

STATUTORY AUDIT REPORT FOR THE YEAR 2015-16

**HAZARIBAGH MUNICIPAL CORPORATION**

**S Poddar & Co**

Chartered Accountant

H O 2 Lal Bazar Todri Chamber  
Kolkata 700001

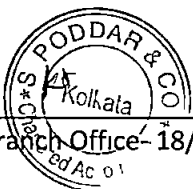


## AUDITORS REPORT

We have audited the accompanying financial statements of **Hazaribagh Municipal Corporation**, which comprises the Balance Sheet as at 31<sup>st</sup> March, 2016 together with the Income & Expenditure Statement and Receipts and Payments account for the year ended on that date

We report that,

- a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit,
- b) *Subject to our observation enclosed in Annexure 2*, in our opinion, proper books of accounts as required by the Act and Rules have been kept by the ULB so far as it appears from our examination of those books,
- c) *Subject to our observation enclosed in Annexure 2*, in our opinion, the Balance sheet of the ULB's, Income & Expenditure Statement, and Receipts and Payments Statement dealt with by the report are in agreement with the books of accounts,
- d) *Subject to our observation enclosed in Annexure 2*, in our opinion and according to information and explanations given to us, an appropriate internal controls has been adhered to by the ULB,
- e) *Subject to our observation enclosed in Annexure 2*, in our opinion and according to the information and explanations given to us, all the payments have been made in accordance with the law,
- f) In our opinion and according to the information and explanations given to us, no such deficiency or loss has been incurred that appears to have been caused by the gross negligence or misconduct of any person,





- g) In our opinion and according to the information and explanations given to us, the sum receive for and on behalf of the ULB which ought to have been brought into account of the ULB by any person has been properly brought, and
- h) ***Subject to our observation enclosed in Annexure 1 &2***, in our opinion, no such other material impropriety or irregularity has been observed by us during the course of our audit of the accounts
- 1) The Financial statement give true and Fair view,
- a In Case of Balance sheet of the state of affairs of the ULB as at 31<sup>st</sup>March, 2016 and
  - b In case of Income & Expenditure Account of the surplus of the corporation for the year ended on that date

Additional matters required to be reported by us is annexed herewith in Annexure 1 & 2

For S Poddar & Co  
Chartered Accountants,  
FRN 320394E



Membership No 069828  
Date 06<sup>th</sup> June 2017  
Place Kolkata



**Annexure-1**

**ANNEXURE TO THE AUDITOR REPORT OF THE HAZARIBAGH MUNICIPAL CORPORATION**

- 1) In our opinion and according to information and explanation given to us, all the expenditure incurred by the ULB are authorised by appropriate provision in the sanctioned budget, whether made originally or subsequently
- 2) In our opinion and according to information and explanation given to us, all sums due to and received by the ULB have been brought to account within the prescribed time limits *except otherwise mentioned in the Annexure 2*
- 3) In our opinion and according to information and explanation given to us, all transactions (incomes, expenditures, assets and liabilities) are correctly classified *except otherwise mentioned in the Annexure 2*
- 4) In our opinion and according to information and explanation given to us, in respect of all bills for charges on account of all works and other expenditure, proper certificates have been furnished in support of them and that no deviation has been made from the sanctioned plans and the estimates without the sanction of the competent authority *except otherwise mentioned in the Annexure 2*
- 5) In our opinion and according to information and explanation given to us, the amounts received as specific grants have been utilised for the purposes as stated in the grant sanction order *except otherwise mentioned in the Annexure 2*
- 6) In our opinion and according to information and explanation given to us, the Special Funds have been created as per the provision of relevant statutes and the Special Funds have been utilised for the purposes for which created
- 7) In our opinion and according to information and explanation given to us, the ULB is maintaining proper records showing full particulars, including





- quantitative details and situation of fixed assets *except otherwise mentioned in the Annexure 2,*
- a) *The physical verification report of Fixed Assets was not made available to us, hence we are unable to comment on whether physical verification of fixed assets has been conducted or not*
- b) *As the report of Physical verification of fixed assets were not available Hence, we are unable to comment on the material discrepancies noticed on such verification and book records*
- 8) *According to information and explanation given to us, no physical verification of stores was conducted in the ULB as there is neither any store keeper to maintain the stores nor details of the same were maintained*
- 9) *In our opinion, a reasonable steps to be taken to maintain store records and a procedure to be adopted for physical verification of stores as there is neither any store keeper to maintain the stores nor details of the same were maintained*
- 10) *In our opinion, neither store records are maintained nor was physical verification conducted Hence, we are unable to comment on material discrepancies on physical verification of stores as compared to books records*
- 11) *In our opinion, no store records are maintained, hence we are unable to comment on the valuation of stores*
- 12) *In our opinion and according to information and explanation provided to us, no loans or advances in the nature of loans have been given by the ULB to any parties except otherwise mentioned in the Annexure 2*
- 13) *In our opinion and according to information and explanations, no such adequate internal control procedure exists for the purchase of stores, including components plant and machinery, equipment and other assets as neither store records maintained nor fixed asset register is maintained*





