

INTERNAL AUDIT REPORT OF BHADRESWAR MUNICIPALITY

To
The Chairman,
Bhadreswar Municipality,
35,GT Road,
P.O : - Bhadreswar ,
Dist: - Hooghly,
Pin -712124

For the period from 01.04.2015 to 31.03.2016



Internal Audit Conducted by:

SARKAR GURUMURTHY & ASSOCIATES

(CHARTERED ACCOUNTANTS)

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BHADRESWAR MUNICIPALITY

INTERNAL AUDIT REPORT
FOR THE YEAR 2015-16

PREPARED BY
SARKAR GURUMURTHY & ASSOCIATES
(CHARTERED ACCOUNTANTS)

35 C.R. AVENUE,
KOLKATA-700012

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INTRODUCTION

Part A

We, Sarkar Gurumurthy & Associates, Chartered Accountants has been entrusted with the job of Internal Audit of Bhadreswar Municipality vide Memo No. ACCT/2214 dated Bhadreswar, the 16th March 2017. Bhadreswar Municipality is one of oldest Municipalities in the Hooghly district. It was established in the year, 1869. At present it has population of 1.50 lakhs (approx) with 22 (twenty two) wards.

The mission and vision of the Municipality is to render various services like good drainage system, well concrete roads and streets, proper street lighting, Bridges and culvert improvement of public health and sanitation,, supply of water from its own source or from any agency to be uninterrupted, proper solid waste management, to ensue implementation of employment scheme and programmes, to check unauthorized construction of building and also demolish unlawful construction of building, proper attention to be given for overall town planning and enhancement of own resources through collection of arrear tax.

A1

Key Managerial personnel of the Municipality are as under:-

1. Mr. Manoj Upadhyay -Chairman (22.05.2015 to till date)
2. Mr. Pralay Chakra borty- Vice chairman (28.05.2015 to till date)
3. Mr. Amiya Kumar Modak - Executive Officer (18.02.2016 to tilldate)

A2

Our audit team consists of the following personnel:-

- Mr. Dilip Kumar Mondal – Senior Audit Executive
- Mr. Achintya Ganguly-----Senior - Audit Officer
- Mr. Sonu Jha ----- CA Article



Part B**Audit Coverage: __From 1st April 2015 to 31st March'2016****Audit Methodology and Approach****Audit Methodology**

We have conducted the internal audit of Bhadreswar Municipality, Dist- Hooghly for the year ending on 31st 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. 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 considers 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 1st April 2015 to 31st March 2016 maintain by computerized.
- Cashier Cash Book for period from 1st April 2015 to 31st March 2016 maintained manually in the Municipality;
- Vouchers (Cash, Bank etc) along with supporting documents;
- Demand Collection Register;
- Receipt Books;
- Stock Register;
- Other necessary records and registers

The major observations, in respect of the Municipality have been discussed with the Executive Officer & Accountant of 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 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 from the audit tests performed on a sample of transactions, are set out under of the audit report and include our recommendation for addressing these observations.

Place: Kolkata

Date :

For Sarkar Gurumurthy & Associates
(Chartered Accountants)

Parimal Sarkar

Parimal Sarkar

(Partner)

M.No-051550



Results and Findings:

Strength observed during the audit engagement	<ul style="list-style-type: none"> ➤ General Cash Book has been Maintained . ➤ Staff Co-operation during the Audit period was very good.
Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement.	<ul style="list-style-type: none"> ➤ There are lack of internal control w.r.t collection of taxes. and deposit of Cash Of the Cashier to the Bank ➤ Books of accounts are not verified by E.O, Chairman or vice chairman in time to time basis. ➤ Bank reconciliation Statement is not prepared for all Banks Accounts hence it is difficult to monitor possibleirregularities,if any ➤ Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof. ➤ Income & Expenditure and Balance Sheet prepared upto 31/03/2015 ➤ We have verified the cashier cash books which is maintained by manually There is closing cash balance as on 29/05/2017-Rs. 66,610.00/-.(Rupees sixty six thousand six hundred ten only) ➤ We have verified the rent Register maintained by the department we found that there was outstanding for a few numbers of tenants but interest and fine have not been charged.



Overall opinion of the Audit team about the functioning of the Municipality

The functioning of the Municipality is very weak due to following reasons:

- Major books of accounts hve been maintained .But Registers are not being maintained.
- Internal control w.r.t. collection of Rent, License fees, monitoring of grant, monitoring of advances, monitoring of schemes etc. is very poor.
- Collection from own sources is very poor.
- Grant received for various purposes are utilized on timely basis.

