

**INTERNAL AUDIT REPORT  
OF  
DURGAPUR MUNICIPAL CORPORATION**

**For**

**The period from 2015-16**



**Internal Audit Conducted by:**

**SARKAR GURUMURTHY & ASSOCIATES**

**(CHARTERED ACCOUNTANTS)**

**35, C.R. AVENUE, 3<sup>RD</sup> FLOOR**

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**DURGAPUR MUNICIPAL CORPORATION**

**Internal Audit Report of F.Y 2015-16**

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## Internal Audit Report of Financial year 2015-16

### Section A: Audit Methodology and Approach

#### Audit Methodology

We have conducted the internal audit of Durgapur Municipal Corporation, Dist- West Burdwan, for the year ending on 31<sup>st</sup> March 2016. We familiarized ourselves with Municipalities documents, the internal guidelines and circulars applicable during this period under review. We also reviewed the working of the Municipality and evaluated the accounting systems and related controls of the Municipality in order to plan and perform our audit.

We reviewed transactions from April 2015 to March 2016. Our objective was to check all transactions and to design procedures to detect omissions, if any we also applied procedures to assess the adequacy of the Municipality financial management systems, including internal controls for entire audit period. We applied necessary tests and controls, as we consider it necessary under the circumstances.

During the course of our audit we reviewed the below mentioned documents and registers:

- General Cash Book and Bank Book for the period from 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016 maintain by computerized.
- Cashier's Cash Book for the period from 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016 having been maintained manually in the Municipality;
- Vouchers (Cash, Bank etc) along with supporting documents;
- Demand Collection Register maintain by computerized;
- Receipt Books;
- Stock Register;
- Advance Register.
- Loan register.
- Other necessary records and registers
- Grant register has been maintained.

The major observations, in respect of the Municipality have been discussed with The Finance Officer & the Accountant of the Municipality.



**Audit Approach**

Our approach to the internal audit started with an overview of activities through a study and documentation of the existing systems and procedures, We then identified, evaluated and tested the adequacy, efficiency and effectiveness of internal controls including standard policies and procedures laid down by the management (where ever applicable), for each of the areas included in the Scope of Work.

Testing of internal controls was carried out by checking a sample of transactions for the period covered by the audit.

Apart from the test of controls and samples, we also carried out various types of analytical reviews to understand as well as highlight unusual or significant trends in the income & expenditure.

Our observations, resulting in from the audit tests performed on a sample of transactions, are set out under "Part-A, Part-B & Part-C" of the audit report with recommendations for addressing these observations.

Place: Kolkata

Date :

For, Sarkar Gurumurthy & Associates  
(Chartered Accountants)

*Parimal Sarkar*

Parimal Sarkar

(Partner)

M.No-051550





## Executive Summary

### 1) Introduction:

Name of the Municipality	Durgapur Municipal Corporation
Period Covered under Current Audit	01.04.2015 to 31.03.2016
Name of the Finance Officer for the period under Audit	Mr.Sankar Chakraborty
Name of the Municipal Mayor	Mr. Apurba Mukherjee
Name of Municipal Commissioner	Smt. Kausturi Sengupta

### 2) Results and Findings:

#### Strength observed during the audit engagement.

- 1) Response of staff and officers are satisfactory.
- 2) Office Infrastructure is sufficient for operation.

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

- 1) We have examined the documents water tax dept. but we have found that there is no record maintained on regular basis.
- 2) We found that cash balance as per balance sheet is Rs. 9,02,851.80 but actual balance is not appearing in the cash book. Where as cash balance as per cash book as on 31.03.2016 is NIL.
- 3) Despite having sufficient balance the creditors are not paid in time.
- 4) Regular staff needs periodical training like training in GST, training in Income Tax act etc.
- 5) Ledger Books are not maintained.
- 6) We have verified the documents of license Dept. and it is observed that only those licensee who approach them for renewal pay the annual fees, where as no demand is sent the other licensees. We have found total no. of licensee are 18534 as on 31.03.2016 and arrear demand is Rs.4,19,25,060/- on account of trade license fee.



