

INTERNAL AUDIT REPORT

Of

SUPPORT PROGRAMME FOR URBAN REFORMS IN BIHAR (SPUR)

ULB : MARHAURA

FOR THE PERIOD

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

Audited By :

U. S. Prasad & Co.
Chartered Accountants

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

Mob. No. 09431015313
09835481516

E-mail : udaylalmani@gmail.com

carkthakur@gmail.com

To,

The Secretary, UD & HD
Urban Development and Housing Dept.
Govt. of Bihar
101, 1st Floor, Vikash Bhawan
New Secretariat
Bailey Road
Patna – 800015 (BIHAR)

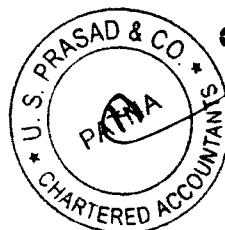
Dear Sir,

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

We are submitting the audit report of Nagar Panchayat, MARHAURA 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 05th 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



Manoj Kumar

Partner

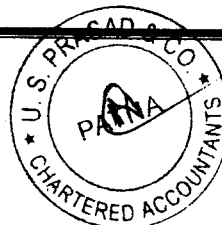
M. No.: 418631

NAGAR PANCHAYAT, MARHAURA

INTERNAL AUDIT REPORT OF FY 2015-16

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Executive Summary

1. Introduction:-

Name of Municipality: - NAGAR PANCHAYAT, MARHAURA

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

Name of the Executive Officer for the period under audit:- Mr. Ashok Prasad Singh

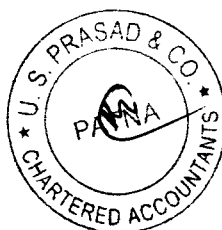
2. Results and Findings

Strength observed during the audit engagement

1. General Cash Book has been prepared.
2. All Vouchers were passed properly and signed by the authorized person.
3. All vouchers have supporting documents.

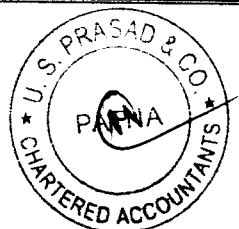
Weaknesses observed in the functioning of office, maintenance of records etc. during the audit engagement

1. Double Entry Accounting System is not available in ULB.
2. Subsidiary Cash Book for some scheme has not been written.
3. Advance Register has not been maintained.
4. Annual Budget has not been prepared.
5. Grant register has not been maintained.
6. TDS, Royalty, VAT and Labour Cess has been deducted from payment made to



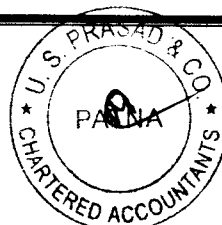
contractor but not with prescribed rate and also not deposited till date.

7. Fixed Asset Register has not been maintained.
8. Daily collection amount not timely deposited into bank account as per the procedure prescribed by the BMA, 2007. However, it has been deposited in bank account on monthly basis.
9. Tower tax has not been collected since the establishment of the ULB.
10. Municipal Accounts Committee has not been constituted.
11. There is lack of internal control with respect to collection of revenue e.g. License Fees, Holding tax, Sairat during the F.Y. 2015-16.
12. Log Book for Motor Vehicle has not been maintained.
13. Utilization Certificate has not been provided.
14. Bank reconciliation statement has not been prepared for any bank account.



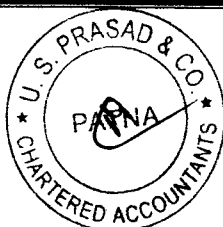
3. Opinion

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 next working day. It is deposited in bank account at monthly basis. Due to lack of manpower there is delay in performing day to day work and also collection of ULB is negligible. There should be proper segregation of duties to perform day to day work in efficient manner. We find that rules and regulations are there but ULB is not following them properly. Most of the Books of Account as prescribed by BMAR are not maintained by the ULB. Fees and charges for the different categories cover under Sairat and License Fees have not been collected properly. Collections of Holding Taxes were negligible. There are serious lapses in deduction and deposit of statutory dues, such as VAT, Royalty, Labour Cess etc. Separate Bank Account should be maintained for each Scheme. Daily Collection Register is not maintained in proper manner.



