

INTERNAL AUDIT REPORT

OF ULB

(MEHSI)

FOR THE PERIOD

01/04/2017 TO 31/03/2018

CONDUCTED BY

**M/s R. N. Singh & Co.
208, Hem Plaza, Fraser Road
Near Dak Bunglaw Chauraha,
Patna – 800001**

**From 23-07-2019 to 08-08-2019
Report Issued on 22nd August 2019**

Executive Summary

1. INTRODUCTION

Name of the Municipality	Nagar Panchayat, Mehsi
Period covered under current audit	Annual report 2017-18
Name of Executive Officer for the period under Audit.	Smt. Nirmala Kumari

2. Results and Findings

a. Strengths observed during the audit engagement:

- (a). All vouchers have supporting documents.
- (c) Response from officer & Staff were satisfactory.
- (d) Main cash book has been maintained.
- (e) Subsidiary cash books has been maintained.

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

- (a) Bank Reconciliation Statement has not been prepared by the ULB.
- (b) Double Accounting System has not been followed whereas accounting has been made on single entry system.
- (c). Fixed Assets Register has not been maintained.
- (d). Daily collection register (Revenue receipt wise) has not been maintained.
- (e). TDS, VAT, Royalty and Labour Cess have been deducted but it has not been deposited till date. Therefore, TDS Return has not been filled till date. As per Income Tax Act 1961, penalty may be levied on ULB, as it is a statutory irregularity.
- (f). Property / Holding tax has not been assessed on property by the ULB since Financial Year 2008-09.
- (f). No action has been taken by Nagar Panchayat Mehsi for collection of Tower Tax.



- (g) Some amount of grant allotted to Nagar Panchayat but against these allotments, no UCs has been submitted.
- (h) Various registers, books of records etc. has not been prepared by the ULB, such as, Statutory Register with TDS, VAT, Royalty etc.
- (i.) Municipal accounts committee has not been constituted till the date of audit.
- (j.) Demand & Arrear register of Holding Tax has not been Prepared by the ULB.
- (k). Payroll system at the ULB is not maintained. The register Records Relating to Statutory deduction like PF, ESIC, Income tax , are not maintained . The PF, ESIC With respect to Contractual Employee are neither deducted nor paid to the Statutory Authority.

3. Opinion

As per Our Opinion the following improvements are required.

- ULB is not working properly, even internal control is poor.
- Revenue collection of the ULB is very poor it has scope to increase to much higher level.
- All cash collection from source of revenue are not deposited in the bank on same day. It is deposited in the bank after making daily expenditure.
- Due to lack of manpower, there is delay in performing day-to-day work.
- There should be proper segregation of duties to perform day-to-day work in efficient manner.
- Bank reconciliation should be prepared on monthly basis.
- Most of the Books of Accounts as prescribed by BMAR are not maintained by the ULB.
- There are serious lapses in deduction and deposit of statutory dues, such as VAT, Royalty, TDS, Labour Cess etc.
- Separate bank account should be maintained for each scheme.

4. Audit Recommendations:

The Recommendation of Audit Team on the Observed weakness.

SL No	We Recommend the followings:-
1.	ULB should adopt Computerized accounting system. It provides automatic ledger entries accuracy and speed of automatic calculation, automatic production of trial balance from ledger entries and it also provides additional analysis.
2.	ULB should prepare receipt and payments accounts on monthly basis due to which it becomes very easy to find out how much fund has been received by the ULB.



3.	ULB must have to refund the unutilized amount to the Urban Development & Housing Department.
4.	ULB have to file statutory returns within prescribed time line and deposit the deducted amount as specified in statutory law.
5.	As per Rules 22(1) of Bihar Municipal Accounting Rules, 2014 Tax Collected has to be deposited on same day or latest before noon on the following working day.
6.	ULB should maintain all the books of account, register, records etc. as prescribed in Bihar municipal accounts Act, Manual and Rules.
7.	ULB should collect mobile tower tax, advertisement tax shop rent etc. as quick as possible and on regular basis.
8.	ULB should prepare UC in prescribed format of various schemes as soon as possible and submit the same to UD & HD Dept. on regular interval as per prescribed guidelines.
9.	ULB should prepare demand and arrear register of holding tax as soon as possible and on regular basis.
10.	ULB should maintain Daily Collection Register separately for each head of its own revenue sources for appropriate internal control and also for appropriate disclosures of books of accounts.
11.	ULB should develop and prepare Pay-roll system of Permanent & Contractual employees.
12.	ULB should assess the Holding & Property tax every year.

5. Comments from Management:

As per discussion with Management, they have ensured that they are looking into the matter and proper action will be taken for all the irregularities coming out from audit.

Detailed discussions on this are given in *Discussion Note* as attached in quarterly report.

6. Acknowledgement: -

We Thanks Smt. Nirmala Kumari (Executive Officer), for his support during the period of our audit. We are also thankful to the Accountant and other staffs of the Nagar Panchayat for their co-operation during the period of audit.

