

Internal Audit Report
Of
Mathabhanga Municipality
For the F.Y:- 2014-2015,2015-2016

Prepared by:

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To
The Hon'ble Chairman
Mathabhanga Municipality,
P.O. – Mathabhanga,
District – Cooch Behar

Sub : Internal Audit Report for the year 2014-15 & 2015-16

Dear Sir,

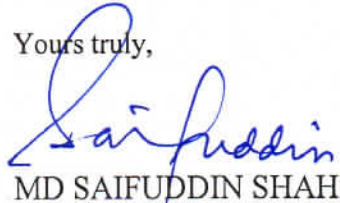
We have carried out the Internal Audit of your municipality for the financial year 2014-2015 and 2015-16 in terms our engagement letter.

We put on record our heartfelt thanks to all the departments of your municipality for cooperation in conducting this audit.

We assure you of the best possible professional standards under the given circumstances and available information in auditing and reporting of the municipality accounts. The complete Internal Audit Report and the Audit recommendations are enclosed herewith for your kind perusal.

Thanking you,

Yours truly,


MD SAIFUDDIN SHAH

Proprietor
Membership No.061377
Place: Kolkata
Date: 26.09.2017



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1. Scope of Audit

One of the milestones is Augmenting Double Entry Accounting System which includes appointment of Internal Auditor by the ULB. Accordingly, the State Mission Directorate and the Municipal Affairs Department, Government of West Bengal has issued a notification for implementation of the same. Our engagement is governed by the directives mentioned above. In absence of any specific scope of audit being mentioned in our engagement order, we have applied normal audit procedures as may be applicable to the ULB and given attention to the broad requirement, i.e. application of double entry accounting system by Mathabhanga Municipality.

2. Audit Methodology

We have conducted the audit of the Municipality in accordance with the guidelines of the Municipal Affairs (W.B.). An audit includes examining on test basis, evidence supporting the amounts, review of Internal Controls and disclosures in the financial statement and also includes assessing the accounting principles used and significant estimates made the management, as well as evaluating the overall financial statement presentation. Following steps were adopted while performing the audit.

- Discuss with relevant personnel and develop an understanding of the processes and procedures established by the Municipality to achieve compliance with provisions of different Acts & Rules and Regulations;
- Document and evaluate whether the associated systems and procedures are appropriately designed to achieve the Municipality's objectives for the system. This includes comparisons of controls in place against those that we would expect to find;
- Determine whether the internal control system is effective and efficient through testing, where appropriate, that the controls are operating in practice, and if not establish the likely impact of the weakness in control.



3. General Organisational Information

- A) Complete name of the ULB : MATHABHANGA MUNICIPALITY
B) Complete Address of the ULB : P.O.- Mathabhanga.
District – Cooch Behar
C) No. of Wards of the ULB : 12
D) Date of Establishment : 1986 Under Bengal Municipality Act.
E) Population : 23,895 as per 2011 Census.
F) Audit Period : Financial Year 2014-15 & 2015-16

The incumbency in the key administrative and executive areas of the Municipality was under:

Chairperson	Smt. Kokila Singh	01/04/2013 to 31/03/2015
Vice Chairman	Sri Arun Chowdhury	02/06/2013 to 31/03/2015
Executive Officer	Sri Sukhen Barik	01/04/2013 to 08/07/2013
	Sri Rajani Kanta Burman	14/02/2014 to 31/03/2015



4. As Is System

The Mathabhanga Municipality uses an accounting software namely **PUROHISAB**, prepared by Change Management Unit, Govt. of West Bengal. The software follows double entry accounting system. The salient features are :

- Transactional inputs for Income, Expenditure and Transfer entries are accepted in the form of Receipt voucher, Payment Voucher, Contra voucher and Journal vouchers.
- The transactions have one level authentication. Vouchers created in the system are passed by designated authorizer in the system and eventually posted in the books of accounts.
- The software generates annual financial statements and related reports, namely
 - Balance Sheet
 - Schedules forming part of Balance Sheet
 - Income & Expenditure Accounts
 - Schedules forming part of Income & Expenditure
 - Receipts & Payments Accounts
 - Trial Balance
- Entries related to Accruals and Provisions are passed separately for conforming to the requirements of Accrual basis of accounting.
- The software also provides few more reports on subsidiary ledgers and transaction summaries.
- All other records and registers are maintained manually either in hand written hard copies or MS Excel soft copies.
- Further specific details regarding each area/department/item/account audited are mentioned along with out observations and findings in subsequent part of this report.



5. Volume of Transaction

The Municipality furnished the figures of Volume of Transactions for the year 2014-15 in requisite formal showing opening and closing balance.

