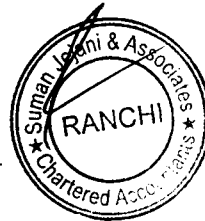


CONTENTS

| S. No | Particulars | Page No. |
|--------------|---------------------------------------|-----------------|
| 1 | Audit Methodology and Approach | 3-4 |
| 2 | Executive Summary | 7-12 |
| 3 | Main Audit Report | 13-17 |
| 4 | Audit Observations – Part-A | 17-19 |
| 5 | Audit Observations – Part-B | 19-22 |
| 6 | Audit Observations – Part-C | 22-24 |
| 7 | Annexure-A to D | 25-31 |



AUDIT METHODOLOGY AND APPROACH

Audit Methodology

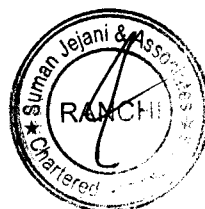
We have conducted the internal audit of Nagar Parishad Supaul, for the year ending on 31st March, 2016 (as per TOR). We familiarized ourselves with documents of Nagar Parishad, the internal guidelines and circulars applicable during this period under review. We also reviewed the working of the Nagar Parishad and evaluated the accounting systems and related controls of the Nagar Parishad in order to plan and perform our audit.

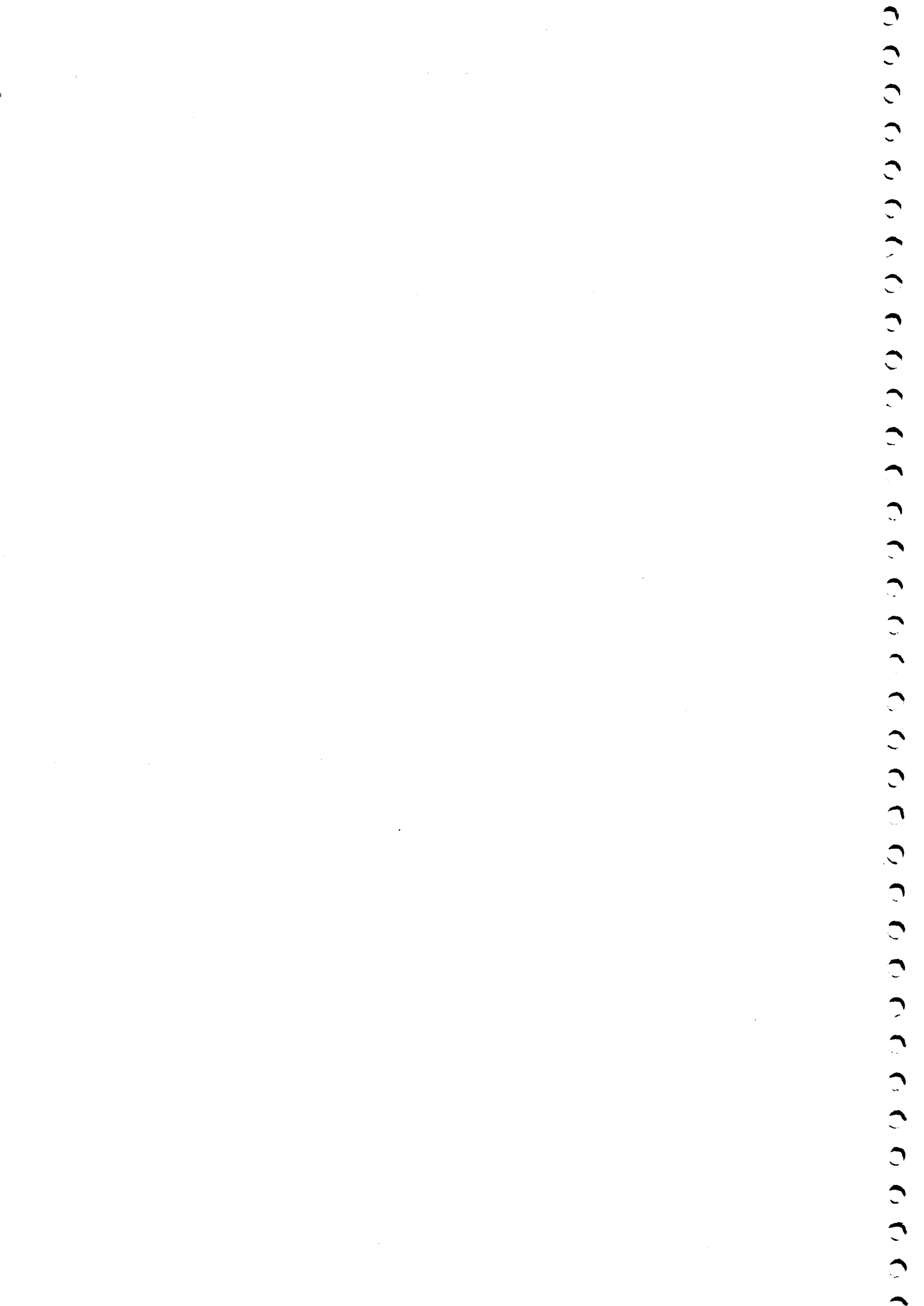
We reviewed transactions from April 01, 2015 to March 31, 2016. Our objective was to check all transactions and to design procedures to detect omissions. We also applied procedures to assess the adequacy of the Nagar Parishad financial management systems, including internal controls for entire audit 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 cash book for the period from 1st April 2015 to 31st March 2016 maintained manually in the Nagar Parishad.
- 2) Vouchers (Cash, Bank, Journal etc) along with supporting documents;
- 3) Budgets prepared by the ULB
- 4) 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 Parishad.





