

INTERNAL AUDIT REPORT

OF

**SUPPORT PROGRAMME FOR
URBAN REFORMS IN BIHAR
(SPUR)**

ULB : ARWAL

FOR THE PERIOD

(01-04-2014 TO 31-03-2015)

Audited By :

U. S. Prasad & Co.
Chartered Accountants

4th Floor, 34, Kavi Raman Path,
Nageshwar Colony, Boring Road,
Patna 800001

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NAGAR PARISHAD, ARWAL
INTERNAL AUDIT REPORT OF F.Y.2014-15

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Executive Summary

1. Introduction:-

Name of Municipality: - NAGAR PARISHAD, ARWAL

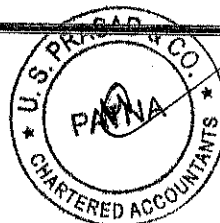
Period covered under current audit: - 01-04-2014 to 31-03-2015.

Name of the chief municipal officer for the period under audit:-Shri Ram Kumar Roy

2. Results and Findings

Strength observed during the audit engagement

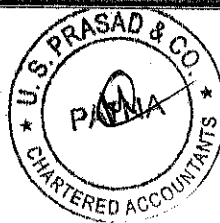
1. General Cash Book has been prepared.
2. Subsidiary Cash Book has been written.
3. All Vouchers were passed properly and signed by the authorised person.
4. All vouchers have supporting documents.
5. Office infrastructure is sufficient for operation.
6. Response from officer & Clerk are satisfactory.



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

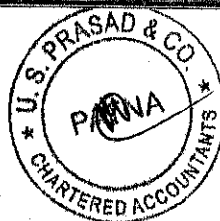
1. Fixed Assets Register is not maintained.
2. Advance Register is not maintained.
3. Stock Register is not maintained.
4. Daily collection register are maintain but separately daily collection register (Revenue receipt wise) are not maintained.
5. In some payments to contractors TDS has not been deducted and in other cases where TDS have been deducted it has not been deposited till date. Therefore TDS Return has not filled till date.
6. Property / Holding tax have not been assessed on any property by the ULB
7. Tower tax has not been collected, since the establishment of the ULB even though number of tower is 24 as on 31-03-2015. Thus total outstanding tax amount is Rs. 16, 80,000 /- For registration fee and renewal thereof.
8. Municipal Accounts Committee has not been constituted.
9. Budget has not been sanctioned by the state government.
10. Section 84 of the Bihar Municipal Act, 2007. Provides that Municipality shall submit its budget intimates for the ensuring year to the State Govt. by 15th of the March. But information furnished by the Nagar Parishad revealed that budget estimates were not passed on time by the board, which resulted into delay transmission of the same to the State Government.
11. Security Deposit, VAT, Royalty and Labour Cess have not been deducted from any payment made to contractor.
12. In BRGF, Security Deposit, VAT, Royalty has been deducted but the same could not be verified whether deposited or not due to non availability of deposit slip or challan.
13. There is lack of internal control with respect to collection of revenue covered under sairat during the FY 2014-15. For ex- Tender/Bandobasti for parking, public toilet, Mobile Tower



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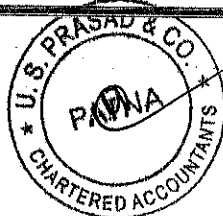
or advertisements are not being executed.

14. No Separate Grant register is being maintained; hence it is difficult to find out the amount of unutilised grant at any point of grant.
15. Log Book for Motor Vehicle and Generator have not maintained.
16. UC are not provided to us.
17. ULB has 5 Bank Account but Bank reconciliation statement has not been prepared for any bank a/c.
18. There are 10 schemes implemented in ULB but all the schemes are being operated through only 5 Bank Accounts.



