

INTERNAL AUDIT REPORT
OF

NAGAR PANCHAYAT

GHOGHARDIHA

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

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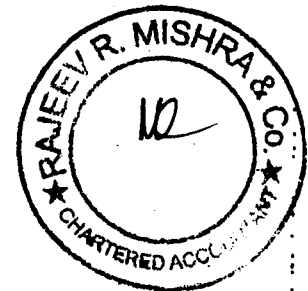


NAGAR PANCHAYAT –GHOGHARDIHA

INTERNAL AUDIT REPORT OF F.Y.2015-16

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INTERNAL AUDIT REPORT- NAGAR PANCHAYAT - GHOGHARDIHA

Internal Audit Report of Financial year 2015- 2016

Section A: Audit Procedure

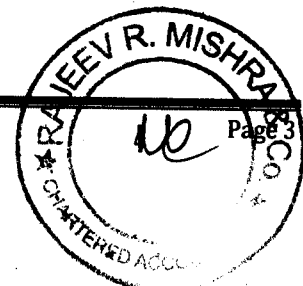
This internal audit report (Hereinafter referred to as "report") has been issued as a part of our engagement for internal audit for the Period ended on 1st April 2015 to 31st March, 2016. The ULB (Nagar Panchayat , GHOGHARDIHA) is a wing of Urban Development and Housing Department, Government of Bihar 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 5th 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 Revenue Losses.
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 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 REPORT- NAGAR PANCHAYAT - GHOGHARDIHA

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 properly protected and accounted for.
- ❖ That the current transactions are promptly and completely recorded.
- ❖ That 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 adequacy, effectiveness and efficiency of internal controls including standard 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 the checking a sample of translations for the period covered under the audit.

Our Observations resulting from the audit test 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.

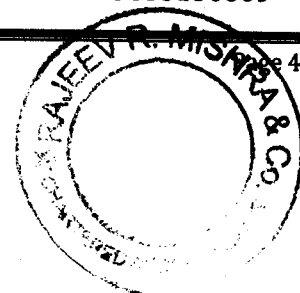
Place:-
Date:-

For
Rajeev R Mishra & Co.
Chartered Accountants

Mritunjay Sr.

CA Mritunjay Kumar
M.No.- 535789
Contact No- 9835156869

M/S RAJEEV R MISHRA & CO. (CHARTERED ACCOUNTANTS)



Executive Summary

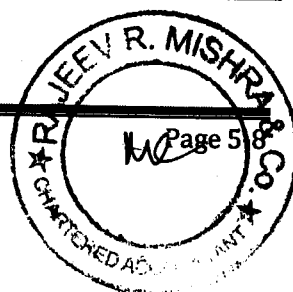
1. Introduction

Name of the Municipality	NAGAR PANCHAYAT, GHOGHARDIHA, MADHUBANI
Period Covered under Current Audit	01.04.2015 to 31.03.2016
Name of the Executive Officer of the ULB	MR. SHYAMANAND JHA (DOJ-09/09/2015 to Till Date) (npghoghardiha@gmail.com)
Name of Chairman of the ULB	Mr. SHANKAR JHA (From 2012 to Till date)
Name of Vice-Chairman of the ULB	Mr. SURAJ MUKHIYA (From 2012 to Till date)

2. Results and Findings

Strength observed during the audit engagement	<ol style="list-style-type: none"> 1. Cheque Issue Register & Yojna Panji has been prepared. 2. Samiti Cash Book has been written. 3. Subsidiary Cash Books has been prepared.
Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement.	<ol style="list-style-type: none"> 1. Holding/Property Tax has not been collected. 2. Main cash Book has not been maintained. Only Subsidiary cash books have been maintained. 3. During the audit we observe that collection of tower tax during the financial year 2015-16 only 8,000 has been received. Only 6 mobile towers of different companies have been operating in the area but only 2 of them has paid the tower tax during the financial year 2015-16. To quantify the amount of arrear of tower tax we need the following information from the ULB: <ol style="list-style-type: none"> (a) Total number of towers operating in the area of nagar panchayat. (b) Total number of additional antenna on each tower. (c) Month and year of establishment of each tower and additional antenna. (d) Among the total towers how many have been paid their registration fee with the ULB. <p>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.</p> 4. Bank Reconciliation Statement is not prepared at all. 5. Advance register have not been prepared. 6. 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 its payment have not been made on time.

