

# **INTERNAL AUDIT REPORT**

**OF**

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

**ULB: DAUDNAGAR**

**FOR THE PERIOD**

**(01-04-2015 TO 31-03-2016)**

**Audited By :**

**U. S. Prasad & Co.**  
**Chartered Accountants**

**4<sup>th</sup> Floor, 34, Kavi Raman Path,  
Nageshwar Colony, Boring Road,  
Patna 800001**

**Mob. No. 09431015313**

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Internal Audit Report of Nagar Panchayat, Daudnagar

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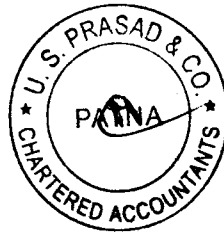
To,  
The Secretary, UD & HD  
Urban Development and Housing Dept.  
Govt. of Bihar  
101, 1st Floor, Vikash Bhawan  
New Secretariat  
Bailey Road  
Patna – 800 015 (BIHAR)

Dear Sir,

**Sub: Internal Audit Report of NAGAR PANCHAYAT, DAUDNAGAR for the Period  
01.04.2015 to 31.03.2016.**

We are submitting the audit report of Nagar Panchayat, Daudnagar for the period starting from 01-04-2015 to 31.03-2016 in reference to our appointment as Internal Auditor for Group 9 issued by support programme for urban reforms in Bihar (SPUR), Patna vide Notice to proceed No. SPUR-PMU/194/IA-140ULBs&SLMA/S-3/USP/2016/139/36 Dated 05<sup>th</sup> April 2016.

Our scope of audit covers the requirement of specific points as spelled out in contract agreement entered with the management of SPUR.



**for U. S. Prasad & Co.**  
**Chartered Accountants**

**CA. Manoj Kumar**  
**Partner**

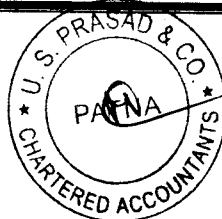
**M. No.: 418631**

## **NAGAR PANCHAYAT, DAUD NAGAR**

### **INTERNAL AUDIT REPORT OF F.Y. 2015 - 16**

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## **Executive Summary**

### **1. Introduction:-**

**Name of Municipality:-** NAGAR PANCHAYAT, DAUD NAGAR

**Period covered under current audit:-** 01-04-2015 to 31-03-2016.

**Name of the chief municipal officer for the period under audit:-** Bipin Bihari Singh

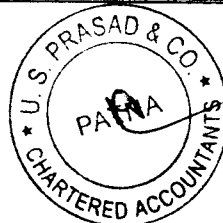
### **2. Results and Findings**

#### **Strength observed during the audit engagement**

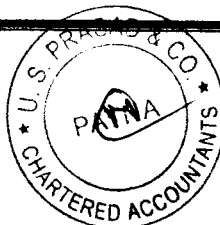
1. Subsidiary Cash Book has been written.
2. All Vouchers were passed properly and signed by the authorised person.
3. All vouchers have supporting documents.
4. Office infrastructure is sufficient for operation.
5. Response from officer and clerk are satisfactory.

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

1. General Cash Book has been not properly maintained.
2. Fixed Assets Register is not maintained.
3. Advance Register is not maintained.
4. Stock Register is not maintained.