3. Opinion

As referred above and detailed in the Audit Report, we are of the opinion that Core Municipal functions are performed by the ULB. So far the ULB is concerned they are not working properly, even internal control is poor. Revenue collection of the ULB is very poor it may be increased to much higher level. All cash collection from source of revenue is not deposited in the bank on same day. It is deposited in the bank after making daily expenditure. Due to lack of manpower there is delay in performing day to day work. There should be proper segregation of duties to perform day by day work in efficient manner. Bank reconciliation should be done monthly basis. We find that rules and regulation are there but ULB is not following them properly. Most of the Books of Accounts as prescribed by BMAR are not maintained by the ULB. Fee and charges for the different categories cover under Sairat have not been collected at all. There are serious lapses in deduction and deposit of statutory dues, such as VAT, Royalty, TDS, Labour Cess Etc. Separate Bank Account should be maintained for each Scheme.



4. Audit Recommendations

- i) Fixed Assets Register should be maintained.
- ii) Advance Register should be maintained.
- iii) Stock Register should be maintained.
- iv) Daily Collection Register separately for each head should be maintained.
- v) TDS deduction & deposit thereof and e filling of TDS return should be timely and proper manner.
- vi) Property / Holding tax collection and assessment should be done every year.
- vii) Tax amount should be collected from Mobile tower.
- viii) Daily collection amount should be deposited into bank account as prescribed in BMA 2007.
- ix) Municipal Accounts Committee should be appointed.
- x) Budget prepared by the ULB should be approved by the state government.
- xi) Timely passing of budget by board and onwards submission to the government.
- xii) Book of accounts are verified by EO on regular interval.

5. Comments from Management

The audit report has been discussed with us; we will try our best to remove the irregularities pointed out in the audit report.

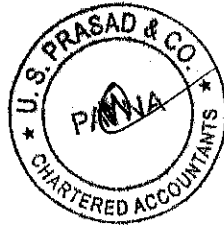
12/07/16
कार्यपालक पदाधिकारी
(Executive Officer.)
नगर परिषद, अरवल

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6. Acknowledgement

We thank Mr. Ram Kumar Roy (Executive Officer), for his support during the period of our audit. We are also thankful to accountant and other staff of the Nagar Panchayat for their co-operation during the period of audit.

Place - PATNA
Date - 12/7/16



for U. S. Prasad & Co.

Chartered Accountants

A handwritten signature in black ink, appearing to be "M. K." with a star on either side, matching the stamp.

Manoj Kumar

Partner

M. No.: 418631

Detailed Audit Report

1) Introduction

The Internal audit of **Nagar Parishad, Arwal** covering the period from **01-04-2014 to 31-03-2015** was conducted by following persons under guidance of CA Manoj Kumar

- i) Mr. Nitish Kumar
- ii) Mr. Arun Kumar

2) Administration

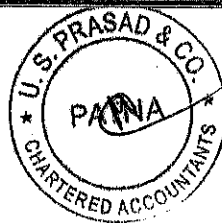
The present body of ULB has taken charge on 12-02-2015. The incumbency in the key administrative and executive positions was as under:

Shri Nityanand Singh, Mayor From 12-02-2015 to till date.

Shri Khurshid Akram, Commissioner / Executive Officer from 31-03-2014 to 28-01-2015.

Shri Nashib Lal Das, Commissioner / Executive Officer from 29-01-2015 to 31-03-2016.

Shri Ram Kumar Ray Commissioner/ Executive Officer to till date.

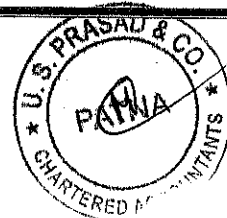


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3) Review of outstanding audit paras: Status of Audit Observations is as under:

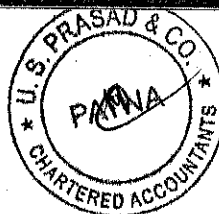
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Sl. No.	Particulars of Audit And date of report	Total No. of Audit Paras.	Total No. of Audit Paras where necessary improvement/corrective measure is required	Total No of Audit Paras where recovery of cash is proposed	Total No. of Audit Paras where 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	CAG Dt. 31-03-2015	24	24	08	Nil	Nil	24	compliance yet to be done



