

SPUR-PMU (Samvardhan)

No.....645.....

In Coming Date.....30/8/16.....

# INTERNAL AUDIT REPORT

(SPUR-PMU/194/IA-140ULBs & SLMA/G-17/RS&C/2016/138/35)

OF

## NAGAR PANCHAYAT BARAULI

FOR THE F.Y. 2014-15

Conducted by:

**R.SHAH & CO.**

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**AUDIT METHODOLOGY AND APPROACH**

**Audit Methodology**

We have conducted the internal audit of Nagar Panchayat – Barauli, for the year ending on 31<sup>st</sup> March, 2015 (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, 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 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) General Cashbook, all Subsidiary Cash Books for the period from 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015 maintained manually in the Nagar Panchayat.
- 2) Vouchers (Cash, Bank, Journal etc) along with supporting documents;
- 3) Receipt Books
- 4) Cheque Issue Register
- 5) Budgets prepared by the ULB
- 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.


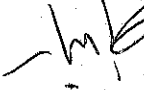
Our approach to the internal audit started with an overview of activities through a study and documentation of the existing systems and procedures in all the ULBs. Testing of internal controls was carried out by checking a sample of transactions for the period covered by the audit.

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.

For R.Shah & Co.  
Chartered Accountants  
FRN.-502010C

CA. Neetu Jejani  
(Partner)  
M.N.- 406561



Date : Aug 27, 2016

Place : Ranchi

**EXECUTIVE SUMMARY**

**1. Introduction**

Name of the Municipality	Baraull Nagar Panchayat
Period Covered under Current Audit	1 <sup>st</sup> Apr 2014 to 31 <sup>st</sup> March 2015
Name of the Chief Municipal Officer for the period under Audit	Smt. Renu Kumari Sinha
Audit Conducted on	8-9 <sup>th</sup> June 2016

**2. Result and Findings**

➤ **Strength**

❖ Following strengths have been observed in the audit of Nagar Panchayat.

- The General Cash book & all the Subsidiary Cash Books have been maintained by the ULB.
- Attendance Register of Staff were maintained properly.
- Salary Register maintained by the ULB.
- All the Books & Register have been verified by Executive Officer on monthly basis.
- Staffs were cooperative during the Audit period.

➤ **Weakness**

❖ Following weaknesses have been observed in the functioning of office, maintenance of records etc.

- There is a lack of internal control w.r.t collection of taxes.
- Fixed Assets Register is not maintained by the ULB.
- Demand and collection register have not been prepared, hence it seems difficult to ascertain total tax dues. No penalty/ surcharge have been imposed for non-payment of demand.
- There is no proper cash handling neither any locker was kept by the ULB.
- Taxes collected by tax collector are not deposited on daily basis. As per Rule 27 of BMAR it should be deposited on daily basis. Rs. 306265.00 Collected from miscellaneous receipt during 27.12.14 to 28.03.2015 had been deposited on 07.09.15.



➤ Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.

➤ Grant Register is not maintained, hence it is difficult to find unutilized grant at any point of time.

➤ Nagar Panchayat has failed to comply with certain rules and directives of UD & HD.

1. Directives relating to forming a "Municipal Accounts Committee" have not been complied till date.

2. Directives relating to prepare a practical budget have not been complied with.

➤ Unavailability of information and files relating to TDS, VAT, Royalty and Labour Cess:

➤ Bank Reconciliation Statement for any of the account is not prepared hence it is difficult to monitor possible fraud.

➤ There is lack of internal control on deduction and deposit of various taxes. TDS not deducted due to work executed by the NP self. On deduction of other tax liability like VAT, Royalty, Labour Cess etc are not created.

➤ The ULB has not maintain the proper Log Book Register.

➤ No ESI, Pension Fund have been deducted from the salary of the employees.

➤ Taxes such as Sales Tax(VAT), Royalty, and Labour Cess etc are collected from time to time but payments are made on yearly basis which is not proper. Taxes should be remitted to the Govt. account on timely basis otherwise delayed interest charges may be imposed.

### 3. Opinion

❖ Overall opinion of the Audit team about the functioning of the Municipality is as under:-

The functioning of the Municipality is very weak due to following reasons:

➤ Collection from own sources is very poor.

➤ The procurement of fixed assets is not proper and non-maintenance of Fixed Asset Register would lead to failure of determining the replacement cost.