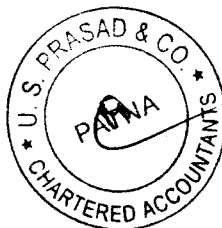


5. Daily collection register is maintained but the same is not maintained Revenue receipt wise separately.
6. In some case where payment has been made to contractors, TDS has not been deducted and in some other cases where TDS have been deducted, it has not been deposited till date. Therefore, TDS Return has not filled till date. It attracts penalty u/s 234E.
7. Annual budget has not been prepared by the ULB.
8. Holding tax rate has not been revised since 1985 on any property thus tax has been collected by old rate.
9. Tower tax has not been properly collected. As per records maintained by the ULB number of tower is 14 as on 31-03-2016. Total outstanding tax amount is Rs. 10,70,000/- for registration fee and renewal thereof.
10. Daily collection amount has not been timely deposited in bank as per the procedure prescribed by the BMA, 2007.
11. Municipal Accounts Committee has not been constituted.
12. Amount of TDS and Royalty deducted during the whole financial year has not been credited to the concern department.
13. Labour cess has not been deducted from any bill submitted by the contractor to the ULB.
14. No procurement register has been maintained by the ULB.
15. Log book has not been maintained for any vehicles except the JCB.
16. TDS and Royalty have been deducted by wrong rate by the ULB.
17. Separate bank account has not been maintained for the separate scheme.
18. Minute of Board meeting has not been prepared.
19. Amount of 13<sup>th</sup> finance has not been utilised as per prescribed ratio.
20. Utilisation certificate has not been provided by the ULB during the course of audit.
21. No Separate Grant register is being maintained; hence it is difficult to find out the amount of unutilised grant at any point of time.



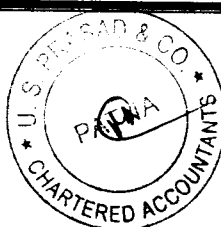
### 3. Opinion

Core Municipal functions are performed by the ULB. However, the ULB is not working properly. Even internal control applied by the ULB is poor. Revenue collection of the ULB is very poor. If revenue collection is made effectively and efficiently, it may be increased to much higher level. All cash collection from source of revenue is not deposited in the bank on same day or latest before noon on the following working day. Due to lack of man power there is delay in performing day to day work and holding tax is collected by fourth grade staff. There should be proper segregation of duties to perform day to day work in efficient manner. Bank reconciliation should be prepared on 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. 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 made timely and in proper manner.**
- vi) Tax amount should be collected from Mobile tower.**
- vii) Daily collection amount should be deposited into cash section and bank account as prescribed in BMA 2007.**
- viii) Municipal Accounts Committee should be constituted.**
- ix) Budget should be prepared by the ULB timely and get them approved by the state government within the time frame.**
- X) Book of accounts should be verified by EO on regular interval.**
- Xi) Separate bank account should be maintained for every scheme.**
- Xii) Procurement register should be maintained.**
- Xiii) Utilisation certificate should be prepared.**



**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.

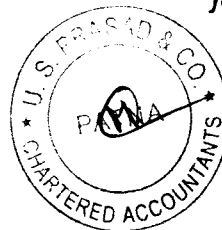
For, Nagar Panchayat, Daudnagar  
(Executive Officer.)

**6. Acknowledgement**


We thank Mr. Bipin Bihari Singh (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:-



for, U S PRASAD & CO.  
Chartered Accountants

  
Manoj Kumar  
(Partner)  
M. No: 418631

## **Detailed Audit Report**

### **1) Introduction**

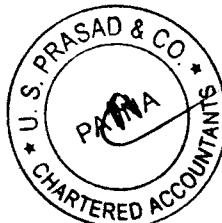
The Internal audit of **Nagar Panchayat, Daudnagar** covering the period from **01-04-2015** to **31-03-2016** was conducted by following persons under guidance of CA Manoj Kumar

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

### **2) Administration**

The present body of ULB has taken charge on 03/04/2014. The incumbency in the key administrative and executive positions was as under:

Shri Parmanand Prasad chief counsellor From 03/04/2014 to till date.  
Shri Bipin Bihari Singh, Executive Officer – At Present



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

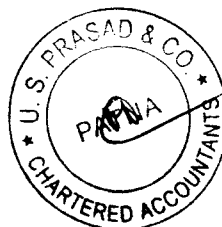
**Compliance of Previous Audit Report**

Compliance of previous audit report has not been done by the Nagar Panchayat Details are follows:-

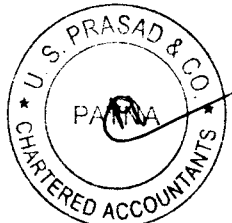
S.No	Particulars of audit and date of report.	Total no. Of audit paras.	Total number of audit paras where necessary improvement/corrective measure is required.	Total number of audit paras where recovery of cash is proposed	Total number of audit paras where recovery has been made	Total of recovery	Total no. Of audit outstanding para of where no action has been taken.	No & date of complance of audit report
1	C.A.G Dated 31/03/2016	25	25	16	0	0	25	Compliance yet to be done