- 14) In our opinion no such procedures exists to identify any unserviceable or damaged stores and no provision for the loss in this respect, if any, has been made in the accounts**
- 15) In our opinion and according to information and explanation given to us, The Provident Fund is deposited with the appropriate authorities**
- 16) In our opinion and according to information and explanation given to us, **there has been delay in depositing tax deducted as source and sales tax** and other statutory dues with appropriate authorities by the ULB
- 17) In our opinion and according to information and explanation given to us, no personal expenses have been charged to revenue account

For S Poddar & Co  
Chartered Accountants,  
FRN 320394E



Khusboo Tayel  
Partner

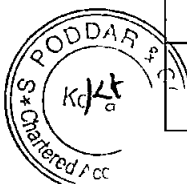
Membership No 069828  
Date 06<sup>th</sup> June 2017  
Place Kolkata



### Annexure-2

- 1) The following Registers are prescribed by the Accounting Manual We found that the below registers have been maintained or not in the format and method prescribed in the Accounting Manual For e g , the daily collection registers have been made on a monthly basis  
It was observed that the cash book is not properly maintained on daily basis and daily balancing of cash is not done Further, Stock Register, Fixed Asset Register were not maintained by the ULB  
We recommend that a special initiative be taken to guide and educate the ULB in maintaining the registers properly

Sl. No.	Books of Records Maintained	Updated till	Manually/ Computersted
1	Cash Book	31 03 2016	Manual
2	Grant register	31 03 2016	Manual
3	Stores Register	Not Maintained	-
4	Holding tax register	Not Maintained	-
5	Cheque Register	31 03 2016	Manual
6	Cashier Cashbook	31 03 2016	Manual
7	TDS IT CT CESS Statement	Not Maintained	-
8	Security Deposit Register	Not Maintained	-
9	Measurement Book	Not Maintained	-
10	Demand Register	Not Maintained	-
11	Fixed Asset register	Maintained	-
12	Bank Reconciliation Register	Maintained	-

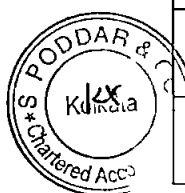




13	Treasury Register	31 03 2016	Manual
14	Water Fee received	Not Maintained	-
15	Labour Cess	Not Maintained	-
16	Education Cess	Not Maintained	-
17	Sales Tax	Not Maintained	-
18	Collection Register	Not Maintained	-

## 2) Forms

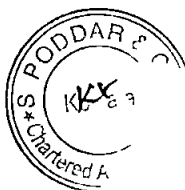
Sl. No.	Forms to be maintained	Updated till	Manually/ Computerised
	<b>Immovable Property</b>		
1	Land (Form 1)	31 03 2016	Computerised
2	Building (Form 2)	31 03 2016	Computerised
3	Roads, streets, lanes and footpaths (Form 3)	31 03 2016	Computerised
4	Bridges, culverts, flyovers, subways and causeways (Form 4)	31 03 2016	Computerised
5	Drains including underground drains (Form 5)	31 03 2016	Computerised
6	Water Works Distribution (Form 6)	31 03 2016	Computerised
7	Public Lighting System (Form 7)	31 03 2016	Computerised







8	Lakes and Ponds (Form 8)	31 03 2016	Computerised
9	Capital Work-in- Progress (Form 9)	31 03 2016	Computerised
	<b>Movable Property</b>		-
10	Plant and Machinery (including machinery of Water Works and Drainage) (Form 10)	31 03 2016	Computerised
11	Vehicles (Form 11)	31 03 2016	s
12	Furniture & Fixtures (Form 12)	31 03 2016	Computerised
13	Office Equipments (Form 13)	31 03 2016	Computerised
14	Other Equipments (Form 14)	31 03 2016	Computerised
15	Live Stock (Form 15)	Not Applicable	-
16	<b>Investments (Form 16)</b>		
	<b>Current Assets</b>		
17	Cash Balance (Form 17)	Not maintained	-
18	Bank Balance (Form 18)	Not maintained	-
19	Details of Advances paid to suppliers / contractors (Form 19)	Not maintained	-
20	Details of Loans & Advances to employees (Form 20)	Not maintained	-
21	Receivables (including Taxes, Water charges, Rent etc ) (Form 21)	Not maintained	-
22	Grants Receivable (Form 22)	Not maintained	-