	<ol style="list-style-type: none">7. Acknowledgement of E-Filing of TDS Return was not made available to us.8. Annual Budgets have not been prepared.9. ULB does not follow Double Entry Accounting System (DEAS).10. 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.11. Fixed Assets Register is not maintained by the ULB properly.12. Holding or Property Tax has not been implemented till the financial year 2015-16.13. Stock Registers for moveable and immovable items are not maintained by the ULB.14. Daily wages registers are not provided to us.15. There are lack of internal control with respect to collection of own resource revenue covered under SAIRAT during the FY 2015-16.16. Grant register has not been maintained properly; hence it is difficult to find out the amount of unutilised grant at any point of time.17. No separate advance register is maintained hence it is difficult to monitor for advance given and adjustment thereof.18. Details of UCs already sent to department have not been provided to us. According to management, the UC are sent to department as and when required by the department.19. Demand - collection register has not been prepared.20. Log book is not maintained properly for Suction machine and Ambulance.
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3. Opinion.

Overall opinion of the audit team about the functioning of the municipality	Overall Opinion:- <ol style="list-style-type: none"> 1. No Financial Statements such Balance Sheet, Income & Expenditure A/c and Receipts & Payments A/C have been prepared by the ULB. 2. Most of the Books of Accounts as prescribed by BMAR are not maintained. 3. ULB does not follow DEAS. 4. Collections of revenue from own resources are very poor. 5. There are serious lapses in timely deposit of statutory dues, such as VAT, TDS, and Labour Cess Etc. 6. Fixed assets Register is not maintained. 7. Stock Register is not maintained. 8. Log Book in respect of Petrol and Diesel expense is not maintained properly. 9. Demand and Collection Register has not been maintained.
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4. Audit Recommendations:-

The Recommendation of audit team on the observed weakness.	Recommendation:- <ol style="list-style-type: none"> 1. Financial Statement for every year such as Balance Sheet, Income & Expenditure A/C, and Receipts & Payments A/C should be prepared. 2. Demand and collection register for holding and property tax should be prepared properly as the ULB has started the collection of Property Tax from the financial year 2016-17. 3. Fixed Assets Register should be prepared. 4. Stock Register should be prepared. 5. Grant wise Utilization Certificate should be prepared. 6. BRS should be prepared on Monthly basis. 7. ULB should follow DEAS as soon as possible and should maintain books of accounts and register as prescribed by BMAR. 8. Demand collection register should be maintained properly.
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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.

For Nagar Panchayat , ghoghardiha

[Signature]
(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

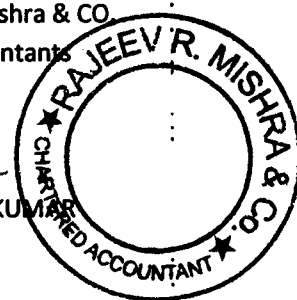
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CA MRITUNJAY KUMAR

(Partner)

M.NO:- 535789



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

The Internal audit of NAGAR PANCHAYAT, GHOGHARDIHA covering the period from 1st April 2015 to 31st 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:

Mr. Anil Kumar Mandal, Chairman, from 11th Feb 2016 to till Date

Mr. Shyamanand Jha, Executive officer, from 09/09/2015 to till Date.