For R. N. SINGH & CO.

Chartered Accountant

ICAI Reg.No:322066E

CA Chanakya Shree

Partner

M. No: -079322



UDIN - 20079322AAAACY6279

Date - 12/05/2020

Detailed Audit Report

1. Introduction

The Internal Audit of (Mehsi Nagar Panchayat) covering the Period from 1st April 2017 to 31st March 2018 was conducted by following person under the guidance of TL CA Chanakya Shree and MAE CA Ashok Kumar Pandey:

(1) Mukund Kumar

2. Administration

The Present body of the ULB has taken charge on 25th July, 2014. The incumbency in the key Administrative and Executive Positions was as under:

Smt. Anita Kumari Gupta, Chairman from 15th November 2016 To 14th July 2019.

Smt Sajida Tabassum, Chairman from 14th July 2019 till date.

Smt Nirmala Kumari Executive Officer from 22nd January till date.

3. Review of outstanding audit paras:

Status of Audit Observations is as under:

Sl. No.	Particulars of Audit and date of report	Total no. of audit Paras	Total no. of 2audit Paras where necessary improvement/ corrective 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 outstanding para where no action has been taken	No. and Date of Compliance Report
1	AG Audit Report, dated 07.03.2017	27	27	0	0	0	0	05/07/2019
2	Internal Audit for the Year 1 st	10	10	0	0	0	10	Not Complied



	(2016-2017)							
3	Internal Audit for the Year 2 st (2016-2017)	10	10	0	0	0	10	Not Complied
4	Internal Audit for the Year 3 rd (2016-2017)	10	10	0	0	0	10	Not Complied
5	Internal Audit for the Year 4 th (2016-2017)	10	10	0	0	0	10	Not Complied

Detailed Report on Compliance of Previous Internal Audit Report: -

SL No.	Audit Observation	Nature of Irregularities	Complied/Non-Complied
1.	There are Lack of internal control w.r.t own sources collection ,deposited and entry made in the cash book.	Persisting Since last year 2016-17	No Action taken by Mehsi nagar panchayat
2.	Taxes /user charges Collected by tax Collector are not deposited on daily basis we observed that it is being after significant which is not proper .As per rule 27 BMAR It should be Deposited on Daily basis .Otherwise a penalty upto RS-5000/- may be imposed for delayed deposit.	Persisting Since last year 2016-17	No Action taken by Mehsi nagar panchayat
3.	Tower tax is not being collected on timely basis as of Rs.10.34598 lacs is receivable as tower tax as on 31.3.17. (Details of tower tax dues is annexed in annexure.	Persisting Since last year 2016-17	No Action taken by Mehsi nagar panchayat.



4.	Tender of Ghats, crematorium, Gate, Palm trees and lands are not done on yearly basis. .	Persisting Since last year 2016-17	No Action taken by Mehsi nagar panchayat.
5.	Bank Reconciliation Statement is not prepared hence it is difficult to monitor possible fraud ,if any .	Persisting Since last year 2016-17	No Action taken by Mehsi nagar panchayat.
6.	Advance register has been prepared but not properly in prescribed way and format ,hence it is difficult to monitor for advances given and adjustment thereof.	Persisting Since last year 2016-17	No Action taken by Mehsi nagar panchayat.
7.	Fixed Assets register has not been maintained by ULB.	Persisting Since last year 2016-17	No Action taken by Mehsi nagar panchayat.
8.	There is lack of internal control on education and deposit of various taxes. On deduction of taxes, liability is not created hence it is difficult to ascertain tax payable at any point on time. Taxes such as an I.T. ,VAT labourcess and royalty etc. are collected from time to time but its payments are made on yearly basis which is not proper .taxes should be remitted to the govt .account on timely basis otherwise penal action may be taken by the concerned department for delayed deposit of taxes.	Persisting Since last year 2016-17	No Action taken by Mehsi nagar panchayat.
9.	Cashier cash book has not been written on daily basis .	Persisting Since last year 2016-17	No Action taken by Mehsi nagar panchayat.
10.	Bank reconciliation statement has not been prepared on monthly basis.	Persisting Since last year 2016-17	No Action taken by Mehsi nagar panchayat.



4. Finance

I. Budgetary provisions and expenditure for the last three years

Year	2015-16	2016-17	2017-18
Final/Revised Budget	11301750.00	28512500.00	117092500.00
Actual Expenditure	3895292.00	52991875.25	100783541.00
Savings(+)/ Excess(-)	7406458.00	(24479375.25)	16308959.00

II. Volume of transactions.

Period	Budgeted 2017-18	Previous Year (For one year)2016-17	current period (2017-18)
Opening balance	192918895.00	170478555.00	212431868.00
Receipts	378268000.00	95061956.00	123544927.00
Total	571186895.00	265540511.00	335976795.00
Net expenditure	117092500.00	52991875.25	100783541.00
Closing balance	454004395.00	212548635.75	235193253.60

- **Notes:** - Closing balance of previous year 2016-17 is 21,25,48,635.75 as per previous audited report, however opening balance of current year 2017-18 is 21,24,31,867.80 as per cash book provided for Audit purpose.

