

INTERNAL AUDIT REPORT  
OF

NAGAR PANCHAYAT

EKMA BAZAR (SARAN)

For the period from 01.04.2015 to 31.03.2016

Internal Audit Conducted by:  
M/S RAJEEV R MISHRA & CO.  
CHARTERED ACCOUNTANTS



BALBHADARPUR, LAHERIASARAI TOWER

DARBHANGA (BIHAR)-846001

Cont: +91-9234554106, +91-9835156869

E-Mail- [carajeevranjan@rediffmail.com](mailto:carajeevranjan@rediffmail.com)

**NAGAR PANCHAYAT – EKMA BAZAR (SARAN)****INTERNAL AUDIT REPORT OF F.Y.2015-16****INDEX**

Section	Contents	Page No.	
		From	To
A	Audit Procedure	3	4
B	Executive Summary	5	8
C	Detailed Audit report	9	21
	a) Audit Observations – Part-A		
	b) Audit Observations – Part-B		
	c) Audit Observations – Part-C		



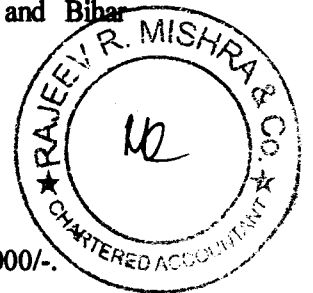
## Section A: Audit Procedure

This internal audit report (here-in-after referred to as "report") has been issued as a part of our engagement for internal audit for the Period ended on 1<sup>st</sup> April 2015 to 31<sup>st</sup> March,2016.The ULB (Nagar Panchayat, Ekma Bazar, Saran) is a wing of Urban Development and Housing Department, Government of Bihar and we have carried out the Internal Audit as per the appointment letter issued by the management of Support Programme for Urban Reforms in Bihar (SPUR) , Patna Vide the Notice to Proceed (NTP) Number : SPUR-PMU/194/IA-140 ULBs & SLMA/G-11/RRM/2016/132/31 Dated 5<sup>th</sup> April 2016.

We have conducted our audit in accordance with the Standards on Internal Auditing (SIA) issued by the Institute of Chartered Accountants of India. These Standards require that we plan and perform the internal audit in such manner so that to cover all the scope, coverage and resources including planning with respect to time and resources to be used. An internal audit includes examining every aspect of the organisation as per the Terms of Reference and to the extent as provided in the scope of Internal Audit. Besides, this being an internal audit, it also covers the extensive scope as specified by the management of the Organisation in the engagement letter.

### The Salient Points of the scope covered by our internal audit are as follows:

1. Evaluation of internal controls as discussed in Bihar Internal Control Manual.
2. Compliance of Bihar Municipal Act related Rules and Regulations.
3. Compliance of Bihar Municipal Accounting Manual, BMAR- 2014 and Bihar Municipal Budget Manual.
4. Reporting on all major own resources revenue Loss.
5. Survey Report on at least 20 high value property in the town.
6. Vouching of all payments above Rs. 10,000/-.
7. Report on procurement made through 'Tender' for the value above Rs. 15,000/-.
8. Appraisal of the effectiveness of overall accounting system.



Moreover, our scope of examination also covered the requirements of the specific points as spelled out by the management of UD&HD. The result and recommendations of our internal audit are set out in scope of audit and where ever required, in annexure forming integral part of our report.

**We have conducted the Internal Audit with the objective:-**

- ❖ That the assets of the ULB are being properly protected and accounted for.
- ❖ That the current transactions are promptly and completely recorded.
- ❖ That the inefficient or fraudulent operations are revealed.

We started with an overview of activities through a study on various documents generated by the ULB. We then identified, evaluated and tested the adequacy, effectiveness and efficiency of internal controls including policies and procedure laid down by the management for each of the areas included in the scope of work.

Testing of internal control was carried out by checking of translations on sample basis for the period covered under the audit.

Our observations resulting from the audit performed on a sample of transactions along with suggested recommendation for addressing these observations are set out under - Part (A), Part (B) and Part (C) of the audit report.