➤ BRS is not prepared on a monthly basis, so it is difficult to keep record of variances between Cash Book and Bank Passbook balances. Non preparation of BRS would lead to improper use of available funds.





- New staff are to be appointed by the management for smooth running of the ULB and they should be equipped with regular training to run the ULB smoothly.
  - All the statutory dues should be deposited on timely basis and returns prescribed under respective laws should also be filed on timely basis.
  - Bank reconciliation Statement should be prepared on monthly basis.
  - Collection by tax collector should be deposited on daily basis.
  - Collection from own sources should be improved.
  - Demand & Collection Register of all the wards should be prepared and calculation should be done as per new assessment.
  - Grant Register should be prepared.
  - PF & ESI should be deducted from salary, if applicable.
  - All the prescribed books of accounts and Registers should be prepared on real time basis.
- ❖ The recommendations of Audit team on the observed weakness is as under:-

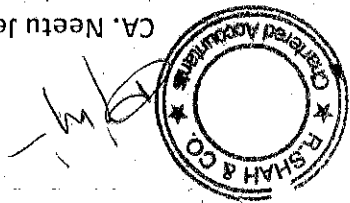
#### 4. Audit Recommendations

- A huge portion of fund received by the ULB from GOB is left unspent during the financial year 2014-15. So the Closing Bank Balance is huge.
  - There are serious lapses in deduction and deposit of statutory dues such as Sales Tax(VAT), Royalty, Labour cess etc.
- | Sl. No. | Name of Advance holder | Purpose           | Date       | Amount (Rs.) |
|---------|------------------------|-------------------|------------|--------------|
| 1.      | Sri Abhishek Kumar     | Fuel and cleaning | 04.03.2015 | 25000.00     |
- No action taken for adjustment of amount given under 12th and 13th finance schemes.
  - Grant received for various purposes are not utilized on timely basis.
  - Internal Control w.r.t. collection of taxes, monitoring of grant, monitoring of advances, monitoring of schemes etc. is very poor.
  - Most of the prescribed Books of accounts are not maintained.

Date : Aug 27, 2016

Place : Ranchi

CA. Neetu Jejan  
(Partner)  
M.N.- 406561



For R. Shah & Co.  
Chartered Accountants  
FRN.- 502010C

We thank Smt Renu Kumari Sinha (Executive Officer), for her support during the period of our audit. We are also thankful to Mr. Rajdev Prasad (Accountant), Tax Daroga and support staffs of the municipality for their cooperation extended to us during the period of our audit.

6. Acknowledgment



**MAIN AUDIT REPORT**

**1. Introduction**

The internal audit of Nagar Panchayat Barauli 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 Neetu Jejanil

I. Rana Burha Gohain

ii. Ajay Singh

iii. Anjali Singh

2. Administration

The present body of the ULB is functioning since June 2012 The incumbency in the key administrative and executive position was as under:

1. Shri Suman Prasad Chairman from 11/09/2014 till Date

2. Smt Renu Kumari Sinha, Executive officer from Sept 2015 till date.

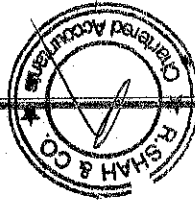
3. Review of outstanding audit paras : Status of Audit Observations are as under;

Sl. No.	Particulars	Total No. of Audit paras	Total No. of audit paras where necessary	Total No. of audit paras where recovery/ improvement/ corrective measure is required	Total No. of audit paras where proposed of cash is 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.	AG Audit Dated (22/01/2016)	15	15	02	0	0	0	Nill

The major irregularities Pointed out in the AG Audit report on which no action has been taken are as under:

1. Income Tax not deducted amounting to Rs.512477/- from salary of Rajdeo Pd. Yadav and Shivnath Yadav

Sl. No	Name of the Employee	2012-13	2013-14	Total
1	Rajdeo Pd. Yadav	32023	174606	206629.00
2	Shivnath Yadav	72016	233832	305848.00
	Total	104039	408438	512477



