

# INTERNAL AUDIT REPORT OF NAGAR PANCHAYAT- ARERAJ (EAST CHAMPARAN)

For the period from 01.04.2014 to 31.03.2015



Internal Audit Conducted by:

**GKSureka & Co.**  
Chartered Accountants

2<sup>nd</sup> Floor, Nathani Market, Sutapatty,

Muzaffarpur-842001 (Bihar).

Telefax: +91-621-2246018, Mobile: 9835290195

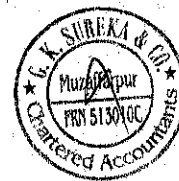
E-Mail- [mfp@gksureka.com](mailto:mfp@gksureka.com)

**Audited conducted From: April 22, 2016 to April 23, 2016**

**Report Issued on: May 02, 2016**

**NAGAR PANCHAYAT – ARERAJ (EAST CHAMPARAN)****INTERNAL AUDIT REPORT OF F.Y.2014-15****INDEX**

Section	Contents	Page No.	
		From	To
A	Audit Methodology and Approach	3	4
B	Executive Summary	5	9
C	Detailed Audit report	10	14
D	Audit Observations – Part-A	15	15
E	Audit Observations – Part-B	16	19
F	Audit Observations – Part-C	20	23
G	Annexure	24	25



## Internal Audit Report of Financial year 2014- 2015

### Section A: Audit Methodology and Approach

#### Audit Methodology

We have conducted the internal audit of Nagar Panchayat – Areraj (East Champaran), for the year ending on 31<sup>st</sup> March , 2015 (as per TOR). We familiarized ourselves with N.P. documents, 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 N.P. in order to plan and perform our audit.

We reviewed transaction from April 01, 2014 to March 31, 2015. Our objective was to check all transactions and to design procedures to detect omissions. We also applied procedures to assess the adequacy of the N.P. 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:

- Subsidiary Cash Book for the period from 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015 maintained manually in the N.P. ;
- Vouchers (Cash, Bank, Journal etc)along with supporting documents;
- Receipt Books
- Other necessary records and registers

The major observations, in respect of the N.P. have been discussed with the Executive Officer & Accountant of the N.P.

#### Audit Approach

Our approach to the internal audit started with an overview of activities through a study and documentation of the existing systems and procedures. We then identified, evaluated and tested the adequacy, efficiency and effectiveness of internal controls including standard policies and procedures laid down by the management (where applicable), 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.

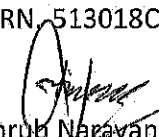
Apart from the test of controls and samples we also carried out various types of analytical reviews to understand as well as highlight unusual or significant trends in the income & Expenditure.



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 : Muzaffarpur  
Date : May 02, 2016

For G.K.Sureka & Co.  
Chartered Accountants  
FRN- 513018C

  
(CA. Dhruv Narayan)  
Partner  
M.N.- 501415



## Executive Summary

## 1. Introduction

Name of the Municipality	N.P. Areraj (East Champaran)
Period Covered under Current Audit	01.04.2014 to 31.03.2015
Name of the Chief Municipal Officer for the period under Audit	Sh. Shiv Nath Thakur

## 2. Results and Findings

Strength observed during the audit engagement	<ul style="list-style-type: none"> <li>➤ Subsidiary Cash Book has been written</li> <li>➤ Staff Cooperation during the Audit period was very good.</li> </ul>
Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement.	<ul style="list-style-type: none"> <li>➤ As per Section 82 to Section 85 of the Bihar Municipal Act, 2007 budgets are required to be prepared and approved from the board on annual basis but we observed that budgets have not been prepared during the financial year 2013-13 , 2013-14 &amp; 2014-15.</li> <li>➤ General Cash Book has not been prepared</li> <li>➤ There are lack of internal control w,r,t collection of taxes.</li> <li>➤ Demand collection Register has not been prepared hence it is not possible to ascertain total arrear of taxes</li> <li>➤ Holding tax is not being collected till date.</li> <li>➤ Amount collected by tax collector are not deposited on daily basis we observed significant delay in collection and deposit of taxes/ other revenue which is not proper. As per Rule 27 of BMAR it should be deposited on daily basis otherwise a penalty up to Rs. 5000/- may be imposed for delayed deposit.</li> </ul>



- Tower tax dues are not collected on time basis.
- Tender of Ghat, Crematorium, Gate, Palm trees and lands are not done on yearly basis.
- 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 fraud, if any.
- Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.
- 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. 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.