During the audit, we reviewed the following Registers and Documents.

- ❖ Accountant cash Book
- ❖ Subsidiary Cash Book
- ❖ Bank Book
- ❖ DCR
- ❖ Vouchers along with supporting documents.
- ❖ Others related records and registers.

For  
Rajeev R Mishra & Co.  
Chartered Accountants  
FRN: - 021466N

*Mritunjay K.*

CA Mritunjay Kumar  
Contact No- 9835156869



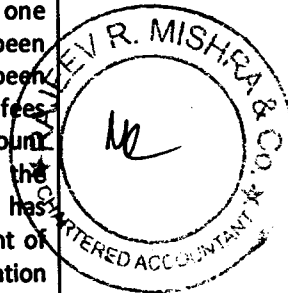
**Executive Summery**

**1. Introduction**

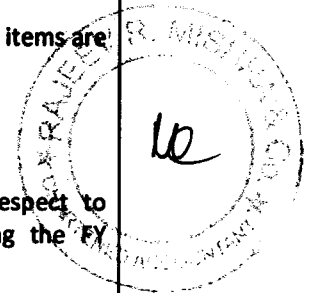
<b>Name of the Municipality</b>	NAGAR PANCHAYAT, EKMA BAZAR, SARAN
<b>Period Covered under Current Audit</b>	01.04.2015 to 31.03.2016
<b>Name of the Executive Officer of the ULB</b>	MR. Harish Chandra (July, 2016 to Till Date) (ekma.ulb@gmail.com) Mob: 8507486693/7762094797
<b>Name of Chairman of the ULB</b>	Mrs. ANAMIKA DEVI (From 28 <sup>th</sup> October,2016 to Till date)
<b>Name of Vice-Chairman of the ULB</b>	Mrs. RINKI DEVI (From MAY,2015 to Till date)

**2. Results and Findings**

<b>Strength observed during the audit engagement</b>	<ol style="list-style-type: none"> <li>1. Bank Book for P/L account has been prepared.</li> <li>2. Subsidiary Cash Books has been prepared.</li> <li>3. Cheque issue register has been prepared.</li> </ol>
<b>Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement.</b>	<ol style="list-style-type: none"> <li>1. <b>For Holding Tax Demand and collection Register has not been maintained.</b> As explained by the management till date the survey of properties have not been completed hence we did not maintain demand and collection register. However during the current FY some household owners have paid their holding tax voluntarily. Total collection during the current FY has been Rs. 2.35 lakh only.</li> <li>2. <b>Main cash Book has not been maintained.</b> Only Subsidiary cash books have been maintained.</li> <li>3. <b>During the audit we observed under collection of tower tax during the financial year 2015-16 has been received.</b> Only 7 mobile towers including one additional tower of different companies have been operating in the area. But only Rs.30000/- has been collected during the current year for registration fees from Reliance Jio. However total outstanding amount from different companies has been computed by the ULB as Rs.434000/- but the basis for computation has been clarified by the ULB. To quantify the amount of arrear of tower tax we need the following information from the ULB:                         <ol style="list-style-type: none"> <li>(a) Total number of towers operating in the area of nagar panchayat.</li> <li>(b) Total number of additional antenna on each tower.</li> <li>(c) Month and year of establishment of each tower and additional antenna.</li> <li>(d) Among the total towers how many have been paid their registration fee with the ULB.</li> </ol>                     But the above information have not been provided by the ULB hence we could not compute the exact amount of dues of tower tax from each tower.                 </li> </ol>



