(Executive Officer)
2/16



ॐ श्री गणेशाय नमः
श्री श्री गणेशाय नमः

29.7.16
[Signature]



प्रमाणित किया।

उपरोक्त विवरण सही एवं सत्य है कि नगर पंचायत का सन् 2013-14 एवं 2014-15 तक का प्रशासनिक व्यय लेखा खाते का प्रतिवेदन सही एवं सत्य है।

प्रमाणित

विषय: AG Audit Report वर्ष 2013-14 एवं 2014-15 तक का अग्रिम होने के संबंध में।

श्री श्री गणेशाय नमः
श्री श्री गणेशाय नमः

प्रमाणित

श्री श्री गणेशाय नमः
श्री श्री गणेशाय नमः

प्रमाणित

दिनांक 29/7/16

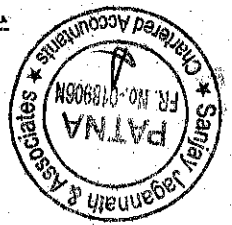
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श्री श्री गणेशाय नमः

9/8/16

नगर पंचायत झाड़पुर-भोजपुर

नगर कार्यपालक पदाधिकारी

9.8.16
विश्वरामजन



वर्ष-2014-15

अवलोकनक-उपयोगिता प्रमाण पत्र को स्थिति

समाहित कर दिया जाएगा।

प्रमाण-पत्र का उपयोगिता नहीं भजा गया है, जिसका उपयोगिता प्रमाण-पत्र सरकार को भेजा जा चुका है। इसमें कुछ त्रुटि का उपयोगिता तक का उपयोगिता प्रमाण-पत्र सरकार को भेजा जा चुका है। इसमें कुछ त्रुटि का उपयोगिता उपयोगिता विषय के संबंध में कहना है कि नगर पंचायत झाड़पुर-भोजपुर से वर्ष-2014-15

महाराज,

विषय - वर्ष-2014-15 तक का उपयोगिता प्रमाण-पत्र के संबंध में।

9/8/16
झाड़पुर विनाक

बिहार-पटना।

सत्य जगन्नाथ एण्ड एसोसिएट्स

सेवा में,

नगर पंचायत झाड़पुर-भोजपुर

नगर कार्यपालक पदाधिकारी

प्रभु,

पत्रांक

310

कामगार नगर पंचायत झाड़पुर-भोजपुर