

INTERNAL AUDIT REPORT

(SPUR-PMU/194/IA-140ULBs & SLMA/G-15/MMS/2016/136/32)

OF

NAGAR PANCHAYAT THAKURGANJ

FOR THE F.Y. 2015-16



Conducted by:

M/s MANMOHAN SINGH & Co.

2ND FLOOR, VYAPAR BHAWAN

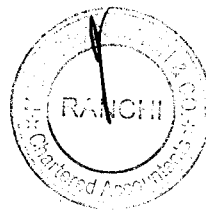
LALJI HIRJI, RANCHI

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AUDIT METHODOLOGY AND APPROACH

Audit Methodology

We have conducted the internal audit of Nagar Panchayat – THAKURGANJ, for the year ending on 31st 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) All Subsidiary Cash Book for the period from 1st April 2015 to 31st March 2016 maintained manually in the Nagar Panchayat
- 2) Vouchers (Cash, Bank, Journal etc) along with supporting documents;
- 3) Attendance Register
- 4) Salary Register
- 5) Log Books
- 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.



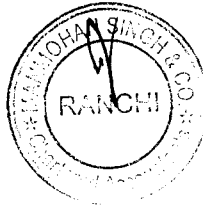
Audit Approach

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. 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.

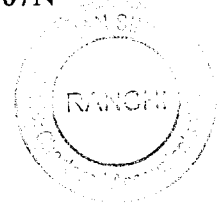


Our observations, resulting from the audit tests performed on a sample of transactions, are set out under "Part-A, Part-B & Part-C" of the audit report and include our recommendations for addressing these observations.

Place: Ranchi

Date: Dec 30,2016

For Manmohan Singh & Co.
Chartered Accountants
FRN NO.000107N



CA. J.P.Sharma
(Partner)
M.N.- 402655

Internal Audit Report –Nagar Panchayat- THAKURGANJ F.Y- 2014 -2015

Name of Auditor: M/s Manmohan Singh & Co.		NAME OF ULB: THAKURGANJ	
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		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 risk environment.	Complied in para no 1to19 of Part..2. of . Executive Summary at Page no ..8&9
2		<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> <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 & Payment Account and Trial Balance</p> <p><input type="checkbox"/> Rule 130: Audit to be completed & reported within 6 month</p>	<p>Complied in para no..1,4,6,7&8 of Part 2 of Executive Summary . at Page no ..7 &8</p> <p>Complied in para no.17, 18,19&20.Of part 2 of Excutive Summary at page no..9..</p>
3		<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</p>	Complied in para no. 5&9 of Part 2. of Excutive Summary at Page no ..9..



Internal Audit Report –Nagar Panchayat- THAKURGANJ F.Y- 2014 -2015

		of any lapses in controls, if any and also advise recommendations to strengthen the prevailing processes;	
4		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..21.. of Part 2 of Executive summary at Page no .9...
5		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..22. of Part Executive summary of. at Page no ..9..
6		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 23 of Part.2.. of Executive summary at Page no .9.
7		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 24 of Part 2 of Executive summary . at Page no 9
8		Internal Audit can also, provide recommendations to help the ULB management improve the ULB's internal control environment;	Complied in para no 1to10 of Part 4. of Audit Recommendations. at Page no ..11..
9		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 A of Part 5. of Main Audit Report Page no .17...



EXECUTIVE SUMMARY

1. Introduction

Name of the Municipality	Thakurganj Nagar Panchayat
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	Sri Ratindra Kr. Tripathi
Audit Conducted on	13 th & 14 th dec,2016

2. Result and Findings:-

Strength Observed During the audit

- We have observed following strength during the course of audit:-
- * Main cash book and all the subsidiary cash books have been maintained by the ULB.
 - * Attendance Register of Staff were maintained properly.
 - * Salary Register was maintained by the ULB.
 - * Staffs were cooperative during the Audit period.

Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement

- Following weaknesses have been found in the Nagar Panchayat during the course of audit:-
1. Fixed Assets Register is not maintained by the ULB.
 2. Main Cash Book is not maintained by the accountant with proper clarity.
 3. Cash book is not balanced on daily basis and is signed by the Cashier and the Account officer on monthly basis.
 4. Books of accounts are not verified by E.O and other assigned officials on time to time basis.
 5. Non collection of tax on government building of Rs. 4,05,400.00. List Attached
 6. Daily collection register is not maintained by the Nagar Panchayat.
 7. There is no proper cash handling neither any locker was kept by the ULB.



8. Fees and taxes collected are not deposited by the Tax Collector on daily basis.
9. There are lack of internal control w.r.t collection of taxes.(Mobile tower Tax amounted to Rs. 1,86,000.00 is outstanding till 2015-16) Annexure Attached
10. Demand and collection register have not been prepared hence it is difficult to ascertain total tax dues. No penalty/ surcharge have been imposed for non-payment of demand.
11. Grant Register is not maintained properly hence it is difficult to find scheme wise and unutilized grant at any point of time.
12. Bank Reconciliation Statement for any of the account as mentioned in the **Point IV of main audit report** has not prepared.
13. There are lack of internal control w.r.t collection of taxes. Deficiency has been observed in the collection of tower tax, property tax and fees of trade license. Also interest has not been charged on nonpayment of such taxes.
14. Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.
15. Separate cash books for some heads were not maintained. Details of expenditure were not booked in P/L cashbook. Only cheque register was maintained.
16. It is very hard to find deducted amount of VAT, ROYALTY, TDS, LABOUR CESS as scheme register is not maintained properly.
17. Yes, All moneys have been brought to account.
18. No, Collections have not been deposited into Bank on the same day.
19. Monthly Receipt & Payment Account and Trial Balance is not being made.
20. The process of audit to be completed and reported within 6 months is in progress.
21. No Self Assessment of property tax is being done.
22. On verification of vouchers on all payments above Rs. 10,000.00, we have found that these are appropriate and is in order with respect to documentation and approval etc.
23. No, Register for E-tender & Auction is not been maintained by ULBs.
24. Yes, there is a system of issuance of utilization certificate for the different schemes for any utilisation made during the reporting period.



Late Payment of VAT

25.VAT of Rs. 12,17,288.00 had been deducted for work done in 2015-16 but the same has been deposited on 05.08.2016 via cheque no.233667, 748577. **Details in Annexure Attached.**

Late Payment of Labour Tax/Cess

26.Labour Tax/Cess of Rs. 2,43,573.00 had been deducted for work done in 2015-16 but the same has been deposited on 09.08.2016 via cheque no.233671, 748591. **Details in Annexure Attached.**

Late Payment of IT

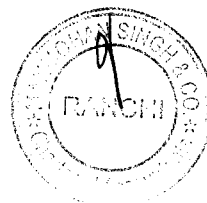
27.IT of Rs. 2,64,524.00 had been deducted for work done in 2015-16 but the same has been deposited on 01.08.2016 via cheque no.233666,806276,748576. **Details in Annexure Attached.**

3. Opinion

➤ **Overall opinion of the Audit team about the functioning of the Municipality**

1. The functioning of the Municipality is weak due to the following reasons:-

1. Collection from own sources is very poor.
2. The procurement of fixed assets is not proper and non-maintenance of Fixed Asset Register would lead to failure of determining the replacement cost.
3. BRS is not prepared on 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.
4. Most of the prescribed Books of accounts are not maintained. **Reported in Part B(a)**
5. Internal Control w.r.t. collection of taxes, monitoring of grant, monitoring of advances, monitoring of schemes etc. is very poor.
6. Grant received for various purposes are should utilized on timely basis.



