S. V. & Co.
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To,

The Municipal Commissioner,

Varanasi Nagar Nigam,

Sigra, Varanasi.

We have audited the accompanying financial statements of **Varanasi Nagar Nigam, Varanasi** Financial Year 2025-26. The Financial Statements comprise of the Balance Sheet as at March 31, 2026, and the statement of Income & Expenditure account and Notes to the Accounts (hereinafter referred to as "the Financial Statements").

Responsibilities of Management and Those Charged With Governance for the Financial Statements.

The management is responsible for the preparation of the financial statements that give a true and fair view of the financial position and financial performance of Varanasi Nagar Nigam. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the financial statements

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error in making those risk assessments, the auditors consider internal control relevant to Nagar Nigam's preparation and fair presentation of the financial statements in order to design audit

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procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, subject to our Observations on Financial Statements enumerated in **Annexure "A"**, the aforesaid financial statements give the information required by the statue in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the organization as at March 31, 2026, and of Surplus as per Income & Expenditure account for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the Code of Ethics issued by ICAI, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the applicable Uttar Pradesh Municipal Accounts Manual. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

For S V & CO.
Chartered Accountants

S. V. & Co. Varanasi Chartered Accountants

Shree Prakash Pandey
Partner

Membership No. 402307
UDIN: 26402307DEYYGX4505

Date: 29.05.2026
Place: Varanasi

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ANNEXURE "A" OF THE INDEPENDENT AUDITOR'S REPORT

Major observations reported on audit of accounts for theFinancialYear2024-25:

- Statutory liabilities of PF, **Labor Cess**, TDS, GST & GST TDS and Royalty have not been timely deposited on due dates. Party-wise & year-wise details of such liabilities could not be ascertained.
- **Retirement benefits** are accounted for on a Cash Basis instead of the mandated Accrual Basis, without any structural actuarial valuation system to estimate long-term liabilities.
- It was observed that the Corporation has recorded significant additions to its infrastructure and **fixed assets** during the financial year under review. However, the Corporation has not maintained a proper, updated Fixed Assets Register detailing the quantitative descriptions, identification marks, and location-wise tracking of individual assets. Furthermore, no physical verification of fixed assets was carried out by the management during the year to corroborate their physical existence and actual condition. So we are unable to arrive at its appropriate value.
- Certain operational municipal assets have been depreciated fully to their cost value, overlooking the standard accounting requirement to retain a nominal residual value in the books.
- It was observed under the head **'Deposits Received'** that substantial amounts collected from various contractors and suppliers as **Security Deposits** and **Earnest Money Deposits** remain outstanding from earlier financial periods without any structural adjustment, forfeiture, or refund. Also it was observed that several individual **"Creditors – Contractors & Suppliers"** ledgers continue to exhibit non-moving balances, with zero transactional activity (neither debits nor credits) during the entire financial year. In the absence of a structured age-wise detail, period-end external balance confirmations, or direct reconciliations with the respective parties, the correctness, completeness, and current legal validity of these outstanding deposit balances remain unverified..
- It was observed that **stock** of Jalkal Department physically issued to different municipal zones still recorded as stock in hand due to the absence of authorized indent forms from the receiving departments. Furthermore, the cost of old, slow-moving stock could not be verified because their original purchase bills and invoices were missing from the records.
- It was observed that the Corporation has disbursed significant operational and project-related **advances to various external government bodies**, engineering wings, and state-level departments for executing municipal works. However, there is no established mechanism to monitor the actual field utilization of these funds or to obtain periodic utilization certificates (UCs) from the respective departments. Many of these executive accounts show long-standing debit balances carried forward from previous years without timely financial adjustments or project square-offs. In the absence of an active tracking and

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reconciliation system, the true status of work completion against these advanced funds remains unverified.

For S V & CO.
Chartered Accountants

Shree Prakash Pandey
Partner

Membership No. 402307
UDIN: 26402307DEYYGX4505

Date: 29.05.2026
Place: Varanasi