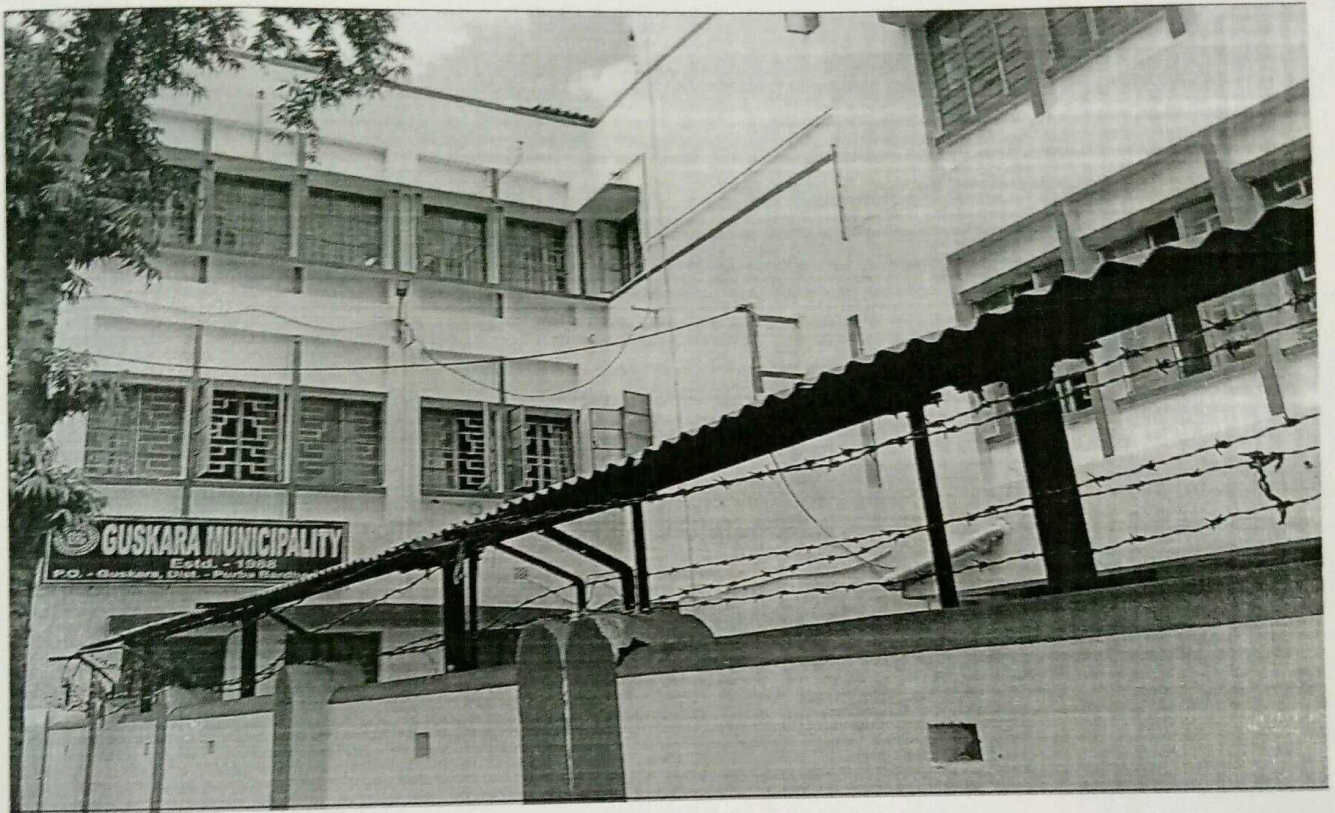


# INTERNAL AUDIT REPORT OF GUSKARA MUNICIPALITY

For the period from 2014-15 & 2015-16



## **Internal Audit Conducted by:**

**SARKAR GURUMURTHY & ASSOCIATES**

**(CHARTERED ACCOUNTANTS)**

**35, C.R. AVENUE,**

**3<sup>RD</sup> FLOOR,**

**KOLKATA-700012**

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**GUSKARA MUNICIPALITY*****Internal Audit Report of F.Y 2014-15 & 2015-16*****Index:**