**7) Water Tax received and receivable position given below:**

F.Y.	No of ward	No of connection	Arrear Demand (Figure in Lakh Rupees)	Current Demand (Figure in Lakh Rupees)	Arrear Collection (Figure in Lakh Rupees)	Current Collection (Figure in Lakh Rupees)	Outstanding (Figure in Lakh Rupees)
2015-2016	43	26098	118.711	399.667	60.203	303.526	154.648

**8) Property Tax received and Receivable position given below:**

F.Y.	No of ward	No of Holding	Arrear Demand	Current Demand	Arrear Collection	Current Collection	Outstanding
2015-2016	43	70171	247237986.89	126725192.90	17835517.68	89955631.98	266172030.13

**3) Opinion:**

- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- In our opinion, proper books of account has not been kept by the ULB so far it appears from our examinations of those books, and
- In our opinion and to the best of our information and according to the given to us, there is a huge amount of arrear taxes are to be realised.
- We observed collection of property tax has been increased during the F.Y. 2015-16. This is good sign for the municipality, we have suggested them that revenue department have to send demand notice to the assese on weekly basis then dues of revenue will be reduced.

**A) Audit recommendations:**

- The proper officer should take proper action for increase recovery of dues of revenue.
- Last assessment was made in 2005, property tax needs revision after fresh assessment.
- Bank reconciliation Statement should be prepared on monthly basis.
- Renewal and demand register related to Advertisement and trade license should be maintained by the Municipality.
- Cash balance should be reconcile and current balance should appear in the balance sheet.

**B) Comments from Management:**

The audit report has been discussed with us; we will try our best to remove the irregularities pointed out in the audit report.

Place: Kolkata

Date :

For, Sarkar Gurumurthy & Associates

(Chartered Accountants)  
*Parimal Sarkar*

Parimal Sarkar

(Partner)

M.No-051550



**Detailed Audit Report****1) Introduction:**

The Internal audit of Durgapur Municipal Corporation covering period from 01-04-2015 to 31-03-2016 was conducted by following person under guidance of FCA Mr. Parimal Sarkar.

- i) Mr. Debnath Hazra
- ii) Mr. Avijit Mukherjee

**2) Administration:**

The present body of Municipality has taken charge on 2011 incumbency in the key administrative and executive position was as under:-  
Sri. Apurba mukherjee, Mayor and Smt. Kausturi Sengupta, Commissioner and Sri .Sankar Chakraborty Finance officer.

**3) Finance**

General Cash books, Ledger, Bank book and other subsidiary books maintain by computerized.

**Details of Bank Accounts and their Balances are given below.**

Sl. No.	Head	Name of Bank	Account No.	Cash book Balance as on 31.03.2015	Bank Balance as on 31.03.2016	BRS Status/Remarks
1	14MGD	U B I	4415	1302671	4937412.28	done
2	GENERAL FUND	UNION BANK	14071	1854821.65	1854821.65	done
3	MAYORS RELIEF FUND	U B I	6493	1348709.79	1348709.79	done
4	HEALTH FUND	U B I	8631	3145406.76	3145406.76	done
5	JNNURAM BSUP PH III	U B I	138017	204728.93	204728.93	done
6	CLOSED BSUP 4 <sup>th</sup> PHASE	U B I	0450010156752	1044588.68	1044588.68	done
7	13 <sup>th</sup> FC	U B I	42205	1527672.88	2057368.88	done
8	GENERAL FUND	UCO BANK	57	11777272.26	11760258.26	done
9	SOCIO ECONOMIC CASTE SURVEY	O B C	3042	577578	577578	done
10	14 CENTRAL FC	U B I	0450010244237	70476713	88864000	done