We observed that Income tax deducted during the F.Y. 2010-11 to 2014-15 has been deposited on 11.03.2016. VAT for the F.Y. 2009-10 to 2014-15 amounting to Rs. 12,32,372 has been deposited on 30.03.2015.

Acknowledgement of E-filing of TDS return was not made available to us.

Royalty and Labour Cess has not been deposited till the date of our audit.



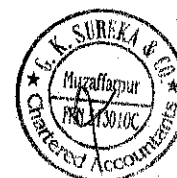
## 3. Opinion

<p><b>Overall opinion of the Audit team about the functioning of the Municipality</b></p>	<p>The functioning of the Municipality is very weak due to following reasons:</p> <ul style="list-style-type: none"><li>• Most of the prescribed Books of accounts including General Cash Book are not maintained</li><li>• Budgets have not been prepared and approved by the board during the F.Y. 2012-13, 2013-14 &amp; 2014-15.</li><li>• Internal Control w.r.t. collection of taxes, monitoring of grant, monitoring of advances, monitoring of schemes etc. is very poor.</li><li>• Collection from own sources is very poor.</li><li>• Holding tax has not been collected at all.</li><li>• Grant received for various purposes are not utilized on timely basis.</li><li>• There are serious lapses in deduction and deposit of statutory dues such as TDS, VAT, Royalty, Labour cess etc.</li><li>• Collection of Holding tax has should be started immediately.</li><li>• Advertisement Tax is not being levied by the N.P as a result there is a loss to the N.P of advertisement tax amount. It is suggested to start levy of Advertisement tax.</li></ul>
---	--



## 4. Audit Recommendations

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





**5. Comments from Management**

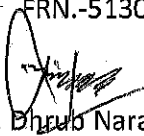
<b>Comment from Management</b>	The audit report has been discussed with us; we will try our best to remove the irregularities pointed out in the audit report.  For Nagar Panchayat Areraj (Executive Officer)
--------------------------------	--

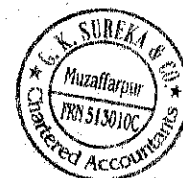
**6. Acknowledgment**

We thank Mr. Shiv Nath Thakur (Executive Officer), for his support during the period of our audit. We are also thankful to Accountant, Tax Daroga and support staffs of the municipality for their cooperation extended to us during the period of our audit.

Place : Muzaffarpur  
Date : May 02,2016

For G.K.Sureka & Co.  
Chartered Accountants  
FRN.-513018C

  
(CA. Dhruv Narayan)  
Partner  
M.N.- 501415



**Detailed Audit Report****1. Introduction**

The Internal audit of N.P.- Areraj (East Champaran) covering period from 1<sup>st</sup> April 2014 to 31<sup>st</sup> March, 2015 was conducted by following persons under guidance of CA. Dhrub Narayan

- i. Shri Dev Narayan
- ii. Avinash Kumar
- iii. Purushottam Kumar

**2. Administration**

The present body of the ULB has taken charge on 9<sup>th</sup> September, 2014. The incumbency in the key administrative and executive position was as under:

Smt. Purnima Devi, Chairman from 09.06.2012 to till date, Shri Shiv Nath Thakur, Executive officer from 08.09.2015 to 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.	Audit report No. /15-16 dated 17.032016	28	22	4	0	0	15	Details not provided to us.

**Major irregularities pointed out in the AG audit reports which have not been complied with areas under:**

1. Budget has not been prepared for the F.Y.2012-13, 2013-14 & 2014-15
2. Tower Tax dues of Rs. 5,68,000 has not been collected.
3. Grant Register has not been prepared



4. Advance Register has not been prepared consequently it is not clear whether advances given to staff during the financial year 2012-13 to 2014-15 amounting to Rs. 1,75,16,351 has been adjusted or not.
5. Stamp duty amounting to Rs. 91,883 has not been deducted at the time of arrangement of Sarait.
6. No deduction has been made from the payment of contractors for delayed completion of work
7. Bank Reconciliation Statement has not been prepared
8. General Cash Book has not been prepared
9. Scheme-wise bank accounts has not been kept
10. Property tax register has not been prepared consequently holding tax is not being collected till date.