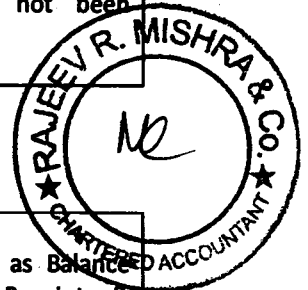
4. Bank Reconciliation Statement is not prepared at all.
5. There is lack of internal control in respect of timely deposit of various taxes such as VAT, Royalty, TDS and labour cess. Although these statutory dues have been collected from time to time but VAT and TDS have been deposited on yearly basis. Royalty and labour cess have not been deposited to the account of concern department till date.
6. Acknowledgement of E-Filing of TDS Return was not made available to us.
7. Annual Budgets have not been prepared till the financial year 2015-16.
8. ULB does not follow Double Entry Accounting System (DEAS).
9. As per BMA, 2007 financial statement such as Balance Sheet, Income and Expenditure Account and Receipt and Payments account are required to be prepared and get approved from the board on annual basis but we observe that these have not been prepared for any year till date.
10. Fixed Assets Register is not maintained by the ULB properly.
11. Holding or Property Tax has not been implemented till the financial year 2015-16.
12. Stock Registers for moveable and immovable items are not maintained by the ULB.
13. Daily wages registers are not provided to us.
14. There are lack of internal control with respect to collection of own resource revenue during the FY 2015-16.
15. Grant register has not been maintained properly; hence it is difficult to find out the amount of unutilised grant at any point of time.
16. No separate advance register is maintained hence it is difficult to monitor advances given and adjustment thereof.
17. Details of UCs already sent to department have not been provided to us. According to management, the



	<p>UCs have been sent to the department as and when required by the department.</p> <p>18. Demand - collection register has not been prepared.</p>
--	--

**3. Opinion.**

<p>Overall opinion of the audit team about the functioning of the municipality</p>	<p><b>Overall Opinion:-</b></p> <ol style="list-style-type: none"> <li>1. Financial Statements such Balance Sheet, Income &amp; Expenditure A/c and Receipts &amp; Payments A/C have not been prepared by the ULB.</li> <li>2. Most of the Books of Accounts as prescribed by BMAR are not maintained.</li> <li>3. ULB does not follow DEAS.</li> <li>4. Collections of revenue from own resources are poor.</li> <li>5. There are serious lapses in timely deposit of statutory dues, such as VAT, TDS, and Labour Cess Etc.</li> <li>6. Fixed assets Register is not maintained.</li> <li>7. Stock Register is not maintained.</li> <li>8. Demand and Collection Register has not been maintained.</li> </ol>
--	---



**4. Audit Recommendations:-**

<p>The Recommendation of audit team on the observed weakness.</p>	<p><b>Recommendation:-</b></p> <ol style="list-style-type: none"> <li>1. Financial Statement for every year such as Balance Sheet, Income &amp; Expenditure A/C, and Receipts &amp; Payments A/C should be prepared.</li> <li>2. Demand and collection register for holding and property tax should be prepared properly as and when the ULB has started the collection of Property Tax.</li> <li>3. Fixed Assets Register should be prepared.</li> <li>4. Stock Register should be prepared.</li> <li>5. Grant wise Utilization Certificate should be prepared.</li> <li>6. BRS should be prepared on Monthly basis.</li> <li>7. ULB should follow DEAS as soon as possible and should maintain books of accounts and register as prescribed by BMAR.</li> <li>8. Demand collection register should be maintained properly.</li> </ol>
---	---

**5. Comment 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.

*Shyamanand*  
*13/7/17*  
Executive Officer  
For Nagar Panchayat - Ekma Bazar

(Executive Officer.)

**6. Acknowledgement :-**

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

Place: -

Date: -

For,

M/S Rajeev R Mishra & CO.

Chartered Accountants

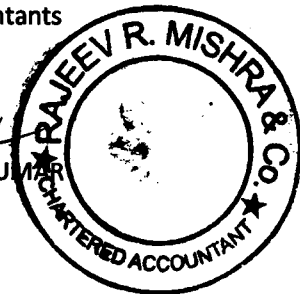
FRN: 021466N

*Mritunjay*

CA MRITUNJAY KUMAR

(Partner)

M.NO:- 535789





**Detail Audit Report:-****1. Introductions**

The Internal audit of NAGAR PANCHAYAT, EKMA BAZAR covering the period from 1<sup>ST</sup> April 2015 to 31<sup>ST</sup> March 2016 was conducted by following persons under the guidance of CA. Rajeev Ranjan :-

- i) CA Mritunjay Kumar
- ii) Dilip Kumar Karn

**2. Administration**

The present body of the ULB has taken charge in 2012. The incumbency in the key administrative and executive positions has been as under:

Mrs. Anamika Devi, Chairman, from October, 2016 to till Date

Mr. Harish Chandra, Executive officer, from Aug, 2016 to till Date.

