



***Internal Audit Report
Durgapur Municipal
Corporation***

Conducted By:-

**SARKAR GURUMURTHY & ASSOCIATES
(CHARTERED ACCOUNTANTS)**

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DURGAPUR MUNICIPAL CORPORATION

Internal Audit Report for the year ended 31.03.2017

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Section A: Audit Methodology and Approach

❖ Audit Methodology

We have conducted the Internal Audit of Durgapur Municipal Corporation, Dist. – West Bardhaman, for the year ending on 31st March 2017. We familiarized ourselves with Municipalities documents, the internal guidelines and circulars applicable during the 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 2016 to March 2017. 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 reviewed the below mentioned documents and registers:

- *General Cash Book and Bank Book for the period from 1st April 2016 to 31st March 2017 maintain by computerized.*
- *Cashier's Cash Book for the period 1st April 2016 to 31st March 2017 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.



Sarfaraz Gurumurthy

Section A: Audit Methodology and Approach (Continued)**❖ 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 transaction, are set out under "Part-A, Part-B & Part-C" of the audit report with recommendations for addressing these observations.

Place: Kolkata

Date: 17.9.18

**For, Sarkar Gurumurthy & Associates
(Chartered Accountants)**

Parimal Sarkar
**Parimal Sarkar
(Partner)
M.No-051550**



Section: - B

Executive Summary

- 1) **Training Expenses-** Against a budget of Rs. 5 Lakh, no training expenses was incurred during the year.
Suggestion:- Outside subject experts may be invited to give 2-3 days training per employee during the year.
- 2) **Income Generation:-** Almost all heads of income showed down ward trend of income generation.
Suggestion:- A Task Force comprising of 2-3 Senior officer should meet every month and take necessary action.
- 3) **High Expenditure:-** Fuel, Consultancy Fees, Miscellaneous expenditure showed upward trend.
Suggestion:- A Task Force comprising of 2-3 Senior officer should meet every month and take necessary action
- 4) **Investments:-** Original copy of the instruments should be made available to the auditors.
- 5) **Property Tax Recoverable:-** Actual recovery was poor, due to Paucity of staff.
Suggestion:- The job of recovery may be outsourced on commission basis.
- 6) **Capital Work-in- Progress:-** It Seems that capitalization was not made. It should be looked into..
- 7) **Loans, Advance and Deposits:-** Balance confirmation certificate was required.



Section C:- Detailed Audit Report

➤ **Training Expenses:** - The Corporation has a training Budget amount of Rs.5,00,000. During the year no training was imparted to the Staff and Officers. During the last year Rs. 58,000 was spent under this head.

Training is of two types:-

a) **In House Training:** - Here Departmental head will give training to the staff of his department. In house experts/knowledgeable officer/staff can also be roped in for the purpose.

The Corporation is recruiting young Officers/Staff with technical background. They are the best suited for the purpose.

b) **Training by outside experts:** - Budget expenditure is probably meant for this purpose.

Subjects which are of much relevance for recent times are mentioned below:-

Training Expenses (2208001) – Rs. 58,000

- ❖ Goods and Service Tax (GST)
- ❖ Direct Taxes-Income Tax Act
- ❖ Real Estate Regulatory Authority (RERA)
- ❖ Insolvency & Bankruptcy code,2016
- ❖ Information Technology Act.
- ❖ Atal Mission for Rejuvenation and Urban Transformation (AMRUT)
- ❖ Right to Information (RTI)
- ❖ Energy Conservation
- ❖ Disaster Preparedness
- ❖ Pollution Control Board Clearances

Subject experts may be invited to give short training of 2 or 3 days per month. Training is a ongoing process. It shall be done on a sustainable basis.



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Section D – General Observation:**PART A**

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

<p>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>	<p>Due collection of revenue on old rates there is significant loss of the Corporation. Quantification of loss is not possible at this point of time.</p> <p>Entertainment Tax Last year Rs. 1.16 cr. and this year NIL is not being levied by the corporation as a result there is a loss entertainment tax amount to the DMC.</p> <p>Shop Building rent should be re assessment.</p>
<p>Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs</p>	<p>On our test check, we did not observe any excess payment against bill, lack of against vouchers etc.</p>



Section D – General Observation:-**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 31.03.2017. Yearly based Physical Verification as well as an identification mark on each asset need to be maintained. In the Fixed Assets register one identification mark row need to be add.
c) Physical Verification of Inventory/Stores	Physical Verification of inventory has done Store register has prepared.