Deficiency Pointed Out in AG Audit Report

1. In 13th Finance:- Excess Payment of Rs. 81,000/- made in purchase of Dustbin due to wrong purchase order.
2. Rs. 6.91 Lac of SISRY has been transferred to other scheme without departmental order.
3. TDS has not been deducted from NGO on the total payment of Rs. 59,83,178/- Thus total - TDS not deducted is Rs. 1,19,863/-
4. Excess Payment of Rs. 12404/-to contractor in SISRY Scheme.
5. Work of Rs. 4, 17,738/- and Rs. 29, 58,640/- has been allotted on basis of single tender in BRGF Scheme and Fourth finance respectively.
6. Rs. 3,81,497/- short deposited on account of stamp duty of different sarait allotted to different bidders .
7. Total outstanding of Rs. 20, 44,800/- due for registration, renewal, installation on mobile tower.
8. Generator has been haired @Rs. 300/- per day and amount of Rs. 1,86,207 has been expended due to not taking Electric connection
9. Grant Received but not recorded in Grant register.
10. Interest of Rs 7.08 Lac credited in different bank account has been recorded in single cash book.
11. Property / Holding tax have not been assessed on any property by the ULB.



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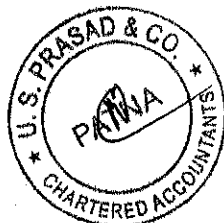
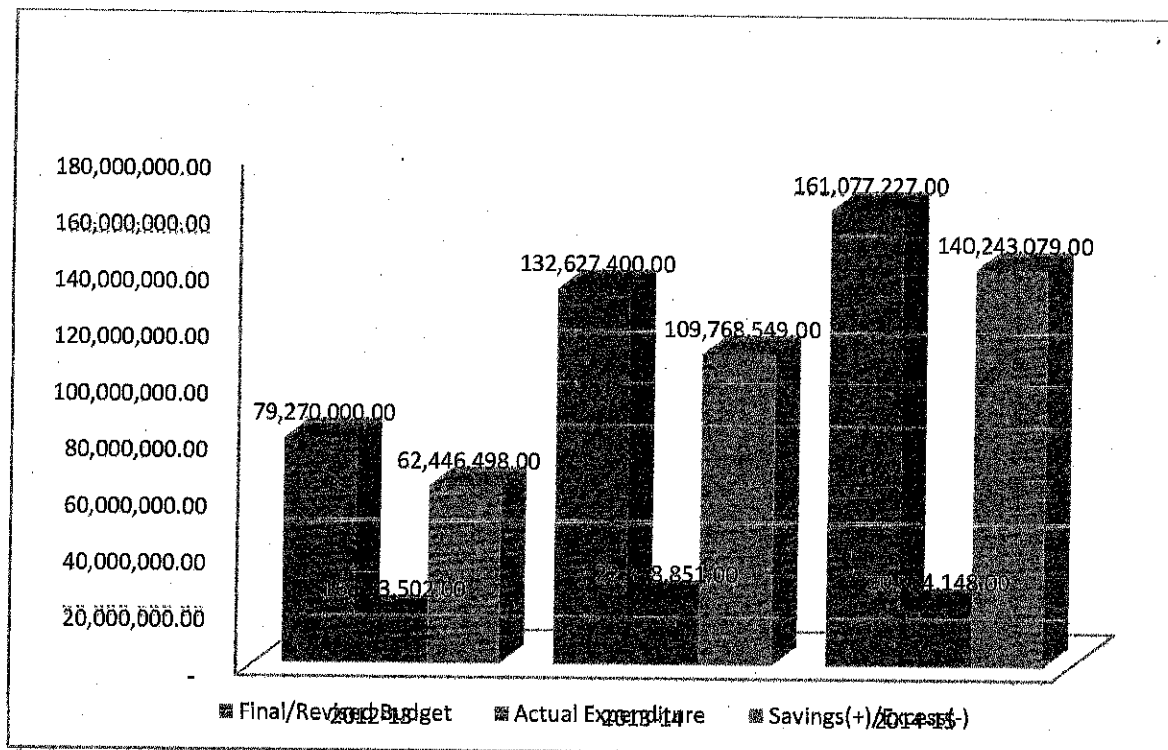
4) Finance :-