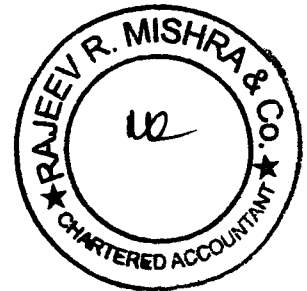
**3. Review of outstanding audit paras: Status of Audit Observations is as under:**

S.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 purposed	Total No of Audit Paras where recovery has been made	Total Amount of Recovery (Rs. In Lakhs)	Total no of Outstanding Para where no action has been taken	No and Date of Compliance Report
	No any correction/implementation against audit paras against Internal Audit Report for the Financial Year 2015-16. Also the ULB did not make compliance on the issues reported in the last year internal audit report.							

**4. Finance****I). Budgetary Provisions and Expenditure for the last Three Years**

Year	2013-14	2014-15	2015-16
Final/ Revised Budget	NA	NA	NA
Actual Expenditure	4901015/-	20318454/-	4,69,87,149.00
Saving(+)/ Excess(-)	NA	-	-

Note: - Budget of the Year 2013-14, 2014-15 & 2015-16 have not been prepared.



## II). Volume of Transaction

Period	Budgeted	Previous Year (for one Year) 2013-14	Previous Year 2014-15	Current Period 2015-16	Cumulative for the Current Period
Opening Balance	NA	1,18,27,887.00	3,08,86,599.92	4,02,56,811.92	4,02,56,811.92
Receipts		2,39,59,727.92	2,96,88,666.00	4,46,81,251.00	4,46,81,251.00
<b>Total Fund</b>		<b>3,57,87,614.92</b>	<b>6,05,75,265.92</b>	<b>8,49,38,062.92</b>	<b>8,49,38,062.92</b>
Net Expenditure		49,01,015.00	2,03,18,454.00	4,69,87,149.00	4,69,87,149.00
<b>Closing Balance</b>		<b>3,08,86,599.92</b>	<b>4,02,56,811.92</b>	<b>3,79,50,913.92</b>	<b>3,79,50,913.92</b>

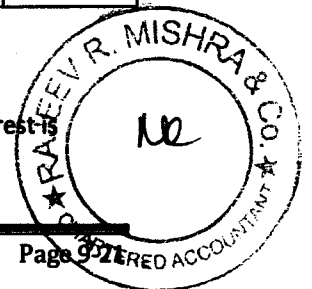
## III). Bank Reconciliation:-

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

S.No	Name of Bank	Account No.	Balance as on 31.03.2015	Name of Scheme	Reconcl iation Position
1.	SBI	P/L Account	2,67,87,879.00	Misc.	No BRS
2.	Canara Bank	12354	7,02,779.00	SISRY	No BRS
3.	SBI	97181	1,01,584.00	Municipal Tax	No BRS
4.	Canara Bank	12355	7,87,741.00	BRGF	No BRS
5.	Canara Bank	12356	70,27,566.00	13 <sup>th</sup> Finance	No BRS
6.	SBI	70717	8,467.00	Pension	No BRS
7.	SBI	24045	1,29,488.00	Pension	No BRS
8.	Canara Bank	12869	68,417.00	Pension	No BRS
9.	SBI	84114	37,606.00	Pension	No BRS
10.	SBI	96141	97,380.00	Pension	No BRS
11.	SBI	6615	34,622.00	Pension	No BRS
12.	SBI	78304	99,478.00	Pension	No BRS
13.	SBI	27148	19,746.00	Pension	No BRS
14.	SBI	18554	1,02,452.00	Pension	No BRS
15.	SBI	46264	27,985.00	Pension	No BRS
16.	SBI	31029	25,655.00	Pension	No BRS
17.	SBI	90489	37,706.00	Pension	No BRS
18.	SBI	1991	27,901.00	Pension	No BRS
19.	SBI	71902	1,13,362.00	4 <sup>th</sup> State Finance	No BRS
20.	SBI	80222	13,46,404.00	Kabir Antyesty	No BRS
	<b>Total</b>		<b>3,75,84,218.00</b>		

Note: -

1. Monthly Bank Reconciliation Statement has not been prepared by NP.
2. Bank Statement for 13<sup>th</sup> finance is missing for two months thus an entry of a interest is missing in the cash book also.