**Deficiency Pointed Out in AG Audit Report**

1. Grant Register, Advance register, Demand and collection Register etc has not been maintained.



2. VAT amounting Rs. 4,74,812/- has not been deducted on the purchase of Solar Lights.
3. Proper tendering system has not been adopted in purchase of solar light as only two bidders have been considered for tender and also web based publicity has not been made.
4. Performance security of Rs. 4,12,721/- has not been deducted on the purchase of Solar Light.
5. Excess payment of Rs. 18,16,448/- has been made on purchase of solar lights as payment has been made at the rate of Rs 44,861/- per piece whereas Rs 25,117/- per piece has been fixed by BREDA & BELTRON.
6. VAT of Rs. 1,52,113/- has not been deducted on the purchase of Cleaning Material.
7. Store register has not been produced.
8. Proper tendering system has not been followed in purchase of cleaning material as Advertised tender enquiry procedure has not been followed since bid amount is above Rs 25,00,000/-
9. Total amount of Rs 31,59,795/- has been withdrawn from bank by self cheque during the period 2010-15 and the purpose of withdrawal is not mentioned in cash book.
10. Total outstanding of shop rent as on 31-03-2015 is Rs. 3,00,581/-.
11. Total amount of outstanding Holding tax as on 31-03-2015 of Rs.16,43,779/-
12. Demand & collection register of trade license is not maintained bu ULB.
13. Total outstanding amount of Trade License as on 31-03-2015 is Rs 69,917/-
14. Total amount of miscellaneous receipt of Rs. 84,846/- has not been deposited in bank.



4) **Finance :-**

i **Budgetary Provisions and expenditure for the last three years:-**

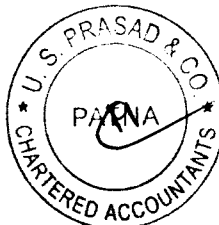
Year	2013-14	2014-15	2015-16
Final/Revised Budget	No Budget prepared by the ULB.		
Actual Expenditure	2,43,68,381.00	1,43,20,590.00	2,02,72,529.00
Savings(+)/Excess(-)	2,43,68,381.00	1,43,20,590.00	2,02,72,529.00

- Budget has not been prepared by the ULB.

ii) **Volume of transaction:**

**II Volume of transactions (2014-15)**

Period	Budgeted 2015 -16	Previous Year (For one year) 2014-15	Corresponding Period of Previous Year	Current Period 2015-16	Cumulative for the current period
	Budgeted				
(A) Opening Balance	No Budget prepared by the ULB	3,98,98,802.00	NOT APPLICABLE	4,86,38,796.00	NOT APPLICABLE
(B) Total Receipts		1,96,87,090.00		5,38,57,074.74	
(C) Total (A +B)		5,95,85,892.00		10,24,95,870.74	
(D) Expenditure		1,09,47,096.00		2,02,72,529.00	
(E) Closing Balance ( C -D )		4,86,38,796.00		8,22,23,341.74	



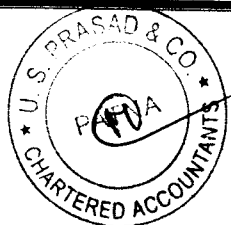
# Internal Audit Report of Nagar Panchayat, Daudnagar

## III. Bank Reconciliation

The ULB has fourteen bank account but bank reconciliation statement has not been prepared for any bank account. Balance as Per Bank statement and Cash Book as on 31/03/2016 given below :-