III. Bank Reconciliation: -

Details of Closing Balance:

Sr no.	Name of scheme / item	Bank name / account no.	Balance as per pass book	Balance as per cash book	Differences	Remarks BRS Prepared/ Not Prepared
1.	Internal source	PNB- 4253	2002150.00	906275.00	1095875.00	Not Prepared
2.	13 TH Finance	PNB-0024	584832.90	2966694.10	2381861.20	Not Prepared
3.	E-governence	PNB-0305	35775.90	2676.90	33099.00	Not Prepared
4.	Mukhyamantri nagar vikas yojna	PNB-4271	2261003.90	2148088.90	112915.00	Not Prepared
5.	H.F.A	PNB-0323	36095625.90	35245626.35	849999.55	Not Prepared
6.	S.B.M	PNB-0314	2084593.90	1936540.60	148053.30	Not Prepared
7.	BRGF	PNB-0024	584832.90	402738.75	182094.15	Not Prepared
8.	Kabir antosti	PNB-4244	468873.90	408304.20	60569.70	Not Prepared
9.	SJSRY	UBGB-4177	4079616.00	3000000.00	1079616.00	Not Prepared
10.	14 th finance	PNB-0024	584832.90	14795236.00	14210403.10	Not Prepared
11.	Treasury	P.L.A 193	187994478.00	187994478.00	0.00	Not Required



IV. Revenue Receipts: -

Income Details (Amounts to be provided in Rupees)							
		2017-18		2018-19		2019-20	
Sl. No.	Details	2017-18 Annual	2016-17 Annual	2018-19	2017-18	2019-20	2018-19
Total Receipts (A+B)		123544927.00	95061956.00	Not Applicable for this quarter.			
A.	Revenue Receipts (1+2+3)	3812072.00	1970717.00				
1.	Own Revenue Receipts (a+b)	1057530.00	240767.00				
a)	Tax Revenue (levied and collected by municipal body)	548068.00	240767.00				
i)	Property tax	548068.00	240767.00				
ii)	Other tax (levied and collected by municipal body)	0.00	0.00				
b)	Non-tax revenue (levied and collected by municipal body)	509462.00	0.00				
i)	Fees & fines	72488.00	0.00				
ii)	User Charges	436974.00	0.00				
iii)	Other non-tax revenue (levied and collected by municipal body)	0.00	0.00				
2	Other Revenue Receipts	2754542.00	0.00				
a)	Income from interest/investments	2478133.00	0.00				
b)	Other Revenue income	276409.00	0.00				
3.	Transfers/ Grants/ Assigned Revenues	0.00	1729950.00				
a)	State Assigned Revenue	0.00	806112.00				
b)	State Finance Commission (SFC) Grants/ Devolution	0.00	907156.00				
c)	Octroi compensation	0.00	0.00				
d)	Other State Govt. Transfer	0.00	0.00				
e)	Central Finance Commission (CFC) Grant	0.00	16682.00				



f)	Other Central Govt. Transfer	0.00	0.00	
g)	Others	0.00	0.00	
B.	Capital Receipts	119732855.00	93091239.00	
1	Sale of Municipal Land	0.00	0.00	
2	Loans (from State Govt. or Banks etc.)	0.00	0.00	
3	State Capital Account Grant (under State Schemes etc.)	59300283.00	42404472.00	
4	Central Capital Account Grant (under Central Schemes etc.)	60297462.00	50686767.00	
5	Other Capital Receipts	135110.00	0.00	

Notes:- Receipt as per volume of transaction is Rs 97,013,573 And Balance as per revenue and capital receipt Rs 95,061,956 in previous audit report . The difference is Rs 1,951,617 in volume of transaction and revenue and capital Exp. For the financial year 2016-17.

v. Revenue and Capital Expenditure Information: -

Expenditure Details (Amounts to be provided in Rupees)							
Sl. No.	Details	2017-18		2018-19		2019-20	
		2017-18 (Annual)	2016-17 (Annual)	2018-19	2017-18	2019-20	2018-19
Total Expenditure (1+2)		100783541.25	52991875.25				
1	Revenue Expenditure	8580042.25	Details have not been provided to us to annex.	Not Applicable for this quarter			
1.1	Administrative Expenses, Establishment and Salaries (All Departments- Regular and Contractual Staff)	6975416.00					
1.2	Operation and Maintenance (O&M)	1425555.55					
1.3	Loan repayment (Interest payments)	0.00					
1.4	Others (any other revenue expenditure which is not salaries, O&M or	179070.70					



	Interest Payment)			
2.	Capital Expenditure	92203499.00		
2.1	All developmental works under Central/State specific schemes	91531569.00		
2.2	Loan Repayments (Principal Amount)	0.00		
2.3	Other Capital expenditure	671930.00		

Note: - We have taken all financial figures of 2016-17 from previous audit report Which is provided by the Nagar Panchayat and all financial figures which is required as per report format, is not available in previous audit report i.e., 2016-17.