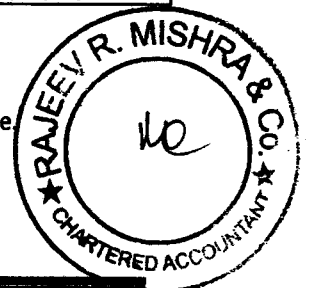


## IV). Revenue Receipt

Period	Budgeted	Previous year (2013-14)	Previous Year (2014-15)	Current Period (2015-16)	Cumulative for the Current period
<b>a) Own Resources</b>					
Holding Tax	-	2,214.92	65,442.00	2,42,084.00	2,42,084.00
Others	-	-	-	43,831.00	43,831.00
Interest	-	-	-	2,389.00	2,389.00
<b>Total</b>	-	<b>2,214.92</b>	<b>65,442.00</b>	<b>2,88,304.00</b>	<b>2,88,304.00</b>
<b>b) Administrative Grant</b>	-	-	-	-	-
<b>c) Specific Grant (Scheme Wise)</b>					
Professional Tax	-	5,82,298.00	7,32,698.00	7,55,874.00	7,55,874.00
Parsad Allowance	-	76,200.00	1,52,400.00	1,98,068.00	1,98,068.00
Admin Building	-	61,40,000.00	46,76,000.00	-	-
E- Governance	-	-	3,90,000.00	3,01,016.00	3,01,016.00
4 <sup>th</sup> State Finance	-	1,08,22,455.00	1,20,26,856.00	4,16,683.00	4,16,683.00
Pension Contingency	-	-	10,000.00	-	-
13 <sup>th</sup> Finance	-	38,76,954.00	33,32,240.00	58,05,791.00	58,05,791.00
BRGF	-	10,28,429.00	63,308.00	5,93,700.00	5,93,700.00
Kabir Antyesty	-	13,87,844.00	72,220.00	7,52,336.00	7,52,336.00
SJSRY	-	43,333.00	32,027.00	31,396.00	31,396.00
Pension	-	-	81,35,475.00	42,08,687.00	42,08,687.00
5 <sup>th</sup> Finance	-	-	-	1,18,28,244.00	1,18,28,244.00
14 <sup>th</sup> Finance	-	-	-	67,30,139.00	67,30,139.00
Toilet	-	-	-	42,30,000.00	42,30,000.00
Water Supply	-	-	-	36,69,013.00	36,69,013.00
Public Welfare	-	-	-	48,72,000.00	48,72,000.00
<b>Total</b>	-	<b>2,39,57,513.00</b>	<b>2,96,23,224.00</b>	<b>4,43,92,947.00</b>	<b>4,43,92,947.00</b>
<b>Grand Total</b>		<b>2,39,59,727.92</b>	<b>2,96,88,666.00</b>	<b>4,46,81,251.00</b>	<b>4,46,81,251.00</b>

Note:

- Total Interest is Rs.626320/- (Internal Rs.2389/- and Grant Rs.623931/-)
- Grant for Toilet has been Received in the bank account dedicated to 13<sup>th</sup> Finance

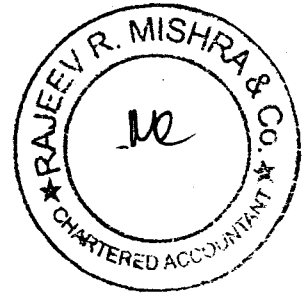


**V) Status of Implementation of DEAS:**

Till Date, ULB maintains accounts on the basis of single entry accounting system. Double entry accounting system (DEAS) is not in operation in the said ULB.

