

INTERNAL AUDIT REPORT OF NAGAR PANCHAYAT -TEGHRA

For the Period from April-2015 to March - 2016

INTERNAL AUDIT CONDUCTED BY

THAKUR BHUWANESH & ASSOCIATES

Chartered Accountants
2nd Floor, Nathani Market
Sutapatti, Muzaffarpur
Bihar-842001

Audit Conducted from: 28th September'16 to 6th October'16

Report Issued on 2nd Nov 2016

NAGAR PANCHAYAT -TEGHRA (BEGUSARAI)**INTERNAL AUDIT REPORT FOR THE FINANCIAL YEAR 2015-16****INDEX**

Section	Contents	Page No.	
		From	To
I	Audit Methodology and Approach		
II	Executive Summary		
III	Detailed Audit report		
IV	Audit Observations – Part-A		
V	Audit Observations – Part-B		
VI	Audit Observations – Part-C		
VII	Annexure to Audit report		
VIII	Report on Field Survey of 80 high value properties		

INTERNAL AUDITOR'S REPORT

Joint Secretary and
Additional Project Director
Urban Development & Housing
Department, Patna

We have conducted internal audit of the Books of Accounts and related document and vouchers of **Nagar Panchayat – Teghra (ULB)** for the period of **1-4-2015 to 31-03-2016** in terms of agreement with UD&HD dated 21.03.2016. These Books of Accounts and related document and vouchers are the responsibility of Management. Our responsibility is to express an opinion on the Books of Accounts and related document and vouchers based on our audit.

We have conducted our audit in accordance with the **Standard on Internal Audit (SIA) formulated by ICAI**. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Books of Accounts and related document and vouchers are free from material misstatement. An audit includes examining, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our observations. The salient points of the scope covered by the internal audit are as follows:

1. The effectiveness of accounting system.
2. Compliance with the legal and statutory requirements.
3. Risk-based review and evaluation of the Internal Control.
4. Compliance of Bihar Municipal Act.
5. Compliance of Bihar Municipal Accounting Manual.

Moreover, our scope of examination also covered the requirements of the specific points as spelled out by the management of the Urban Development & Housing Department. The result and recommendations of our internal audit are set out in Scope, Observations and Annexure of our report.

The statutory auditor of the Urban Development & Housing Department expresses opinion as to the true and fair view of the financial statements. We have not expressed any opinion on the financial statements and accordingly, this report should not be constructed as our opinion on the financial statements.

For Thakur Bhuwanesh & Associates

Chartered Accountants.

FRN: 019690N


(CA. Rajesh Kumar Jha)

Partner

M.NO. 412318

Date: 2nd Nov'2016

Executive Summary**1. Introduction**

Name of the Municipality	Nagar Panchayat Teghra
Period covered under current audit	01.04.2015 to 31.03.2016
Name of Chief Executive Officer for the period under Audit	Sh. Deva Nand

2. Results and Findings

<p>Strength observed during the audit engagement</p>	<ul style="list-style-type: none"> • The following records are available: <ul style="list-style-type: none"> ✓ Cash Book with Subsidiaries ✓ Cheque receipt register ✓ Remittance Register ✓ Log Book of Vehicle ✓ Salary Register ✓ Daily collection Register of Taxes/user charges /Fees & Fines • Staff Cooperation during the Audit period is satisfactory. • Physical verification of movable Fixed Assets has been carried out during performance audit.
<p>Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement.</p>	<ul style="list-style-type: none"> • Cashier cash book is not available. • Tax Collector generally deposits the collection amount with the interval of 3-7 days. As per Rule 27 of BMAR it should be deposited on daily basis otherwise a sum of Rs. 5000/- may be imposed for delayed deposit. • There is lack of internal control w.r.t collection of taxes. • Demand collection Register has not been prepared. • Dues from Tower tax has not been collected on time. • Interest @1.5% not imposed on delay payment of Tower registration fees and annual fees beyond 30 days. • Periodical checking of Books of accounts by Chairman or vice chairman has not been done.