2. Following taxes collected by tax collector not deposited in the fund of Nagar Panchayt.

Sl. No.	Tax Collector	Nature of Tax	Receipt No.	Date	Amount	Realised Amount	Amount not deposited
1	Sri Harendra Prasad	Holding Tax	33101-33144	15.07.11-18.02.13	12040.00	12040.00	
2	Prasad	Tax	31323-31400	08.02.08-15.12.10	13489.00	13489.00	
3			33501-33503	22.02.13-23.02.13	3500.00	3500.00	
4			33519-33520	04.04.13-10.04.13	3000.00	3000.00	
5			33522-33523	20.06.13-27.07.13	1500.00	1500.00	
6			33525	03.12.13	33100.00	33100.00	
7			33235-33300	31.08.12-17.11.12	515.00	515.00	
8	Rajdeo Prasad	(Chief Assistant-cum-Accountant)	33401-33500	27.03.12	700.00	700.00	
9		Misc. Receipt	33601-33700		705.00	705.00	
10			33701-33732		260.00	260.00	
11			33301-33307	24.03.12	4712.00	4712.00	
12			32301-32400	27.04.08-03.11.08	715.00	715.00	
13			32401-32500	03.11.08-16.03.09	695.00	695.00	
14			32701-32800	15.05.09-22.02.10	525.00	525.00	
15			32901-33000	22.12.10-23.03.12	950.00	950.00	
16			33733-33800	08.03.13-11.05.13	470.00	470.00	76876.00
Total					76876.00	76876.00	

3. Following discrepancy has been observed in the training under STEP-UP event of SJSRY scheme.

- For 2012-13, out of 200 beneficiaries only 81 candidates had been given training at a cost of Rs. 13,19,596.00.
- In 2012-13, there was a pending deposit of VAT Rs. 17,238.00 on Tools & Kits and Rs. 2,48,000.00 (20% of Rs. 12,40 lacs) on training program.
- For 2013-14 no training have been given to any candidates, while the target was for 145.

4. Irregularities have been observed in the training of SJSRY scheme.

5. Irregularities observed in the payment under Kabir Antyesthi Yojna.

- Rs. 5,47,500 has been disbursed but vouchers not found.
- BPL number was not mentioned in any application.
- No evidence were available regarding xerox copy of BPL card, identity card and proof of residence in the concerned ward.

6. No action taken for adjustment of amount given under 12th and 13th finance schemes.

Sl.No.	Name of Advance holder	Purpose	Date	Amount (Rs.)
1	Shivnath Yadav	Special Work	05.07.12	30,000.00
2			09.08.12	30,000.00
3	Manoj Kumar Bharti	Mix/ Official	18.08.12	25,518.00
4	Jaykrishna Prasad	Chhat Ghat Cleaning	14.11.12	62,157.00
5	Rajdeo Pd. Yadav	Light Repair	07.05.13	4,210.00
Total				1,51,885.00



4. Finance

1. Budgetary provisions and expenditure for the last three years

Year	2014-15	2013-14	2012-13
Final/ Revised Budget	16481727.00	69340128.00	55763400.00
Actual Expenditure	19825965.00	21319497.00	9785719.00
Savings (+)/ Excess (-)	(-)/3344238.00	(+)/48020631.00	(+)/45977681.00

II. Volume of transactions

Period	Budgeted (14-15)	Previous Year(13-14)	Corresponding Period of Previous year (13-14)	Current Period (14-15)	Cumulative for the current period (14-15)
Opening Balance	54956739.92	44686010.92	44686010.92	54956739.92	54956739.92
Receipts	13259750.00	31590226.00	31590226.00	26358759.00	26358759.00
TOTAL	68216489.92	76276236.92	76276236.92	81315498.92	81315498.92
Net Expenditure	16481727.00	21319497.00	21319497.00	19825965.00	19825965.00
Closing Balance	51734762.92	54956739.92	54956739.92	61489533.92	61489533.92





Bank Reconciliation Statements have not been prepared by the Nagar Panchayat. There is a difference of Rs.4791778.61 between Cash Book and Consolidated Balance as per Pass Book of all accounts and Treasury PL Account.