4. Audit Recommendations

➤ Following suggestions can be recommended on the observed weaknesses

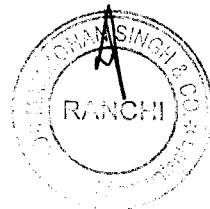
2. All the prescribed books of accounts and Registers should be prepared on real time basis.
3. TDS should be deducted from salary, if applicable.
4. Bank reconciliation Statement should be prepared on monthly basis.
5. Demand & Collection Register of all the wards and schemes should be prepared and 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. Cash Book should be written and updated on daily basis.
9. All the statutory dues should be deposited on timely basis and returns prescribed under respective laws should also be filed on timely basis.
10. Cash deposit locker should be available on the Nagar Panchayat.

To,
Executive officer
Thakurganj Nagar Panchayat.

Sir,
As internal auditor, we have checked your books of accounts and registers during period 13/12/2016 to 14/12/2016 for F.Y.2015-16 and two quarter of F.Y. 2016-17. And as per discussion with your Accountant and Tax Daroga we have found followings observations:-

1. According to Tax Daroga, own sources collections are not deposited in bank on the same day(BMAR Rule -27)
2. Own revenue losses and opportunities lost or missed including in the area of property tax, Mobile Transmission tax.
3. ~~The book is not prepared.~~

अनुमोदित
14/12/16
कार्यपालक प्रबन्धिका
नगर पंचायत, ठाकुरगंज



6. Acknowledgment

We thank Mr. Sri **Ratindra kr. Tripathi** (Executive Officer), for his support during the period of our audit. We are also thankful to Mr. Rambaran 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 : Dec 30,2016

For Manmohan Singh & Co..
Chartered Accountants
FRN.- 000107N



CA. J.P. Sharma
(Partner)
M.N.- 402655

Main Audit Report

1. Introduction

The Internal audit of Nagar Panchayat Thakurganj covering period from 1st April 2015 to 31st March, 2016 was conducted by following persons under guidance of CA J. P. Sharma-

- i. Vivek kumar
- ii. Prashant kumar

2. Administration

The present body of the ULB is functioning since July 2002. The incumbency in the key administrative and executive position was as under:

- 1. Smt. **Beby Devi**, Mayor / Chairman from 09.06.2012 till date.
- 2. Sri **Ratindra Kumar Tripathi**, 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	Total No. of Audit	Total No. of audit paras where necessary	Total No. of audit paras	Total No. of audit paras	Total amount of Recovery	Total No. of outstanding paras	No. & date of Compliance report
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report	Paras.	improvement/ corrective measure is required	where recovery of cash is proposed	where recovery has been made		where no action has been taken	
1 AG AUDIT	15	10	06	00	00	07	28/05/2016

Particulars of some outstanding para's has been given below:-

Para	Particulars
1	Revenue collected by tax collector are not being deposited to the Nagar Panchayat of Rs.2495802.00
2	Poor implementation of the scheme titled integrated housing and slum development programme of Rs.2537.36 lakh.
4	Outstanding shop rent of Rs.1612087.00
5	Non collection of holding tax / property tax of Rs.12.14 lakh.
6	Non collection of registration and renewal fee of mobile tower of Rs.1.86 lac
8	Expenditure on doubtful vouchers in scheme and other irregularities of Rs.1.67 lac
9	Expenditure on doubtful vouchers in scheme of Rs. 87596.00
12	Non implementation of Bihar municipal accounting rule 2014.

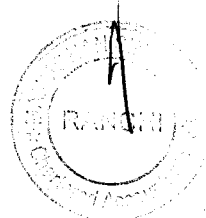
4. Finance

I. Budgetary provisions and expenditure for the last three years

Year	2015-16	2014-15	2013-14
Final/ Revised Budget	6,49,47,953.00	Not Prepared	Not Prepared
Actual Expenditure	5,27,27,920.00	1,03,35,655.00	1,51,11,966.00
Savings (+)/ Excess (-)	1,22,20,033.00	Indeterminable	Indeterminable

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)