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11	SWACHH BHARAT	CANARA BANK	6054132000012	7070693	7070693	done
12	AMRUT	ALLAHABAD BANK	50313969977	500000	500000	done
13	PENSION	U B I	67091	7993939.14	7993939.14	done
14	NULM	ALLAHABAD BANK	50310508645	9457007	9636702	done
15	15MGD WATER	ALLAHABAD BANK	4638	59097378	70295940	done
16	GENERAL FUND	UNION BANK	14071	1854821.65	1854821.65	done
17	CLOSED	MAHILA CO-OF BANK LTD	01	219	0	Account closed
18	DMC RENOVATION OF ROAD	ALLAHABAD BANK	86078	227580	227580	done
19	SJSRY Revolving	S B I	1579	60856029.68	60856029.68	done
20	IDSMT	S B I	10306804398	211124137.09	21113674.09	done
21	MPLAD	U B I	4227	12458495.25	124558495.25	done
22	BIDHAYAK	U B I	4228	14047698	13852581	done
23	NSAP	U B I	68381	14408778.23	14410613.23	done
24	SJSRY	U B I	66605	1458928.13	1458473.13	done
25	JNNURM BSUP	ALLAHABAD BANK	6229	1044728.70	1978556.70	done
26	JNNURM BSUP	U B I	1215	415380.60	415380.60	done
27	JNNURM BSUP PH-III	U B I	0450010138017	204728.93	204728.93	done
28	JNNURM BSUP 2 <sup>nd</sup> PH CMERI	ALLAHABAD BANK	5001402217	6387544	6387544	done
29	IPP VIII	SBI	1625	6212182.84	7819118.84	done
30	GENERAL FUND	INDIAN FUND	9079	4633433.00	4633433.00	done
31	GENERAL FUND	ALLAHABAD BANK	8614	1308187.00	1308187.00	done
32	DFID	UBI	163934	1316575.50	1316575.50	done



33	SJSRY REVOLVING FUND	UCO BANK	7696	15867560.86	15843329.86	done
34	JNNURM BSUP PH-IV	ALLAHBAD BANK	4245	37592913.00	39170846.00	done
35	EDUCATION FUND	UBI	66168	40024153.48	35151830.48	done
36	LITERACY PROGRAMME	UBI	9433	12104460.51	12147660.51	done
37	IDSMT REV. FUND	UNION BANK OF INDIA	4879	41091367.72	41811435.72	done
38	JNNURM	UNION BANK OF INDIA	403	3176690.81	3176690.81	done
39	GENERAL FUND	UBI	29	25127713.78	29991090.78	done
40	DMC FUND TRANSFER	SBI	5589	5495654.00	5495654.00	done
41	GENERAL FUND	TREASURY	8448	117121527.82	129620937.82	done

❖ Audit Observations

1. PART-A

All audit objections/irregularities which have monetary implication, particularly in following areas:

Leakage of own source revenue either due to wrong assessment or non-levy of property tax, mobile tower tax, rent on municipal properties, advertisement tax fees etc.	<p>Due collection of revenue on old rates there is significant loss of the Municipality. Quantification of loss is not possible at this point of time.</p> <p>Advertisement Tax is not being levied by the Municipality as a result there is a loss of the Municipality of advertisement tax amount.</p> <p>Shop Building rent should be re assessment.</p>
Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs	<p>On our test check, we did not observe any excess payment against bill, lack of prudence against vouchers etc.</p>
	<p>Trade license fees collection is very poor because demand notice is not raised in time.</p>

2. PART-B

All audit objections/irregularities which have no monetary implication.

a) Irregularity in procurement process	No major irregularity observed
b) Fixed Assets Register	Fixed Assets Register has been updated as on 31.03.2016 and prepared as per Performa G.F.R-40 and physical verification of fixed assets has been done.
c) Physical Verification of Inventory/Stores	Physical Verification of inventory has done and Store Register has prepared.

3. PART-C

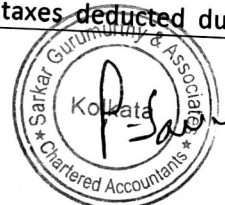
General Observations: Auditor should report the deficiencies noticed during their audit and recommend ULB Management to improve internal system.