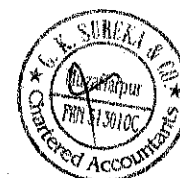
#### 4. Finance

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

Year	2012-13	2013-14	2014-15
Final/ Revised Budget	Budget not prepared	Budget not prepared	Budget not prepared
Actual Expenditure	1,86,56,943	2,07,52,513	3,92,88,187.50
Savings (+)/ Excess (-)	NA	NA	NA

##### II. Volume of transactions

Period	Budgeted	Previous year (For One year)	Corresponding period of previous year	Current Period	Cumulative for the current period
Opening Balance	NA	39580161.56	3,95,80,161.56	3,95,80,161.56	3,95,80,161.56
Receipts	NA	3,64,53,742	3,64,53,742	4,35,32,467	4,35,32,467
TOTAL	NA	6,03,32,764.56	6,03,32,764.56	8,31,12,628.56	8,31,12,628.56
Net Expenditure	NA	2,07,52,513	2,07,52,513	3,92,88,187.50	3,92,88,187.50
Closing Balance	NA	3,95,80,161.56	3,95,80,161.56	4,38,24,441.56	4,38,24,441.56



**III. Bank Reconciliation**

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

Sl.No	Name of Bank	Account No.	Balance as on 31.03.2015	Name of Scheme	Reconciliation position
1	C.B.I	2238383632	4968198	Various schemes	Un-reconciled
2	S.B.I	11701004361	681687.06	Various schemes	Un-reconciled
3	P.N.B	1695002100002541	675.00	Various schemes	Un-reconciled
4	P.N.B	1695002100002523	817212.00	Various schemes	Un-reconciled
5	P.N.B.	1695002100002532	1021654	Various schemes	Un-reconciled
6	PLA		41431793	Various schemes	Un-reconciled
7	UBGB	1002091010007512	1343959	Various schemes	Un-reconciled
8	Union Bank of India	572302010007975	791243		
	<b>TOTAL</b>		<b>5,02,65,178.06</b>		
	<b>Total as per C.B</b>		<b>4,38,24,441.06</b>		
	<b>Difference</b>		<b>64,40,737</b>		

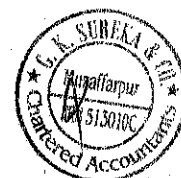
Bank Reconciliation Statements have not been prepared by the N.P. There is a difference of Rs. 64,40,737 between Cash Book and consolidated balance as per pass book of all accounts.

The N.P. is suggested to reconcile the above mentioned differences immediately and prepare B.R.S on monthly basis.

9

## IV. Revenue Receipts

Period	Budgeted	Previous year (For One year)	Corresponding period of previous year	Current Period	Cumulative for the current period
a) Own Source					
Property Tax	NA			0	0
Assigned revenue	NA	389282	389282	489829	489829
Others (Fees & User Charges)	NA	815200	815200	28560	28560
(b) Administrative Grant	NA				
© Specific Grant (Scheme wise)					
Grant for Construction of Road	NA			6976700	6976700
Grant for Construction of Drain	NA				
13th Finance Commission Grant	NA			1226139	1226139
4th Finance Commission Grant	NA	7990929	7990929	9782310	9782310
Grant for Water Supply	NA				
BRGF	NA	1639860	1639860	120000	120000
SJSRY	NA			1062523	1062523
Grant for construction of Building	NA	3773500	3773500	4676000	4676000
Kabir Anthesthi Yojna	NA	462000	462000		
Parivahan Grant	NA				
Grant for salary of City Manager	NA				
Grant for Sal & Allow. Of CWC & VCWC	NA	67200	67200	1165911	1165911
M.M.K.V.Y	NA			745000	745000
Grant for Construction of Toilet	NA				



M.M.N.V.Y	NA	913346	913346		
Grant for Steet Light	NA				
Grant for SECC	NA	100600	100600	5000	5000
Grant for census	NA	40250	40250		
Grant for pension	NA	3334000	3334000	12029800	12029800
Grant for Const. of Bus Stand	NA	16000000	16000000		
Bihar Handicap pension Scheme	NA				
State Social security Pension Scheme	NA				
Laxmibai Social Security Pension	NA				
Grant for E- Governance	NA			330000	330000

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

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

Appointment of Chartered Accountant firms for implementation of Double Entry Accounting System in the Nagar Panchayat is in process but till date no C.A. firm 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 N.P. till the date of our audit.