I. Budgetary Provisions and expenditure for the last three years:-

NAGAR PARISHAD, ARWAL

I. Budgetary provisions and expenditure for the last three years

Year	2012-13	2013-14	2014-15
Final/Revised Budget	7,92,70,000.00	13,26,27,400.00	16,10,77,227.00
Actual Expenditure	1,68,23,502.00	2,28,58,851.00	2,08,34,148.00
Savings(+)/Excess(-)	6,24,46,498.00	10,97,68,549.00	14,02,43,079.00

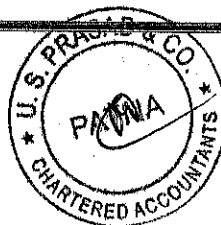


II. Volume of transactions :-

NAGAR PARISHAD, ARWAL

II Volume of transactions (2014-15)

Period	Budgeted 2014 -15	Previous Year (For one year) 2013-14	Corresponding Period of Previous Year	Current Period 2014-15	Cumulative for the current period
	Budgeted				
(A) Opening Balance		6,72,79,807.00	Not Applicable	9,59,43,060.00	Not Applicable
(B) Receipts	17,15,42,293.00	5,15,22,104.00		9,01,58,775.00	
(C) Total (A+B)	17,15,42,293.00	11,88,01,911.00		18,61,01,835.00	
(D) Total Expenditure	16,76,77,227.00	2,28,58,851.00		2,08,34,148.00	
(E) Closing Balance(C-D)	38,65,066.00	9,59,43,060.00		16,52,67,687.00	



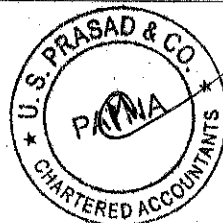
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III. Bank Reconciliation :

Since different scheme has been maintained in single cash book therefore segregation of balances of different Scheme as on 31 st March 2015 cannot be determined. Similarly, since through one bank account different schemes are being operated the bank balance of a particular scheme on a particular date cannot be determined.

Bank Reconciliation Statement has not been prepared in the prescribed format by the ULB.

Sl. No	Name of Bank	Bank A/c No.	Scheme Name	Balance As On 31 st March 2015.		BRS
				Bank Statement (Rs.)	Cash Book (Rs.)	
1	P/L Account	8448001020001	2217 Sthapna	0.00	0.00	Not Prepared
2	P/L Account	8448001020001	Various Scheme	3,84,319/-	3,84,319/-	Not Prepared
3	Canara Bank	3473101000832	Various Scheme	43,492/-	43,492/-	Not Prepared
4	Canara Bank	3473101000833	Various Scheme	20,56,651/-	20,56,651/-	Not Prepared
5	PNB	4484000100053007	Various Scheme	65,005/-	65,005/-	Not Prepared
7	P/L Account	8448001020001	13 th Financial	24,83,189/-	24,83,189/-	Not Prepared
8	Canara Bank	3473101000832	13 th Financial	46,48,255/-	46,48,255/-	Not Prepared
9	P/L Account	8448001020001	2030 Stamp Sulk	36,61,412/-	36,61,412/-	Not Prepared
10	P/L Account	8448001020001	State Plane	9,43,41,464/-	9,43,41,464/-	Not Prepared
11	P/L Account	8448001020001	4 th Financial	3,91,17,823/-	3,91,17,823/-	Not Prepared
12	PNB	4484000100053025	BRGF	1,07,32,596/-	1,07,32,596/-	Not Prepared
13	Bank Statement of these funds were not provided by the ULB .		SGSRY		18,403/-	Not Prepared
14			E Govt.		1,22,645/-	Not Prepared
15			NULM		77,11,807/-	Not Prepared
Total				15,75,34,206.00	16,53,87,061.00	
Difference of Cash book & Bank Statement				Rs. 78,52,855.00/-		