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.

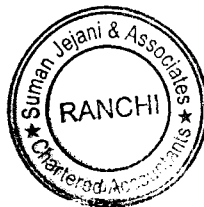
Our approach to the internal audit started with an overview of activities through a study and documentation of the existing systems and procedures in all the ULBs. We then identified, evaluated and tested the adequacy, efficiency and effectiveness of internal controls including standard policies and 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 busines.

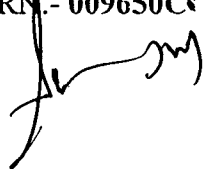
Our observations, resulting from the audit tests performed on a sample of transactions, are set out under "Part-A, Part-B & Part-C" of the audit report and include our recommendations for addressing these observations.

Place : Ranchi

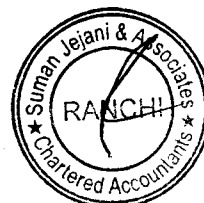
Date : 31-12-2016



For Suman Jejani & Associates
Chartered Accountants
FRM.- 009650C

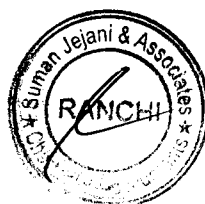

CA. Suman Modi
(Partner)
M.N.- 079078

| Name of Auditor : Suman Jejani & Associates. | | Name of ULB : Supaul | |
|--|--|---|---|
| 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 ULB's risk environment. | Complied in para no.02 of Part 2 (B) of Executive summary at Page no 08. |
| 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&HD. In its report there must be a separate section for non-compliance of rules/directives of UD&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> <ul style="list-style-type: none"> ➤ Rule 22: All moneys to be brought to account ➤ Rule: 27: Collections to be deposited into Bank on the same day. ➤ Rule 69: Grant Related Compliance. ➤ Rule 120-121: Monthly Receipt & Payment Account and Trial Balance. ➤ Rule 130: Audit to be completed & reported within 6 month | <p>(a) Complied in para no. 05,13. of Part 2(B) and para no. 01,04 of part no. 02(A) of Executive Summary at Page no. 07 to 08.</p> <p>(b) Complied in para no.14,15,06,16. of Part.2(B). of Executive Summary. At Page no. 08.</p> |
| 3 | 4.4 & 4.5 | 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, Sairat etc; | Complied in para no. 04,11,17,19&18 of Part 2(B). of Executive |



Internal Audit Report -Nagar Parishad- Supaul F.Y- 2015 -2016

| | | | |
|---|------|--|---|
| | | 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; | Summary. At Page no. 08 to 09. |
| 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 SAS is received or not) must be surveyed and checked in each quarter and reported variations, if any, in PTRs and Actual as per internal audits; | Complied in para no. 19 of Part no. 02(B) of Executive Summary . At Page no. 09. |
| 5 | 4.7 | Vouch on all payments above Rs. 10,000 and report on adequacy and appropriateness of it documentation, approvals, compliance of procedures etc. | Complied in para no. 05 of Part no. 02(A) .of Executive Summary . At Page no. 07. |
| 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. 06 of Part 2(A) of Executive Summary . At Page no. 07. |
| 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 utilization made during the reporting period; Where there is no system for issuance of U/Cs, the Internal Audit report shall prepare Utilization Certificate for various schemes/grants as per the guidelines of such scheme available on the UD&HD website. | Complied in para no. 09 of Part 2(B) of Executive Summary at Page no. 08. |
| 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. 01 to 09 of Part 04 of Executive Summary . At Page no. 10 |



| | | | |
|---|------|--|--|
| 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 5 of Main Audit Report at Page no17 to 19. |
|---|------|--|--|