## 5. Audit Observations

## I. 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>	<p>Tower tax dues of Rs. 8,96,000 has not been collected (Details of Tower Tax dues is annexed in Annexure)</p> <p>Late fine of Rs. 3.87 lacs has not been imposed on contractor for delayed completion of work.</p> <p>(Details of imposable late fine is enclosed in annexure)</p>
<p>b. Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs</p>	<p>We did not observe any excess payment against bill, lack of prudence against vouchers etc.</p>
<p>c. Report on findings of field survey of Property Tax of minimum 80 high value properties for the year</p>	<p>Field survey of 80 high value properties could not be completed as neither property tax register nor demand collection Register has been prepared till date. As no data of holding is available, it is not possible to conduct field survey of property.</p>



**PART-B**

All audit objections/ irregularities which have no monetary implication, but significant violation of Act, Rules & directives of UD & HD. Mention the reference Act & Rules wherein remedial measures is required. In this part auditor should report in respect of –

<p>a. Non- maintenance of books of accounts , subsidiary registers</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"> <li>1. Cash Book (Form Gen-IA)</li> <li>2. Bank Book (Form Gen-IB)</li> <li>3. Journal Book (Form Gen-2)</li> <li>4. Ledger (Form Gen-3)</li> </ol> <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"> <li>1 Receipt GEN-8</li> <li>2 Receipt Register GEN-9</li> <li>3 Statement on Status of Cheques Received GEN-10</li> <li>4 Collection Register GEN-11</li> <li>5 Memorandum of Collection GEN-12</li> <li>6 Summary of Daily Collection GEN-13</li> <li>7 Register of Bills for Payment GEN-14</li> <li>8 Payment Order GEN-15</li> <li>9 Cheque Issue Register GEN-16</li> <li>10 Register of Advance GEN-17</li> <li>11 Register of Permanent Advance GEN-18</li> <li>12 Deposit Register GEN-19</li> <li>13 Summary Statement of Deposits Adjusted GEN-20</li> <li>14 Demand Register GEN-21</li> <li>15 Bill for Municipal Dues GEN-22</li> <li>16 Summary Statement of Bills Raised GEN-23</li> <li>17 Register of Notice Fee, Warrant Fee, Other Fees GEN-24</li> <li>18 Summary Statement of Notice Fee, Warrant Fee, Other Fees GEN-25</li> <li>19 Register of Refunds, Remissions and Write-offs GEN-26</li> <li>20 Summary Statement of Refunds and Remissions GEN-27</li> <li>21 Summary Statement of Write-Offs GEN-28</li> <li>22 Statement of Outstanding Liability for Expenses GEN-29</li> <li>23 Documents Control Register/Stock Account of Receipt/Cheque Book GEN-30</li> </ol>
--	--