The Nagar Panchayat is suggested to reconcile the above mentioned differences immediately and prepare B.R.5 on monthly basis

Sl. No	Name of Bank	Account No.	Balance as on 31.03.2015
1	SBI	XXXX4273	66074.00
2	SBI	XXXX1299	2248161.00
3	SBI	XXXX1497	2276.53
4	SBI	XXXX1914	4443052.00
5	SBI	XXXX5398	7769926.00
6	SBI	XXXX1652	93691.00
7	SBI	XXXX0267	20398506.00
8	CBI	XXXX0378	347264.00
9	CBI	XXXX5052	55321.00
10	CBI	XXXX6296	202014.00
11	CBI	XXXX5029	355337.00
12	CBI	XXXX0606	1566885.00
13	CBI	XXXX1413	1279014.00
14	CBI	XXXX5041	176430.00
15	CBI	XXXX5030	35187.00
16	Union Bank	XXXX1905	9241232.00
17	Tesury PL A/c		16870463.00
18	URGB	XXXX3789	1130479.00
	Total of Bank		66281312.53
	Total as per Cash Book		61489533.92
	Difference		4791778.61

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

### III. Bank Reconciliation



As per section 98 of Bihar Municipal Act, 2007 it is necessary for the Municipality to constitute a Municipal Accounts Committee at its first meeting in each year or as soon as may be at any meeting subsequent thereto, but no Municipal Accounts Committee has been constituted by the Nagar Panchayat till the date of our audit.

#### VI. Status of Municipal Accounts Committee; if meeting held

Appointment of Chartered Accountant has been done but Double Entry Accounting System is not operational in the Nagar Panchayat Barauli till date.

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

Period	Budgeted (14-15)	Previous year (13-14)	Corresponding Period of Previous year (13-14)	Current Period (14-15)	Cumulative for the current period (14-15)
a) Own Source					
Property Tax					
Assigned revenue				833859.00	833859.00
Others (Fees & User Charges)	3799100.00	411083.00	411083.00	573859.00	573859.00
(b) Administrative Grant	288000.00	299800.00	299800.00	479400.00	479400.00
(c) Specific Grant		88588.00	88588.00	24040.00	24040.00
Jalapurti Yojana					
4th Finance	12300740.00	12300740.00	12300740.00	15467650.00	15467650.00
E-Governance					
Pool And Road		26947.00	26947.00	6812.00	6812.00
Construction					
BRGF		2150551.00	2150551.00	135386.00	135386.00
Various Schemes	9172650.00	16312517.00	16312517.00	8841612.00	8841612.00
<b>TOTAL</b>	<b>13259750.00</b>	<b>31590226.00</b>	<b>31590226.00</b>	<b>26358759.00</b>	<b>26358759.00</b>

#### IV. Revenue Receipts

5. Audit Observations

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>We observed that no property tax, sanitation tax, have been collected during the year till date. New Assessment has not been done since years and the processes of self assessment of property are in progress but at a slow rate.</p>
<p>b) Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs</p>	<p>During the course of audit, 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 20 high value properties</p>	<p>Detail regarding 20 high value property tax payer is not available for audit.</p>



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 -

a) Non-maintenance of books of accounts, subsidiary registers

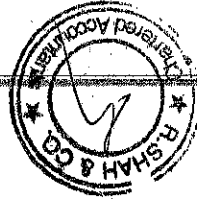
As per Bihar Municipal Accounting Manual following primary Books of accounts are required to be maintained :

1. Cash Book (Form Gen-1A)
2. Bank Book (Form Gen-1B)
3. Journal Book (Form Gen-2)
4. Ledger (Form Gen-3)

The N.P. is maintaining General & Subsidiary Cash Books/ Bank Book.

In addition to above following other General Registers and forms are required to be maintained but the same are not being maintained or not properly maintained-

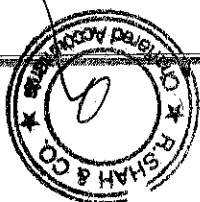
- 1 Receipt GEN-8
- 2 Receipt Register GEN-9
- 3 Statement on Status of Cheques Received GEN-10
- 4 Collection Register GEN-11
- 5 Memorandum of Collection GEN-12
- 6 Summary of Daily Collection GEN-13
- 7 Register of Bills for Payment GEN-14
- 8 Payment Order GEN-15
9. Register of Public Lighting System GEN-37
- 10 Register of Advance GEN-17
- 11 Register of Permanent Advance GEN-18
- 12 Deposit Register GEN-19
- 13 Summary Statement of Deposits Adjusted GEN-20
- 14 Demand Register GEN-21