VI. Status of implementation of Double Entry Accounting System1

Accounting of Nagar Panchayat Mehsi has not been maintained as Double Entry Accounting System. The consultant for DEAS has been appointed but financial accounts for 2017-18 are still to be prepared. However, DEAS team has started work 28/01/2019 From consultancy firm M/S Vinod Singhal & co.

VII. Status of Municipal Accounts Committee; if meeting is held

As per Section 98 of Bihar Municipal Act ,2007 it is necessary for the municipality to Constitute a municipal Accounts committee at its First meeting in each year or as soon as may be at any meeting Subsequent there to, but no municipal Accounts Committee has been constituted by the N.P. till the date of our audit.

5. Audit Observations:

I. Part – A

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

- 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, fee etc.

(i) Mobile Tower Collection: -

Audit Objective – As per Point No. – 5 of TOR



Criteria – Tower Tax is tax 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 08 Mobile Towers registered with this ULB up to 31.03.2018 and Rs. **1148034.047** is dues till the date of audit from these tower operators as Tower Tax.

Consequence Effect/ Impact - Due to non-collection of Tower Rent within prescribed time line, ULB incurred interest loss and also the due to non-collection of taxes, public interest has also been suffered.

Cause – We observed that due to lack of proper follow up and monitoring of activities of concerned person of the ULB on regular interval, The ULB has no proper mechanisms for supervision and monitoring of the Tower Rent which results in Revenue leakage.

Corrective Action / Recommendation – As per our opinion, management should review the collections on monthly basis and take appropriate actions against such irregularity.

Sl. No.	Name of Mobile Tower	Ward No.	REGISTRATION FEE	RENEWAL FEE	AMOUNT OUTSTANDING AS ON 31-03-2017	INTREST	COLLECTION	DUES
1.	GTL INFRASTRUCTURE LIMITED	10	30000	8000	165160.60	7792.2	0	180952.8
2.	BHARTI INFRATEL LIMITED	06	30000	8000	69596.40	3491.838	0	81088.238
3.	BHARTI INFRATEL LIMITED	12	30000	8000	69596.40	3491.838	0	81088.238
4.	BHARTI INFRATEL LIMITED	03	30000	8000	69596.40	3491.838	0	81088.238
5.	IDEA CELLULAR INFRASTRUCTURE SERVICE LTD.	03	30000	8000	165160.60	7792.227	0	180952.827



6.	AIRCEL	12	30000	8000	165161.60	7792.272	0	180953.8 72
7.	RELIANCE	07	30000	8000	165162.60	7792.317	0	180953.8 72
8.	B.S.N.L	05	30000	8000	165163.60	7792.362	0	180955.9 62
TOTAL								1148034.047

(ii) Advertisement Tax

Audit Objective – As per Point No. – 5 of TOR

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

Consequence / Effect / Impact - Due to non - levy of collection 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 the concerned ULB.

(iii) Holding & Property Tax Deposit – Irregularity: -

Audit Objective – As per Point No. – 5 of TOR

Criteria – As per Rules 22(1) of Bihar Municipal Accounting Rules, 2014 Tax Collected has to be deposited on same day or latest before noon on the following working day.

Condition - Tax Amount is not deposited timely into Bank. In some cases, collected amount has been retained by the Tax Collectors for a period of 1-2 month from the date of collection of taxes.

Consequence / Effect / Impact - Due to non-deposit of Tax on due time, ULBs is suffering from Revenue Loss in the form of Bank Interest which could have been earned on these Receipts. Further, this is a lapse on Internal Control due to non-submission of Counterfoil and record updation of assesses due.

Cause – This happens due to non-follow up and monitoring of activities of Tax Collector by the concerned officer on regular interval.

Corrective Action / Recommendation – There should be day to day monitoring on Collection of Taxes by Tax Inspector/Collectors and deposit of collection into Bank either on same day or latest before noon on the following working day.



(iv) Holding & Property Tax Collection: -

Audit Objective – As per Point No. – 5 of TOR

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

Condition – Total Property Tax/Holding Tax outstanding as on 31st March 2018 is Rs. 2663456.00/-

Consequence / Effect / Impact - Holding / Property Tax is collected by the tax collector from all wards but in some cases, property tax is not being collected from long period by the tax collector. Due to non-collection of Property/Holding Tax, there is a major operational revenue loss to ULB and there is no record / register to know total current & arrear demand of holding tax. Demand / 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 also maintenance and updation of Demand & Collection Register on regular interval.

Year	Total Demand			Total Recovery	Total Arrear	
	Arrear	Current	Total		Arrear	Total
2017-18	1374524.00	1837000.00	3211524.00	548068.00	2663456.00	2663456.00

(v) Market/Shop Rent Collection: –

Audit Objective– As per Point No. – 5 of TOR

Criteria– Non-Collection of Market/Shop Rent and imposition of late fine by the concerned ULB.