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Opening Balance	3,03,69,523.00	2,81,28,941.00	2,81,28,941.00	3,03,69,523.00	3,03,69,523.00
Receipts	27,67,47,400.00	1,25,76,237.00	1,25,76,237.00	3,74,97,242.00	3,74,97,242.00
TOTAL	30,71,16,923.00	4,07,05,178.00	4,07,05,178.00	6,78,66,765.00	6,78,66,765.00
Net Expenditure	4,47,63,000.00	1,03,35,655.00	1,03,35,655.00	5,27,27,920.00	5,27,27,920.00
Closing Balance	26,23,53,923.00	3,03,69,523.00	3,03,69,523.00	1,51,38,845.00	1,51,38,845.00

III. Bank Reconciliation

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

Sl. No	Name of Bank	Account No.	Balance as on 31.03.2016	Name of Scheme
1	State Bank of India	32696054343	77,41,866.00	4th Finance
2	State Bank of India	30451393210	7,29,270.00	BRGF (General Fund)
3	State Bank of India	11715399580	57,42,776.00	Own Sources
4	State Bank of India	32696053350	54,22,051.00	13th finance
5	State Bank of India	3262705142	2,31,383.00	BRGF -SC
6	State Bank of India	3262709408	1,81,105.00	BRGF-ST
7	State Bank of India	33681438749		IHSDP House Construction
8	State Bank of India	33681439594	25,18,969.00	IHSDP Basic Infrastructure
9	State Bank of India	P/L 174	3,57,81,437.00	Treasury P/L
10	State Bank of India	xxxx763121	21,30,544.00	Swaksh bhara mission
	Total of Bank Book		10,67,83,074.00	
	Total as per Cash Book		10,97,01,565.00	
	Difference		29,18,491.00	



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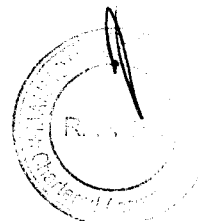
Bank Reconciliation Statements have not been prepared by the Nagar Panchayat. There is a difference of Rs. 29,18,491.00 between Cash Book and Consolidated Balance as per Pass Book of all accounts and Treasury PL Account.

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

Note:- the nagar Panchayat does not properly matched the cash book and pass book balance, details of expenditure were not booked on P/L cashbook. Only cheque register was maintained , causing very difficult to verify the expenses.

IV. Revenue Receipts

Period	Budgeted (2015-16)	Previous year (2014-15)	Corresponding period of previous year (2014-15)	Current Period (2015-16)	Cumulative for the current Period (2015-16)
a) Own Source					
Property Tax	13,20,000.00	5,74,652.00	5,74,652.00	3,17,262.00	3,17,262.00
Assigned revenue	20,00,000.00	3,68,166.00	3,68,166.00	14,21,840.00	14,21,840.00
Others (Fees & User Charges)	29,42,900.00	17,94,364.00	17,94,364.00	7,35,779.00	7,35,779.00
(b) Administrative Grant	0.00	0.00	0.00	0.00	0.00
(c) Specific Grant (Scheme wise)	0.00	0.00	0.00	0.00	0.00
4th Finance	0.00	78,54,097.00	78,54,097.00	2,40,000.00	2,40,000.00
13th Finance	0.00	18,91,325.00	18,91,325.00	36,06,000.00	36,06,000.00
BRGF General	0.00	42,384.00	42,384.00	7,16,209.00	7,16,209.00
BRGF SC	0.00	43,916.00	43,916.00		



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BRGF ST	0.00	7,333.00	7,333.00	1,04,128.00	1,04,128.00
Ihsdp (Awas & Infra)				62,40,570.00	62,40,570.00
Swaksh bharat mission				21,30,000.00	21,30,000.00
In P/L account				1,51,05,554.00	1,51,05,554.00
Sahayak anudan				46,19,700.00	46,19,700.00
Safai vyastha				22,60,200.00	22,60,200.00

**** The scheme wise details of specific grant has not been properly recorded in scheme register or grant register. As per accountant , some scheme wise details are recorded in P/L cash book.**

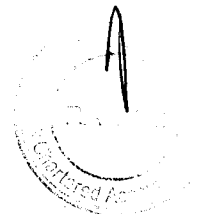
V. Status of Implementation of Double Entry Accounting System

Till date Double Entry Accounting System is not in operation in the Nagar Panchayat.

