

BANKURA MUNICIPALITY

INTERNAL AUDIT REPORT

2015-16

C. BHATTACHARYA & ASSOCIATES
CHARTERED ACCOUNTANTS

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TO
THE CHAIRMAN,
BANKURA MUNICIPALITY,
MACHANTALA JUNCTION,
BANKURA-722101

Sir,

We have conducted the Internal Audit of **BANKURA MUNICIPALITY**, for the year 2015-16, as per the terms of reference vide work order no. 4345A/BM/dated 10.03.17. Our report in respect of same has been submitted incorporating our observations, suggestions and other facts and figures in detail. The scope of the Internal audit was checking the efficiency & effectiveness of the internal control and verification of related records on test check basis.

Further we have given recommendations for rectifying/strengthening the internal control systems which is appended in attached annexure. We believe that the given recommendations shall improve the existing controls.

We thank the management for their cooperation in conduct of this Audit. Should there be any clarifications the management is free to revert it to us.

With regard.


Thanking you.

Yours Faithfully

For C. Bhattacharyya & Associates.

Chartered Accountants

FRN 327170E



(C. Bhattacharyya)

M.No-067059

GENERAL ORGANISATIONAL INFORMATION

Name of the ULB : BANKURA MUNICIPALITY,

No. Of Wards of the ULB : 24

Area of the ULB : 19.06 sq km

Name the Chairman/ Chairperson : Mr. Mahaprasad Sengupta

Name of the Vice Chairman : Mr. Dilip Kumar Agarwal

Name of the Executive officer : Mr. Tapan Kumar Pal

Name of the Finance officer : -

Address of the ULB : BANKURA MUNICIPALITY,
MACHANTALA JUNCTION,
BANKURA-722101

Audit Period : Financial Year 2015-16



INTERNAL AUDIT REPORT
FOR THE PERIOD FROM 01/04/2015 TO 31/03/2016

✦ Our comment on Maintenance of Automated System, Cash Book, BRS, Receipts & Payments:

(a) During the course of our audit, we observed that the Bankura Municipality (hereinafter refer as the Organization) maintaining following manual records---

- i) Manual Cash Book
- ii) Bank Pass Book and Statement
- iii) Advance Register
- ii) Deposit Register
- iii) Salary Register
- iv) Budget Estimates
- v) Fund Register
- vi) Provident Fund Register
- vii) Store/ Store Ledger
- viii) Medicine Purchase & Issue Register
- ix) Subsidiary Ledgers

The ULB is using the a dedicated software named PURO-Hishab , developed by Municipal Affairs Dept. Govt. of West Bengal for maintaining day-to-day accrual based double entry accounting.

At the time of our verification the position was as under;

- a) Receipts and payment entries in computer system for the year 2016-17 has been completed.
- b) Balance Sheet as on 31.03.2016 has been completed.
- c) For the year 2015-16, data entries for receipts for receipt and payment transactions are completed in Computer System
- d) Deposit Register are not updated.
- e) Advance Register pending for last few years.
- f) Fixed Assets Register is maintain and upto date
- g) Earnest Money & Security Deposit Register party register not upto date.
- h) Bank Reconciliation statement prepared up to 2016-17



Municipality's Reply and comments

- a) Balance Sheet as on 31.03.2016 completed but not Audited by A.G.
- b) Deposit Register and other Registers are in the process of updating and will be completed soon.

- 1) **Whether the W.B. Municipal Act, 1993, W.B. Municipal (Finance and Accounting) Rules, 1999, as amended, various G.O.s standard practices, are followed wherever applicable, and whether internal norms as circulated by the Govt. from time to time are followed while incurring various plan and non-plan expenditure, and whether the respective budget allocations are considered as the bases;**

Auditor's Observation and View:

Most of the cases the Municipality followed the rules & Regulation of the W.B. Municipal Act, 1993, W.B. Municipal (Finance and Accounting) Rules, 1999, as amended, various G.O.s standard practices, wherever applicable,

We have also obtained Budget Estimate for financial year 2015-16 and Fund Register maintained as per Pourohisab Software supplied by C.M.U.

- 2) **Whether various aspects covered in all the parts of the new W.B. Municipal Accounting Manual are adhered to in the accounting at the maintenance of records and register including booking of various transactions under appropriate heads of accounts as mentioned in the codified chart of accounts;**

Auditors Comments and Views:

So far as have checked the recording of transaction in to Computer, we report that various transactions of revenue nature and capital nature are entered in pursuance of various accounting codes (Major Heads and Minor Heads) as prescribed and supplied by the C.M.U. transactions are found booked under appropriate heads of Account.

- 3) **Whether collection of money and deposits and accounting thereof are in agreement with each other;**

Auditors' Comments:

We have found that daily collection of money and deposits and accounting thereof are in agreement with each other and are cross verified by Cashier and Accounts Officer.