4. Audit Recommendations

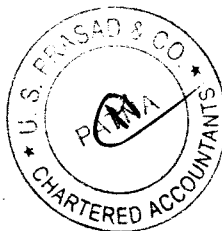
- a. Fixed Asset Register should be maintained.**
- b. Daily Collection Register separately for each head should be maintained.**
- c. TDS deduction & deposit thereof and e filling of TDS return should be timely and in proper manner.**
- d. TDS, Royalty, Labour Cess and VAT has not been deducted with prescribed rate and also not deposited hence It should be deducted properly and deposited timely.**
- e. Property / Holding tax assessment and collection should be done every year.**
- f. Tax amount should be collected from Mobile tower.**
- g. Daily collection amount should be deposited into bank account as prescribed in BMA 2007.**
- h. Municipal Accounts Committee should be constituted.**
- i. Budget should be prepared by the ULB and get them approved by the state government**
- j. Books of account should be verified by EO on regular interval.**
- k. Bank reconciliation statement should be prepared for all bank accounts.**



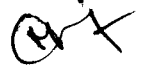
5. Acknowledgement

We thank to Mr. Ashok Prasad 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, MARHAURA** covering the period from **01-04-2015 to 31-03-2016** was conducted by following persons under guidance of CA Manoj Kumar

- i) Mr Ashish Kumar
- ii) Mr Rahul Kumar

2) Administration

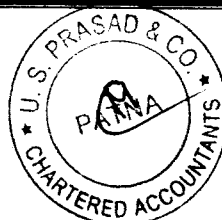
The present body of ULB has taken charge on 10.11.2015. The incumbency in the key administrative and executive positions was as under:

Smt. Urmila Devi, Chairman from 10.11.2015 to till now.

Shri Ashok Prasad Singh, Executive Officer from 21.09.2015 to till now.

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 improvment/correc tive measure is required	Total No of Audit Paras where recovery of cash is proposed	Total No. of Audit Paras where recovery has been made	Total Amount of Recovery	Total No. of Outstandin g Para Where no action has been taken	No. & dated of compliance report
1	A. G. Report 253/13-14; 19-11-2013	20	5	Nil	Nil	Nil	6	Compliance yet to be done

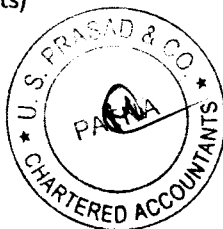


Deficiency Pointed Out in AG Audit Report

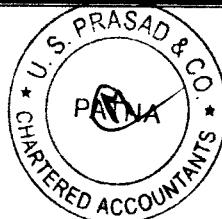
1. As per scheme register and measurement book, measurement of work of hand pump installation done by junior engineer on 15/01/2010, whereas as per register and attached voucher all material related to hand pump installation purchased in between 05/03/2010 and 25/03/2010. It has not been clarified that work has been finished in January then after two month in March why purchase of material has been done.
2. According to cash book and vouchers Rs. 8,563/- has been paid for purchase of battery and dianemo (Ch no. 997328 dated 01/04/2010). But after inspection of books of a/c of F.Y 2009-10 to 2011-12, it has been found that no expenses has been made on tractor running, fuels and drivers. It means that use of tractor has not been made in these years therefore expenses made on battery and dianemo is useless.
3. According to section 194 C of income tax act TDS should be deducted on payment made to contractors. TDS has not been deducted on payment of Rs. 10,10,848. 00.
4. Late fine should be deducted from the payment of contractors if work has not been completed on time. According to register and measurement book work order issued on 03/10/2009 and period was 2 month. It means work should must be completed on 02/12/2009 but as per measurement book work has been completed on 15/01/2010. Total delay was 44 days on which late fine not deducted
5. Tender of contractor should be rejected if documents or certificate required in tender is expire which has not been done.

CERTIFICATE	ISSUE DATE	EXPIRE DATE	TENDER DATE
Character certificate	15/12/2008	14/06/2009	25/08/2009
Labour License	27/03/2008	01/02/2009	25/08/2009

6. Payment of Rs. 10,10,848.00 has made for installation of 29 hand pump. 4 tender received for work and out of these four only 1 contractor participated in tender and work allotted to that contractor on more than 1% of value. Work allotment on the basis of single contract should have been properly authorized.



7. According to cash book of swarn jayanti urban employment scheme, payment of Rs. 51,796.00 has been made to surendra Prasad chaurasiya but payment register not made available during the period of audit.
8. According to register, bill of Rs. 6,99,988.95 including vat Rs. 33,333/- were presented for payment. VAT should be deducted at the time of payment to contractor and FORM – C- II should be issued, which has not been done.