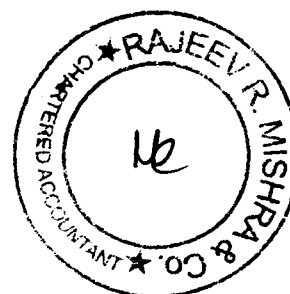
3. Review of outstanding audit paras: Status of Audit Observations is as under:

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 of Internal Audit Report of F.Y-2014-15.								

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	1,29,69,142.00	2,32,12,666.00	2,09,47,825.00
Saving(+)/ Excess(-)	-	-	-

Note: - Copy of Budget of the Year 2013-14 and 2014-15 have not been prepared.



II). Volume of Transaction

Period	Budgeted	Previous Year (for one Year) 2014-15	Corresponding period of previous year	Current Period 2015-16	Cumulative for the Current Period
Opening Balance	NA	3,64,70,971.16	3,64,70,971.16	4,22,97,501.16	4,22,97,501.16
Receipts		2,90,39,196.00	2,90,39,196.00	3,27,30,016.00	3,27,30,016.00
Total Fund		6,55,10,167.16	6,55,10,167.16	7,50,27,517.16	7,50,27,517.16
Net Expenditure		2,32,12,666.00	2,32,12,666.00	2,09,47,825.00	2,09,47,825.00
Closing Balance		4,22,97,501.16	4,22,97,501.16	5,40,79,692.16	5,40,79,692.16

Note: - Budgets for the period 2013-14, 2014-15 and 2015-16 have not been provided to us.

III). Bank Reconciliation:-

Despite my several request the concerned authority has no shown any interest to prepare BRS on monthly Basis. For better internal control our Books of account and evade any possible fraud presentation of BRS monthly Basis for each account is necessary for your ready reference. We are annexed the actual detail of all Bank Account.

S.No	Name of Bank	Name of Scheme	Account No.	Balance as per Bank Account	Balance as per Cash Book	Difference
1.	Allh Bank	Samiti Fund	22167353497	1,29,623.26		
2.	SBI	Samiti Fund	11462684834	1,51,942.18	1,51,942.18	
3.	SBI	Samiti Fund	31755244381	19,94,021.00		
4.	Allahabad Bank	11 th Finance	22167365356	42,732.30	42,732.30	
5.	Allahabad Bank	12 th Finance	22167450071	1,09,876.30	1,09,875.30	
6.	Allahabad Bank	SJSRY	22167351321	1,70,421.60	1,74,173.60	
7.	CBI	SJSRY	8685	3,678.00		
8.	Allahabad Bank	Gandi Basti	22167365334	88,730.20	88,730.20	
9.	Allahabad Bank	Shop	22167365345	7,82,601.90	7,82,601.90	
10.	Allahabad Bank	Ex. Yojna	22167365378	8,454.80	8,454.80	
11.	Allahabad Bank	Vidhyak Fund	22167365367	17,548.40	17,548.00	
12.	Allahabad Bank	Election Fund	22167461565	2,053.60	2,053.60	
13.	UB Gramin Bank	Kabir Antesty	1010002737	12,95,494.00	12,95,494.00	
14.	Allahabad Bank	Tool Pump	22167472095	11,163.00	11,163.00	
15.	CBI	Admin Building	2220038064	76,354.00	1,04,98,624.00	
16.	Allahabad Bank	Admin Building	50234116531	1,04,22,270.00		
17.	SBI	BRGF	30390532730	2,36,461.00	2,36,461.00	
18.	SBI	P/L	8448-P/L	2,26,51,184.00		
19.	SBI	13 TH Finance	32736574416	8,24,915.00	8,24,915.00	
20.	SBI	4 th Finance	327370239	2,97,914.00	2,95,510.00	
21.	Allahabad Bank	PF-Manoj	21167348998	2,16,871.00	2,16,871.00	
22.	Allahabad Bank	PF-Sarwan	222167348932	2,12,047.00	2,12,047.00	
23.	Allahabad Bank	PF-Girija	222167348954	1,23,291.00	1,23,291.00	