EXECUTIVE SUMMARY

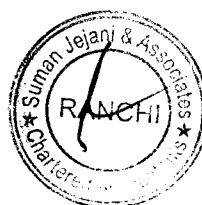
1. Introduction

| | |
|--|---|
| Name of the Municipality | Supaul Nagar Parishad |
| Period Covered under Current Audit | 1 st Apr 2015 to 31 st March 2016 |
| Name of the Chief Municipal Officer for the period under Audit | Sushil Kumar Mishra |
| Audit Conducted on | 23 rd & 24 th July 2016. |

2. Result and Findings

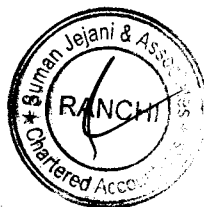
A. Strength Observed.

1. General Cash Book have been maintained by the ULB.
2. Attendance Register of Staff were maintained.
3. Salary Register maintained by the ULB.
4. Books of accounts is verified by E.O and other assigned officials on time to time basis.
5. On verification of 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.
6. register for E-Tender, security deposit & Auction is maintained by the Nagar Panchayat.



B. Weakness Observed

1. There is no Accountant employed in the ULB.
2. Fixed Assets Register is not maintained by the ULB. It is in process.
3. Deduction of PF has been made but payment has been made after due date.
4. There is no proper cash handling neither any locker was kept by the ULB.
5. Taxes collected by tax collector are not deposited on daily basis.
6. Grant Register is not being maintained hence it is difficult to find unutilized grant at any point of time as par rule no. 69.
7. Bank Reconciliation Statement for any of the account (monthly basis) is not prepared hence it is difficult to monitor possible fraud, if any.
8. Advance Register is not maintained so proper monitoring for advances given and adjustment thereof cannot be done. Tender file and security deposit register is not maintained by the Nagar Parishad and grant register not maintained hence, it is difficult to find the unutilized grant at any point of time.
9. There is lack of internal control on 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.
10. Staffs were not cooperative during the Audit period.
11. Tower tax Rs 22,17,400.00 is not collected at all. Annexure " A " is listed below.
12. There is a lack of internal control w.r.t. collection of taxes. On deduction of taxes, liability is not created hence it is difficult to ascertain tax payable at any point of time.
13. Demand register have not been prepared hence it seems difficult to ascertain total tax dues.
14. Yes, all money have been brought to the account as par rule no.22.
15. Tax collected by tax collector are not deposited on daily basis as par rule no. 27.
16. Receipts & payment account and trail balance not prepared by ULB as par rule no. 120-121.
17. Demanded Property Tax is Rs. 9,69,887.00 not collected totally . Annexure " B " is listed below.
18. Taxes on Govt. building is Rs. 61,00,406.00 not collected at all. Annexure " C " is listed below.



Demand & collection from Shop Rent is not provided to us as concerned officer were not presented during audit period.

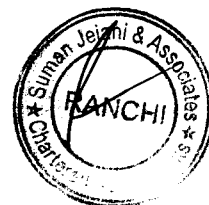
19. Self assessment of property tax is not being done.
20. Biometric devices are there but not working at the ULB. Pay roll system of the municipality is not satisfactory as it does not maintain leave records.
21. Attendance register were not properly maintained. Attendance register does not contain any time of arriving & leaving.

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:

1. The procurement of fixed assets is not proper and non-maintenance of Fixed Asset Register would lead to failure of determining the replacement cost.
2. 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.
3. Most of the prescribed Books (journal, ledger, advance register etc) of accounts are not maintained.
4. Internal Control w.r.t. collection of taxes, monitoring of grant, monitoring of advances, monitoring of schemes etc. is very poor.
5. Grant received for various purposes are not utilized on timely basis.

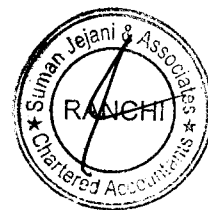


4. Audit Recommendations

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. TDS should be deducted from salary, if applicable.
3. Bank reconciliation Statement should be prepared on monthly basis.
4. Grant Register should be prepared.
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. Accountant should be employed and provided with necessary training to prepare the books, which can help in smooth functioning of ULB.