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4) Finance :-

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

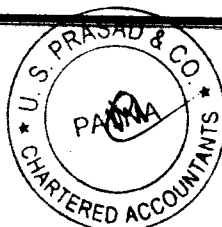
	2013-14	2014-15	2015-16
Final/Revised Budget	Budget has not prepared by the ULB.		
Actual Expenditure	32,44,653.00	1,26,91,086.00	1,32,05,726.00
Savings(+)/Excess(-)	-32,44,653.00	-1,26,91,086.00	-1,32,05,726.00

II. Volume of transactions :-

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
Opening Balance	Annual Budget has not been prepared by the ULB	1,91,27,054.14	Not Applicable	13,757,613.14	Not Applicable
Receipts		73,21,645.00		4,25,90,075.00	
(C) Total (A +B)		2,64,48,699.14		5,63,47,688.14	
Expenditure		1,26,91,086.00		1,32,05,726.00	
(E) Closing Balance (C -D)		13,757,613.14		4,31,41,962.14	

III. Bank Reconciliation

Since different scheme has been maintained in single cash book therefore segregation of balances of different Scheme as on 31 st March 2016 can not be determined.



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Similarly since through one bank account different schemes are being operated the bank balance of a particular scheme on a particular date can not be determined.

Bank Reconciliation Statement has not been prepared by the ULB. As per bank Statement & Cashbook balance as on 31st March, 2016 are given below :-

		Balance As On 31 st March 2016.			
Sr No.	Bank	Bank Statement	Cash Book	A/c Type	A/c No.
1	Allahabad Bank	106384.00	Subsidiary Cash Book has not been maintained Properly	Saving A/c	50111361460
2	Allahabad Bank	1312877.00		Saving A/c	50104330609
3	Allahabad Bank	1164396.00		Saving A/c	50110281347
4	Allahabad Bank	8601191.00		Saving A/c	50104330315
5	Allahabad Bank	269835.00		Saving A/c	20929306082
6	Allahabad Bank	0.00		Saving A/c	50333976979
7	BOI	609934.00		Saving A/c	468810110000219
8	BOI	1940728.00		Saving A/c	468810110000217
9	Bank of Baroda	2451216		Saving A/c	51630100000843
10	Bank of Baroda	351426.64		Saving A/c	51630100000842
11	SBI	212243.81		Saving A/c	11467643698
12	SBI	2287.78		Saving A/c	11467621471
13	PNB	5312		Saving A/c	2290002100000433
14	PNB	712		Saving A/c	2290002100000415
15	Bank of Baroda	3667		Saving A/c	51630100001177
16	Bank of Baroda	154845.00		Saving A/c	51630100001178
17	Bank of Baroda	4382.00		Saving A/c	51630100001179
18	Bank of Baroda	156495.00		Saving A/c	51630100001180
19	Bank of Baroda	29207.00		Saving A/c	51630100001181
20	Bank of Baroda	2122.00		Saving A/c	51630100001182
21	Bank of Baroda	51218		Saving A/c	51630100001184
21	Bank of Baroda	1937		Saving A/c	51630100001184
22	Bank of Baroda	29946.00		Saving A/c	51630100001185
23	Bank of Baroda	52319.00	Saving A/c	51630100001186	
21	P/L Account	22051195.00	22051195.00	Treasury A/c	-
Total		39565876.06	22051195.00		
Difference		17514681.06			

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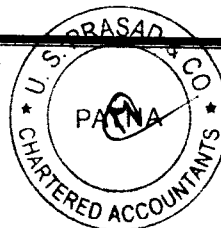
IV. Revenue Receipts

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
a) Own Source					
Municipal Taxes		29,396.00		1,24,050.00	
Assigned Revenue		5,90,701.00		7,31,273.00	
Fees & User / Other Charges		2,53,602.00		11,62,935.00	
Total (a) :		8,73,699.00		20,18,258.00	
b) Administrative Grant		-			
c) Specific Grant (Scheme wise)					
SJSRY		-			
13th Finance Commission		29,22,788.00		1,04,03,987.00	
Pariwarik Labhh		60,000.00			
Nal Jal Yojna				35,49,600.00	
5 th Finanace				1,20,87,994.00	
Nagar Suvidha				29,60,400.00	
Janganna				5,924.00	
Ward Parsad				1,37,932.00	
Samajik Sudhar Pention		19,67,371.00		16,97,200.00	
Salary of Employees/Pension		-			
Social Census		-			
BRGF		-		7,44,919.00	
4th Financial		20,67,690.00		52,67,480.00	
Kabir Antyeshti Yojana		-		3,32,000.00	
Misc.		20,798.00		26,53,108.00	
Total (c) :		70,38,647.00		4,05,71,817.00	
Total(Rs.) (a+b+c)		79,12,346.00		4,25,90,075.00	

Annual Budget has not been prepared by the ULB.