4) Whether physical cash verifications is regularly conducted;

Auditors' Comments:

Yes, Movement of Cash Collection is made through Form No. 77 vide Rule 270 of West Bengal Municipal (Finance and Accounting) Rule. Therefore cash is automatically verified and signed by the Cashier every day.

5) Whether Bank Reconciliation (including Treasury P.L. Accounts is regularly done including regular monitoring over dishonored cheques:

Auditors' Observations/findings

The Municipality reconciled 31 Bank accounts and these are properly reconciled.

Auditors' Suggestions

- i. All old un-reconciled entries are to be thoroughly scrutinized and if require proper adjustments to be made.
- ii. Proper adjustments are to be made for stale cheques.
- iii. Efforts should be made for close down the In Operative account.
- iv. Should be reconciling immediately.

Municipality's Reply and comments

- i. We will take proper steps for writing off old un reconciled entries after scrutiny.
- ii. As regards the Closure of the In Operative A/c, suggestion is noted for future reference.
- iii. We will take proper steps for reconciled stale cheque.

6) Whether security of cheques and money receipts (Unless produced from the computerized system) is ensured through proper inventory control of the cheques books and D.C.R. books:



- 6) **Whether security of cheques and money receipts (Unless produced from the computerized system) is ensured through proper inventory control of the cheques books and D.C.R. books:**

All the cheques are kept with the accounts. No inventory control is being maintained for this. Money Receipts are being kept in perforated form. Left side of the money receipt is kept with the municipality.

- 7) **Whether properly tax and other demands are raised properly with due compliance of norms and set procedures, whether there is delay in preferring claims delay in collection procedure and scope for improvement in these respects;**

Auditors' Observations/findings

a) Property Tax Demand Collection

- i. After the year 2003-04 no Interest & Penalty on property tax demand has been raised by the ULB on quarterly or yearly basis. There are some Tax inspectors (Sarkars) who visit door to door for collection of demand of tax holding wise Demand Collection register is maintained.

b) Review and Re-fixation of Annual Valuation (Periodic Assessment)

- i. We have noticed some cases where review of Annual Valuation was entertained after the statutory period.

Municipality's Reply and comments

a) Property Tax Demand Collection

- 1) Initiatives have already been taken for collection of outstanding dues of Property Tax.
- 2) Several correspondences were made and meet personally for paying arrear tax in installments.

b) Review and Re-fixation of Annual Valuation

- i. Most of the area of this municipality is slum and people of this locality are very poor. Due to that we have bound to review case for realization of Tax. Some vacant land owner did not receive notice in time and applied later for review.
- ii. Authority have rectified and stopped the re fixation.



- 8) **Whether the age-wise analysis of the relevant receivables is in order, and Whether payable are correctly shown;**

Holding wise ageing were not maintained & Payables Registers ,Deposit Register. Advance Register. etc maintain but not up to date.

- 9) **Whether regular watch on various advances including party advances and staff advances is employed;**

Auditors' Views, Comments and Suggestion:

We have checked advances-register maintained by the accounts department but no updated regularly. After checking unadjusted advances for last few years, we report that there is no regular watch no various advances including party advances.

We have further checked security & advance- register maintained by the accounts department but not updated regularly.

Suggestion:

- I In order to avoid complications, further advances should be made to a particular person only after previous advances in his name are adjusted.
- II While receiving adjustment-supporting against advances from the parties/staffs, a brief detail regarding these papers should be recorded by the A/cs Deptt. in a separate register and be counter signed by the Finance Officer after due verification of these papers and details. In case the papers are lost then the detail as per register may constitute supporting for adjustment of advances.
- III In order to avoid double payment of Security Money and Earnest Deposit to the contractor, party wise ledger should be maintained.

- 10) **Whether procurements of goods and services are in accordance with the set norms;**

In this regard we have checked the followings;



- (i) Obtained the details of enlisted contractors and suppliers for the year 2014-2015.
- (ii) Checked from the manual Cash Book major payments to contractors and suppliers.
- (iii) Checked tender register, quotations and comparative statements.
- (iv) Checking Quotations, estimate, alternative quotations, of various jobs including M.P. Lad job.
- (v) Verifying tenders form issued upto 5 lacs.
- (vi) In case of e tender beyond 5 lacs we have not verified with the web-side.

Auditors' Observations/findings:

During the period under audit on sample basis we found that most of the cases contracts for supply/construction were participate according to the norms set by the authority. Some discrepancies are given below

- (i) During the course of our checking we noted that in some cases all the three parties who have bid for the contract are their relatives or have substantial interest in the business of each other.
- (ii) Contractors/Suppliers who got the contract have not submitted a single document to prove their credentials nor they have submitted any documents to prove their existence such as, copy of PAN Card Income Tax Tax Return, Sales Tax Clearance, P.Tax receipts their accounts etc.
- (iii) At the time of opening of big none of the parties are present and signed their attendance.

