

# INTERNAL AUDIT REPORT

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

OF

## NAGAR PANCHAYAT SIMRI BAKHTIYARPUR

### FOR THE F.Y. 2015-16



*Conducted by:*

**SUMAN JEJANI & ASSOCIATES**

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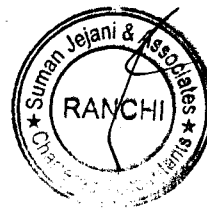
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**AUDIT METHODOLOGY AND APPROACH**

**Audit Methodology**

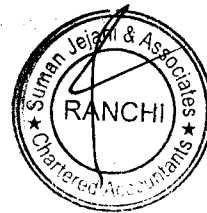
We have conducted the internal audit of Nagar Panchayat – Simri Bakhtiyarpur, for the year ending on 31<sup>st</sup> March, 2016 (as per TOR). We familiarized ourselves with documents of Nagar Panchayat, the internal guidelines and circulars applicable during this period under review. We also reviewed 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 (Cash, Bank, Journal etc) along with supporting documents;
- 3) Receipt Books
- 4) Cheque Issue Register
- 5) Budgets prepared by the ULB
- 6) 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**

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.

An effective approach will normally incorporate a variety of auditing tools and techniques. Different tools and techniques have various strengths and weaknesses.

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.

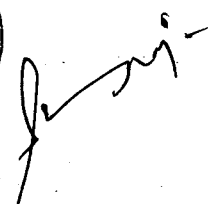
Apart from the test of controls and samples, we also carried out various types of analytical reviews to understand as well as highlight unusual or significant trends in the business.

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 : 31-12-2016

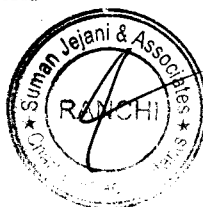
**For Suman Jejani & Associates**  
Chartered Accountants  
FRN.- 009650C



  
**CA. Suman Modi**  
(Partner)  
M.N.- 079078

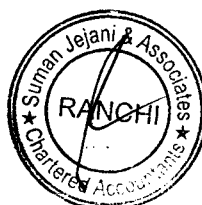
**Internal Audit Report –Nagar Panchayat- Simri Bakhtiyarpur F.Y- 2015-2016**

Name of Auditor: Suman Jejani & Associates		Name of ULB: Simri Bakhtiyarpur	
Sl. No.	Relevant Clause of Scope of Work of the Contract		Compliance (Mention the para no & Page no of audit report)
	Clause No.	Description	
1	4.1	Internal Audit should undertake risk-based review and evaluation of the internal control as discussed in Bihar Internal Control Manual. Internal Audit should devote particular attention to any aspects of the internal control environment affected by significant changes to the ULBs's risk environment.	Complied in para no 2 of Part 2 of <b>Executive Summary</b> at Page no 7 & 8
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>Complied in para no 1,2,5,8&amp;9 of Part 2 of <b>Executive Summary</b> at Page no 7 &amp; 8</p> <p>Complied in para no 15,16,17 &amp; 19.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 area of Property Tax, Mobile Transmission Towers Tax, Rental of Municipal properties, Advertisement Taxes/Fees, Sairatetc;</p> <p>b) Check on audit trail of all collection of Taxes and Non-Taxes either through staff or outsourced agency and report of any lapses in controls, if any and also advise recommendations to strengthen the prevailing processes;</p>	Complied in para no 1,6 & 13 of Part 2 of <b>Executive Summary</b> at Page no.7 & 8



**Internal Audit Report –Nagar Panchayat- Simri Bakhtiyarpur F.Y- 2015-2016**

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 19 of Part 2 of Executive Summary at Page no 8
5	4.7	Vouch on all payments above Rs. 10,000 and report on adequacy and appropriateness of its documentation, approvals, compliance of procedures etc.	Complied in para no 20 of Part 2 of Executive Summary at Page no 8
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 21 of Part 2 of Executive Summary 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 22 of Part 2 of Executive Summary 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 1 to 9 of Part 4 of Audit Recommendations at Page no 8
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 PART A of Part Audit Observations of Main Audit Report at Page no 16&17.



**EXECUTIVE SUMMARY**

**1. Introduction**

<b>Name of the Municipality</b>	<b>Simri Bakhtiyarpur 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. Reeta Kumari</b>
<b>Audit Conducted on</b>	<b>22-23<sup>rd</sup> July 2016</b>

**2. Result and Findings**

➤ **Strength Observed**

- The General Cash book & all the Subsidiary Cash Books have been maintained by the ULB.
- Salary Register maintained by the ULB.
- All the Books & Register have been verified by Executive Officer on monthly basis.
- Staffs were cooperative during the Audit period.