Sl. No	Name of bank	Name of bank A/C No	Balance as per Bank 31/03/2016	Balance as per Cash book as on 31/03/2016	Scheme Name	Type of A/C
1	PNB	3861000109373638	10,12,933.00	-	BRGF	Saving
2	PNB	3861000109418630	Nil	Nil	13th Finance	Saving
3	PNB	386100010933632	48,08,487.92	19,33,450.00	SYRY	Saving
4	PNB	1861002100005750	Nil	-	Revenue Collection	Saving
5	PNB	1861000109418640	Nil	13,72,918.00	4th state Yojna	Saving
6	PNB	3861000210005891	Nil	-	Teacher Niyojan	Saving
7	PNB	3861000210005749	Nil	-	State Yojna	Saving
8	MBGB	70980100048580	41,494.00	-	Salam Basti	Saving
9	BOB	100200006901	3,630.52	9,182.00	12th Finance	Saving
10	BOB	10010008401	66,241.00	-	N R Y	Saving
11	BOB	00100100036332	1,03,15,494.00	69,73,188.00	13 <sup>th</sup> & 14 <sup>th</sup> Finance	Saving
12	BOB	00100200007052	57,05,718.00	47,50,044.00	BRGF	Saving
13	Treasury	PLA 136 RUR 001	10,03,59,919.00	10,03,59,919.00	Various Scheme	Tresuary
14	SBI	11436539014	7,90,781.94	-	Prashasnik Bhawan	Saving
15	SBI	1143653740	8,35,458.20	-	Internal Revenue.	Current
16	BOB	100100014590	90,179.00	-	Salam Basti	Saving
<b>Total</b>			<b>12,40,30,336.58</b>	<b>11,53,98,701.00</b>		
<b>Difference of both books Amount</b>			<b>86,31,635.58</b>			

The ULB has not maintained subsidiary cash book neither Scheme wise nor bank accounts wise for example State Yojna, Salam Basti , Teachers Niyojan



# Internal Audit Report of Nagar Panchayat, Daudnagar

## IV. Revenue Receipts:-

Period	Budgeted 2015-16	Previous Year (For one year) 2014-15	Correspondin g Period of Previous Year	Current Period 2015-16	Cumulative for the current period
<b>(A) Own Source</b>					
a) Holding Tax		2,41,589.62		2,31,978.84	
<b>Assigned Revenue</b>		9,14,735.00		17,26,506.00	
<b>Fee &amp; User / Other Charges</b>		22,72,487.55		21,73,122.90	
<b>Total Rs – A</b>					
		<b>34,28,812.17</b>		<b>1,96,70,167.74</b>	
<b>Administrative Grant – (B)</b>					
<b>Specific Grant (Scheme wise) (C)</b>					
Nagriye sadke		4,40,266.00		-	
sadko hetu roshni		4,11,464.00		-	
Jal Apurti		3,70,318.00		2,36,00,600.00	
14th Finance		-		50,93,446.00	
13th Finance		22,36,291.00		-	
Nagrik Suvidha		-		48,66,600.00	
Hath se Maila Dhone ki Pratha		-		-	
Smapt karne hetu		-		-	
seva nivrit karmiyo ka bakaya		-		-	
bhugtan		-		-	
<b>E – Governance</b>		-		44,436.00	
4th Finance		26,09,371.00		-	
Asambandh Anudan		20,00,000.00		-	
Parshado ka Niyamit BhattaZ		-		1,37,932.00	
Karmachariyo ka Vetan		91,25,884.00		4,43,893.00	
Swarn Jayanti Rojgar Yojna		24,93,496.00		-	
B R G F		-		-	
Lok Swathya & Swachhta		-		-	
Parking		-		-	
Prashasnik Bhawan Nirman		-		-	
Hetu		-		-	
12 <sup>th</sup> & 13 <sup>th</sup> Finance		-		-	
<b>Total(RS) C</b>		<b>1,96,87,090.00</b>		<b>3,41,86,907.00</b>	
<b>Total (RS) (A+B+C)</b>		<b>2,31,15,902.17</b>		<b>5,38,57,074.74</b>	

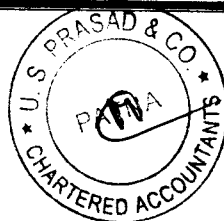
No Budget prepared by the ULB.