**VI) Status of Municipal Account Committee; if meeting is held**

As per section 98 of BMA 2007 it is necessary for the ULB to constitute an MAC at its first meeting in each year or as soon as may be at any subsequent meeting. But till Date the ULB has not constituted MAC.

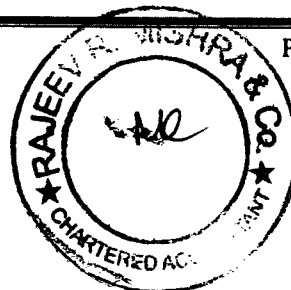


## 5. Audit Observations:

## PART –“A”

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

<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><b>No Demand and collection register for holding tax has been maintained.</b> As explained by the management Survey of household has not been completed till the Financial year 2015-16 and the collections of holding tax are on voluntary basis. During the current year some house hold owners have paid their holding tax voluntarily that amounted to Rs. 2,42,084/- only  <b>There has been under collection of Mobile tower tax as during the current year 2015-16.</b> Only Rs.30000/- has been collected towards mobile tower tax.          We have not been able to verify the demand raised by the ULB for tower tax as for this we need the following information that has not been provided to us:</p> <ul style="list-style-type: none"> <li>(a) Total number of towers operating in area of nagar Panchayat.</li> <li>(b) Total number of additional antenna on each tower.</li> <li>(c) Month and year of establishment of each tower and additional antenna.</li> <li>(d) Among the total towers how many have been paid their registration fee with the ULB.</li> </ul> <p>Under Sairat, ULB collects revenues only from Map Fees, Rent of Suction machine and Birth-Death certificates which contributes negligible towards Municipal Fund.  <b>Hoarding/Advertisement tax has not been collected by the ULB till date.</b>  <b>Trade Licence Fees have not been collected at all.</b> No field survey of businesses operated in the area of the ULB has been conducted.</p>
<p>b) Excess payment against bill, lack of prudence in payment against vouchers inefficiency in controls resulting loss to ULBs.</p>	<p>We did not notice excess payment against any bill/voucher. But we observe diversion of fund in expenditure under different schemes. We could not quantify the exact amount involved in diversion of funds due to non availability of information such as which amount has been paid from which bank account or which grant have not been mentioned in the cash book.</p>



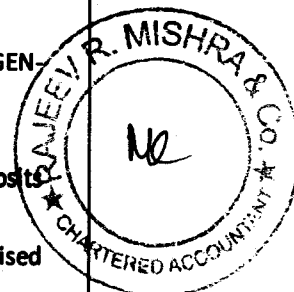
c) Report on finding of field survey of Property Tax of minimum 20 high value properties	Since Holding tax / Property Tax has not been implemented till the current year 2015-16 hence we have not been able to conduct the field survey for the high value properties.
--	--

**PART- "B"**

No compliance for the issues raised in previous audit reports have implemented.

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 regard our report is as under –

a) Non- maintenance of books of accounts , subsidiary registers	<p>Following primary Books of accounts are required to be maintained :</p> <ol style="list-style-type: none"> <li>1) Cash Book (Form Gen-IA)</li> <li>2) Bank Book (Form Gen-IB)</li> <li>3) Collection Register GEN-11</li> <li>4) Subsidiary Ledgers ( Gen-3)</li> </ol> <p>But the ULB has maintained only the Subsidiary cash books and collection registers for revenues under internal resources. Bank Book and main cash book are not being maintained by the ULB.</p> <p>In addition to above following other General Registers and forms are required to be maintained but the same are not being maintained.</p> <ol style="list-style-type: none"> <li>1. Memorandum of Collection GEN-12</li> <li>2. Summary of Daily Collection GEN-13</li> <li>3. Register of Bills for Payment GEN-14</li> <li>4. Register of Advance GEN-17</li> <li>5. Summary Statement of Deposits Adjusted GEN-20</li> <li>6. Summary Statement of Bills Raised GEN-23</li> <li>7. Register of Refunds, Remissions and Write-offs GEN-26</li> <li>8. Statement of Outstanding Liability for Expenses GEN-29</li> <li>9. Documents Control Register/Stock Account of Receipt/Cheque Book</li> </ol>
---	--