4) Audit Recommendations:

The recommendations of Audit team on the observed weakness

We recommend the following:

- All the prescribed books of accounts and Registers should be prepared on real time basis.
- Bank reconciliation Statement should be prepared on quarterly basis.
- Cashier Cash Book should be written proper way on daily basis.
- Collection by tax collector should be deposited on daily basis.
- Grant Register should be prepared in proper way.
- Shop Rent should be modified.
- Property tax register should not be prepared as per new assessment.
- Collection from own sources should be improved.




5) Comments from Management:

<p>Comment from Management</p>	<p>We have submitted all documents and records to audit team as per our maximum efforts and followed all tender procedures and parameter as per West Bengal Municipality Act'1993 and also will follow all other norms in future strictly as your audit guidelines.</p> <p>For, Bhadreswar Municipality</p> <p>(Executive Officer)</p>
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Place: Kolkata
Date:

For, Sarkar Gurumurthy & Associates
(Chartered Accountants)

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



**AUDIT REPORT
PART-C**

C-1

CASH BALANCE AS ON 29.05.2017

We have physically verified cash balance as on 29.05.2017 which was Rs. 66,610.00 and tallied with the book balance. Details are given below:-

Denomination	Nos.	Amount(Rs.)
2000	14	28,000.00
500	31	15,500.00
100	212	21,200.00
50	16	800.00
20	12	240.00
10	86	860.00
0.50		10.00
Total		66,610.00

(Rupees Sixty six thousand six hundred ten only)

In our opinion daily cash balance should be Rs. 20,000/- (Rupees Twenty thousand only). Payment should be made mostly by cheque to avoid risk.

Auditee's view

Point has been noted for future guidelines and necessary steps will be taken up in subsequent financial year.



C-2**BANK BALANCE AS ON 31.03.2015 AS WELL AS ON 31.03.2016 AND THEIR BANK RECONCILIATION STATEMENT**

Total Number of Bank Accounts is 14 (fourteen) and one treasury Account. We have received Bank Reconciliation statement for 7 (Seven) Nos. of Bank Accounts

Position of Bank Accounts as on 31.03.2015 and as on 31.03.2016 is given below:-

S.L. No.	Name of Bank	Account No.	Balance as on 31.03.2015 (Rs.)	Balance as on 31.03.2016 (Rs.)	Name of the Scheme	Position of BRS
1	UBI	9707	4,29,470.00	4,29,470.00	RAY	Done
2	BOI	2330	24,89,639.41	54,68,050.41	HDF	Done
3	UBI	3974	1,31,498.00	1,31,498.00	DORMANT	
4	UBI	1866	1,39,33,045.98	1,39,33,045.98	DORMANT	
5	UBI	3285	1,63,329.78	1,63,329.78	DORMANT	
6	UBI	2585	56,56,180.68	2,19,43,368.32	D.A.	
7	UBI	9097	11,87,984.00	12,65,544.00	6%	
8	UBI	8764	36,22,653.00	36,22,653.00	DORMANT	
9	UBI	8897	NIL	NIL	HFA	
10	UBI	1065	1000.00	1,000.00	NVLM	Done
11	IDBI	4621	8,68,910.00	1,23,761.00	MPLAD	Done
12	IDBI	4630	7,93,275.00	6,65,563.00	BEUP	Done
13	HDFC	0040	75,39,345.00	25,43,190.00	SUDA	Done
14	UBI	9710	4,29,470.00	4,29,470.00	DORMANT	

In this regard we suggest that reconciliation of the remaining banks needs to be made before finalization of accounts for the year 2015-16. Dormant accounts also need to be regulated.

Auditee's view

We follow audit recommendations and complete BRS before finalization for the year 2015-16.



C-3**FIXED DEPOSITAS AS ON 31.03.2016**

Serial No.	Account No.	Name of Bank	Principal Amount (Rs.)	Rate of Interest	Issuing date	Maturity date	Mat urity value
	703	UBI	64,00,111.83	8.5%	17.01.2016	17.01.2017	68,38,815.28
	312585	ICICI	50,00,000.00	8.25%	01.08.2015	25.08.2016	54,54,869.00
	703	UBI	50,00,000.00	7.50%	21.08.2015	21.08.2016	53,65,988.03
	8705418	HDFC	50,00,000.00	8.20%	24.08.2015	24.08.2016	54,23,204
	703	UBI	30,00,000.00	7.50%	03.10.2015	03.10.2016	32,19,419.60
	50310421470	Allaha bad	30,00,000.00	7.75%	10.12.2015	10.12.2016	32,15,126
	703	UBI	26,00,000.00	7.00%	20.01.2016	20.01.2017	27,71,769.48
	703	UBI	25,00,000.00	7.00%	24.02.2016	24.02.2017	26,63,517.57

We have physically verified the FDR and found in order. From the above table it has been found that interest on deposit shown in Sl. No. 7 & 8 is lower than that of other deposits. We suggest that the said deposits need to be parked in those banks which are providing higher rate of interest so that the municipality can increase earning on interest income.