<ul style="list-style-type: none"> <li>• Fixed Assets Register is not maintained by the</li> <li>• There is a lack of internal control w.r.t collection of taxes.</li> </ul>	<p>e) Lack of Internal Control measures</p>
<p>Rules etc. various acts such as Income Tax Act, 1961, VAT maintained. Also, there is non-compliance of Books of accounts and records are not</p>	<p>d) Non Compliance of Act &amp; Rules</p>
<p>1. Directives relating to forming a "Municipal Accounts Committee" have not been compiled till date. 2. Directives relating to prepare a budget have not been complied with.</p>	<p>c) Non-compliance of directives by UD &amp; HD, GOB</p>
<p>Nagar Panchayat has failed to comply with certain rules and directives of UD &amp; HD.</p>	<p>b) Irregularity in procurement process</p>
<p>15 Bill for Municipal Dues GEN-22 16 Summary Statement of Bills Raised GEN-23 17 Register of Notice Fee, Warrant Fee, Other Fees GEN-24 18 Summary Statement of Notice Fee, Warrant Fee, Other Fees GEN-25 19 Register of Refunds, Remissions and Write-offs GEN-26 20 Summary Statement of Refunds and Remissions GEN-27 21 Summary Statement of Write-Offs GEN-28 22 Statement of Outstanding Liability for Expenses GEN-29 23 Documents Control Register/Stock Account of Receipt/Cheque Book GEN-30 24 Register of Immovable Property GEN-31 25 Register of Movable Property GEN-32 26 Register of Land GEN-33 27 Function-wise Income Subsidiary Ledger GEN-34 28 Function-wise Expense Subsidiary Ledger GEN-35 29 Asset Replacement Register GEN-36 30 Register of Public Lighting System GEN-37</p>	





<p>ULB.</p> <ul style="list-style-type: none"> <li>• Demand and collection register have not been prepared in a proper manner hence it seems difficult to ascertain total tax dues. No penalty/surcharge have been imposed for non-payment of demand.</li> <li>• There is no proper cash handling neither any locker was kept by the ULB.</li> <li>• Taxes collected by tax collector are not deposited on daily basis. As per Rule 27 of BMAR it should be deposited on daily-basis otherwise a sum of Rs. 500/- per day may be imposed for delayed deposit.</li> <li>• Tower tax is not being collected at all.</li> <li>• Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.</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 for any of the account is not prepared hence it is difficult to monitor possible fraud, if any.</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.</li> <li>• The ULB has not maintain the Log Book Register.</li> <li>• No, ESI, Pension Fund have not been deducted from the salary of the employees.</li> <li>• Taxes such as Sales Tax(VAT), TDS, Royalty, and Labour Cess etc are collected from time to time but payments were pending till the date of audit which is not proper. Taxes should be remitted to the Govt. account on timely basis otherwise delayed interest charges may be imposed.</li> </ul>	<p>f) Non-compliance of TDS, VAT and other relevant Statute</p> <p>Tax deducted at source(TDS), VAT, Labour Cess &amp; Royalty are not being deposited on due date</p>
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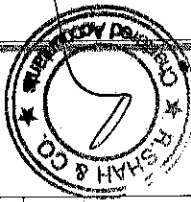
<p>g) Deficiency in Pay-roll System</p>	<p>The pay-roll system is not functioning satisfactorily..</p>
<p>h) Utilization of Grant and report on missing Utilization Certificates</p>	<p>Utilization certificate has been sent to the govt but the copies of utilization certificates have not been provided to us during the course of audit.</p>
<p>i) Physical verification of inventory/Stores</p>	<p>Stores Register has not been prepared and physical verification of inventory/stores has also not been done.</p>
<p>j) Advances, their adjustment &amp; recovery</p>	<p>Advance Register has not been prepared hence it is very difficult to monitor advances, their recovery and adjustment. Hence, there is a possibility of defalcation of cash. As discussed with the Accountant there is no advance given to anyone for the financial year 2014-2015.</p>
<p>k) Any other matters as may be prescribed in due course.</p>	<p>Staff strength in the accounts department needs to be increased. Accountant should be provided with necessary training to prepare the books, which can add value addition to the functioning of ULB.</p>