Not Applicable

Not Applicable

Not Applicable

Not Applicable

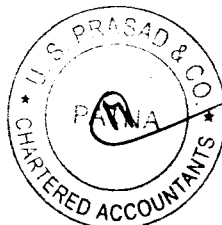


**V. Status of implementation of Double Entry Accounting System :**

Accounting of Nagar Panchayat, Daudnagar not being maintained on the basis of Double Entry Accounting System for the F.Y – 2015-16.

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

Nagar Panchayat, Daudnagar 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:

#### **A. Holding & Property Tax Collection**

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

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

**Condition** – Total Property tax outstanding as on 31<sup>st</sup> March 2016 is Rs. 6,69,651/-.

**Consequence / Effect / Impact** - Due to non collection of Property/Holding Tax there is a major operational 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.

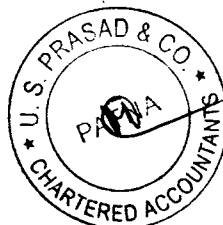
**Cause** – This happens due to lack of proper follow up and monitoring of activities of Tax Inspector / Collector by the concerned officers on regular interval.

**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.

#### **B. Mobile Tower Collection – Irregularity:-**

**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. 30,000/- per tower and annual renewal fee is Rs. 8,000/- per annum per tower.

**Condition** –As per details provided to us there are 14 (Fourteen) Mobile Towers registered with this ULB up to 31.03.2016 and Rs. 10,70,000/-, 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.

**C. Holding & Property Tax Deposit – 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** - Tax Amount is not deposited timely into Bank. In some cases, collected amount has been retained by the Tax Collectors for a period of 1-2 months from the date of collection of taxes Detail is given below.

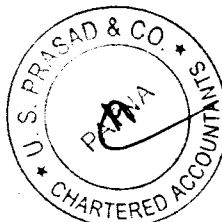
**Consequence / Effect / Impact** - Due to non deposit of Tax on due time, ULBs is suffering from Revenue Loss in the form of Bank Interest which could have been earned on these Receipts. Further this is a lapse on Internal Control due to non submission of Counterfoil and record updation of assesses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

**D. Property Tax on 20 high value properties :-**

Sl. No.	Owner Property Name	Ward	Holding No.	Annual Property Tax
1	Hira saho	20	9	8533/-
2	Mahavir ram	10	1	1972/-
3	Bejnath Prasad	20	3	5814/-
4	Beinath Prasad	20	4	3558/-
5	Sri mati Kamlesh devi	20	18	644/-
6	Ganesh ram	20	19	5965/-
7	Sat bali singh & radhe siyam	20	21	3206/-
8	Gangotri Devi	20	22	1688/-
9	Sharfaj alam	20	25	520/-
10	Chote lal gupta & Bejnath	20	26	420/-
11	Pardeep kumar agarwal	20	27	944/-
12	Rubi devi	20	29	756/-
13	Sri mati parmila devi	20	30	3640/-
14	Sri pradeep kumar agarwal	20	32	6194 /-
15	Balli ram sahtri	20	34	346 /-
16	Sri mati manjo devi	2	35	3444 /-
17	Sri Janesh war Sharma	20	259	756 /-
18	Vishwanath parsad	20	322	2542 /-
19	Nand kisor	21	194	1834 /-
20	Rajendra parsad	19	272	1994 /-



**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 but budget has not been prepared by the ULB.
- B. As per Bihar Municipal Act, 2007, Holding Tax (residential, Commercial, Land etc.) should be revised after every five years, but Nagar Panchayat, Daudnagar failed to do so.
- C. As per Rule 18 of Bihar Municipal Accounting Manual 2014, voucher should be maintained serially for different schemes in different code, but it is not maintaining accordingly. Vouchers has neither been kept in guard file nor arranged systematically.
- D. It has been noticed during the audit that the following Books of Accounts & Subsidiary Registers has either 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 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

- E. In ULB, internal control are either not in place and or not working in respect of day to day working, payment of expenditure collection of revenue, tender etc.
- F. Non – compliance of TDS, VAT, Royalty & Labour cess relevant statute :-
- Labour Cess have not been deducted from any payment made to contractor.

- TDS, VAT 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.
- G. 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.
- H. 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.
- I. 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.
- J. 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.