	<ul style="list-style-type: none"> • There is lack of internal control on deposit of various taxes. Due to cash basis accounting liability of Taxes has not been accounted for hence it is difficult to ascertain tax payable at any point of time. Taxes such as VAT, I.T. Royalty etc are collected from time to time but its payments are made on yearly basis which is not proper. Taxes should be remitted to the Govt. account on timely basis otherwise penal action may be taken by the concerned department for delayed deposit of taxes. TDS, Royalty, VAT and labour cess for the year 2014-15 is not deposited. Quarterly TDS return not shown to us. • Grant Register is not being maintained hence it is difficult to find unutilized grant at any point of time. • Bank Reconciliation Statement is not prepared hence it is difficult to monitor possible misstatement, if any. • Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.
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3. Opinion

<p>Overall opinion of the Audit team about the functioning of the Municipality</p>	<p>The overall functioning of the Municipality is very poor due to following reasons:</p> <ul style="list-style-type: none"> • Most of the prescribed Books of accounts are not maintained • Internal Control w.r.t. collection of taxes, monitoring of grant, monitoring of advances, monitoring of schemes etc. is very poor. • Collection from own sources is very poor. • Grant received for various purposes are not utilized on timely basis. • There are serious lapses in deduction and deposit of statutory dues such as TDS, VAT, Royalty, Labour cess etc.
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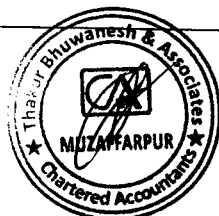


4. Audit Recommendations

<p>The recommendations of Audit team on the observed weakness</p>	<p>We recommend the followings:</p> <ul style="list-style-type: none"> ✓ All the prescribed books of accounts and Registers should be prepared on real time basis ✓ Bank reconciliation Statement should be prepared on monthly basis ✓ Cashier Cash Book should be maintained and written on daily basis. ✓ Collection by tax collector should be deposited on daily basis. ✓ Grant Register should be prepared ✓ All the statutory dues should be deposited on timely basis and returns prescribed under the statute should also be deposited on timely basis. ✓ Demand Collection Register of all the wards should be prepared. ✓ Property tax register should be prepared as per new assessment. ✓ Collection from own sources should be improved.
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5. Comments from Management

<p>Comment from Management</p>	<p>The audit report has been discussed with us; we will try our best to remove the irregularities pointed out in the audit report.</p>
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	For Nagar Panchayat – Teghra (Executive Officer)
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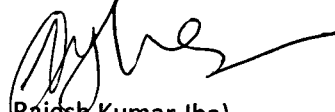
6. Acknowledgment

We thank Mr. Deva Nand (Executive Officer) and Mr. Ashish Kumar (Head Clerk) for their support during the period of our audit. We are also thankful to support staffs of the municipality for their cooperation extended to us during the period of our audit.

For Thakur Bhuwanesh & Associates

Chartered Accountants.

FRN: 019690N



(CA. Bajesh Kumar Jha)

Partner

M.NO. 412318

Date: 2nd Nov'2016



DETAILED AUDIT REPORT

1. Introduction

The Internal audit of (N.P. Teghra) covering the period from 01.04.2015 .to 31.03.2016 was conducted

by following persons under guidance of CA. B K Thakur

1. Sunil Kumar
2. Amit Kumar

2. Administration

The present body of the ULB has taken charge on 12.10.2012. The incumbency in the key administrative and executive positions was as under :

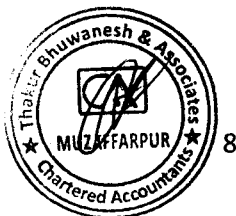
1. Smt. Nashima Khatun, Chairman From 12.10.2012 to till date
2. Shri Deva Nand Executive officer From 08.09.2015 to till date

3. Review of outstanding audit pares: Status of Audit Observation is 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 para where no action has been taken	No. & dated of compliance report
1	14562/82/22.06 .2016	17	17	3	1	25840	5	NA

Details of pending Paras of CAG Audit:-

1. Dustbin Stock register not maintained.
2. Purchas of Street Light from BRGF scheme.
3. Awarding the contract of purchase worth Rs. 7.53 Lakhs without advertisement notice of RFP.
4. Mobile Tower Renewal Rs. 0.80 Lakhs Pending
5. Non formation of Accounts Committee of NP.