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Section D – General Observation:**PART C**

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

Whether the posting for the entries in the books of original entry have been correctly made in the respective ledger account.	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 corporation.	Yes.
Whether the Quarterly Financial Statement have been complete on the basis of the actual entries in the books of accounts.	No. Corporation has prepared yearly Financial Statement.
Whether the period end reconciliation procedures prescribed have been carried out.	Yes.
Whether the Bank Reconciliation Statement has 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 has been accounted at gross value. And grant matrix has been prepared.

PART C (Continued):-

Whether all transaction (Incomes, Expenditure, assets and Liabilities) are correctly classified and stated in sufficiently details.	Yes.
Whether all grants sanctioned or received by the corporation 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 Corporation.
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 Corporation.
In respect of contractors 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.	On our test check we did not notice any 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 Corporation but Corporation has not any identification mark on fixed assets. Physical Verification of fixed assets has not done since long.



PART -C (Continued):-

Whether in case of leasehold properly 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 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 not been conducted by the Corporation 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 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 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 corporation for recovery of the principal and interest.	<p>1.) For Rs. 4.00cr advance given as "Advance against Projects", interest and principal is being regularly repaid.</p> <p>2.) For Rs. 16.42 lakh advance given as "Advance for Public Works", neither principal no interest recovered during the year.</p>



PART- C (Continued):-

Whether there exists an adequate internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets.	No, there not exist any internal control procedure for purchase of store, 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 corporation 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 corporation 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 of taxes deducted during the financial year have been deposited in time.
Whether any personal expenses have been charged to corporation accounts, if so the details thereof	We did not notice any such expenses.
Whether all the expenditure incurred by the Corporation are authorized by appropriated 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 Corporation 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.

PART-C (Continued):-

<p>Whether all sums dues and receipts by the Corporation have been brought to account within the prescribed time limits and are in all cases such as are authorized by law.</p>	<p>All receipts properly accounted for by the Corporation within prescribed time.</p>
<p>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 made for the sanctioned plans and the estimates without the sanction of the competent authority.</p>	<p>Yes on our test check we observed that all bills for charge 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.</p>
<p>Whether the accounts received as specific grants have been utilizes for the purposes as stated in the grant sanction order</p>	<p>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.</p>
<p>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.</p>	<p>Yes.</p>
<p>Whether the grievance redressed mechanism for the ULB is sufficient.</p>	<p>We found insufficient redressal cell functioning at the Corporation.</p>

Place: Kolkata
Date: 17.9.18

For, Sarkar Gurumurthy & Associates
(Chartered Accountants)

Parimal Sarkar
Parimal Sarkar
(Partner)
M.No - 051550



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To whom it may concern

This is to certify that we have examined the Annual Financial Statement of Durgapur Municipal Corporation for the Financial year 2016-17 .

A summary of Income & expenditure (both Capital and Revenue) is appended and certified below :-

Income Details -2016-17

Sl. No.	Details	2016-17 (Rs.in lakhs)
I	Property Tax	1156.13
ii	Other Tax (levied and collected by Municipal body)	830.91
a)	Tax Revenue (levied and collected by Municipal Body)	1987.04
i	Fees & Fines	27.03
ii	User Charges	1295.38
iii	Other non-tax Revenue (levied and collected by Municipal Body)	497.40
b)	Non- tax revenue (levied and collected by Municipal Body)	1820.01
1.	Own Revenue Receipts (a+b)	3807.05
a)	Income from interest/investment	203.21
b)	Other Revenue Income	0
2.	Other Revenue Income	203.21
a)	State Assigned Revenue	1883.76
b)	State Finance Commission (SFC)	919.93
c)	Octal Compensation	0
d)	Other State Government Transfers	0
e)	Central Finance Commission (CFC)	2004.50
f)	Other Central Government Transfer	1074.74
g)	Others	0
3.	Transfers/Grants/Assigned Revenues	5882.93
A.	Revenue Receipts (1+2+3)	9893.19
1	Sale of Municipal Land	0
2	Loans (From State Govt or Bank etc)	0
3	State Capital Account Grant (under state schemes etc)	973.93
4.	Central Capital Account Grant (under Central Schemes etc)	770.63
5	Other Capital Receipts	0
B	Capital Receipts	1744.56
	Total Receipts (A+B)	11637.75



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Expenditure Details-2016-17

Sl. No	Details	2016-17(Rs.in lakhs)
1.1	Administrative Expenses, Establishment and Salaries	3803.84
1.2	Operation and Maintenance	1799.89
1.3	Loan Repayment	28.57
1.4	Others (any other revenue expenditure)	566.29
1.	Revenue Expenditure	6198.59
2.1	All development work under Central /State Specific Schemes	4576.10
2.2	Loan Repayment (Principal Amount)	123.23
2.3	Other Capital Expenditure	0
2.	Capital Expenditure	4699.33
	Total Expenditure (1+2)	10897.92

*Sarkar*