➤ **Weakness Observed**

1. There is a lack of internal control w.r.t collection of taxes. Holding assessment has not been done by the Nagar Panchayat so no holding tax has been collected up to 2015-16.
2. Fixed Assets Register is not maintained by the ULB. No Proper control for the Safe Guard of Municipal Assets.
3. No Proper control on the maintenance of attendance. Leave were not taken into consideration during the calculation of salary.
4. Demand and collection register have not been prepared hence it seems difficult to ascertain total tax dues.
5. There is no proper cash handling neither any locker was kept by the ULB.
6. Failed to collect Mobile Tower tax/fee of Rs. 6,22,000.00
7. Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.
8. Grant Register is not being maintained hence it is difficult to find unutilized grant at any point of time.
9. Bank Reconciliation Statement for any of the account is not prepared.
10. 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.



11. The ULB has not maintain the Log Book Register.
12. No PF, ESI, Pension Fund have been deducted from the salary of the employees.
13. 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.
14. There is no proper infrastructure for operation of ULB properly.
15. Yes, All moneys have been brought to account.
16. Monthly Receipt & Payment Account and Trial Balance is not being made
17. No, Collections have not been deposited into Bank on the same day.
18. The process of audit to be completed and reported within 6 months is in progress.
19. No Self Assessment of property tax is being done.
20. On verification of vouchers on all payments above Rs. 10,000.00, we have found that these are appropriates and is in order with respect to documentation and approval etc.
21. No, Register for E-tender & Auction is not been maintained by ULBs.
22. Yes, there is 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.**

The functioning of the Municipality is very weak due to following reasons:

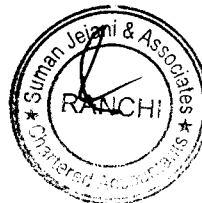
- Collection from own sources is very poor as demand and collection register is not maintained.
- The procurement of fixed assets is not proper and non-maintenance of Fixed Asset Register would lead to failure of determining the replacement cost.
- BRS is not prepared on a monthly basis, so it is difficult to keep record of variances between Cash Book and Bank Passbook balances.
- Internal Control w.r.t. collection of taxes, monitoring of grant, monitoring of advances, monitoring of schemes etc. is very poor.
- Grant received for various purposes are not utilized on timely basis.
- There are serious lapses in deposit of statutory dues such as TDS, Sales Tax(VAT), Royalty, Labour cess, and non filing of ETDS return since long.
- 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.

### **4. Audit Recommendations**

#### **The recommendations of Audit team on the observed weakness**

**We suggest the followings:**

1. All the prescribed books of accounts and Registers should be prepared on real time basis.
2. PF & ESI should be deducted from salary, if applicable.
3. Grant Register should be prepared.
4. Bank reconciliation Statement should be prepared on monthly basis.





5. Demand & Collection Register of all the wards should be prepared and calculation should be done as per new assessment.
6. Collection from own sources should be improved.
7. Collection by tax collector should be deposited on daily basis.
8. All the statutory dues should be deposited on timely basis and returns prescribed under respective laws should also be filed on timely basis.
9. Staff should be equipped with regular training to run the ULB smoothly.

### COMMENTS FROM MANAGEMENT

NAGAR PANCHYAT/PARISHAD, *Simri Bakhtiyarpur*

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.

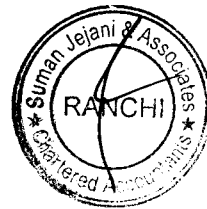
Date:

For Nagar Panchyat/Parishad

Place:

*Simri Bakhtiyarpur*

*4/23/04/16*  
(Executive Officer)  
नगर पंचायत (सिमरी)  
बिहार सरकार (बिहार)



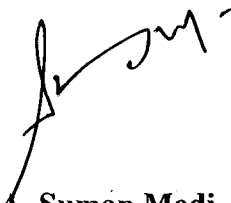
**6. Acknowledgment**

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

Place : Ranchi  
Date : 31-12-2016

**For Suman Jeani & Associates.**  
Chartered Accountants  
FRN.- 009650C



  
**CA. Suman Modi**  
(Partner)  
M.N.- 079078

**MAIN AUDIT REPORT**

**1. Introduction**

The Internal audit of Nagar Panchayat Simri Bakhtiyarpur 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 Suman Modi-

- i. CA Pankaj Mundhra
- ii. Suraj Kumar Singh
- iii. Vivek Kumar

**2. Administration**

The present body of the ULB is functioning since June 2012 The incumbency in the key administrative and executive position was as under:

- 1. Smt. Seema Kumari Gupta, Chairman from June 2012 till date.
- 2. Smt. Reeta Kumari, Executive officer from Sept 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, 18-06-2015	22	07	02	02	23820.00	01	18-06-2015