Auditee's view

Point has been noted for future guidelines and necessary steps have been taken.

C-4**Improper maintenance of Stock Register**

Stock Registers are maintained mainly for the following items:-

1. Conservatory items
2. General / Stationery items
3. Water works items



It has been revealed from checking and verification of Register for the above items that proper recording has not been made. We have pointed out deficiencies to the dealing assistants for regularization the same so that up to date balance position may be ascertained at any point of time and proper action will be taken in future to procure inventory in right time.

Auditee's view

Point has been noted and it will be implemented in next financial year.

C-5

Maintenance of Fixed Asset Register

The Municipality has Fixed Assets Register. It has been observed that IT department is maintaining stock register of Computers and Printers department wise which is incomplete. Because date of purchase has not been mentioned in the register. Stock Register of other Assets like Chair, Table, Ceiling Fan, AC Machine etc. has not been provided to audit. We suggest keeping Fixed Assets Register (FAR) for office equipments. Before preparation FAR of office Equipment listing of Assets is to be made, codification No. of each assets as per location is to be given.

Auditee's view

Fixed Assets Register of office equipment should be implemented in the next year.



C-6**Verification of Leave records and Nomination Form**

In the Leave Register it has been observed that signature of the higher official like Executive officer and also the Chairman has not been given. Therefore, for authentication of Leave Register signature of both of them should be incorporated immediately.

Nomination Form submitted by each employee is not duly filled up. Proper care should be taken to fill up the Form. It has been suggested that Nomination form should be kept under lock and key instead of keeping the same in the Service file of each employee.

Auditee's view

Point has been noted and it should be implemented in next subsequent financial year.

C-7**Maintenance of Salary Register**

Salary Register has been maintained month wise , year wise for each employee. After verification of the Salary Register for the year 2015-16 it has been observed that gross salary of each employee and deductions under different heads of each employee have been shown. But Net Salary and total deduction for each month has not been worked out. Even no signature of any official has been found in the Register.

In this regard we suggest to implement the above to get salary related information for various purpose.

Auditee's view

Point has been noted and it should be implemented in subsequent financial year



C-8

Maintenance of Works Register by PWD department

We checked Works Register for the year 2015-16, it has been noted that the department has kept details of all works (Road, Drain, Public lighting etc.) serially in one or two pages and each completed work was signed by the Chairman.

We suggest that each work needs to be recorded in one page containing all details of work for better control.

WIP Register has not been maintained by the department.

We suggest that WIP register needs to be maintained for better control of progress of work.

Auditee's view

Point has been noted and it should be implemented in next subsequent financial year

C-9

Statement of Statutory dues for the year 2015-16

We have checked details of statutory dues and found the same has been deposited in time.



C-12**Property Tax Register**

Property Tax Register has been verified and the outstanding position of property tax as on 31.03.2016 is furnished below:-

Year	Demand			Collection			Total Outstanding
	Arrear	Current	Total	Arrear	Current	Total	
2015-16	45350416.43	16568477.14	61918893.57	3807458.82	8449164.80	12256623.62	49662269.95
2014-15	36946314.63	16586852.29	55933166.92	2737265.19	7030062.71	9767327.90	46165839.02

It has been observed from the above table that collection for the year 2015-16 was higher than that of the year 2014-15.

It transpires from the list of outstanding dues provided by the Municipality wherein age wise analysis of dues has been shown. The position is as below:-

Age	Amount(Rs.)
0 to 3 years	1, 75, 87,342.70
3 to 5 years	1,07,75,623.39
5 to 10 years	1,21,11,623.58
10 to 15 years	3, 53,923.19
Above 15 years	90, 92,645.26

Since property tax dues of Rs. 496.62 lakhs is for a long period of time, special drives are needed to be taken by the authority to realize the same otherwise various development work of the municipality will be hampered for shortage of fund.

In course of reconciliation between month wise collection by the collectors and deposit of cash to the Bank by the cashier it has been noted that there is no checking system by the accounts staff. We suggest that accounts department should regularly check the books of collector and the Cash register of the cashier for better control of cash.



Auditee's view

Point has been noted for future guidance and should be implemented in subsequent financial year.

C-13

Advance given to suppliers/ employees

We have been informed that Advance given to the supplier/ employee for the year 2015-16 was nil.