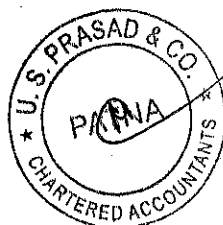


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IV. Revenue Receipts :-

IV Revenue Receipts

Period	Budgeted 2014-15	Previous Year (For one year) 2013-14	Corresponding Period of Previous Year	Current Period 2014-15	Cumulative for the current period
a) Own Source			Not Applicable		Not Applicable
Property Tax	11,00,000.00	-		8,130.00	
Assigned Revenue		45,85,574.00		46,51,136.00	
Fee & User / Others Charges	33,00,000.00	14,45,021.00		33,80,716.00	
b) Administrative Grant	-	-		-	
c) Specific Grant (Scheme wise)	-	-		-	
i) 13th Financial	30,00,000.00	96,63,136.00		19,601.00	
ii) 2030 Stamp Sulk	-	36,42,354.00		34,71,953.00	
iii) State Plane	-	2,15,22,220.00		4,80,42,893.00	
iv) 4th Financial	3,03,95,620.00	50,00,000.00		2,37,78,140.00	
v) B R G F	4,00,00,000.00	99,40,797.00		41,24,578.00	
vi) Misalliance	6,00,000.00	12,51,333.00		26,36,890.00	
vii) 2217 Sthapna	-	4,76,289.00		-	
viii) S G S R Y	75,00,000.00	25,975.00		2,50,056.00	
ix) N U L M	-	-		77,12,079.00	
Total(RS) (a+ b+ c)	8,58,95,620.00	5,75,52,699.00		9,80,76,112.00	

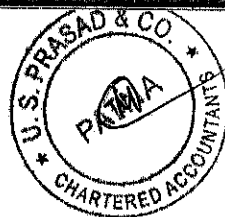


V. Status of implementation of Double Entry Accounting System :

Accounting of Nagar Panchayat, Arwal is being maintained on the basis of Double Entry Accounting System.

VI. Status of Municipal Accounts Committee: if meeting is held :

Nagar Panchayat, Arwal is yet to constituted Municipal Accounts Committee under section 98 of the Municipal Act, 2007.



Audit Observations

I. Part - A

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

i. Holding & Property Tax Collation

Audit Objective – As per Point No. – 4.4 of TOR

Criteria – Non - assessment of Property Tax/Holding Tax by the concerned ULB.

Condition – Property tax has been levied and collected on some property but assessment has not been done for property till date.

Consequence / Effect / Impact - Due to non-collection of Property/Holding Tax, there is a revenue loss to ULB and there is no record / register to know total current & arrear demand of holding tax. Demand / Collection & Arrear Register have also not been provided to us for verification.

Cause – This happens due to lack of proper follow up and monitoring of activities of Tax Inspector / Collector of the concerned ULB on regular interval.

Corrective Action / Recommendation – There should be day to day monitoring on Collection of Taxes and also maintenance and updating of Demand & Collection Register on regular interval.

ii. Mobile Tower Collection

Audit Objective – As per Point No. – 4.4 of TOR

Criteria – Tower Tax is taxes on Communication Tower & related structure as defined in BIHAR COMMUNICATION TOWERS AND RELATED STRUCTURES RULES, 2012. As per the rule, all operators are required to register with their concerned ULBs and pay registration fee & renewal charges on annual basis for communication tower erected within municipal area. Currently the registration fee for Nagar Panchayat is Rs. 40,000/- per tower and annual renewal fee is Rs. 10,000/- per annum per tower.

Condition –As per details provided to us there are total 24 (Twenty Four) Mobile Towers registered with this ULB up to 31.03.2015 and Rs. 16,80,000/-, is due to be recovered from these tower operators on account of Tower Tax.

Consequence Effect / Impact - Due to non collection of Tower Rent there is a revenue loss to ULB.

Cause - This happens due to lack of proper follow up and monitoring of activities of concerned person of the ULB on regular interval. The ULB does not have proper mechanisms for supervision and monitoring of the Tower Rent due to which result in Revenue leakage.

Corrective Action / Recommendation - There should be proper monitoring and further steps are required to be taken for collection of Mobile Tower Tax by concerned ULB.

iii **Advertisement Tax**

Audit Objective - As per Point No. - 4.4 of TOR

Criteria - Non - levied of advertisement tax by the ULB.