4. FINANCE:**I. Budgetary provision and expenditure for the last three years**

Year	2013-14	2014-15	2015-16
Final/Revised Budget	307523615	360921268	360921268
Actual Expenditure	2717052	58518256	194385601
Savings(+)/Excess(-)	304806563	302403012	166535667

II. Volume of transaction

Period	Budgeted	Previous Year (2013-14)	Corresponding period of Previous year	Current Period (2014-15)	Cumulative for the current period
Opening balance	14658034	42533937	42533937	34494174	3449417
Receipts	343982000	50478493	50478493	215638944	21563894
Total	358640034	93012430	93012430	250133118	25013311
Net expenditure	360921268	58518256	58518256	194385601	19438560
Closing balance	-2281234	34494174	34494174	55747517	5574751

III. Bank Reconciliation

Preparation of Bank Reconciliation Statement is not in practice; however we have verified the cashbook balance and pass book balance and found the same in order except in Bank of Baroda a/c no. 20134 there was difference of RS 84.00.

IV. Revenue Receipts

Particulars	Budgeted	Previous Year (2014-15)	Corresponding period of Previous year	Current Period (2015-16)	Cumulative for the current period
a) Own source	4800000.00				
Property Tax	5000000.00			778275	77827
Assigned Revenue	2782000.00	962524.00	962524.00	1191565	119156
Others (Fee & User Charges)		595775.00	595775.00	662519	66251
(b) Administrative Grant	800000.00				
General and dearness grants	300000.00				



Particulars	Budgeted	Previous Year (2014-15)	Corresponding period of Previous year	Current Period (2015-16)	Cumulative for the current period
Kabir Antyetai Yojna	20000000.00	111000.00	111000.00	225000	225000
Matching Grant	20000000.00			26967565	2696756
Renovation Grant	400000.00				
Ward commissioner salary	300000.00				
Ward commissioner Allowances	20000000.00				
Social Security Pension Fund	15000000.00				
BRGF	10000000.00	3796467.00	3796467.00	99472	99472
SBM	10000000.00			44665363	4466536
State Plan	15000000.00			38692047	3869204
Road and drainage repair scheme fund	80000000.00			5606930	5606930
Receipt from Finance commission	300000.00	2409411.00	2409411.00	26967565	2696756
Liberian salary	1500000.00	220000.00	220000.00		
Teachers Salary	2800000.00	6212890.00	6212890.00	28215680	28215680
13 th Finance	0.00			41566963	4156696
Computer Fund	4800000.00	550000.00	550000.00		

V. Status of implementation of Double Entry Accounting System

Double entry accounting system is being carried by Mukherjee Vishwas & Pathak. CA firm being appointed by the organisation for the same but status of completion of books of accounts in tally is not known to Nagar Panchayat.

VI. Status of Municipal Account Committee; if meeting is held

Municipal accounts committee is not formed by the Nagar Panchayat.



Audit Observation**I. Part – A**

All Audit objections/irregularities which has monetary implication, particularly in following area

<p>a. Leakage of own source revenue either due to wrong assessment or non- levy of property tax, mobile tower tax, rent on municipal properties, advertisement tax fees etc.</p>	<p><u>Property Tax</u> Rs. 778275.00 has been collected a Property tax, as per the General Cashbook but no property register is maintained.</p> <p><u>Tower Tax</u></p> <p>i) Renewal charges for mobile tower pending Rs. 80000.00 (Detail attached)</p> <p>ii) Total Rs. 14,000.00 is pending a communication tower revised (revied after 5 years) renewal tax.</p> <p>iii) Rs. 11,160.00 on account of penalty for late @1.5% is yet to be collected on Tower Tax.</p>
<p>b. Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs</p>	<p>We have checked the expenditure vouched all above Rs. 10000.00 but no any objectionable thing noticed, except the following</p> <p>a) Scheme no. 02/2014-15 - soil and soling work in ward no. 3- Late fine for delay in work completion @ 0.5% daily (maximum 10%) for 60 days.</p>
<p>c. Report on findings of field survey of Property Tax of minimum 20 high value properties</p>	<p>Field survey of 80 high value properties has been conducted by us a report thereon is attached in Annexure</p>



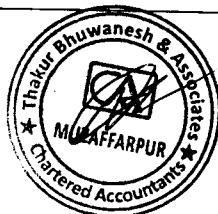
II. Part – B

All Audit objections/ irregularities which has no monetary implication, but significant violation of Act, Rules & directives of UD&HD.