	<p>GEN-30</p> <p>10. Register of Immovable Property GEN-31</p> <p>11. Register of Movable Property GEN-32</p> <p>12. Register of Land GEN-33</p> <p>13. Asset Replacement Register GEN-36</p> <p>14. Register of Public Lighting System GEN-37</p>
<p>b) Irregularity in procurement process</p>	<p> Serious irregularities have been observed in procurement process of LED Lights and Fogging Machine.</p> <ol style="list-style-type: none"> <li>1. Period for tender quotation invited in news has been for 12 days but as Bihar Finance Rules, 2005 it should be for at least 3 weeks.</li> <li>2. Tender quotation has been invited for 100 LED Lights but ULB has purchased 640 LED Lights @ Rs.18800/- each (Total amount involved Rs.1,20,32,000/-)</li> <li>3. Total three persons have been participated in the above tender but two were rejected during Technical evaluation of comparative statements, so only one participant were left for the said tender for Financial evaluation and tender awarded to him instead of cancellation and fresh invitation of the said tender.</li> <li>4. A security deposit @ 5% of the value of the Items purchased was required to be deducted for the period of guarantee/warranty of the said items but the ULB did not deduct the security deposit and paid the full amount to the vendor.</li> </ol> <p>But during the audit of various yojana completed by the Nagar Panchayat itself, we found that all the payments made for Stone-chips, sand and bricks have been on the basis of vendor's Kachha Bill.</p>

<p>c) Non-compliance of directives by UD &amp; HD , GOB</p>	<p>We observed several non compliances of directives of UD &amp; HD, GOB such as :</p> <ul style="list-style-type: none"> <li>• non collection of various taxes required to be collected</li> <li>• Non maintenance of prescribed books of accounts</li> <li>• Non maintenance of prescribed DEAS.</li> <li>• Non-maintenance of Demand Collection Register.</li> </ul>
<p>d) Non-compliance of Acts and Rules</p>	<p>As per sec. 127 of the BMA, the municipality can levy the following taxes:</p> <ul style="list-style-type: none"> <li>• Property tax on lands and buildings.</li> <li>• surcharge on transfer of lands and buildings</li> <li>• water tax</li> <li>• fire tax</li> <li>• tax on advertisements, other than advertisements published in newspapers</li> <li>• surcharge on entertainment tax</li> <li>• surcharge on electricity consumption within the municipal area</li> <li>• tax on congregations</li> <li>• tax on pilgrims and tourists</li> <li>• Tax on profession</li> <li>• toll tax – <ul style="list-style-type: none"> <li>a. on roads, bridges, ferries and navigable channel and</li> <li>b. on heavy trucks which shall be heavy goods vehicles, and buses, which shall be heavy passenger motor vehicles</li> </ul> </li> </ul> <p>But the ULB has not levied any of the taxes as mentioned above.</p>
<p>e) Lack of internal Control measures</p>	<p>Serious lack in internal control with respect to collection of revenues under various internal resources has been found during the audit.</p>
<p>f) Non-compliance of TDS, VAT and other relevant Statute</p>	<ul style="list-style-type: none"> <li>• There is lack of internal control with respect to timely deposit of the taxes already collected by the ULB.</li> <li>• Taxes such as VAT, TDS, Labour cess, etc. are collected from time to</li> </ul>