Not Applicable

Not Applicable



V. Status of implementation of Double Entry Accounting System :

Accounting of Nagar Panchayat, MARHAURA is 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, MARHAURA is yet to constitute Municipal Accounts Committee under section 98 of the Municipal Act, 2007.

Audit Observations

I. Part - A

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

i. Holding & Property Tax Collation

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

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

Condition – These taxes have not been assessed by the ULB for the Financial Year.

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

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

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

ii 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 total 11 (Eleven) Mobile Towers registered with this ULB up to 31.03.2016 and Rs. 30,16,000/- is due to be recovered from these tower operators on account of Tower Tax.

Consequence Effect / Impact - Due to non collection of Tower Tax 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 Tax 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.

Penalty- (1) if an operator violates any provision of these Rules it shall be liable to be punished with fine @ 1.5% per month and his communication tower shall be sealed, seized and the operator may also be asked to remove the tower/antenna.

However ULB has not demanded interest amount on the unrealized amount of registration and renewal fee

iii. **Advertisement Tax**

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

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

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

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

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

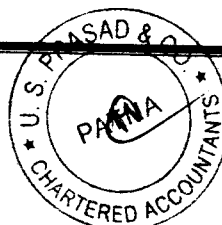
iv. **Property Tax on 20 high value properties :-**

Property tax has been levied and collected on some property but assessment has not been done for property till date. Therefore, Property tax on minimum 20 high value properties could not be determined.

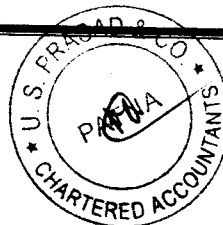
II. Part - B

- 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 ULB.
- B. 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 maintained accordingly. Vouchers are neither kept in guard file nor systematically arranged.
- C. It has been noticed during the audit that the following Books of Accounts & Subsidiary Registers has not been maintained or not properly maintained (Status as mentioned).

Sl. No.	Particulars	Status
1	Cash Book	Maintained but not in-prescribed format.
2	Subsidiary Cash Book	Maintained but not in prescribed format.
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.



- D. In ULB, internal control are either not in place or not properly working in respect of day to day working, payment of expenditure collection of revenue, tender etc.
- E. Non – compliance of TDS, VAT, Royalty & Labour cess relevant statute :-
- Payment of TDS, Royalty, VAT and Labour Cess to respective authority could not be verified due to non-availability of deposit slip or challan.
- F. Pay-Roll Register has not been shown to us during the period of internal audit, thus we are unable to comment on deficiency in pay-roll system.
- G. Grant Register has not been maintained by the concerned ULB and upon enquiry of status of utilization certificate, the concerned officials has failed to provide above information.
- H. Inventory/ Stores Register and Fixed Assets Register have not been maintained in concerned ULB and in the absence of above register; it is difficult to verify the same.
- I. Advance Register has not been maintained by the concerned ULB and in the absence of above register it is difficult to check or comments on adjustment and recovery of advances.

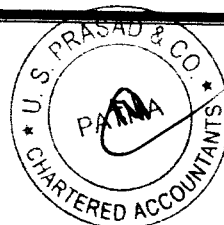


III. Part – C

General Observations

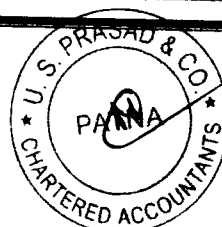
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Sl. No.	Particular	Remarks/ Observation
1.	Whether the amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order.	Yes, specific grants have been utilised for the purposes.
2.	Whether deviation has been made for the sanctioned plans and the estimates without the sanction of the competent authority.	No such deviation were found.
3.	Whether all sums due to and received by the Municipality have been brought to account within the prescribed time limits;	No, all sums due to and received by the Municipality have not been brought to account within the prescribed time limits.
4.	Whether all revenue has been properly assessed, accounted for, collected and recovery action taken on timely basis;	No, all revenue has not been assessed, accounted for but in recent time, recovery actions are being taken. Mobile Tower tax has not been collected.
5.	Whether the year-end and reconciliation procedures prescribed have been carried out as per the rules;	No such reconciliation has been made.
6.	whether all the expenditure incurred by the Municipality are authorized by appropriate provision in the sanctioned budget;	Budget has not been made by ULB hence unable to comment on it.
7.	Whether the year-end and reconciliation procedures prescribed have been carried out as per the rules;	No such reconciliation has been made.
8.	Whether the Bank Reconciliation statements have been properly prepared for all the bank accounts of the ULB and the remedial actions including all correcting entries have	Bank reconciliation statement has not been prepared by the ULB for any bank account.