Auditors' Suggestion:

- (i) A fresh enlistment of contractors/suppliers should be prepare after getting their credentials and other existence documents by publishing the notice in the News paper and website in case of order value beyond Rs.5.00 lacs.
- (ii) There should be a tender committee or purchase committee who will look after all these formalities.
- (iii) Parties' attendance register should be maintained at the time of opening of bid.



- (iv) Notice of tender should be given to the enlisted parties along with placing the same on the notice board in case of bid price less than Rs.5.00 lacs.

Municipality's Reply and comments :

- (i) We have already issued notices to the enlisted contractors to get them self registered with the Municipality.
- (ii) We will prepare fresh enlistment of contractors and will maintain the tender formalities.
- (iii) Tenders have been opened in presence of contractors without keeping any record of attendance. Henceforth we will keep the records.
- (iv) As per normal practice we publish the notice widely in the notice board of ours and the neighboring municipalities.

11) Whether regular verification of stocks and inventories and fixed assets are conducted;

Auditors' Observation:

We could not find any record that speaks of regular verification of stocks and inventories and Assets are conducted. However, books records of stores and inventories are updated except Asset Register.

12) Whether Fixed Assets and other Register are verified & maintained properly;

Auditors' Observation:

Till the conclusion of our Internal Audit, Fixed Assets Register has been maintained but no Physical verification should be done in periodic intervals.

13) Whether actions required to be taken in regard to pending court cases, compliance of judicial and executive directives are regularly taken care of.

Auditors' Observation:

As explained to us the municipality regularly followed pending court cases.

16 i) Whether actions required to be taken in regard to pending RTI cases, compliance of judicial and executive directives are regularly taken care of.

Auditors' Observation:



As explained to us the municipality regularly followed RTI cases. But neither RTI register was maintained not updated.

14) Whether the following actions have been taken by the agency conducting internal audit:

- i) Areas where procedural irregularities are noticed not arranging any disciplinary or punitive actions are to be regularized on spot. If such regularization is not possible because of certain constraints, the report of the internal audit should detail the same.

Auditors' Observations/findings:

We have not come across any procedural irregularities that needed regularization on spot. However, while checking the Books and payment we noted the some irregularities,

- 1) Some payment has been made during this year which was too old.
- 2) T.D.S. register should be maintained and reconciliation should be done quarter wise.
- 3) Birth and Death register should be maintain in future in prescribed format.
- 4) In some cases Journal entry was passed without narration or proper clarification.
- 5) Physical Verifications of all Assets was not recorded or done by the municipality at a regular manner. We are unable to opine whether all Assets are properly recorded accounts in the Books or all books assets are physically available in the municipality.
- 6) The municipality not able to maintain the each Grant Account with Available balances lying in the bank balances, so there is a clear cut fund diversification in the fund balances.
- 7) Provision for Sundry Debtors should be calculated and should be disclose in the annual Accounts.
- 8) Provision for Contingent Liabilities should be calculated and should be disclose to determine the future liabilities.



9) Capital commitment should be determine.

17. i) Wherever the agency conducting internal audit is of opinion that some avoidable in fructuous expenditure has been incurred, the scope for improvement should be detailed in their report.

Auditors' Observations/findings:

From records and Log Book available with vehicle department it reveals that some vehicles consumed fuels without mentioning the purpose of travels/visit as to official or personal.

17. ii) If there is idle assets or misuse/underutilization of assets on the part of the ULBs resulting in loss of revenue/enhancement of operating and maintenance Expenditure, the agency conducting internal audit should include such areas in their report along with suggestion regarding possible ways for plugging the loopholes.

Auditors' Observations/findings:

On close scrutiny of documents/records available with various departments apropos of above subject we hereby report that there has been misuse/underutilization of ULBs assets that has resulted into loss of revenue to the ULB, such as follows:

17. iv) If the ULBs are not in a position to deliver service in due time compared to the standards set in the Citizens' Charter, the areas of weaknesses should be studied and identified, and the scope for improvement should be included in the internal audit report.

Auditors' Observations/findings:

On close scrutiny of documents/records available with various departments with respect to the delivering of service in due time compared to the standards set in the Citizens' Charter, we hereby report that sanctioning of Building plan, during the period covered by our audit, took significantly more time as compared to the standards set in the Citizens' Charter. Till the date of our audit the municipality unable to provide the time taken for all sanction of Building Plan in compare to the standard time.