24.	Allahabad Bank	PF-Rameswar	222167348976	1,09,270.00	1,09,270.00	
25.	Allahabad Bank	PF-Dukhmochan	222167348943	2,04,706.00	2,04,706.00	
26.	SBI	Rajya Yojana	32736562434	566.00	566.00	
27.	SBI	14 th Finance	35527811241	2,00,631.00	2,00,631.00	
27.	Allahabad Bank	E- Governance	50306610236	1,50,510.00		
28.	Allahabad Bank	Swach Bharat Mission	50306610383	17,38,914.00	17,38,914.00	

Note: - Monthly Bank Reconciliation Statement has not been prepared by NP.

IV). Revenue Receipt

Period	Budgeted	Previous year (2014-15)	Corresponding Period of previous Year	Current Period (2015-16)	Cumulative for the Current period
a) Own Resources					
Internal Resources	-	6,39,774.00	6,39,774.00	15,84,578.00	15,83,678.00
Professional Tax	-	-	-	4,32,712.00	4,32,712.00
Total	-	6,39,774.00	6,39,774.00	20,17,290.00	20,16,390.00
b) Administrative Grant	-	-	-		
c) Specific Grant (Scheme Wise)					
12 th Finance	-	11,037.00	11,037.00	-	-
11 th Finance		8,028.00	8,028.00	11,649.00	11,649.00
13 th Finance	-	18,48,029.00	18,48,029.00	34,39,802.00	34,39,802.00
4 th State Finance	-	83,22,806.00	83,22,806.00	95,33,103.00	95,33,103.00
Admin Building	-	20,27,955.00	20,27,955.00		
BRGF	-	8,26,632.00	8,26,632.00		
Election Fund	-	76.00	76.00		
Kabir Antesty	-	4,68,202.00	4,68,202.00	4,45,000.00	4,45,000.00
Gandi Basti	-	14,411.00	14,411.00		
Samiti Fund	-	1,48,52,588.00	1,48,52,588.00		
Shop	-	1,100.00	1,100.00	7,50,000.00	7,50,000.00
SJSRY	-	6,500.00	6,500.00		
Tool Pump	-	9,661.00	9,661.00		
MLA Fund	-	900.00	900.00		
EX- Yojna	-	1,497.00	1,497.00		
5 th State Finance	-	-	-	72,96,700.00	72,96,700.00
Swach Bharat	-	-	-	20,00,000.00	20,00,000.00



Mission					
Rajya Yojan Safai Yojana				19,54,200.00	19,54,200.00
Cleaning Fund	-	-	-	3,91,840.00	3,91,840.00
Chief Minister Pay Jal Yojna	-	-	-	21,00,383.00	21,00,383.00
14 th State Finance	-	-	-	20,55,371.00	20,55,371.00
Interest	-	-	-	7,34,678.00	7,34,678.00
Total	-	2,83,99,422.00	2,83,99,422.00	3,07,12,726.00	3,07,12,726.00
Grand Total		2,90,39,196.00	2,90,39,196.00	3,27,30,016.00	3,27,30,016.00

V) Status of Implementation of DEAS:

Despite my request in last previous year report the concerned authority has not shown to implement Double entry Accounting System instead of cash based accounting system which is only show detail of total collection & Expenses.

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.



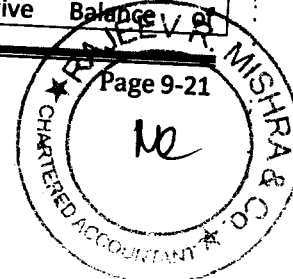
5. Audit Observations:

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>Holding/Property Tax has been implemented in financial year 2014-15. Survey of household has been completed during the year 2016-17 and implementation of holding/property tax is in process.</p> <p>There has been under collection of Mobile tower tax as during the current year 2014-15 nothing could be 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"> (a) Total number of towers operating in area of nagar Panchayat. (b) Total number of additional antenna on each tower. (c) Month and year of establishment of each tower and additional antenna. (d) Among the total towers how many have been paid their registration fee with the ULB. <p>Under Sairat, ULB collects revenues from Shop rent, parking, suction machine rent, map fees, etc. The DCR of shop rent has been maintained properly. Total 80 number of shops of different sizes are being let out by the NP. Arrear of shop rent up to 31.03.2015 has been Rs.170,650/- Collection from the parking during the current year 2014-15 has been only Rs.115,752/- as against the last year collection of Rs.231,500/- Also we observe that rent of all shops is below Rs.500/-per shop. There has been under collection of shop rent due non-revision of shop rent after 2007</p> <p>Hoarding/Advertisement tax has not been collected by the ULB till date.</p>
<p>b) Excess payment against bill, lack of prudence in payment against vouchers</p>	<p>During the audit we observe that the Cash Book of Samiti Fund shows negative Balance of</p>

M/S RAJEEV R MISHRA & CO. (CHARTERED ACCOUNTANTS)



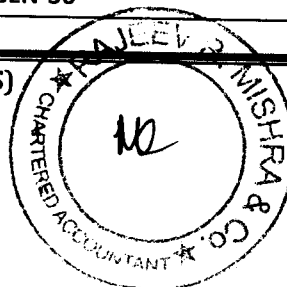
inefficiency in controls resulting loss to ULBs.	<p>Rs.112,367/- in the month of January,2014 and opening balance of February,2014 has been carry forwarded as nil. For the said amount voucher adjustment has been made in the cash book but the vouchers against such adjustment have not been available.</p> <p>During the audit we observe that during the period 2013-14 the incoming EO has not taken the charge on the existing balance of the cash book. He has taken charge on the basis of bank balance as on date.</p> <p>We Observe the under casting/over casting due to wrong carry forward in the following subsidiary cash books:</p> <table><tr><th>Date</th><th>Subsidiary Book</th><th>Difference Amount</th><th>Reason</th></tr><tr><td>31.03.2013</td><td>Gandi Basti</td><td>29,437.00</td><td>Wrong C/F</td></tr><tr><td>28.02.2014</td><td>Election Fund</td><td>13,339.00</td><td>Wrong C/F</td></tr><tr><td>04.01.2014</td><td>SJSRY</td><td>6,977.00</td><td>Wrong C/F</td></tr><tr><td>14.02.2014</td><td>13th Fin.</td><td>15,27,237.00</td><td>Wrong C/F</td></tr><tr><td>14.02.2014</td><td>4th Fin.</td><td>5,35,071.00</td><td>Wrong C/F</td></tr><tr><td>30.01.2014</td><td>Samiti Fund</td><td>1,12,367.74</td><td>Wrong C/F</td></tr></table> <p>Also an amount .of Rs.11,74,000/- has been transferred from P/L/Account to SBI Bank Account of 13th Finance on 12.06.2013, but the same has neither been recorded in subsidiary cash book of the said fund nor in any other subsidiary cash book.</p>	Date	Subsidiary Book	Difference Amount	Reason	31.03.2013	Gandi Basti	29,437.00	Wrong C/F	28.02.2014	Election Fund	13,339.00	Wrong C/F	04.01.2014	SJSRY	6,977.00	Wrong C/F	14.02.2014	13 th Fin.	15,27,237.00	Wrong C/F	14.02.2014	4 th Fin.	5,35,071.00	Wrong C/F	30.01.2014	Samiti Fund	1,12,367.74	Wrong C/F
Date	Subsidiary Book	Difference Amount	Reason																										
31.03.2013	Gandi Basti	29,437.00	Wrong C/F																										
28.02.2014	Election Fund	13,339.00	Wrong C/F																										
04.01.2014	SJSRY	6,977.00	Wrong C/F																										
14.02.2014	13 th Fin.	15,27,237.00	Wrong C/F																										
14.02.2014	4 th Fin.	5,35,071.00	Wrong C/F																										
30.01.2014	Samiti Fund	1,12,367.74	Wrong C/F																										
c) Report on finding of field survey of Property Tax of minimum 20 high value properties	<p>Since Holding tax / Property Tax has not been implemented till the current year 2014-15 hence we have not been able to conduct the field survey for the high value properties.</p>																												