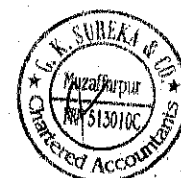




	<p>24 Register of Immovable Property GEN-31  25 Register of Movable Property GEN-32  26 Register of Land GEN-33  27 Function-wise Income Subsidiary Ledger GEN-34  28 Function-wise Expense Subsidiary Ledger GEN-35  29 Asset Replacement Register GEN-36  30 Register of Public Lighting System GEN-37</p> <p><i>The N.P. is maintaining only Cash Book/ Bank Book Journal Book and Ledger are not maintained.</i></p>
b. Irregularity in procurement process	No major irregularity observed
c. Non-compliance of directives by UD & HD, GOB	<p>We observed several non compliances of directives of UD &amp; HD, GOB such as :</p> <ol style="list-style-type: none"> <li>i. non collection of various taxes required to be collected</li> <li>ii. Non maintenance of prescribed books of accounts</li> <li>iii. Non submission of UC and other reports on timely basis etc.</li> </ol>
d. Non Compliance of Act & Rules	<p>As per Section 127 of the Bihar Municipal Act , the Municipality can levy the following taxes:-</p> <ol style="list-style-type: none"> <li>(a) property tax on lands and buildings.</li> <li>(b) surcharge on transfer of lands and buildings,</li> <li>(c) tax on deficit in parking spaces in any non-residential building,</li> <li>(d) water tax,</li> <li>(e) fire tax,</li> <li>(f) tax on advertisements, other than advertisements published in newspapers,</li> <li>(g) surcharge on entertainment tax</li> <li>(h) surcharge on electricity consumption within the municipal area,</li> <li>(i) tax on congregations,</li> <li>(j) tax on pilgrims and tourists, and</li> <li>(k) toll –</li> <li>(i) on roads, bridges, ferries and navigable channel and</li> <li>(ii) on heavy trucks which shall be heavy goods vehicles, and buses, which shall be heavy passenger motor vehicles, within the meaning of the Motor Vehicles Act, 1988, plying on a public street.</li> <li>(l) Tax on profession</li> </ol> <p>We observed that no property tax has been levied till date.</p> <p><b>Only Trade license fee, Water tanker charges, Sauction</b></p>



	machine chares etc. are being received in the N.P and all other taxes are not being levied.
e. Lack of internal Control measures	<ul style="list-style-type: none"> <li>➤ There are lack of internal control w.r.t collection of taxes.</li> <li>➤ Demand collection Register has not been prepared hence it is not possible to ascertain total arrear of taxes</li> <li>➤ Taxes/user charges collected by tax collector are on deposited on daily basis we observed that it is being deposited after significant interval which is not proper. As per Rule 27 of BMAR it should be deposited on daily basis otherwise a penalty up to Rs. 5000/- may be imposed for delayed deposit.</li> <li>➤ Tower tax dues are not collected on time basis.</li> <li>➤ Tender of Ghat, Crematorium, Gate, Palm trees and lands are not done on yearly basis.</li> <li>➤ Grant Register is not being maintained hence it is difficult to find unutilized grant at any point of time.</li> <li>➤ Bank Reconciliation Statement is not prepared hence it is difficult to monitor possible fraud, if any.</li> <li>➤ Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.</li> <li>➤ 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. 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.</li> </ul>
f. Non-compliance of TDS, VAT and other relevant Statute	Tax deducted at source of Income Tax, VAY & Royalty are deposited on yearly basis which is not proper it should be deposited within the due date prescribed under the respective statute. We observed that Income Tax, VAT, Royalty & labour cess for whole financial year has been deposited in the month of



	March 2015. 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
g. Deficiency in Pay-roll System	The pay-roll system does not contain leave details of employee. PF contribution and pension fund contribution of employees are deducted but municipal contribution is not being paid. PF account has not been opened with PF department all the deductions of PF contribution and pension fund contribution are being deposited in a separate account opened by the municipality.
h. Utilization of Grant and report on missing Utilization Certificates	Grant Register has not been prepared hence it is difficult to ascertain unutilized grant at any particular time. Details of UC sent to the Govt. are annexed in Annexure.
i. Physical verification of inventory/Stores	Store Register has not been prepared and physical verification of inventory/stores has also not been done.
j. Advances, their adjustment & recovery	Advance Register has not been prepared hence it is very difficult to monitor advances, their recovery and adjustment.
k. Any other matters as may be prescribed in due course.	Staff Strength needs to be increased.



## PART- C

**General Observations: Auditor should report the deficiencies noticed during their audit and recommend ULB Management to improve internal systems.**

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 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.