Consequence / Effect / Impact - Due to non - levied of collection of advertisement tax , there is a revenue loss to ULB.

Cause - This happens due to lack of awareness of imposition of advertisement tax of concerned person of the ULB.

Corrective Action / Recommendation - There should be proper monitoring and further steps are required to be taken for collection of advertisement tax by concerned ULB.

iv. **Stamp Duty**

Audit Objective - As per Point No. - 4.4 of TOR

Criteria - Non-Collection of Stamp Duty by the concerned ULB.

Condition - Stamp DUTY OF Rs. 16.183/- (Rs. 5,39,438*3%) were not collected by the ULB from the bidder of Arwal bus stand for the year 2014-2015

Consequence / Effect / Impact - Due to non collection of Stamp Duty there is a revenue loss to ULB.

Cause - This happens due to lack of proper mechanisms for supervision and monitoring of the procurement which results in Revenue leakage.

Corrective Action / Recommendation - The ULB should collect the outstanding stamp duty from the successful bidder immediately.

v. **Tax Collection but not Deposited Irregularity**

Audit Objective – As per Point No. – 4.4 of TOR

Criteria – As per Rules 22(1) of Bihar Municipal Accounting Rules, 2014 Tax Collected has to be deposited on same day or latest before noon on the following working day.

Condition - Amount of Rs. 8,456/- collected as shown in Daily Collection Receipt but the same is neither entered in Cash Book nor deposited into bank

Consequence / Effect / Impact - Due to non deposit of Tax on due time, ULBs is suffering from Revenue Loss in the form of Bank Interest which could have been earned on these Receipts. Further this is a lapse on Internal Control due to non submission of Counterfoil and record updation of assesses due.

Cause – This happens due to non follow up and monitoring of activities of Tax Collector by the concerned officer on regular interval.

Corrective Action / Recommendation – There should be day to day monitoring on Collection of Taxes by Tax Inspector/Collectors and deposit of collection into Bank either on same day or latest before noon on the following working day.

- vi. **Property / Holding tax is not assessed by the ULB. Its Property / Holding tax are not levy for the 2014-15 :-** Property / Holding tax are not assessed by the ULB. Therefore Property tax on minimum 20 high value properties could not be determined as per audit.

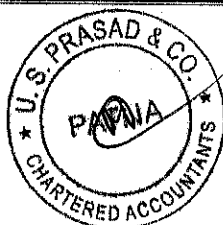
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II. Part - B

- A. As per Rule 136 of Bihar Municipal Accounting Manual 2014, every year budget should be prepared for receipts and expenditure in Performa 75, 77 and 80. It is not prepared as per prescribed Performa by the concerned ULB.
- B. As per Bihar Municipal Act, 2007, Holding Tax (residential, Commercial, Land etc.) should be revised after every five years, but Nagar Parishad, Arwal failed to do so.
- C. It has been noticed during the audit that the following Books of Accounts & Subsidiary Registers has not been maintained or not properly maintained (*Status as mentioned*).

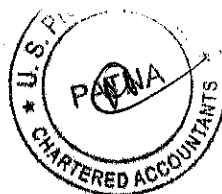
Sl. No.	Particulars	Status
1	Cash Book	Maintained
2	Subsidiary Cash Book	Maintained
3	Ledger Book	Not Maintained
4	Grant Register	Not Maintained
5	Advance Register	Not properly Maintained
6	Pay-Roll Register	Not Maintained
7	Vehicle LOG Book	Not Maintained
8	Store Register	Not Maintained
9	Fixed Assets Register	Not Maintained
10	Demand & Collection Register of Property Tax, Mobile Tower Tax, Shop Rent etc.	Not Maintained

- D. In ULB, internal control are not in place and not working in respect of day to day working, payment of expenditure collection of revenue, tender etc.
- E. Non – compliance of TDS, VAT, and Royalty & Labour cess relevant statute:-
- VAT and Labour Cess have not been deducted from any payment made to contractor.
 - TDS and Royalty has been deducted but the same could not be verified whether deposited or not due to non-availability of deposit slip or challan.
- F. Pay-Roll Register has not been shown to us during the period of internal audit, thus we are unable to comment on deficiency in pay-roll system.