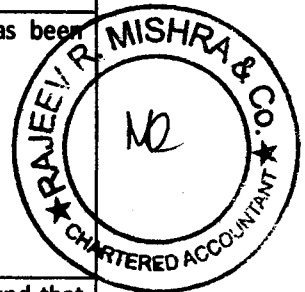
	time but deposit of such have not been made on timely manner which is not proper. Also on deduction of taxes, liability has not been created hence it is difficult to ascertain tax payable at any point of time.
g) Deficiency in Pay-roll System	The pay-roll system does not contain leave details of employee. PF contribution and pension fund contribution of employees are deducted from employee's salary and deposited in employee's separate bank account. NP does not contribute towards employees PF and pension.
h) Utilization of Grant and report on utilisation certificates	As explained to us UC up to 31.03.2016 has been sent to the Government as and when demanded by the department but copy of the same have not been provided to us. Since Grant Register has not been prepared properly hence it is difficult to ascertain un-utilized grant at any particular time.
i) Physical verification of inventories and stores	Store Register has not been prepared properly and physical verification of inventories/stores has not been done.
j) Physical verification of fixed assets	Fixed Assets Register has not been prepared properly. Also physical verification of fixed assets has also not been done by the ULB.
k) Non compilation of Financial Statement	The Financial Statements of the ULB have not been compiled.



## PART - "C"

## General Observations:

<ul style="list-style-type: none"> <li>Whether the postings for the entries in the books of original entry have been correctly made in the respective ledger accounts.</li> </ul>	No, only entries related to cash/bank/PL A/C are made in the Subsidiary Cash books maintained by the Accountant. Other Ledger accounts have not been prepared according to BMAR by the ULB.
<ul style="list-style-type: none"> <li>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;</li> </ul>	No, except Subsidiary Cash Book and Bank Book for P/L Account, no other books of accounts as prescribed in Accounting Manual have been maintained.
<ul style="list-style-type: none"> <li>Whether the Quarterly Financial Statements have been compiled on the basis of the actual entries in the books of accounts;</li> </ul>	No, Quarterly Financial Statements have not been prepared by the N.P.
<ul style="list-style-type: none"> <li>Whether the period-end and reconciliation procedures prescribed have been carried out.</li> </ul>	No, period-end and reconciliation procedures as prescribed have not been carried out. Even the Bank Reconciliation Statement for all bank accounts have been prepared.
<ul style="list-style-type: none"> <li>Whether the Bank Reconciliation statements have been prepared and are appropriate.</li> </ul>	No, Bank Reconciliation Statements have not been prepared by the ULB.
<ul style="list-style-type: none"> <li>Whether all grants from Government have been accounted at gross value with proper entries to various accounts</li> </ul>	Yes, but all transactions are not correctly classified with sufficient details and no separate grant register has been maintained.
<ul style="list-style-type: none"> <li>Whether all transactions (incomes, expenditures, assets and liabilities) are correctly classified and stated in sufficient detail;</li> </ul>	No all transactions have been classified as Receipts and Payment only. Income, Expenditure, assets and liabilities have not been recognized.
<ul style="list-style-type: none"> <li>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;</li> </ul>	Yes, Grant received during the year has been properly accounted for.
<ul style="list-style-type: none"> <li>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;</li> </ul>	No, we have not observed any Special fund that has been created by the ULB.



<ul style="list-style-type: none"> <li>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;</li> </ul>	We did not notice any major deviation.
<ul style="list-style-type: none"> <li>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;</li> </ul>	No, record of fixed assets has not been maintained by the ULB properly. Physical verification of fixed assets has not been done during the financial year under audit.
<ul style="list-style-type: none"> <li>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;</li> </ul>	As explained to us no property of the ULB has been given on lease.
<ul style="list-style-type: none"> <li>Whether physical verification has been conducted by the ULB at reasonable intervals in respect of stores;</li> </ul>	No, physical verification of stores has been conducted by the ULB at reasonable intervals.
<ul style="list-style-type: none"> <li>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;</li> </ul>	No, ULB has not maintained any store register.
<ul style="list-style-type: none"> <li>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;</li> </ul>	No, we have conducted the physical verification of stores on the basis of cash book entries only and we have not notice any material discrepancies during our audit.
<ul style="list-style-type: none"> <li>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;</li> </ul>	No, no procedures are in place to identify any unserviceable or damaged stores
<ul style="list-style-type: none"> <li>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;</li> </ul>	No, valuation of stores is not in accordance with the accounting principles laid down in BMR.
<ul style="list-style-type: none"> <li>Whether the parties to whom loans or advances have been given by the ULB</li> </ul>	There is no case of loans and advances other than advances to staff for expenditure.