Condition– ULB has no any own shop in their nagar Panchayat.

Consequence / Effect / Impact- Due to non-collection of Shop Rent 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 Rent which results in



Revenue leakage.

Corrective Action / Recommendation– There should be proper monitoring and further steps are required to be taken for collection of Shop Rent by concerned ULB.

b. Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULB's:

➤ No observation found during the course of audit.

c. Report on findings of field survey of Property Tax of minimum 20 high value properties:

Report on field survey of 20 high value properties

Sl. No.	Owner Property Name	Add Of Owner	Ward No	Taxable area	Annual rent	Annual Property Tax.	Resi/Com/other	Remarks
1.	Mo. Ali hasan ansaari	Late haji mo. Yusuf ansaari	03	105600	167270	15054.3	Com/resi	No observation Found
2.	Arun kumar gupta	Late janak shah	03	79200	125453	11290.77	Com/resi	No observation Found
3.	Jawed Ansaari	Late sadaakat ansaari	03	25200	39916	3592.44	Com/resi	No observation Found
4.	Pappu ji	Jubair ahmad	07	32350	18190	1637.1	Com/resi	No observation Found
5.	Mo. Irshaad	Mo. alaauddin	07	7040	11152	1003.68	Com	No observation Found
6.	Raj kumar mishra	Late charan mishra	03	7040	11151	1003.59	Com	No observation Found
7.	Manoj kumar	Late bhola prasad	13	6735	10066	905.54	Com/Res	No observation Found
8	Mo. Lalbabu	Mo. yaseem	6	21120	9314	838.26	Com	No observation Found
9.	Ali hasan	Mo.haji yusuf ansari	04	12320	8870	798.3	Com.	No observation Found
10	Arvind mishra	Late baiju mishra	04	5100	8078	727.02	Com	No observation Found
11	Kumari swarna	Amar singh	10	9800	7056	635.04	Com	No observation Found
12	Munni lal shah	Late faguni shah	03	6370	6450	580.5	Com/resi	No observation Found
13	Rita jaiswal	Sanjay kumar	03	3284	6312	568.08	Com/resi	No observation Found
14	Shekhar prashad	Late bhola shah	15	3980	5787	520.83	Com/Res	No observation Found
15	Ajmat ali	Mo. Habib	03	3520	5776	519.84	Com	No observation Found
16	Jawahar lal	Late suraj ray	11	4200	5739	516.51	Com/Res	No observation



.	singh							Found
17	Binda shah	Late Khenal shah	03	3520	5575	501.75	Com	No observation Found
18	Bhagwan Prashad	Late bhola prashad	04	3400	5385	484.65	Com	No observation Found
19	Sanjay	Ram lubhash	04	2600	4118	370.62	Com	No observation Found
20	Lukshman prashad	Nand lal shah	06	3590	4550	409.5	Com/res	No observation Found

Note: Property / Holding tax are assessed by the ULB. On test check basis, we have calculated the area and no variance found. However, it is very difficult to do the Field Survey due to resentment of property holders and sometimes it gets very ugly.

II. Part-B

All Audit objections/regularities which has no monetary implication, but significant violation of act, Rules directives of UD&HD. Mention the reference to Act & Rules wherein remedial measure is required.

a. Non –maintenance of books of accounts, subsidiary registers: -

It has been noticed during the audit that the following Books of Accounts & Registers has not been maintained or not properly maintained (Status as mentioned).

Sl. No.	Particulars	Status
1	Fixed Assets Register	Not Maintained
2	D.C.R Register	Not Maintained
3	Log Book Register	Not Maintained
4	Statutory Register	Not Maintained

b. Irregularity in procurement process: -

As per TOR we have checked and verified all procurements above Rs. 15000 and no irregularity found in this regard.

c. Non-compliance of directives by UD &HD, Government of Bihar: -

We observed several non-compliances of directives of UD&HD, GOB such as; -

- (1) Non collection of various taxes required to be collected.
- (2) Non maintenance of prescribe books of accounts
- (3) Non submission of UC and other reports on timely basis



d. Non- compliance of Act & Rules: -

As per section 127 of the Bihar Municipal Act, the Municipality can levy the following taxes: -

- ☐ Property tax on land and building
- ☐ Surcharge on transfer of land and building.
- ☐ Tax on deficit in parking space in any non-residential building.
- ☐ Water tax,
- ☐ Fire tax,
- ☐ Tax on advertisement
- ☐ Surcharges on entertainment tax,

We observed that only property tax has been collected during the year other taxes have not been levied till date.

And as per Income Tax Act 1962 and Vat Act 2005 are not properly followed by Ulb.