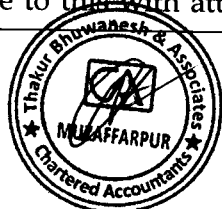
Sl. No	Observation & Impact	Recommendation	Management Comment / Agreed Action
a	<u>Non-maintenance of books of accounts , subsidiary registers</u>		
	<p>The Nagar Panchayat is maintaining only Cash Book/ Bank Book</p> <p>As per Bihar Municipal Accounting Manual Following primary Books of accounts are required to be maintained :</p> <ol style="list-style-type: none"> 1. Cash Book (Form Gen-IA) 2. Bank Book (Form Gen-IB) 3. Journal Book (Form Gen-2) 4. Ledger (Form Gen-3) <p>Journal Book and Ledger are not maintained.</p> <p>In addition to above following other General Registers and forms are required to be maintained but the same are not being maintained.</p> <ol style="list-style-type: none"> 1 Receipt GEN-8 2 Receipt Register GEN-9 3 Statement on Status of Cheques Received GEN-10 4 Collection Register GEN-11 5 Memorandum of Collection GEN-12 6 Summary of Daily Collection GEN-13 7 Register of Bills for Payment GEN-14 8 Payment Order GEN-15 9 Cheque Issue Register GEN-16 10 Register of Advance GEN-17 	<p>Cutting, overwriting shall be avoided. Proper format shall be maintained.</p> <p>Bank Reconciliation shall be done on regular basis.</p>	



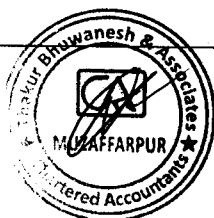
Sl. No	Observation & Impact	Recommendation	Management Comment / Agreed Action
	11 Register of Permanent Advance GEN-18		
	12 Deposit Register GEN-19		
	13 Summary Statement of Deposits Adjusted GEN-20		
	14 Demand Register GEN-21		
	15 Bill for Municipal Dues GEN-22		
	16 Summary Statement of Bills Raised GEN-23		
	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		



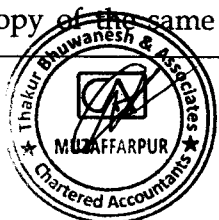
Sl. No	Observation & Impact	Recommendation	Management Comment / Agreed Action
b	<u>Irregularity in procurement process</u>		
	<p>i) A lots of irregularity observed in procurement process.</p> <p>ii) 2nos. of water tanker been purchased from Mushkan enterprises under scheme 13th Finance on 16.12.2014 without any procurement notice in newspapers.</p> <p>ii) 8 high mast light purchased during the year 2014-15 from Laxmi construction and electrical works, Siwan, the party is not empanelled to Energy Department Bihar which was the eligibility requirement for technical qualification in procurement.</p> <p>Secondly the payment was made to party without assessing the quality report of the product.</p> <p>iii) Street light has been purchased from M/s Hidayat Enterprises using fund of BRGF.</p>	<p>Nagar Panchayat shall follow prescribed guidelines for the procurement.</p>	
c	<u>Non-compliance of directives by UD&HD, GOB</u>		
	Nagar Panchayat generally follows the directives issued time to time by GOB or UD&HD	None	
d	<u>Non-compliance of Act & Rules</u>		
	<p>During course of Audit we observed that a significant numbers of Rules and Act are being violated by the Nagar Panchayat because of lack of knowledge or deliberately, they are as follows:-</p> <p>i) As per Bihar Municipal Accounting Rules, 2014 daily collection by bill collector shall be deposited to office before 04:30 on same day of collection and failure to this with attract a</p>	<p>Every rule and Act shall be followed.</p> <p>Bill collector shall be issued an order regarding this and</p>	