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## Internal Audit Report of Financial year 2014-15 & 2015-16

### Section A: Audit Methodology and Approach

#### Audit Methodology

We have conducted the internal audit of Guskara Municipality, Dist- Purba Burdwan, from 01.04.2014 to 31.03.2016. 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 2014 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 2014 to 31<sup>st</sup> March 2016 maintain by computerized.
- Cashier's Cash Book for the period from 1<sup>st</sup> April 2014 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;
- Other necessary records and registers

The major observations, in respect of the Municipality have been discussed with The Executive 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 : 1/9/17

For, Sarkar Gurumurthy & Associates  
(Chartered Accountants)

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



## Executive Summery

1) Introduction:

Name of the Municipality	Guskara Municipality
Period Covered under Current Audit	01.04.2014 to 31.03.2016
Name of the Executive Officer for the period under Audit	Mr. Biswanath Pal (24.07.2014 onwards)
Name of Municipal Chairman	Mr. Burdhendru Roy (04.11.2013 onwards)

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) Outstanding Rent from mobile tower Rs. 341208/-.
- 2) Outstanding from trade license 2014-15 Rs. 8,79,835/- & 2015-16 Rs. 10,60,165/-
- 3) Lack of Staff for proper Functioning.
- 4) Not maintained their accounts in **Puro Hisab** software on regularly basis.
- 5) Receipt & Payment and Balance Sheet prepared up to 31/03/2013.
- 6) Computerized Trial Balance for 2014-15 & 2015-16 was given by Accounts Dept. but we found there are lots of mistakes.
- 7) Lack of Proper Filling system. Related files are not kept at single place and files are not readily available for verification, which consumes lot of time.
- 8) Ledger Books are not maintained.
- 9) We have verified the license Dept. the dept. collect only Trade License fees. There is no record of number of Trade License holder and yearly demand. There is no system to send demand notice to Trade license holder. Generally practice those who are come to office for license renewal/new issue the dept. receive their fees only.

10) 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	Percentage of collection
2014-2015	16	9466	6343032.47	2432707.04	468118.63	1408299.44	6899321.44	21.37%
2015-2016	16	10093	6905321.44	2474245.49	1009969.27	1400529.93	6969067.73	25.78%

### 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 lose of revenue of the ULB.
- We observed collection of property tax has been increased during the F.Y. 2014-15 & 2015-16. This is good sign for the municipality, we have given suggestion them that revenue department have to send demand notice to the assese on weekly basis then leakage of revenue will be prevent.
- Fixed asset register should be prepare in form GFR-40.
- Accounting for the current period has to start soon.

#### A) **Audit recommendations:**

- The proper officer should take proper action to stop leakage of revenue.
- There should be proper internal control.
- Assessment of property should be done at regular intervals.
- 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.

#### 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)

M.No-051550

### Detailed Audit Report

#### 1) Introduction:

The Internal audit of Guskara Municipality covering period from 01-04-2014 to 31-03-2016 was conducted by following person under guidance of FCA Mr. Parimal Sarkar.

- i) Mr. Debnath Hazra
- ii) Mr. Chaitak Mondal
- iii) Mr. Avijit Mukherjee

#### 2) Administration:

The present body of Municipality has taken charge on 04.11.2013 incumbency in the key administrative and executive position was as under:-  
Sri Burdhenhu Roy, Chairman from 01-04-2014 to 31-03-2016 and Sri Biswanath Pal executive officer onward from 24/07/2014 to 31-03-2016.