- ☐ Proper Sec of TDS Deduction is not conduct.
- ☐ According to Vat Act 2005, Vat should be deducted from the payment, but Ulb is not in practice to deduct vat from payment at the time of procurement of machine or goods.
- ☐ Vat is being deducted from departmental work on whole of the work but it is levied only on material purchased.

e. Lack of internal control measures: -

1. During the course of our Audit, we have observed various discrepancies in the Cash Book, which are enumerated below: -
 - Head wise expenditure were not clearly entered and recorded.
 - The cash book balances were not reconciled with the Balances in Bank Pass Book.
2. After analyzing operating control, it was observed that there is shortage of Man Power in ULB. Consequently, it is not functioning smoothly with respect to completion of works on time, provide and review the service efficiently which is the main function of ULB, preparation of books and records on time etc.



f. Non-compliance of TDS, VAT and other relevant statute:-

- Annual Return for TDS has not been filed for the FY_2017-18.
- Annual Return for VAT has not been filed for the FY_2017-18.

g. Deficiency in pay-roll system:-

There is no system of Pay-Roll implemented at the ULB. So, we are unable to comment on the same. Moreover, no Register has been shown to us regarding records relating to statutory deduction like PF, ESIC, Income tax etc. during the period of internal audit. Thus we are unable to comment on the deficiency in pay-roll system.

h. Utilizations of Grant and Report on Missing Utilization Certificates:-

Various UC's of the Previous FY_2016-17 and FY_2017-18 was not prepared and submitted to the UD & HD till the date of audit. We have given direction and helped Mehsi Nagar Panchayat in preparing the UC's. Further, the details of Pending UC's as per the details provided to us are as follows;

S. No.	Name of Scheme	Fin. Year	Letter No./Date	UC Pending Amount(Lakh)	UC Submitted or Not
1.	Path Puliya Nirman	2016-17	40/04.08.2016	4.35	Not Submitted
2.	5 th Finance	2016-17	163/19.10.2016	1.73	Not Submitted
3.	5 th State Finance	2016-17	353/29.03.2017	21.18	Not Submitted
TOTAL				27.26 Lakh	



We are providing all help to the ULB so that UC shall be prepared on time and submitted to UD&HD.

I. Physical verification of inventory/stores: -

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.

J. Advances, their adjustment & recovery: -

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.

Advance has been given to staff for office expenses without any advance requisition and without the approval of executive officer.

K. Any other matter as may be prescribed in due course: - Nil.

PART – “C”
Scope of Audit

Sl. No	Particular	Remarks/ Observation
1	Whether all these the compliance of Bihar Municipal Act and specifically Chapter IX to XV and related rules and regulations as well as related directives by UD&HD.	No observation found in this regard.
2	What is the status of implementation of SAS of Property Tax in the ULB; If SAS has been implemented then witness some assessment procedures to check any in-consistencies in assessment. at least 20 high value properties in the city /town (irrespective of the fact that SAS is received or not).	We have witnessed the 20 high value of property same has been reported above in Point 5, Part A(c).



3	<p>Whether all compliance have been complied regarding Bihar Municipal Accounting Manual, Bihar Municipal Accounts Rules, 2014 and Bihar Municipal Budget Manual with special attention to following Rules of BMAR</p> <p>Rule 22: All moneys to be brought to account</p> <p>Rule: 27: Collections to be deposited into Bank on the same day</p> <p>Rule 69: Grant Related Compliance</p> <p>Rule 120-121: Monthly Receipt & Payment Account and Trial Balance</p> <p>Rule 130: Audit to be completed & reported within 6 month</p>	<p>Rule 22: We have found that all money has been brought to account but delayed.</p> <p>Rule 27: We have observed that the collected money has not to be deposited into Bank Account on time.</p> <table border="1" data-bbox="858 465 1385 855"> <thead> <tr> <th>Receipt No.</th> <th>Amt</th> <th>Period</th> <th>Deposit date</th> </tr> </thead> <tbody> <tr> <td>1931 to 2019</td> <td>14483</td> <td>01/02/18 to 28/02/18</td> <td>28/02/18</td> </tr> <tr> <td>2020 to 2566</td> <td>375633</td> <td>02/03/18 to 31.03.18</td> <td>01/04/18</td> </tr> </tbody> </table> <p>Rule 69: Grant related compliance has been done properly.</p> <p>Rule 120-121: Monthly Receipt & Payment Account and Trial Balance are not being prepared.</p> <p>Rule 130 is not being followed.</p>	Receipt No.	Amt	Period	Deposit date	1931 to 2019	14483	01/02/18 to 28/02/18	28/02/18	2020 to 2566	375633	02/03/18 to 31.03.18	01/04/18
Receipt No.	Amt	Period	Deposit date											
1931 to 2019	14483	01/02/18 to 28/02/18	28/02/18											
2020 to 2566	375633	02/03/18 to 31.03.18	01/04/18											
4	<p>Whether all such compliance of financial guidelines of schemes of MOHUA and UD & HD, Gob have been complied.</p>	<p>Yes, Compliance of financial guidelines of schemes of MOHUA and UD & HD, Gob have been complied.</p>												
5	<p>If any revenue losses and opportunities lost or missed including in the area of Property Tax, Mobile Transmission Towers Tax, Rental of Municipal properties, Advertisement Taxes/Fees, Sairat etc. have incurred then quantify the same.</p>	<p>Loss of Rs. 1148034.047 /- has been made to the ULB for non-collection registration and renewal fee from installed transmission tower in the jurisdiction of ULB.</p> <p>There are no cases regarding collection of Advertisement Tax, Notice Fee and Trade License has been observed during the course of our audit.</p>												
6	<p>Status of adequacy and appropriateness of the documentation, approvals,</p>	<p>No Observation Found in this regard.</p>												