Municipality's Reply and comments :

No comments



**19. Outstanding Property Tax of Rs.110.19 lakh from govt. holdings:
Auditors' Observations/findings:**

Further scrutiny revealed that out of the above outstanding there was a receivable sum of Rs. 110.19 lakh from 30 holdings comprising Govt. holdings, Public Sector Undertakings within the Municipal area. Again out of Rs. 110.19 lakh, a sum of Rs. 37.99 lakh & Rs. 34.59 lakh was due from the Offices of the General Manager, S.E. Rly & Bankura Fire Station. Similarly, there were other government offices whose outstanding dues ran into several lakhs. It was noticed that although the Municipality issued demand notices to the said holdings, the collection was not satisfactory due to absence of sufficient recovery measures.

20. Property Tax amounting to Rs. 86.81 lakh remained outstanding for more than 15 years.

Auditors' Observations/findings:

Age-wise summary of outstanding property tax (as furnished by the municipality) as on 31.03.2016 was as follows:-

No. of Ward	No. of holdings	Break-up of outstanding property tax (Rs.) showing the period for which outstanding (in years)			Total amount outstanding for 05-15 years & above
		5-10	10-15	15 & above	
24					
	06	1677404.00			
	04		231069.00		
	10			8680667.00	10589140.00

Thus, out of total outstanding property tax, as on 31.03.2016, an amount of Rs. 105.81 lakhs had remained outstanding ranging from 05 to 15 years & above. Out of this a total of Rs. 86.80 lakh alone had remained outstanding for more than 15 years. In absence of any strict action on part of the authority many holdings continued to evade paying their respective property tax on time.

Therefore, concerted efforts are required to be undertaken at the earliest towards arrear collection of property tax if this municipality foresees itself of having a healthy 'Own fund'.

No reply was furnished by the municipal authority.



21. Outstanding market rent of Rs. 9.51 lakh from market stalls.

Auditors' Observations/findings:

Bankura Municipality had eleven market complexes as its remunerative assets namely Old Bus stand Market (139 stalls), Chawk Bazar Market (95stalls), Golpaark Market (123 stalls), Mohunbagan Stall (19 stalls), Gobindanagar Market (188 stalls), Lalbazar Market (17 stalls), Tamliband Market (30 stalls), Mini Commercial State (43 stalls), Municipal Market Complex (03 stalls), Nutanchai Market (18 stalls) and Subhaspally Sannyasitala Market (05 stalls). AMin objective of construction of market complexes was to earn income to augment own fund of the Municipality.

On scrutiny of records related to demand & collection of market rents, it transpired that the Municipality failed to mobilize regular rent collection from its markets. There remained a huge outstanding rent of Rs. 951569.00 as on 31.03.2016.



22. During course of our Audit the Municipality has submitted the total Receipts (both revenue & capital) of the ULB for the 2015-16. The details of the same are summarized as follows :

SL NO	HEAD OF INCOME	AMOUNT(Rs)
	Total Receipts (A+B)	4,801.37
A	Revenue Receipts (1+2+3)	2,170.70
1	Own source revenue(A+B)	672.65
a)	Tax Revenue (levied and collected by municipal body)	230.26
i)	Property tax	208.16
ii)	Other tax (levied and collected by municipal body)	22.10
b)	Non Tax Revenue (levied and collected by municipal body)	442.39
i)	Fees & fines	416.16
ii)	User Charges	20.72
iii)	Other non-tax revenue (levied and collected by municipal body)	5.51
2	Other Revenue Receipts	35.54
a)	Income from interest/investments	35.54
b)	Other Revenue income	
3	Transfer Grant & Assigned Revenue	1,462.51
a)	State Assigned Revenue	98.65
b)	State Finance Commission (SFC) Grants/Devolution	221.74
c)	Octroi compensation	
d)	Other State Government Transfers	905.96
e)	Central Finance Commission (CFC) Grant	236.16
f)	Other Central Government Transfers	
g)	Others	
B	Capital Receipts (1+2+3+4+5)	2,630.67
1	Sale of Municipal Fixed Assets (If any)	
2	Loans (from State Govt. or Banks etc.)	
3	State Capital Account Grant (under State Schemes etc.)	716.65
4	Central Capital Account Grant (under Central Schemes etc.)	1,914.02
5	Other Capital Receipts	



23. During course of our Audit the Municipality has submitted the total Expenditure (both revenue & capital) of the ULB for the year 2015-16. The details of the same are summarized as follows :

SL NO	HEAD OF EXPENDITURE	AMOUNT(Rs)
	Total Expenditure [1+2]	3,420.08
	Revenue Expenditure (1)	2,788.96
1.1	Administrative Expenses, Establishment Expenditure and salaries	1,576.68
1.2	Operation and Maintenance (O &M)	813.23
1.3	Loan Repayment (Interest Payment)	
1.4	Others (any other revenue expenditure which is not salaries O&M or interest payment)	399.05
2	Capital Expenditure (B)	631.12
2.1	All developmental works under Central/State specific schemes	531.68
2.2	Loan Repayments (Principal Amount)	
2.3	Other Capital expenditure	99.44

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