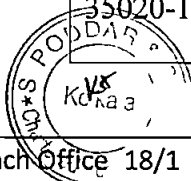




23	Department - wise Inventory (Form 23)	Not maintained	-
24	Consolidated Inventory Form (Form 23A)	Not maintained	-
25	Details of Deposits made (Form 24)	Not maintained	-
26	<b>Loans Payable (Form 25)</b>	Not maintained	-
27	<b>Unutilised Grants (Form 26)</b>	Not maintained	-
28	<b>Reserve Funds (Form 27)</b>	Not maintained	-
	<b>Current Liabilities</b>		-
29	Details of Deposits received (Form 28)	Not maintained	-
30	Bills and other payables details (Form 29)	Not maintained	-

### 3 Statement of Government Dues Payable as on 31 03 2016

Account code	Account Head	Opening Balance	Additions	Paid/Adjustments during the year	Balance Payable
35010-01	TDS from suppliers	65907	268693	326486	8114
35010-02	TDS from contractors	401380	1618084	2019464	-
35030-03	Labour cess	20979	496418	-	517379
35020-10	Sales Tax Payable	347980	3095870	3429738	14112





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- a) As ULB was not maintaining TDS IT CT CESS Statement, an amount outstanding for statutory dues as on 01/04/2016 is not correctly ascertained
- b) Since Voucher for payment of provident fund of employees is not provided, we are not able to verify whether Provident fund deducted and paid properly
- c) Neither ESIC deducted from salary nor its own contribution has been made with respect to ESIC fund
- d) Challans & Returns of EPF and TDS were not made available to us for verification
- e) ULB has not yet taken PAN
- f) Dearness allowances were recorded on payment basis as it should be recorded on accrual basis
- g) As per TIN NSDL following TDS demand has been raised on the ULB

Financial Year	Processed Demand
2007-08	1,220 00
2008-09	23,080 00
2009-10	0 00
2010-11	4,990 00
2011-12	0 00
2012-13	3,450 00
2013-14	1,00,030 00
2014-15	34,530 00
2015-16	198270 00

- h) Further, it was observed that no such provision has been made with respect of TDS demand raised by TIN NSDL in the Financial Statement as on 31<sup>st</sup> March 2016



NO TDS had been deducted from bill of advertisement agency



#### 4 Delay payment of TDS deducted from contractors

Month	TDS Deducted	TDS Deposited	Balance
Apr-15	552900	721268	233012
May-15	160770	143756	250026
Jun-15	95112	192005	153133
Jul-15	100800	111818	142115
Aug-15	92095	78274	155936
Sep-15	138539	213686	80789
Oct-15	99080	99073	80796
Nov-15	119590	198569	1817
Dec-15	162005	164242	420
Jan-16	37598	37700	522
Feb-16	24691	24691	522
Mar-16	34904	34382	-

- a) It has been observed that TDS was not being deducted from advertisement bill even if amount of bills were more than the prescribed limit
- b) Further, during vouching, it has been found that many entries in books are not properly done as TDS has been deducted from contractors and suppliers bill but same has not been recorded in books

#### 5 Delay in payment of Sales Tax

Month	Sales tax Deducted	Sales Tax Deposited	Balance
Till the last year			347980
Apr-15	950775	1298755	-
May-15	409168	392763	16405
Jun-15	183428	202595	2762
Jul-15	138599	146168	10331
Aug-15	203018	174577	18110





Sep-15	210996	239257	10151
Oct-15	174332	173770	9589
Nov-15	166223	147897	8737
Dec-15	442185	446076	4846
Jan-16	102258	103189	3915
Feb-16	42980	45980	915
Mar-16	71908	58711	14112

- a) It has been observed that payments are being made without deduction of sales tax
- b) Even if deduction from bill has been done but same was recorded in books of accounts

## 6 Issues related to grant register

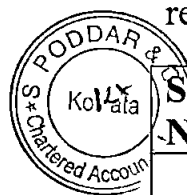
- a) Grant register maintained in Hazaribagh municipal council does not reflect the annual position of grants showing details of opening balance, receipt during the year, expenditure made and closing balance at the end of the year

## 7 Fixed Assets

- a) Fixed Assets Register is not maintained in the ULB which makes it impossible to verify the correctness of the balancing figure

## 8 Variances in Balances of Tally and Treasury register as on 31 03 2016

During the verification of balances of grant as per tally and Treasury register, following differences were found -



Sl No	Name of Grants	Tally	As per treasury
1	Beautification of pond	559,439 00	429,356 00



2	Capacity building & training	2,000,000 00	2,040,971 00
3	Marriage hall & Dharamsala	5,054,670 00	5,365,500 00
4	Toilet	4,601,046 00	5,810,146 00
5	Drain	21,585,216 00	14,290,643 00
6	IDSMT	837,632 00	102,357 00

### 9 Provision for Doubtful debts

It has been observed that provision for doubtful debts on Receivables of holding Tax has been created on the standard basis @30% of total debtors. However, as per Accounting Manual it should be computed as per below mentioned slab

For 2-3 years 25%

for 3-4 years 50%

for 4-5 years 75%

more than 5 years 100 %

### 10 Closing Stock

Stock Register was not maintained by the ULB. The quantity and valuation details of stock of stationery were not made available. The same is not recorded in the books of accounts.