(Rs. i)

Year	Opening Balance	Receipts	Total	Payments	Closing Balance
2014-15	3,37,22,316.62	6,42,09,909.00	9,79,32,225.62	6,51,03,933.00	3,28,28,292.62



6. (A) Receipts Budgets and Actuals

Rupees In lakh

Year	2014-15	
	Budget estimates	Actual
United Fund		
(a) Own source	100.02	99.8
(b) Share of taxes	15.00	9.15
(c) SFC	12.00	27.21
Total	127.02	136.16
Tied Fund		
(a) State Grant (Other than Scheme)	165.16	161.22
(b) Development Grant	5.00	20.00
(c) Grant against schemes (wise)	266.91	111.00
Total :	437.07	292.22
Grant from other agency :		
KUSP		
SUDA (Health)		
13 th Finance	15.00	39.19
IHSDP	100.00	138.42
IGNOAPS	10.00	9.70
IGNDPS	0.75	0.88
IGNWPS	20.00	25.52

(B) Expenditure Budgets and Actuals

(Rs.)

Year		Budget Provision	Actual Expenditure	Savings (+) / Excess (-)
2014-15	Revenue	3,76,19,660.96	3,66,96,556.00	9,23,104.96 (+)
	Capital	3,33,05,000.00	2,82,81,743.00	50,23,257.00 (+)



7. Advance and Adjustment (As Furnished By Municipality)

The Municipality did not maintain advance Register, manually. In absence of advance Register, audit could not verify the amount of advance paid and the adjustment made thereof

Year	Opening Balance	Addition	Adjustment	Closing Balance
2014-15	1,60,000.00	17,42,346.00	14,46,346.00	4,56,000.00

8. Comparison of Income on 2014-15 & 2015-16

A.

Sl. No.	Property Tax	2014-15	2015-16
1	Property tax Receivable on Resi Buildings (Arrear)	8,17,556.00	6,73,297.00
2	Property Tax Receivable on Residential (Current)	11,11,720.00	8,96,045.00
	Total	19,29,276.00	15,69,342.00

B.

Sl. No.	Other Tax (levied and collected by Municipal body)	2014-15	2015-16
1	Advertisement	49,290.00	32,615.00
2	Hoarding	19,530.00	9,021.00
3	Water Tax (Arrear)	87,140.00	75,900.00
4	Water Tax (Current)	1,05,100.00	85,150.00
	Total	2,61,060.00	2,02,686.00



C.

Sl. No.	Non-Tax Revenue (levied and collected by Municipal Body) Fees & Fines	2014-15	2015-16
1	Enlistment of Trade	2,52,340.00	2,77,145.00
2	Mutation Fees	1,86,875.00	2,54,897.00
3	Building Plan fees	1,59,140.00	4,06,455.00
4	Parking Fees	4,89,210.00	9,56,220.00
	Total	10,87,565.00	18,94,717.00

D.

Sl. No.	Non-Tax Revenue (levied and collected by Municipal Body) Users Charges	2014-15	2015-16
1	Ambulance Hire Charge	1,47,668.00	91,283.00
2	Rent of Vat.	21,400.00	26,700.00
3	Creamation Charge	-	2,210.00
4	Building Cess	6,36,889.00	6,04,882.00
5	Lease Money of Land	-	50,000.00
6	Guest House	9,22,000.00	10,29,300.0
7	Nazrul Sadan	31,600.00	75,000.00
8	Mukta Macha Cleaning	8,800.00	5,400.00
9	Rent of Water Tank	1,64,200.00	1,35,100.00
10	Vehicle Charge	15,210.00	9,715.00
11	Roller Hire Charge	48,250.00	39,675.00
	Total	19,96,017.00	20,69,265.00



E.

Sl. No.	Other Non-Tax Revenue (levied and collected by Municipal Body)	2014-15	2015-16
1	Property Tax. Int.	46,605.00	55,861.00
2	Rent of Stall – Arrear	5,05,422.00	3,09,736.00
3	Rent of Stall – Current	3,99,755.00	3,76,197.00
4	Death & Birth Collection	84,699.00	1,18,346.00
5	House Connection of Water	1,18,500.00	1,45,000.00
6	Building Salami	19,23,224.00	7,36,800.00
7	Lying fees for Fibre Cable	-	3,00,000.00
8	Sale Proseed	6,50,425.00	9,42,665.00
9	Auction Money	1,84,100.00	52,700.00
10	Contractor Enlistment	1,34,000.00	
11	Tower Licence Fees	44,000.00	
12	Footpath Collection	1,500.00	
	Total	40,92,230.00	30,37,305.00

F.