PART- "B"

All audit objections/ irregularities which have no monetary implication, but significant violation of Act, Rules & directives of UD & HD. Mention the reference Act & Rules wherein remedial measures is required. In this regard our report is as under –

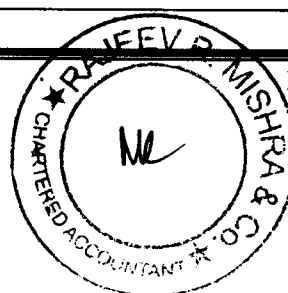
<p>a) Non- maintenance of books of accounts , subsidiary registers</p>	<p>Following primary Books of accounts are required to be maintained :</p> <ol style="list-style-type: none"> 1) Cash Book (Form Gen-IA) 2) Bank Book (Form Gen-IB) 3) Collection Register GEN-11 4) Subsidiary Ledgers (Gen-3) <p>But the ULB has maintained only the Subsidiary cash books and collection registers. 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"> 1. Memorandum of Collection GEN-12 2. Summary of Daily Collection GEN-13 3. Register of Bills for Payment GEN-14 4. Register of Advance GEN-17 5. Summary Statement of Deposits Adjusted GEN-20 6. Summary Statement of Bills Raised GEN-23 7. Register of Refunds, Remissions and Write-offs GEN-26 8. Statement of Outstanding Liability for Expenses GEN-29 9. Documents Control Register/Stock Account of Receipt/Cheque Book GEN-30
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	<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>
b) Irregularity in procurement process	<p>No major irregularities have been observed in procurement process.</p> <p>During the financial year 2014-15 total 19 yojna have been completed out of which 16 have been executed by the NP itself through Junior Engineer. 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 on the basis of vendor's Kachha Bill.</p>
c) Non-compliance of directives by UD & HD, GOB	<p>We observed several non compliances of directives of UD & HD, GOB such as :</p> <ul style="list-style-type: none"> • non collection of various taxes required to be collected • Non maintenance of prescribed books of accounts • Non maintenance of prescribed DEAS. • Non-maintenance of Demand Collection Register.
d) Non-compliance of Acts and Rules	<p>As per sec. 127 of the BMA, the municipality can levy the following taxes:</p> <ul style="list-style-type: none"> • Property tax on lands and buildings. • surcharge on transfer of lands and buildings • water tax • fire tax • tax on advertisements, other than advertisements published in newspapers • surcharge on entertainment tax • surcharge on electricity consumption within the municipal area • tax on congregations



	<ul style="list-style-type: none"> • tax on pilgrims and tourists • Tax on profession • toll tax – <ul style="list-style-type: none"> a. on roads, bridges, ferries and navigable channel and b. on heavy trucks which shall be heavy goods vehicles, and buses, which shall be heavy passenger motor vehicles <p>But the ULB has not levied any of the taxes as mentioned above.</p>
e) Lack of internal Control measures	Serious lack in internal control with respect to collection of revenues under various internal resources has been found during the audit.
f) Non-compliance of TDS, VAT and other relevant Statute	<ul style="list-style-type: none"> • There is lack of internal control with respect to timely deposit of the taxes already collected by the ULB. • Tower tax collection has been very poor as there has been no collection during the current year. • Advance Register has not been prepared hence it is difficult to monitor for advances given and adjustment thereof. • Taxes such as VAT, TDS, Labour cess, etc. are collected from time to 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 also contribute towards employees PF @ 6.5%.