05.

COMMENTS FROM MANAGEMENT

NAGAR PANCHYAT/PARISHAD, S.U.P.A.U.L

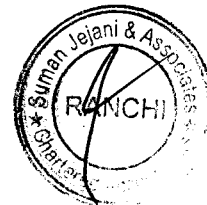
We are trying regularly for correction and strengthen the system. We are also trying to develop internal control and internal check. So that resources can be at optimum level.

Date: 24/07/16

Place: Supaul

For Nagar Panchyat/Parishad

[Handwritten Signature]
24/7/16
Executive Officer
Municipal Council
Supaul



6. Acknowledgment

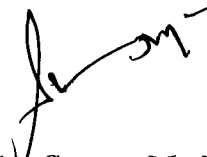
We thank Mr. Sushil Kumar Mishra (Executive Officer), for his support during the period of our audit. We are also thankful to Mr. Amrendra Kumar Yadav (Head Clerk-Bada Babu) and support staffs of the municipality for their cooperation extended to us during the period of our audit.

Place : Ranchi

Date : 31-12-2016



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


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

MAIN AUDIT REPORT

1. Introduction

The Internal audit of Nagar Parishad Supaul covering period from 1st April 2015 to 31st March, 2016 was conducted by following persons under guidance of CA Suman Modi-

- i. Sujit Kumar
- ii. Prashant Kumar

2. Administration

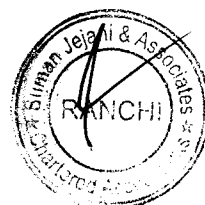
The present body of the ULB is functioning since 1959. The incumbency in the key administrative and executive position was as under:

- 1. Smt. Archana Kumari, Chairman
- 2. Shri Sushil Kumar Mishra, Executive officer from Aug 2013 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 |
|---------|---|---------------------------|--|---|---|--------------------------|---|---------------------------------|
|---------|---|---------------------------|--|---|---|--------------------------|---|---------------------------------|

Audit has been conducted by AG but the report has not been received till date. Hence compliance will be made after receiving the report.



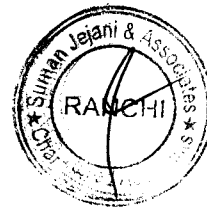
4. Finance

I. Budgetary provisions and expenditure for the last three years

| Year | 2015-16 | 2014-15 | 2013-14 |
|-------------------------|------------------|-----------------|-----------------|
| Final/ Revised Budget | 19,90,90,684.00 | 31,82,81,700.00 | 35,01,97,200.00 |
| Actual Expenditure | 21,41,47,645.00 | 10,86,85,274.00 | 95,43,200.00 |
| Savings (+)/ Excess (-) | (1,50,56,961.00) | 20,95,96,426.00 | 34,06,54,000.00 |

II. Volume of transactions

| 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) |
|----------------------------|---------------------|-------------------------|---|------------------------------|---|
| Opening Balance | 9,90,20,704.00 | 13,76,11,370.96 | 13,76,11,370.96 | 9,90,20,704.96 | 9,90,20,704.96 |
| Receipts | 19,90,90,684.00 | 7,00,94,608.00 | 7,00,94,608.00 | 19,79,93,195.00 | 18,73,97,265.00 |
| TOTAL | 29,81,11,388.00 | 20,77,05,978.96 | 20,77,05,978.96 | 29,70,13,899.96 | 28,64,17,969.96 |
| Net Expenditure | 19,90,90,684.00 | 10,86,85,274.00 | 10,86,85,274.00 | 21,41,47,645.00 | 20,35,51,715.00 |
| Closing Balance | 9,90,20,704.00 | 9,90,20,704.96 | 9,90,20,704.96 | 8,28,66,254.96 | 8,28,66,254.96 |



III. Bank Reconciliation

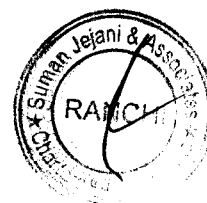
Details of Bank Accounts and their reconciliation position are as under:

| S.No | Name of Bank | Account No. | Balance as on 31.03.2015 | Name of Scheme |
|------|-------------------------------|-------------|-----------------------------|----------------|
| 1 | Details not provided to us | | | 4th FIN |
| 2 | | | | STATE PLAN |
| 3 | | | | 12TH FIN |
| 4 | | | | DRAIN CONST. |
| 5 | | | | POND RECONST. |
| 6 | | | | VIVAH MANDAP |
| 7 | | | | ROAD CONST. |
| 8 | | | | H. P. |
| 9 | | | | ELECTED MEMBER |
| 10 | | | | MISCELLANEOUS |
| | Total of Bank | | | |
| | Total as per Cash Book | | 8,28,66,254.96 | |
| | Difference | | | |