**Particulars of outstanding paras of AG audit is given below:**

S. No of Paras	Particulars
Para-03	Non preparation of budget since inception 2012-13 till 2014-15 due to shortage of staff.
Para-04	Municipal account committee has not been formed.
Para-05	Liability is nil in nagar Panchayat.
Para-07	Realization of taxes not imposed till date.
Para-11	Nagar Panchayat is running with lack of officers/staffs.
Para-13	Holding assessment has not been done by the nagar Panchayat.
Para-14(2)	Solid Waste Management Is Not Being Done By Nagar Panchayat Which Resulted In Loss Of Rs. 9,61,000.00
Para-15	Non receiving of additional stamp duty from the registry office for the period of September 12 to March 15.

Para-17	unadjusted advance of Rs.20,000.00 from Brijesh kr.(JE)
Para-18	non/short deposit of Rs.3,820.00 of Sairat.
Para-14	Non collection of tower tax.
Para-21	A huge amount of various grant has been unutilized during 2014-15

**4. Finance**

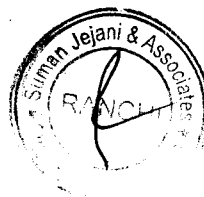
**I. Budgetary provisions and expenditure for the last three years**

Year	2015-16	2014-15	2013-14
Final/ Revised Budget	Not prepared*	Not prepared*	Not Prepared*
Actual Expenditure	7,31,00,204.00	4,21,22,504.00	6,15,55,291.00
Savings (+)/ Excess (-)	Indeterminate	Indeterminate	Indeterminate

**II. Volume of transactions**

Period	Budgeted (15-16)	Previous year(14-15)	Corresponding Period of Previous year	Current Period (15-16)	Cumulative for the current period (15-16)
Opening Balance	Not prepared*	6,51,34,793.00	6,51,34,793.00	2,37,64,202.00	2,37,64,202.00
Receipts	Not prepared*	5,67,98,908.00	5,67,98,908.00	5,46,76,590.00	5,46,76,590.00
<b>TOTAL</b>	Not prepared*	<b>12,19,33,701.00</b>	<b>12,19,33,701.00</b>	<b>7,84,40,792.00</b>	<b>7,84,40,792.00</b>
Net Expenditure	Not prepared*	99,89,293.00	99,89,293.00	6,46,57,118.00	6,46,57,118.00
Closing Balance	Not prepared*	<b>11,19,44,408.00</b>	<b>11,19,44,408.00</b>	<b>1,37,83,674.00</b>	<b>1,37,83,674.00</b>

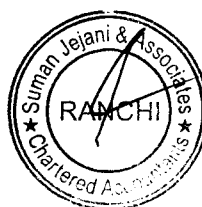
\* **Note:** Since the ULB has made its first budget in the year 2016-2017. So we are unable to provide the figures of previous budget.



**III. Bank Reconciliation**

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

S.No	Name of Bank	Account No.	Balance as on 31.03.2016	Remarks
1	SBI	XXXX7331	2,931.00	The cash book balances is not bifurcated bank wise so we are unable to provide figure as per cash book bank wise.
2	SBI	XXXX5528	27,58,349.00	
3	SBI	XXXX3983	12,952.00	
4	SBI	XXXX5204	1,30,710.00	
5	SBI	XXXX5924	25,39,407.00	
6	SBI	XXXX5228	2,645.00	
7	SBI	XXXX7889	764.00	
8	SBI	XXXX8214	3,470.00	
9	SBI	XXXX1216	7,36,721.00	
10	SBI	XXXX4343	46,702.00	
11	SBI	XXXX9856	16,918.00	
12	Canara Bank	XXXX1798	32,98,850.00	
13	Andhra Bank	XXXX9356	93,57,283.00	
14	SBI	XXXX8497	89,622.00	
15	BOI	XXXX0010	37,40,583.00	
16	BOI	XXXX0009	6,53,280.24	
17	4th Finance	XXXX0007	1,50,000.00	
18	13th Finance	XXXX0008	40,10,284.00	
19	Swaksh Bharat Mission	XXXX4921	32,32,730.00	
20	Peshakar Nagar Panchyat	XXXX1966	2,30,98,998.00	
21	Path & Pool Nirman	XXXX1965	84,34,842.00	



22	Cash in Hand of Accountant		51,334.00
23	Treasury PL A/c		2,80,36,077.00
	<b>Total of Bank</b>		<b>9,04,05,452.24</b>
	<b>Total as per Cash Book</b>		<b>9,03,51,968.24</b>

**Bank reconciliation statement has not been prepared on regular basis, only at year end it has been prepared but that is also not properly reconciled.**