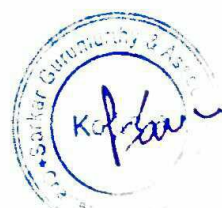
#### 3) Finance

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.	Balance as on 31.03.2015	Balance as on 31.03.2016	BRS Status/Remarks
1	Daily Collection	Axis Bank	912010010254980	600528.85	88379.85	Not done
2	Swachh Bharat	Axis Bank	916010002027266	0.00	880621.00	Not done/Open as On 6.01.2016
3	Daily Collection	S.B.I Itachanda	11254337148	1414237.59	1368597.59	Not done
4	IHSDP	Allahabad	21920420955	19655313.00	6436510.00	Not done
5	W.S.S	Allahabad	50130409342	689965.00	127861.00	Not done
6	UIDSSMT	Allahabad	21920390372	16811015.00	15929115.00	Not done
7	Daily A/C	B.C.C.B	1041520900028403	247229.30	45172.30	Not done
8	Daily Collection	ICICI	180101000052	220304.00	105947.00	Not done
9	H.H.W	SBI	11254339189	585702.00	651837.46	Not done
10	H.F.U.P	SBI	33706441951	504133.00	1247585.00	Not done
11	IGNWPS	SBI	31442804419	766309.00	2327308.00	Not done
12	BEUP	SBI	11254338970	2765746.00	378241.00	Not done
13	DEV	SBI	11254338981	1943951.24	1791605.00	Not done
14	MP LAD	Allahabad	21920378978	932896.50	0.00	Not done
15	13 <sup>th</sup> F.C.	U.B.I	0203014404684	9399607.00	3279668.50	Not done
16	H & FW	SBI	11254338969	120233.78	0.00	Not done/ Closed as On 26.08.2015
17	H & FW	Axis Bank Guskara	915010034996977	0.00	76409.00	Not done /Open as On 13.08.2015
18	SJSRY Wages	SBI.ADB Itachanda	11254337193	501220.16	494420.16	Not done
19	SJSRY Revolving	SBI.ADB	11254338131	1048775.74	1571271.74	Not done





20	IGNDAPS	SBI.ADB Itachanda	11254337171	630315.51	2485812.51	Not done
21	MDM	SBI.ADB Itachanda	33706443266	2867414.00	5085501.00	Not done
22	DCRB	Allahabad	3619628	0.00	1644.45	Not done
23	EMD/SD	Allahabad	20548817623	260632.00	879137.00	Not done
24	IGNDAPS	Axis Bank	912010064789168	20116.50	283686.87	Not done
25	IGNWPS	Axis Bank	913010030616004	28996.50	551897.25	Not done
26	IGWDPS	Axis Bank	913010028991685	1963.00	18907.28	Not done
27	Housing for All	SBI Guskara	35371303468	0.00	46040.00	Not done /Open as on 08.02.2016
28	IGNDPS	SBI Guskara	85881413354	27766.00	89503.00	Not 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	On our test check, we did not observe any excess payment against bill, lack of prudence against vouchers etc.
	Trade license fees collection is very poor because of there is no demander/ Survey system applied.

## 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 not prepared as per Performa G.F.R-40 and physical verification of fixed assets not 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, except Grant Matrix.
Whether the Quarterly Financial Statements have been compiled on the basis of the actual entries in the books of accounts,	No quarterly Financial Statement have been prepared by the Municipality
Whether the period-end and reconciliation procedures prescribed have been carried out.	No.
Whether the Bank Reconciliation Statements have been prepared and are appropriate	No, bank Reconciliation Statement have not been prepared by the Municipality
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.
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 the year, whether there are any deviations	On our test check we did not notice any deviation.





from the sanctioned plans and the estimates without the sanction of the competent authority	
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 not maintained by the ULB. Physical verification of fixed assets 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,	Yes 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 for expenditure.
Whether there exists an adequate internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets.	Internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets is good.
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	All revenues have been not properly assessed and account for and Recovery action is also not 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 plan.
Whether the amounts received as specific grants have been utilized 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.	No, bio-metric devices and payroll software are not used at the ULB. Pay roll system of the municipality is deficient as it does not contain leave records, details of deductions made etc,

Place: Kolkata

Date: 11/9/17

For, Sarkar Gurumurthy & Associates  
(Chartered Accountants)

Parimal Sarkar

(Partner)

M.No-051550