NOTE :-

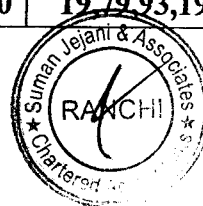
As passbook is not provided to us for verification, we are unable to find out the difference between cash book balance & pass book balance.

The Nagar Parishad is suggested to prepare B.R.S on monthly basis.



IV. Revenue Receipts

| a) Own Source | Budgeted (15-16) | Previous year Actual (14-15) | Corresponding Period of Previous year (14-15) | Current Period Actual (15-16) | Cumulative for the current period (15-16) |
|---|------------------------|------------------------------------|--|-------------------------------------|--|
| Property Tax | 1,00,00,000.00 | 36,22,000.00 | 36,22,000.00 | 39,84,200.00 | 39,84,200.00 |
| Assigned revenue | 55,20,000.00 | 12,93,056.00 | 12,93,056.00 | 14,22,361.00 | 14,22,361.00 |
| Others (Fees & User Charges) | 43,07,284.00 | 35,42,263.00 | 35,42,263.00 | 38,96,489.00 | 38,96,489.00 |
| (b) Administrative Grant | 12,92,800.00 | 12,92,880.00 | 12,92,880.00 | 12,92,880.00 | 12,92,880.00 |
| (c) Specific Grant (Scheme wise) | | | | | |
| 4th Finance | 4,00,00,000.00 | 1,84,27,409.00 | 1,84,27,409.00 | | |
| B.R.G.F | 25,00,000.00 | | | | |
| Anyanan | 50,00,000.00 | | | | |
| E - Governance | 6,00,000.00 | 5,60,000.00 | 5,60,000.00 | 2,85,715.00 | 2,85,715.00 |
| State plan | | | | 59,66,650.00 | 59,66,650.00 |
| Pension | 1,51,00,000.00 | | | | |
| 14th Finance | 1,50,00,000.00 | | | 81,74,169.00 | 81,74,169.00 |
| Census fund | 20,00,000.00 | | | 2,34,750.00 | 2,34,750.00 |
| Hand tube-well with Iron Removale Plant | | | | 9,95,78,000.00 | 9,95,78,000.00 |
| 5th Finance | | | | 2,87,93,712.00 | 2,87,93,712.00 |
| Parsad bhatta | 2,66,400.00 | | | | |
| Janganna | 1,00,000.00 | | | | |
| Nulm | 1,63,00,000.00 | | | | |
| Spur | 2,00,00,000.00 | | | | |
| N.P & Misc.Fund | 8,07,000.00 | | | 17,14,269.00 | 17,14,269.00 |
| Kabir Antysthi | 12,00,000.00 | 3,57,000.00 | 3,57,000.00 | | |
| Social amenities | | 10,00,000.00 | 10,00,000.00 | 4,26,50,000.00 | 4,26,50,000.00 |
| Social welfare | 6,00,00,000.00 | 4,00,00,000.00 | 4,00,00,000.00 | | |
| TOTAL | 19,90,90,684.00 | 7,00,94,608.00 | 7,00,94,608.00 | 19,79,93,195.00 | 19,79,93,195.00 |



V. Status of Implementation of Double Entry Accounting System

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

Appointment of Chartered Accountant firms for implementation of Double Entry Accounting System in the Nagar Parishad 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 Parishad till the date of our audit.

5. AUDIT OSERVATIONS

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.

HOLDING TAX & TOWER TAX

Due to non collection of property/holding tax there is a major operational revenue loss Rs. 9,69,887.00 to ULB.

According to Section 127 of Bihar Municipal Act, 2007 annual property tax @ 9% of annual rental value has to be realised.

According to the directions of state government an increment of 15% in the old rate has to be done in every 5 years. Thus in 2015-16, property tax had to be realised at revised rate but such action has not been taken.

(ANNEXURE- B ATTECHED)

Demand & collection of Shop Rent is not provided to us as concerned officer were not presented during audit period