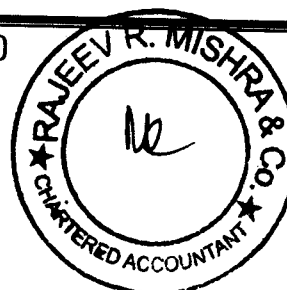


h) Utilization of Grant and report on utilisation certificates	As explained to us UC up to 31.03.2015 has been sent to the Government as and when demanded by the department but copy of the same have not been provided to us. Since Grant Register has not been prepared properly hence it is difficult to 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.

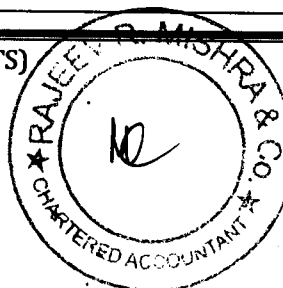


PART – "C"**General Observations:**

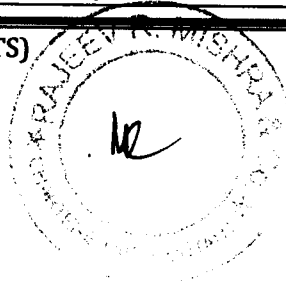
<ul style="list-style-type: none"> Whether the postings for the entries in the books of original entry have been correctly made in the respective ledger accounts. 	No, only entries related to cash/bank/PL A/C are made in the Subsidiary Cash books maintained by the Accountant. Other Ledger accounts have not been prepared according to BMAR by the ULB.
<ul style="list-style-type: none"> Whether all the books of accounts and supplementary registers that are prescribed in the Accounts Manual / other applicable regulations have been properly maintained by the ULB; 	No, except Subsidiary Cash Book 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"> Whether the Quarterly Financial Statements have been compiled on the basis of the actual entries in the books of accounts; 	No quarterly Financial Statements have been prepared by the N.P.
<ul style="list-style-type: none"> Whether the period-end and reconciliation procedures prescribed have been carried out. 	No, period-end and reconciliation procedures as prescribed have not been carried out. Even the Bank Reconciliation Statement for all bank accounts have been prepared.
<ul style="list-style-type: none"> Whether the Bank Reconciliation statements have been prepared and are appropriate. 	No, Bank Reconciliation Statements have not been prepared by the ULB.
<ul style="list-style-type: none"> Whether all grants from Government have been accounted at gross value with proper entries to various accounts 	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"> Whether all transactions (incomes, expenditures, assets and liabilities) are correctly classified and stated in sufficient detail; 	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"> 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 for except an amount of Rs. 11,74,000/- meant for 13 th finance has not been recorded in the subsidiary cash book.
<ul style="list-style-type: none"> 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, we have not observed any Special fund that has been created by the ULB.
<ul style="list-style-type: none"> In respect of contracts that are in existence during the year, whether 	We did not notice any major deviation.



there are any deviations from the sanctioned plans and the estimates without the sanction of the competent authority;	
<ul style="list-style-type: none"> 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, 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"> 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; 	As explained to us no property of the ULB has been given on lease. Only Rent from 80 Shops has been collected by the ULB.
<ul style="list-style-type: none"> Whether physical verification has been conducted by the ULB at reasonable intervals in respect of stores; 	No, physical verification of stores has been conducted by the ULB at reasonable intervals.
<ul style="list-style-type: none"> 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, ULB has not maintained any store register.
<ul style="list-style-type: none"> 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, 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"> 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 there is no procedures are in place to identify any unserviceable or damaged stores
<ul style="list-style-type: none"> 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, valuation of stores is not in accordance with the accounting principles laid down in BMR.
<ul style="list-style-type: none"> 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 	There is no case of loans and advances other than advance to staff for expenditure.