### 11 Revenue Recognition



- a) We have not been provided with the explanations regarding the total revenue booked with respect to holding tax on residential building
- b) Further, Penalty has not been charged to debtors for non-payment of Revenue Tax by them



- c) It was stated that all taxes were recorded on collection basis. However, no collection register was provided to us for verification.
- d) All sums due to and received by the corporation have been brought into account and have been properly classified, however, during our audit we found that incomes like Property tax, Water user charges were accrued on a total basis but no document substantiating the calculation for total/ individual demand is provided to us for verification.
- e) Fees & User Charges and Sale & Hire Charges are not recorded on an accrual basis.
- f) Rental Income is recorded on a cash basis.

## 12 Bank Accounts

- a) Interest earned (Rs 1067704) from the accounts with several banks could not be verified since no bank pass books were made available to us.
- b) Further, the closing bank balance of the syndicate bank could not be verified due to unavailability of the passbook.
- c) The entire details of bank transactions (i.e. incomes and expenses) were held by the cashier of the ULB. But since the cashier was not available, no verification procedure on this could be carried out.

## 13 Grants



No Grant Register was maintained by the ULB. So the grants sanctioned to the body could not be accounted.



#### 14 Untraceable Vouchers

During the audit, it has been observed that many entries are not showing complete details. Many vouchers were not made available for vouching due to incomplete entries as mentioned below -

- a) An amount of Rs 149500 was incurred as painting expenses but no vouchers available for authentication

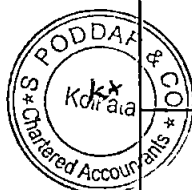
#### 15 Grant of recurring advances without completing the projects

According to Rule 100 of JPWA code, advances are to be granted only against passed vouchers and no subsequent advances are to be granted without adjusting the previous advances

During the audit, it is observed that though the voucher no 474 on 31/01/2016 an advance amounting Rs 37,48,450 has been given without adjustment of previous advances of Rs 9,70,600

#### 16 Comparison of demand and collection of Taxes

S No	Heads of Income	Arrear Demand	Current Demand	Collections during the year	Balance
1	Holding Tax	67,86,982 63	61,94,656 00	37,92,125 65	91,89,512 98
2	Water Tax				







		55,60,592 31	50,36,834 00	29,99,809 63	75,97,616 68
3	Latrine Tax	54,58,710 23	50,36,834 00	30,96,352 74	73,99,191 49
4	Professional Tax	7,64,861 58	4,80,895 00	7,19,324 26	5,26,432 32
5	Education Cess	38,71,639 52	30,97,328 00	10,47,426 33	59,21,541 19
6	Health cess	42,12,776 53	30,97,328 00	10,09,630 41	63,00,474 12

### **17 Comparison of Budgeted Expenditure and Actual Expenditure**

Since, Expenditure in books has not been recorded as they are in budget Therefore, we are not able to provide comparison of budgeted and actual expenditure due to grouping and sub-grouping of heads

### **18 Investments**

In the investment area, an amount of Rs 968223 relating to interests on investments was noticed But the same could not be verified as FDR was not provided to us

### **19 Establishment Expenses**

a) In case of salaries to employees, no verification could be done as to the correctness of the amount since salary register was not prepared for the year





## 20 Receivables

In case of receivables, no details of debtors were maintained Further the account was maintained on cash basis Thus the closing balance as on 31 03 2016 is reflecting the balance on cash basis and not accrual basis

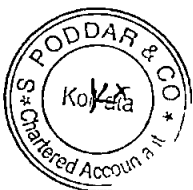
## 21 Loans

The ULB has not maintained any Loan Register

Loan amounting to Rs 343843463 was taken from the Govt But no supporting was provided in relation to that Also no supporting was made available in relation to the interest on the above loan

## 22 Other Observations

- a) It was found that no demand register is being maintained by the ULB
- b) Bills for electricity and advertisement were not available for verification Hence could not be commented upon
- c) No comments can be given on the accuracy of the closing cash balance since cashier cash book was not provided to us for verification
- d) The ULB could not provide us the details of Capital WIP
- e) It was found that Advance Register was prepared by the ULB but no details of the total advances given to the employees were specified which again makes it difficult for its correct ascertainment





For S Poddar & Co  
Chartered Accountants,  
FRN 320394E



Kausoboy Nayel  
Partner

Membership No 069828

Date 06<sup>th</sup> June 2017

Place Kolkata