<p>In respect of contracts that are in existence during the year, whether there are any deviations from the sanctioned plans and the estimates without the sanction of the competent authority;</p>	<p>We did not notice any major deviation.</p>
<p>Whether the ULB is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets; whether these fixed assets have been physically verified at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same has been properly dealt with in the books of account;</p>	<p>No, record of fixed assets has not been maintained by the ULB. Physical verification of fixed assets has not been done during the financial year under audit.</p>
<p>Whether in case of leasehold property given by the ULB, lease rentals are collected regularly by the ULB and that the lease agreements are renewed after their expiry;</p>	<p>As explained to us no property of the ULB has been given on lease.</p>
<p>Whether physical verification has been conducted by the ULB at reasonable intervals in respect of stores;</p>	<p>No, physical verification of stores has been conducted by the ULB at reasonable intervals.</p>
<p>Whether the procedures of physical verification of stores followed by the ULB are reasonable and adequate? If not, the inadequacies in such procedures should be reported;</p>	<p>No</p>
<p>Whether any material discrepancies have been noticed on physical verification of stores as compared to book records, and if so, whether the same has been properly dealt with in the books of account;</p>	<p>No physical verification done.</p>
<p>Whether proper procedures are in place to identify any unserviceable or damaged stores and whether provision for the loss in this respect, if any, has been made in the accounts;</p>	<p>No there is no procedures are in place to identify any unserviceable or damaged stores</p>
<p>Whether the valuation of stores is in accordance with the accounting principles laid down in the rules? Whether the basis of valuation of stores is same as in the preceding year? If there is any deviation in the basis of valuation, the effect of such deviation, if material, should be reported;</p>	<p>No valuation of stores has been done.</p>



Whether the parties to whom loans or advances have been given by the ULB are repaying the principal amounts as stipulated and are also regular in payment of the interest and if not, whether reasonable steps have been taken by the municipality for recovery of the principal and interest?	There is no case of loans and advances other than advance to staff for expenditure.
Whether advances given to municipal employees and interest thereon are being regularly recovered;	Advance Register has not been maintained so we are unable to verify whether it is being recovered regularly or not.
Whether there exists an adequate internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets?	No there does not exist any internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets
Whether applicable procurement rules and procedures are being followed and if so, significant deviations should be identified and reported.	No significant deviation observed.
Whether the municipality is regular in depositing statutory dues including tax deducted at source, service tax, VAT, works contract tax, cess payable to the government etc., and if not, the nature and cause of such delay and the amount not deposited;	No, the municipality is not regular in depositing statutory dues including tax deducted at source, service tax, VAT, works contract tax, cess payable to the government etc. We observed that all such taxes deducted during the financial year has been deposited in the month of March 2015 only.
Whether the municipality is regular in remittance of pension and leave encashment contributions or any other amounts which the municipality is liable to remit towards the retirement dues of its employees, including employees on deputation;	The municipality is not giving any contribution to P.F or pension Fund employee contribution to P.F and pension fund is being deducted from the salary of the employee and are being deposited in a separate bank account opened for the purpose.
Whether any personal expenses have been charged to the municipality' s accounts; if so, the details thereof;	We did not notice any such expenses.
Whether all the expenditure incurred by the Municipality are authorized by appropriate provision in the sanctioned budget, whether made originally or subsequently and are in all cases such as are authorized by law;	Yes, we observed that all the expenditure incurred by the Municipality are authorized by appropriate provision in the sanctioned budget



Whether all revenue has been properly assessed, accounted for, collected and recovery action taken on timely basis;	No all revenues have not been properly assessed, accounted for and collected. Recovery action is also not taken on timely basis
Whether all sums due to and received by the Municipality have been brought to account within the prescribed time limits and are in all cases such as are authorized by law;	No, taxes collected by the tax collector are not deposited on daily basis. We observed that it is being deposited at interval of 2-3 months.
Whether in respect of all bills for charges on account of all works and other expenditure, proper certificates have been furnished in support of them and that no deviation has been made for the sanctioned plans and the estimates without the sanction of the competent authority;	Yes , we observed that all bills for charges on account of all works and other expenditure, proper certificates have been furnished in support of them and that no deviation has been made for the sanctioned plans and the estimates without the sanction of the competent authority
Whether the amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order;	Yes, we observed that amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order
Whether bio-metric devices and payroll software are used at the ULB. If not whether there is satisfactory system of pay-roll accounting; otherwise mention the key deficiencies of the system.	No, bio-metric devices and payroll software are not used at the ULB. Pay roll system of the municipality is deficient as it does not contain lare records, details of deductions made etc.
Whether the grievance redressal mechanism for the ULB is sufficient.	No, we did not observe any grievance redressal cell functioning at the ULB.