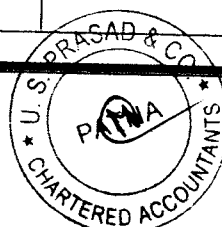
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	been taken on timely basis;	
9.	Whether any personal expenses have been charged to the municipality's accounts;	No such irregularities were found.
10.	Whether the municipality is regular in remittance of pension and leave encashment contributions or any other amounts which the municipality is liable to remit towards the retirement dues of its employees, including employees on deputation;	Yes
11.	Whether the municipality is regular in depositing statutory dues including tax deducted at source, service tax, VAT, works contract tax, cess payable to the government etc., and if not, the nature and cause of such delay and the amount not deposited;	The municipality has not deposited Royalty, VAT and Labour Cess payable to the Govt. till date.
12.	Whether applicable procurement rules and procedures are being followed;	Files related to procurement has not been provided by the ULB during the course of audit.
13.	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.
14.	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.
15.	Whether the parties to whom loans or advances have been given by the ULB are repaying the principal amounts as stipulated and are also regular in payment of the interest and if not, whether reasonable steps have been taken by the municipality for recovery of the principal and interest;	No advance register has been maintained so we are unable to verify whether it is being recovered regularly.
16.	Whether the valuation of stores is in accordance with the accounting principles laid down in the rules? Whether the basis of valuation of stores is same as in the preceding year? If there is any deviation in the basis of	No stock register has been found. Valuation of store has not been done.



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	valuation, the effect of such deviation, if material, should be reported;	
17.	Whether proper procedures are in place to identify any unserviceable or damaged stores and whether provision for the loss in this respect, if any, has been made in the accounts;	Unserviceable or damaged stores are available in ULB but No procedure has been followed to identify unserviceable / damaged stores.
18.	Whether any material discrepancies have been noticed on physical verification of stores as compared to book records, and if so, whether the same has been properly dealt with in the books of account;	No physical verification has been done due to non availability of stock register.
19.	Whether the procedures of physical verification of stores followed by the ULB are reasonable and adequate? If not, the inadequacies in such procedures should be reported;	No physical verification has been done due to non availability of stock register.
20.	Whether in case of leasehold property given by the ULB, lease rentals are collected regularly by the ULB and that the lease agreements are renewed after their expiry;	No leasehold property has been found.
21.	Whether the ULB is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets; whether these fixed assets have been physically verified at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same has been properly dealt with in the books of account;	Fixed asset register has not been made, so unable to comment on it.
22.	In respect of contracts that are in existence during the year, whether there are any deviations from the sanctioned plans and the estimates without the sanction of the competent authority;	No such irregularities were noticed.
23.	Whether any Special Funds have been created as per the provision of any statute and whether the Special Funds have been utilized for the purposes for which they have been created;	No, Special fund has not been created by the ULB.

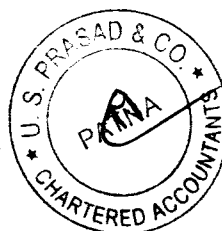


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24.	Whether all grants sanctioned or received by the municipality during the year, have been accounted properly, and where any deduction is made out of such grants towards any dues of the ULB? Whether such deductions have been properly accounted;	Yes, Grant received during the year has been properly accounted and all deductions have been properly accounted.
25.	Whether all transactions (incomes, expenditures, assets and liabilities) are correctly classified and stated in sufficient detail;	Yes, all transactions are correctly classified.
26.	Whether all grants from Government have been accounted at gross value with proper entries to various accounts;	Yes
27.	Whether the Bank Reconciliation statements have been prepared and are appropriate;	Bank Reconciliation statements have not been prepared.
28.	Whether the period-end and reconciliation procedures prescribed have been carried out;	No such reconciliation has been made.
29.	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 been not prepared by the Nagar Panchayat
30.	Whether all the books of accounts and supplementary registers that are prescribed in the Accounts Manual / other applicable regulations have been properly maintained by the ULB;	No, all the books of accounts and registers haven't been maintained as prescribed in the Accounts manual.
31.	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.

for, U. S. Prasad & Co.

Chartered Accountants



Manoj Kumar

Partner

M. No. 418631