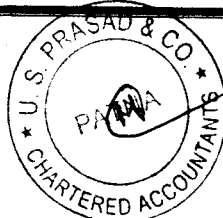


**III. PART – “C”**

**General Observations :-**

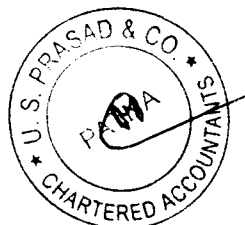
**QUESTIONIER**

Sl. No	Particular	Remarks/ Observation
1	Whether the postings for the entries in the books of original entry have been correctly made in the respective ledger accounts.	No, ledger has not been maintained by the ULB.
2	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, book of accounts has not been maintained that are prescribed in the Accounts Manual / other applicable regulations have been properly maintained by the ULB.
3	Whether the Quarterly Financial Statements have been compiled on the basis of the actual entries in the books of accounts.	No, Quarterly, Half yearly & Yearly Financial Statements have not been prepared by the Nagar Panchayat.
4	Whether the period-end and reconciliation procedures prescribed have been carried out.	No, period-end and reconciliation procedures prescribed have not been carried out.
5	Whether the Bank Reconciliation statements have been prepared and are appropriate.	No, Bank Reconciliation statements have not been prepared by the Nagar Panchayat.
6	Whether all grants from Government have been accounted at gross value with proper entries to various accounts.	Yes, Government grants received by the ULB has been accounted at gross value in cash book.
7	Whether all transactions (incomes, expenditures, assets and liabilities) are correctly classified and stated in sufficient detail.	No, all transactions have not been properly classified by the Nagar Panchayat.
8	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, Grant received during the year has been properly accounted.
9	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.
10	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.



# Internal Audit Report of Nagar Panchayat, Daudnagar

11	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.
12	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 not been found
13	Whether physical verification has been conducted by the ULB at reasonable intervals in respect of stores.	No, Physical verification of store has not been conducted by the ULB at reasonable intervals.
14	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, Nagar Panchayat has not maintained store register.
15	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 physical verification has been done due to non availability of Stock Register.
16	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 Physical verification has been conducted by the ULB at reasonable intervals in respect of stores.
17	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.
18	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?	Advance register has not been maintained so we are unable to verify whether it is being recovered regularly.
19	Whether advances given to municipal employees and interest thereon are being regularly recovered.	No advance register has been maintained so we are unable to verify whether it is being recovered regularly.
20	Whether there exists an adequate internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets?	Yes, there exists an adequate internal control procedure for the purchase of stores, components and assets.
21	Whether applicable procurement rules and procedures are being followed and if so, significant deviations should be identified and reported.	Files related to procurement has not been provided by the ULB during the course of audit.
22	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 Nagar Panchayat is not regular in depositing statutory dues. We observed that all such taxes deducted during the financial year have been deposited toll March 2016.
23	Whether the municipality is regular in remittance of pension	No, ULB is not regular in remittance of

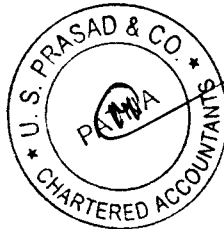


**Internal Audit Report of Nagar Panchayat, Daudnagar**

	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.	pension.
24	Whether any personal expenses have been charged to the municipality's accounts; if so, the details thereof.	We did not notice such expenses.
25	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.	Budget has not been prepared by the ULB.
26	Whether all revenue has been properly assessed, accounted for, collected and recovery action taken on timely basis.	No, all revenues from own sources have not been properly assessed, accounted for and collected. For exp. – Mobile Tower & Shop Rent, Holding Tax
27	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.	All the sums due to and received by the Municipality have not been brought to account within the prescribed time limits.
28	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 of 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.
29	Whether the amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order.	Yes, The amount received as specific grants have been utilized for the purposes as stated in the grant sanction order.
30	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 system are not used by the ULB.

**for U. S. Prasad & Co.**

**Chartered Accountants**



*(Signature)*

**CA. Manoj Kumar**

**Partner**

**M. No.: 418631**