	compliance of procedures etc. of all payments on or above Rs. 10,000.	
7	Whether all Procurement made including through E-Tendering and E-Auction indicating exceptions, if any and whether a register is kept for all Procurements with value above Rs. 15,000/-	Yes, but procurement register has not been maintained at the ULB level.
8	An assessment of presence or absence of a system of issuance of utilization certificate for the different schemes for any utilization made during the reporting period; Where there is no system for issuance of U/Cs, prepare Utilization Certificate for various schemes/grants as per the guidelines of such scheme available on the UD&HD website.	There is some sort system for issuance UC of Rs. 765.99 lakh of various scheme are pending for submission to the Urban Development & Housing Department till the 4 th Qtr. of financial year 2017-18. However, we are trying our best to help the ULB to get all the UCs prepared and submitted in due course and it will be done in due course. Details of these are given above in point no. h of Part-B.
9	Verify instances of losses, failures or inefficiencies and recommendations and/or measures which can be taken to avoid their recurrence in future.	We have verified such instances and found some irregularities. Details of irregularity have been annexed in Executive Summary in Observation Para, and recommendations have also been annexed in Recommendation in Executive Summary.
10	Whether all such payments have been made according to payment terms & conditions of tenders and rate offers are according to procurement law and policies.	It has been observed that all payments have been made according to payment terms & conditions of tenders.
11.	Whether the fixed deposit and other funds should be kept in nationalized banks/Approved financial institutions and should earn maximum interest at their gestation period.	No Such type of issue found in this regard.
12	Verify all major areas of ULBs and assessed revenue loss and if any losses have been identified then prepare a statement of loss for revenue losses.	We have verified all major areas of ULB and assessed some revenue losses; same have been reported in "Part A".
13	Whether tax deductions i.e. Commercial	We observed that statutory compliance has



	<p>tax, Income tax, provident fund etc. should be deducted from the payments as applicable, deposited properly and also should be properly recorded in appropriate ledgers.</p>	<p>not been accomplished by ULB regarding deduction, deposit and return also.</p> <p>Details of major statutory irregularities are:</p> <ul style="list-style-type: none"> • TDS return has not been filled. • TDS have not been deposited appropriately. • VAT return has not been filed. <p>Penalty and Interest may be levied on ULB as per Statutory Laws.</p>
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"Sheet B"

Amount Collected from own sources revenue has not been deposited into bank by the ULB on the same date /next to the same date as required. The details are given below.

Receipt No.	Amt	Period	Deposit date
1931 to 2019	14483	01/02/18 to 28/02/18	28/02/18
2020 to 2566	375633	02/03/18 to 31.03.18	01/04/18

General Observations: -

There is lots of scope for improvement with respect to maintenance of Records and Registers. The important and basic records like Advance register, annual accounts, assets register were not maintained. Effective steps may be taken to improve the maintenance of accounts and increasing of its own sources of revenues.