**The Nagar Panchayat is suggested to 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)
<b>a) Own Source</b>					
Property Tax					
Assigned revenue		5,21,063.00	5,21,063.00	000000	000000
Others (Fees & User Charges)		3,18,637.00	3,18,637.00	3,10,550.00	3,10,550.00
<b>(b) Administrative Grant</b>		3,01,471.00	3,01,471.00	3,44,964.00	3,44,964.00
<b>(c) Specific Grant</b>					
Admin Building		46,76,000.00	46,76,000.00		
14th finance				23,49,506.00	23,49,506.00
Jalapurti Yojana		2,15,30,000.00	2,15,30,000.00	2,36,00,600.00	2,36,00,600.00
Kabir antysthi(samanya)	<b>Budget not prepared</b>	1,35,000.00	1,35,000.00	2,79,600.00	2,79,600.00
Kabir antysthi(vishesh)		64,410.00	64,410.00	1,14,400.00	1,14,400.00
Virdha pension(samanya)		44,16,000.00	44,16,000.00	33,63,100.00	33,63,100.00
Virdha pension(vishesh)		10,96,200.00	10,96,200.00	8,16,800.00	8,16,800.00
Vidhwa pension(samanya)		16,97,600.00	16,97,600.00	4,26,000.00	4,26,000.00
Vidhwa pension(vishesh)		5,42,800.00	5,42,800.00	1,51,800.00	1,51,800.00
Lakshmibai(saman)		8,07,900.00	8,07,900.00	2,08,000.00	2,08,000.00

ya)					
Lakshmibai(vishes h)		2,46,800.00	2,46,800.00	41,200.00	41,200.00
Bihar nishaktata (samanya)		8,23,100.00	8,23,100.00	1,50,000.00	1,50,000.00
Bihar nishaktata(vishesh)		2,26,000.00	2,26,000.00	48,000.00	48,000.00
4th Finance		85,31,070.00	85,31,070.00		
E-Governance		4,20,000.00	4,20,000.00		
Rajya samajik suraksha Pension vishesh		24,300.00	24,300.00		
Pool And Road Contruction		82,02,500.00	82,02,500.00	82,02,500.00	82,02,500.00
Samajik Suraksha Pension		15,000.00	15,000.00	12,000.00	12,000.00
Rajya samajik suraksha		38,400.00	38,400.00		
Peshakar		5,21,063.00	5,21,063.00	5,37,545.00	5,37,545.00
BRGF		16,43,594.00	16,43,594.00		
Rajya Nagrik Suvidha Mad				34,64,800.00	34,64,800.00
Parshad Bhatta				1,37,932.00	1,37,932.00
5th Finance				83,41,001.00	83,41,001.00
Mukhyamantri sahari Payjal yojana				26,09,242.00	26,09,242.00
<b>TOTAL</b>		<b>5,67,98,908.00</b>	<b>5,67,98,908.00</b>	<b>5,55,09,540.00</b>	<b>5,55,09,540.00</b>

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

Double Entry Accounting System has been started in the Nagar Panchayat.

Appointment of Chartered Accountant firms for implementation of Double Entry Accounting System in the Nagar Panchayat is done. A Chartered Accountant firm named **M/s Sarkar Gurumurthy & Associates** 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:**

<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>	<ul style="list-style-type: none"> <li>• Taxes such as health cess, sanitation tax, education cess etc. have not been collected during June 2012 to till date.</li> <li>• <b><u>Holding &amp; property tax collection: irregularity</u></b> Due to non collection of property/holding tax there is a major operational revenue loss to ULB and there is no records/register available to know total current &amp; arrear demand of holding tax.</li> <li>• <b><u>Market shop /vendor rent collection: irregularity</u></b> Due to non collection of market shop/vendor and non imposition of late fine is major revenue loss for the concerned ULB. As provided to us there is total 183 vendors but unavailability of data, we are unable to provide amount of collection &amp; arrears.</li> <li>• <b><u>Mobile tower collection: irregularity</u></b> Tower tax is taxes in communication tower &amp; related structure as defined in BIHAR COMMUNICATION TOWERS AND RELATED STRUCTURE RULES,2012. As per details provided to us there are total 11 Mobile towers is registered with this ULB up to 31.03.2016 and Rs. 6,22,000.00 is due to be recovered from these towers operators on account of Tower tax.</li> <li>• <b><u>Holding &amp; property tax collection: irregularity</u></b> Due to non collection of property/holding tax there is a major operational revenue loss to ULB and there is no records/register available to know total current &amp; arrear demand of holding tax. We are unable to provide an arrear of property tax on government building because no any user charges has been imposed. This happens due to non follow up and monitoring of activities of tax inspector &amp; collector by the concerned officers on regulars intervals.</li> </ul>
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