Appointment of Chartered Accountant firms for implementation of Double Entry Accounting System in the Nagar Panchayat is not in operation & no Chartered Accountant firm has been appointed by the UD & HD till financial year 2015-16.

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 N.P. till the date of our audit.



5. Audit Observations

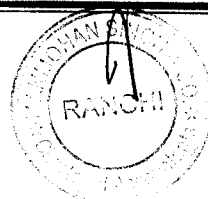
PART-A

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

- a) We observed that only property tax, Tower tax has been collected during the year, other taxes have not been levied till date.
New Assessment has not been done since 1974-75 and holding tax is being collected at old rates. The processes of self assessment of property are in progress but the progress is very slow.
- b) Tower tax has not been collected properly (**Annexure Attached**).
- c) We did not observe any excess payment against bill, lack of prudence against vouchers etc.
- d) Field survey of high value properties list has been provided below but collection has been made as per old rates.-:

List of High Value Property Tax Collections

Sl No	Name	Father/ Husband Name	Holding No	Holding Tax/quarter	Year (2015-16) Demand	Year (2015-16) Collect
1	Manoj kr Agarwal	Dwarika Pd Agarwal	01/1	277.50	1110.00	1110.00
2	Gautam w Subhas Lahidi	Sudhir kr Lahidi	27	572.00	572.00	2288.00
3	Rasosi Lahidi	Sukumar Lahidi	28	200.00	800.00	800.00
4	Dhuru Hari & Pradeep Sahu	Jagdish Sahu	37	200.00	800.00	800.00
5	Suresh, Nandlal, Anand,	Rajendra Thakur	43/1	250.00	1000.00	1000.00
6	Ravi Ghosh	Harekrishna Ghosh	43/2	250.00	1000.00	1000.00
7	Shiv Shankar Goswami	Jay kishan Goswami	46	240.00	960.00	960.00
8	Saty Narayan &	Firangi Saha	47	250.00	1000.00	1000.00
9	Giyani Devi	L/o Panna Lal Sahu	49	247.00	988.00	-
10	Indradev Saha	Sone Lal Saha	50	250.00	1000.00	1000.00
11	Shrimati Damodar Devi	Rameshwar Lal Agarwal	01	375.00	1500.00	1500.00



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12	Mohani Devi More	Lvo Panna Lal More	03	375.00	1500.00	1500.00
13	Vargi, Mamta, & Premlata	Mamik, Nagraj & Yuvraj	04	500.00	2000.00	2000.00
14	Sawar Mal Prajapati	Bhawar Mal Prajapati	09	250.00	1000.00	1000.00
15	Bhaiwa Nand Sharma	Jagdish Saha	21	5000.00	20000.00	-
16	Bhawar Lal Sharma	Radha Kishan & Sohan	30	570.00	2280.00	2280.00
17	Mahabir & Padam Lal Jain	Kanhaiya Lal Jain	39	1250.00	5000.00	-
18	Dhanshukh Ray Varmaya	Gurmhukh Ray Varmaya	40	500.00	2000.00	2000.00
19	Shri Omkar & Shyam PD	Mirjamal Agarwal	88	750.00	3000.00	3000.00
20	Vijay kr gupta	Ramashish Saha	159/1	500.00	2000.00	2000.00
21	Balbhadra , Nityanand	Murlidhar Sharma	129	250.00	1000.00	1000.00
22	Balbhadra Sharma	Murlidhar Sharma	130	375.00	1500.00	-
23	Bhagwan Das	Vanwari Lal Das	136/1	250.00	1000.00	-
24	Kajir Sarkar	Dr. Suvart Sarkar	137	375.00	1500.00	1500.00
25	Nagaar Ma! Agarwal	Shiv Narayan Agarwal	146	500.00	2000.00	2000.00
26	Vikash kr Jain	Giyanchand Jain	144/1	250.00	1000.00	1000.00
27	Shanti Lal Jain	Sarakchand Jain	147	250.00	1000.00	-