payment of the interest and if not, whether reasonable steps have been taken by the municipality for recovery of the principal and interest?	
<ul style="list-style-type: none"> 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 that has been recovered regularly or not.
<ul style="list-style-type: none"> Whether there exists an adequate internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets? 	No, there does not exist any internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets
<ul style="list-style-type: none"> Whether applicable procurement rules and procedures are being followed and if so, significant deviations should be identified and reported. 	We did not notice any such deviation.
<ul style="list-style-type: none"> Whether the municipality is regular in depositing statutory dues including tax deducted at source, service tax, VAT, works contract tax, cess payable to the government etc., and if not, the nature and cause of such delay and the amount not deposited; 	No, the municipality is not regular in timely deposit of its statutory dues. We observed that some of such taxes deducted during the previous financial year have been deposited in the current year.
<ul style="list-style-type: none"> Whether the municipality is regular in remittance of pension and leave encashment contributions or any other amounts which the municipality is liable to remit towards the retirement dues of its employees, including employees on deputation; 	The municipality has been contributing towards employee's PF @ 6.5% regularly.
<ul style="list-style-type: none"> Whether any personal expenses have been charged to the municipality's accounts; if so, the details thereof; 	We did not notice any such expenses.
<ul style="list-style-type: none"> Whether all the expenditure incurred by the Municipality are authorized by appropriate provision in the sanctioned budget, whether made originally or subsequently and are in all cases such as are authorized by law; 	Yes, on our test check we observed that all the expenditure incurred by the Municipality are authorized by appropriate provision in the sanctioned budget.
<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> Whether all sums due to and received by the Municipality have been brought to account within the prescribed time limits and are in all cases such as are authorized by law; 	No, tax collected by the tax collector are not deposited on daily basis.
<ul style="list-style-type: none"> Whether in respect of all bills for charges on account of all works and other expenditure, proper certificates 	Yes, on our test check we observed that all bills for charges on account of all works and other expenditure, proper certificates have been



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;	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.
<ul style="list-style-type: none"> Whether the amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order; 	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
<ul style="list-style-type: none"> Whether bio-metric devices and payroll software are used at the ULB. If not whether there is satisfactory system of pay-roll accounting; otherwise mention the key deficiencies of the system; 	No, bio-metric devices and payroll software are not used at the ULB. Pay roll system of the municipality is deficient as it does not contain leave records, details of deductions made etc.
<ul style="list-style-type: none"> Whether the grievance redresses mechanism for the ULB is sufficient; 	We did not observe any grievance redresses cell functioning at the ULB.

Place :

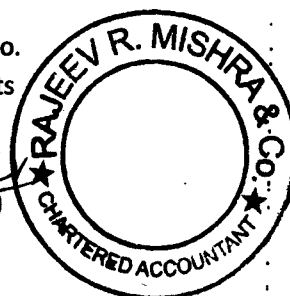
Date :

For Rajeev R Mishra & Co.

Chartered Accountants

FRN: -0211466N

Mritunjay Kumar
(CA Mritunjay Kumar)
Partner



ANNEXURE-"A"

Detail of TDS Deduction and Deposit Detail:-

Particulars	Amount	Date of Deduction	Due Date	Date of Deposit	Remarks
TDS U/s 194C	9,468.00	30/04/2015	07/05/2015		Attract 3% Interest on late deposit as per the software of the TRACES.
	9,776.00	11/05/2015	07/06/2015		
	3,814.00	20/07/2015	07/08/2015		
	14,586.00	28/07/2015	07/08/2015		
	10,777.00	29/07/2015	07/08/2015		
Total	48,421.00				

ANNEXURE-B

Delay in Filing of TDS Return

Particulars	Due Date	Return Filing Date	Delay in Filing	Remarks
1 st Quarter	15/07/2015	Pending	Pending	As per U/S 234E of Income Tax Act a sum of Rs. 200/- per day (failure continues till date)
2 nd Quarter	15/10/2015	Pending	Pending	
3 rd Quarter	09/02/2016	Pending	Pending	
4 th Quarter	12/05/2016	Pending	Pending	