Whether the postings for the entries in the books of original entry have been correctly made in the respective ledger accounts.	Yes
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	Yes
Whether the Quarterly Financial Statements have been compiled on the basis of the actual entries in the books of accounts,	No. Quarterly Financial Statement was not prepared by the Municipality
Whether the period-end and reconciliation procedures prescribed have been carried out.	Yes.
Whether the Bank Reconciliation Statements have been prepared and are appropriate.	Yes.
Whether all grants from Government have been accounted at gross value with proper entries to various accounts	Yes, all grants from Government have been accounted at gross value. And grant matrix has been prepared
Whether all transaction (Incomes, Expenditures, assets and Liabilities) are correctly classified and stated in sufficiently details	Yes.
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 ULB? Whether such deductions have been properly accounted	Grant received during the year has been properly accounted for. Information about grant sanctioned and deductions made out of such grant all are available with the ULB.
Whether any special funds have been created as per the provision of any statute and whether the special funds have utilized for the purposes for which they have been created	No special fund has been created by the ULB
In respect of contractors that are in existence during	On our test check we did not notice any





the year, whether there are any deviations from the sanctioned plans and the estimates without the sanction of the competent authority	deviation.
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	Record of fixed assets has been maintained by the ULB. Physical verification of fixed assets has not done many years.
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	All agreements and renewal of leasehold property properly maintained but in case of some collections are irregularly.
Whether physical verification has been conducted by the ULB at reasonable intervals in respect of stores,	No, physical verification of stores has been conducted by the ULB at reasonable intervals.
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, there are not any discrepancies.
Whether proper procedures are in place to identify any unserviceable or damaged stores and whether provision for the loss in this respect, if any, has been made in the accounts	No, there is no procedures are in place to identify any unserviceable or damaged stores
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?	There is no such case of advances other than advance to staff and contractor for expenditure.
Whether there exists an adequate internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets.	No there does not exist any internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets.
Whether applicable procurement rules and procedure are being followed and if so, significant deviations should be identified and reported.	No significant deviation observed.
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	Yes, 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. We observed that all such taxes deducted during





	the financial year have been deposited in time.
Whether any personal expenses have been charged to the municipality's accounts, if so the details thereof	We did not notice any such expenses.
Whether all the expenditure incurred by the Municipality are authorized by appropriate provision in the sanctioned budget, whether made originally or subsequently and are in all cases such as are authorized by law	Yes on our check we observed that all the expenditure incurred by the Municipality are authorized by appropriate provision in the sanctioned budget
Whether all revenue has been properly assessed, accounted for, collected and recovery taken on timely basis	Yes, all revenues have been properly assessed and account for and Recovery action is also taken in timely basis.
Whether all sums dues and receipts by the Municipality have been brought to account within the prescribed time limits and are in all cases such as are authorized by law	All receipts properly accounted for by the Municipality within prescribed time.
Whether 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 for the sanctioned plans and the estimates without the sanction of the competent authority	Yes on our test check we observed that all bills for charges on account of all works and other expenditure, proper certificates have been furnished in support of the sanctioned plans and the estimates without the sanction of the competent authority
Whether the amounts received as specific grants have been utilizes for the purposes as stated in the grant sanction order	Yes on our test check we observed that amounts received as specific grants have been utilized for the purpose as stated in the grant sanction order.
Whether bio-metric devices and payroll software are used at the ULB. If not whether there is satisfactory system of pay-roll accounting, otherwise mention the key deficiencies of the system.	Yes
Whether the grievance redressal Mechanism for the ULB is sufficient.	No, we did not observe any grievance redressal cell functioning at the ULB.

Place: Kolkata

Date:

For, Sarkar Gurumurthy & Associates  
(Chartered Accountants)

*Parimal Sarkar*

Parimal Sarkar  
(Partner)

M.No-051550