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

No, Ledger accounts have not been prepared by the Nagar Panchayat.	Whether the postings for the entries in the books of original entry have been correctly made in the respective ledger accounts
No, except General Cash book and Subsidiary Cash Books, no other books of accounts have been maintained.	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?
Quarterly Financial Statements have not been prepared by the Nagar Panchayat.	Whether the Quarterly Financial Statements have been compiled on the basis of the actual entries in the books of accounts;
No, period-end and reconciliation procedures as prescribed have not been carried out.	Whether the period-end and reconciliation procedures prescribed have been carried out.
No, Bank Reconciliation Statements have not been prepared by the Nagar Panchayat.	Whether the Bank Reconciliation statements have been prepared and are appropriate
Yes, all grants from Government have been accounted at gross value but all transactions are not correctly classified with sufficient details. No Grant Register is maintained.	Whether all grants from Government have been accounted at gross value with proper entries to various accounts
Yes all transactions have been classified as incomes and expenditure but assets and liabilities have not been recognized.	Whether all transactions (incomes, expenditures, assets and liabilities) are correctly classified and stated in sufficient detail;
Grant received during the year has been properly accounted for. Information related to grant sanctioned and deductions made out of such grant is not available with the ULB.	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;
No such Special fund has been created by the Nagar Panchayat.	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;
On our test check we did not notice any major deviation.	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>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 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>As explained to us no property of the ULB has been given on lease.</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>No, physical verification of stores has not been conducted by the ULB at reasonable intervals.</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 done.</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 physical verification done.</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 there are no procedures in place to identify any unserviceable or damaged stores.</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 valuation of stores has been done.</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>There is no case of loans and advances other than advance to staff for expenditure.</p>	<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?</p>



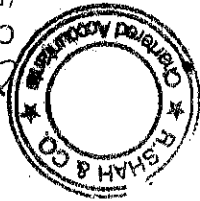


<p>Whether advances given to municipal employees and interest thereon are being regularly recovered; Advance Register has not been maintained so we are unable to verify whether it is being recovered regularly or not or any adjustments made or not.</p>	<p>Whether there exists an adequate internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets?</p>
<p>No there does not exist any internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets.</p>	<p>Whether applicable procurement rules and procedures are being followed and if so, significant deviations should be identified and reported.</p>
<p>No, the municipality is not regular in depositing statutory dues including TDS, service tax, VAT, works contract tax, Labour cess payable to the government etc. We observed that all such taxes deducted during the financial year have not been deposited.</p>	<p>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;</p>
<p>No, Contribution to pension fund is not being deducted from the salary of the employee.</p>	<p>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;</p>
<p>We did not observe any such expenses.</p>	<p>Whether any personal expenses have been charged to the municipality's accounts; if so, the details thereof;</p>
<p>Yes, during the course of Audit we observed that all the expenditure incurred by the Municipality are authorized by appropriate provision in the sanctioned budget.</p>	<p>Whether all the expenditure incurred by the Municipality are authorized by law; originally or subsequently and are in all cases such provision in the sanctioned budget, whether made as are authorized by law;</p>
<p>No revenue has not been properly assessed, accounted for and collected. Recovery action is also not taken on timely basis.</p>	<p>Whether all revenue has been properly assessed, accounted for, collected and recovery action taken on timely basis;</p>
<p>No, tax collected by the tax collector are not deposited on daily basis.</p>	<p>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;</p>

<p>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.</p>	<p>Yes, during the course of Audit 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.</p>
<p>Whether the amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order;</p>	<p>Yes, on our test check we observed that amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order.</p>
<p>Whether biometric devices and payroll software are used at the ULB. If not whether there is satisfactory system of payroll accounting; otherwise mention the key deficiencies of the system.</p>	<p>No, biometric devices and payroll software are not used at the ULB. Pay roll system of the municipality is satisfactory as its maintain Attendance register, contain leave records, details of deductions made etc.</p>
<p>Whether the grievance redressal mechanism for the ULB is sufficient.</p>	<p>No, we did not observe any grievance redressal cell functioning at the ULB.</p>

For R.Shah & Co.  
Chartered Accountants  
FRN-502010C

CA. Neetu Jejani  
(Partner)  
M.N.-406561



Date : Aug 27, 2016

Place : Ranchi

**COMMENTS FROM MANAGEMENT**

Nagar Panchayat, Barauli

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

For, Nagar Panchayat/ Parishad

*[Signature]*  
(Executive Officer)  
27/8/16



Date:- 27.8.16  
Place:- Barauli