Sl. No	Observation & Impact	Recommendation	Management Comment / Agreed Action
	<p>disciplinary action including fine of Rs. 5000.00 but this rule is regularly violated.</p> <p>ii) Daily summary of collection is not prepared in BMAR form no. 19 by the cashier and submitted to accountant, nor accountant verify the collection and deposit from Bank statement.</p> <p>iii) Custody of money is kept in single hand and that too in a Amirah safe.</p> <p>iv) As per Bihar Finance Rule 2005 any purchase shall be made through procurement Tender in newspaper, Nagar Panchayat has violated this rule while purchasing water Tanker.</p> <p>v) As per Bihar Municipal Act 2007 u/s 82 (9) budget shall not be prepared of loss while NP has prepared a loss budget in year 2014-15.</p> <p>vi) As per Bihar Municipal Act 2007 u/s 98 Accounts committee shall have to be formed which is violated by Nagar Panchayat.</p> <p>vii) TDS has not been deducted violating the Income tax Act.</p>	<p>on violation severe disciplinary action shall be taken.</p>	
e	<u>Lack of internal control measures</u>		
	<p>During course of audit we came across various loopholes in internal control, they are:</p> <p>i) Cash collection and safe custody of cash is not proper.</p> <p>ii) Daily collection is being kept by the bill collector for several days.</p> <p>iii) Cash is kept under single person custody.</p>	<p>Proper care shall be made of internal control system.</p>	



Sl. No	Observation & Impact	Recommendation	Management Comment / Agreed Action
	iv) Demand and collection register for hoarding is not being maintained by the NP. v) Agreement files of shops/markets on lease are not maintained by NP. vi) Advance Register is not kept by NP.		
f	<u>Non-compliance of TDS, VAT And other relevant statute</u>		
	i) TDS, VAT, Royalty and Labour cess has been deducted but not deposited in f.y. 2014-15. ii) TDS deposited in f.y. 2015-16 but TDS return has not filed till date which will attract a late fine u/s 231 of IT act of Rs. 200/- per day per return. iii) Professional Tax of Ex. Engineer has not been deducted in any financial year.	All the dues shall be accessed and payed on regular and timely basis to avoid the penal provisions.	
g	<u>Deficiency in pay-roll system</u>		
	i) EPF deduction and deposition is not proper.	It should be deducted on prescribed rate and deposited to PF account of employees.	
h	<u>Utilisation of Grant and report on missing Utilisation Certificates</u>		
	Grant Register has not been prepared hence it is difficult to ascertain unutilized grant at any particular time. As explained to us Utilization certificates up to 31.03.2015 has been sent to the Government but copy of the same could	None	



Sl. No	Observation & Impact	Recommendation	Management Comment / Agreed Action
	not be provided to us. Also as per head office various utilisation is pending till date.		
i	<u>Physical verification of inventory / stores</u>		
	Inventory and store register is not kept by the NP and neither store verification is done.	Inventory and store register shall be kept by the NP and once in a month physical verification shall be done.	
j	<u>Advances, their adjustment & recovery</u>		
	Advance register is not maintained, however as explained Salary advance is being adjusted through acutance.	Advance register shall be prepared and updated on regular basis.	
k	<u>Any other matters as may be prescribed in due course.</u>		
	i) As observed that the cash collected by bill collector have significant exposure to risk of theft, robbery and misappropriation an insurance of Cash shall be taken by the Department. ii) There should be proper indemnity bond binding on bill collectors.	None	



I. Part – C

General observations: Auditor should report the deficiencies noticed during their audit and recommendation ULB management to improve internal systems.

Particulars	Comments
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 N.P.
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 Book 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;	No quarterly Financial Statements have been prepared by the N.P.
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 N.P.
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.
Whether all transactions (incomes, expenditures, assets and liabilities) are correctly classified and stated in sufficient detail;	No all transactions have been classified as incomes and expenditure only 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 about 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 Special fund has been created by the ULB.