For R.N. Singh & Co.
Chartered Accountants
FRN: 322066E

CA Chanakya Shree
Partner
Mem No: 079322



UDIN - 20079322AAAAC46279

Date - 12/05/2020

Discussion Note Mehsi

4th Quarter

Financial Year 2017-18

SL No	Particulars	Management Remarks
1.	Computerized accounting system has not been implemented by the ULB in F/Y2017-18.	अतिरिक्त बल नहीं होने के कारण नहीं हो पाया। भविष्य में इसे कर लिया जाएगा।
2.	ULB has not been in practice to prepare monthly receipt and payment account.	अतिरिक्त बल नहीं होने के कारण नहीं हो पाया। भविष्य में इसे कर लिया जाएगा।
3.	We observed that Statutory Compliance has not been accomplished by ULB. These statutory irregularities are following: TDS return has not been filled. Labor-cess & Royalty & VAT has not been deposited to concern department which is deducted from payment.	सभी प्रकार की कटौति का भुगतान संबंधित विभाग को वित्तीय वर्ष के अंत में जमा कर दिया जाता है। भविष्य में सुझावात्मक कार्य किया जाएगा।
4.	Holding tax is not Deposited on same Day according to the time Stipulated in Municipal act 2007.The details has been given- Date of collection receipt no. Amount Date of deposit 02-03-18 to 31/03/18 2020 to 2566 375633 04-04-18	होल्डिंग टैक्स की राशि माह के अंत में जमा कर दिया जाता है। भविष्य में सुझावात्मक कार्य किया जाएगा।
5.	Various register books of records etc. are not being prepared by the ULB such as fixed asset register, Demand register, collection register.etc	अतिरिक्त बल नहीं होने के कारण नहीं हो पाया। भविष्य में इसे कर लिया जाएगा।
6.	No action is taken by Nagar Panchayat Mehsi for collection of Tower tax.	कार्यालय द्वारा सभी टॉवर मालिको नोटिस निर्गत किया जा चुका है। टॉवर मालिको द्वारा सी0डब्लु0जे0सी का हवाला देते हुए अभी कोई कार्रवाई नहीं करने का आग्रह किया गया है।
7.	Municipal accounts committee has not been constituted till the date of audit.	जानकारी के आभाव में ऐसा हुआ भविष्य में इसका गठन कर लिया जाएगा।
8.	ULB is not in practice to prepare summary of daily collection receipt in form GEN-13 .	अतिरिक्त बल नहीं होने के कारण नहीं हो पाया। भविष्य में इसे कर लिया जाएगा।



08/08/19

नगर पंचायत मेहसी

9	Demand and arrear registers of holding tax are not prepared by the ULB.	अतिरिक्त बल नहीं होने के कारण नहीं हो पाया। भविष्य में इसे कर लिया जाएगा।
10.	Pay-roll system at the ULB is not maintain. The register, records relating to statutory deduction like PF, ESIC, Income tax are not maintained. the PF, ESIC with respect to contractual employee are neither deducted nor paid to the statutory authority.	भविष्य में सुझावात्मक कार्य किया जाएगा।
11.	Bank reconciliation statement is not prepared month wise for fourth quarter of F.Y -2017-18.	अतिरिक्त बल नहीं होने के कारण नहीं हो पाया। भविष्य में इसे कर लिया जाएगा।
12.	Some amount of Grant allotted to nagar panchayat but against these allotments, no UCs Submitted.	खर्च के उपरांत यू0सी0 जमा कर दिया जाएगा।



8/8/19

8/8/19

नगर पंचायत मुख्यालय
नगर पंचायत मेहसी
पूर्वी, चन्दापुर

कार्यालय नगर पंचायत मेहसी पूर्वी चम्पारण ।

- 01 वित्तिय वर्ष 2017/18, 2018/19, 2019/20 का Bank Reconciliation Statement कार्यालय में अतिरिक्त बल नहीं होने के कारण तैयार नहीं किया गया है।
- 02 वित्तिय वर्ष 2017/18 2018/19 2019/20 का Financial Statement कार्यालय में अतिरिक्त बल नहीं होने के कारण तैयार नहीं किया गया है।

08/08/19

नगर कार्यपालक पदाधिकारी
नगर पंचायत मेहसी, पू0च0।

8/8/19



NAME OF NAGAR PANCHAYAT (MEHS)

As per information and explanations given by Nagar Panchayat Mehs and records examined by us relating to fund of Rs. ... of U.C. has been submitted to the department and Rs. ... of U.C. are pending relating to the F.Y. 2016-17 as on date. Details as given:

Sr. No.	Name of Scheme	Allotment of Fund	Amount of Use	U.C. Pending	Letter No. and Date of Submission
1	पर पुरा षेड	77.84	73.29	4.35	40/04.08.2016
2	9th Finance	58.26	56.53	1.73	163/19.10.2016
3	5th Finance	8.60	8.60	0.00	163/19.10.2016
4	5th Finance	41.77	41.77	41.77	163/19.10.2016
5	रर रर नर क	73.36	73.36	73.36	310/25.03.2017
6	रर रर नर क	62.25	62.25	62.25	84/25.09.2016
7	परर ररर ररर	58.82	37.64	21.18	353/29.03.2017
8	परर ररर ररर	7.70	7.70	7.70	353/29.03.2017
9	परर ररर ररर	41.01	41.01	41.01	353/29.03.2017
10	14th finance	49.74	49.74	49.74	33/02.08.2017
11	रररर ररररर	29.35	29.35	29.35	43/24.08.2017
12	5th Finance	99.43	99.43	99.43	46/14.09.2017
13	रररररर ररर ररर	36.05	36.05	36.05	38/11.08.2017
14	रररररर ररर ररर	30.89	30.89	30.89	63/31.10.2017
15	रररर रररर पर पुरररर	50.08	50.08	50.08	31/27.07.2017
17	पररर ररर	2.88	2.88	2.88	15/15.06.2017
18	परररर ररर	8.67	8.67	8.67	23/30.06.2017
19	14th finance	49.61	49.61	49.61	97/24.01.2018
21	रररर रररर ररर ररर	168.52	166.52	168.52	158/27.03.2018
	Total	954.63	927.37	27.26	

Date:
Place:



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