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- G. Grant Register has not been maintained by the concerned ULB and upon enquiry of status of utilization certificate, the concerned officials has failed to provide above information.
- H. Inventory/ Stores Register and Fixed Assets Register have not been maintained in concerned ULB and in the absence of above register it is difficult to verify the same.
- I. Advance Register has not been maintained by the concerned ULB and in the absence of above register it is difficult to check or comments on adjustment and recovery of advances.

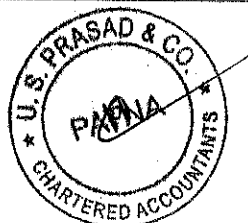


PART - "C"

General Observations

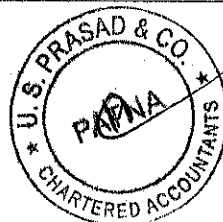
QUESTIONIER

Sl. no	Particular	Remarks/ Observation
1	whether the amounts received as specific grants have been utilized for the purposes	Yes,
2	Whether deviation has been made for the sanctioned plans and the estimates without the sanction of the competent authority;	No, Such irregularity found.
3	whether all sums due to and received by the Municipality have been brought to account within the prescribed time limits	Amount deposited to account after the prescribed time limits
4	Whether all revenue has been properly assessed, accounted for, collected and recovery action taken on timely basis;	No,
5	Whether the year-end and reconciliation procedures prescribed have been carried out as per the rules	No, reconciliation has been made
6	whether all the expenditure incurred by the Municipality are authorized by appropriate provision in the sanctioned budget	Yes,
7	Whether the year-end and reconciliation procedures prescribed have been carried out as per the rules out as per the rules;	No, reconciliation has been made
8	Whether the Bank Reconciliation statements have been properly prepared for all the bank accounts of the ULB and the remedial actions including all correcting entries have been taken on timely basis;	No, bank reconciliation has been made
9	Whether any personal expenses have been charged to the municipality's accounts;	No, such irregularity has been found
10	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;	No retirement has been made till date
11	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 record has been found.
12	Whether applicable procurement rules and procedures are being followed	Yes
13	Whether there exists an adequate internal control procedure for the purchase of stores, including	Yes



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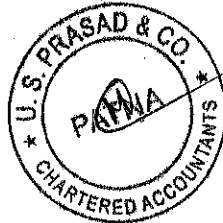
	components, plant and machinery, equipment and other assets?	
14	Whether advances given to municipal employees and interest thereon are being regularly recovered;	No advance money has been given to the employee.
15	Whether the parties to whom loans or advances have been given by the ULB are repaying 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?	No such issue has been found
16	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;	No stock register has been found. Valuation of store has not been done.
17	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;	No procedure has been followed to identify unserviceable / damage stores
18	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;	No, store register has not been maintained so unable to compare to book record.
19	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;	No
20	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;	No leasehold property has been found
21	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;	No, Fixed asset register has not been maintained, so unable to comment on it.
22	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;	No irregularity has been found on work contract.
23	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;	Yes



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24	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;	Yes
25	Whether all transactions (incomes, expenditures, assets and liabilities) are correctly classified and stated in sufficient detail;	No
26	Whether all grants from Government have been accounted at gross value with proper entries to various accounts	Yes
27	Whether the Bank Reconciliation statements have been prepared and are appropriate.	No, bank reconciliation has not been prepared.
28	Whether the period-end and reconciliation procedures prescribed have been carried out.	No, reconciliation procedure has not been followed.
29	Whether the Quarterly Financial Statements have been compiled on the basis of the actual entries in the books of accounts;	No
30	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, all the books of accounts and register has not been made as prescribed by the Account manual.
31	Whether the postings for the entries in the books of original entry have been correctly made in the respective ledger accounts;	Yes

Place - PATNA
Date - 12/7/16



for U. S. Prasad & Co.
Chartered Accountants

(Signature)

CA. Manoj Kumar
Partner

M. No.: 418631