Place : Muzaffarpur  
Date : May 02,2016

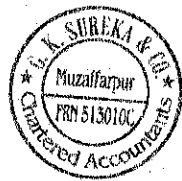
For G.K.Sureka & Co.  
Chartered Accountants

ERN.-513018C

(CA. Dhrub Narayan)

Partner

M.N.- 501415



## Details of Tower Tax Dues as on 31.03.2015

Sl. No.	ISP Name	No. of Tower	Establishment year	Location of Tower	Registration Charges	Rent dues	Total Amount Dues
1	2	3	4	5	6	7	8
01.	BSNL	01	1997	Ward No. 04	30,000	1,44,000	1,74,000
02.	Aircel	01	2008	Ward No. 04	30,000	56,000	86,000
03.	Reliance	01	2003	Ward No. 05	30,000	96,000	1,26,000
04.	Idea	01	2006	Ward No. 04	30,000	72,000	1,02,000
05.	TATA Indicom	01	2006	Ward No. 03	30,000	72,000	1,02,000
06.	Vodafon	01	2013	Ward No. 09	30,000	16,000	46,000
07	Airtel	01	1997	Ward No. 13	30,000	1,44,000	1,74,000
		01	2008	Ward No. 05	30,000	56,000	86,000
				<b>TOTAL</b>	<b>2,40,000.00</b>	<b>6,56,000</b>	<b>8,96,000</b>

## Details of Late fine not imposed on Contractors after delayed completion of tender works:

Sl. No	Plan No./Name/Year	Name of Contractor	Estimated Amount (Rs.)	Date of work order	Date of completion of work	Contract Date of Completion of work	Late (Days)	Recoverable Amount from Contractor
1	2	3	4	5	6	7	8=6-7	9=4x10%
01.	Installation of Hand Pump, 15 F2/2013-14	Lucky Shivastava	8,60,900.00	29/06/2013	28/10/2013	01/06/2014	108	86,090.00
02.	3/2 seat of Toilet Construction, 16 F2/2013-14	Lucky Shrivastava	5,26,400.00	16/08/2013	15/11/2013	14/06/2014	211	52,640.00
03.	No. 3 New Hand pump installation in every ward, 01 F2/2012-13	Shri Krishna Prasad	8,89,280.00	23/01/2013	22/02/2013	10/07/2013	140	88,928.00
04.	Construction of Drain, 03 F2/2012-13	Lucky Shrivastva	5,60,000.00	26/03/2013	25/06/2013	17/04/2014	286	56,000.00
05.	70 Hand Pump Installation, 02 F2/2012-13	Lucky Shrivastva	13,79,100.00	26/03/2013	25/06/2013	10/07/2013	15	1,03,433.00
Grand Total			(Amount Recoverable from Contractor)	Rs.				<b>3,87,091.00</b>





## Statement of Utilization certificate Sent by N.P.Areraj during the F.Y.2014-15

Sl. No.	UC Lt. No & Date	Plan/Fund Name	Allotment Amount	Amount of UC Sent
1	2	4	6	7
01.	98/09.01.2015	E-governance	1,50,000.00	1,50,000.00
02.	114/14.02.2015	E-Governance	1,80,000.00	1,80,000.00
03.	16/17.07.2015	Public Convenience	25,39,200.00	25,39,200.00
04.	129/20.03.2015	4 <sup>th</sup> State Finance Commission 1 <sup>st</sup> Allot.	24,50,773.00	24,50,773.00
05.	-do-	-do-	10,50,332.00	10,50,332.00
06.	-do-	-do-	4,09,815.00	4,09,815.00
07.	-do-	-do-	10,00,000.00	10,00,000.00
08.	153/13.03.2015	2 <sup>nd</sup> Allot.	24,23,105.00	24,23,105.00
09.	-do-	-do-	10,38,470.00	10,38,470.00
10.	-do-	-do-	4,09,815.00	4,09,815.00
11.	-do-	-do-	10,00,000.00	10,00,000.00
		<b>TOTAL</b>	<b>1,26,51,510</b>	<b>1,26,51,510</b>