Sl. No.	Income from Interest / Investment	2014-15	2015-16
1	Bank Interest	5,50,990.00	7,22,922.00
	Total	5,50,990.00	7,22,922.00



G.

Sl. No.	State Assigned Revenue	2014-15	2015-16
1	Trade Provision & callings	1,23,427.00-	66,675.00
2	Digital Ration Card	-	94,400.00
3	Survey of Latrin	10,000.00	25,236.00
4	Uncleaned occupation	51,800.00	51,800.00
5	Mock Parliament	50,000.00	58,000.00
6	Housing for all (survey)	4,415.00	51,403.00
7	Bonus	-	36,000.00
8	MV Tax	3,01,566.00	4,24,298.00
9	NPR	-	27,588.00
10.	Survey of Dengue	86,000.00	-
11.	Enlistment Tax	4,90,000.00	-
	Total	11,17,208.00	8,35,400.00

H.

Sl. No.	State Finance Commission Grants	2014-15	2015-16
1	SFC	27,21,000.00-	30,69,669.00
	Total	27,21,000.00-	30,69,669.00



I.

Sl. No.	Other State Government Transfers	2014-15	2015-16
1	Grants for any other purpose	20,000.00	-
2	Salary Grant	79,54,678.00	77,95,560.00
3	Salary D.A.	55,20,245.00	61,90,593.00
4	Pension Relief Grant		
5	Salary ADA	-	-
6	Fixed Grant	26,47,000.00	27,04,000.00
7	SSK & SSP	20,25,000.00	20,25,000.00
8	Maintenance for SC/ST/OBC Student	1,68,960.00	-
9	NFBP	4,80,000.00	4,00,000.00
10	NSAP	44,456.00	27,602.00
11	IGNOAPS	9,70,560.00	11,85,760.00
12	IGNDPS	87,600.00	86,400.00
13	IGNWPS	25,52,400.00	26,08,200.00
14	CBPHCS	-	11,95,200.00
15	SJSRY	22,92,118.00	12,500.00
16	SBM Programme	-	10,81,939.00
17	RSBY	537.00	-
	Total	2,47,63,554.00	2,53,12,754.00

J.

Sl. No.	Central Finance Commission (CFC) Grant	2014-15	2015-16
1	14 th Finance Commission	39,38,540.00	36,36,000.00
	Total	39,38,540.00	36,36,000.00



K.

Sl. No.	State Capital Account Grant	2014-15	2015-16
1	Sinking & Re-sinking Fund	-	36,41,000.00
2	BMS	-	1,25,94,000.00
3	Housing for Urban	-	27,48,000.00
4	High Must LED Light	-	31,20,470.00
	Total	-	2,21,03,470.00

L.

Sl. No.	Central Capital Account Grant	2014-15	2015-16
1	IHSDP	1,38,42,000.00-	19,500.0
2	UEG	18,72,500.00-	18,57,000.00
3	HFA Housing	-	28,23,000.00
	Total	1,57,14,500.00-	46,99,500.00



9. Comparison of Expenses on 2014-15 & 2015-16

Sl. No.	Details	2014-15	2015-16
1	Administrative Expenses, Establishment and Salaries	1,84,55,082.00	2,01,12,169.00
2	Operation and Maintenance (O &M)	28,94,633.00	45,82,686.00
3	Others (any other revenue expenditure which is not salaries, O&M or Interest Payment)	1,53,46,841.00	1,56,54,033.00
4	All developmental works under Central/State specific schemes	2,82,81,743.00	2,44,57,069.00
	Total	6,49,78,299.00	6,48,05,957.00



10. Public Works (each work more than Rs. 5.00 lakh) awarded without initiating e-tendering process.

To bring in transparency in awarding contracts in public works and public procurement, the Government of West Bengal vide its notification no. 6932-F(Y) dated 29th August 2013 made e-tendering mandatory for all works/procurement valuing above Rs. 5 lakh.

During the course of audit on the transaction of Mathabhanga Municipality for the years 2014-15 & 2015-16, on scrutiny of records relating to tendering process in awarding contracts of various public works, it was noticed that the Municipality did not start e-tendering process.

In reply, the Municipality cited lack of technical knowhow for processing e-tendering as a reason for not initiating e-tendering process for all works valuing above Rs. 5.00 lakh. It further stated that the Municipality would ensure e-tendering for such works in future.



11. Non-discharging the statutory provisions of EPF Act resulted in avoidable expenditure of Rs. 5.39 lakh Public Works

As per provision, the municipality is required to deduct employee's contribution at a rate of 12% of the wages and simultaneously contribute their contribution as 'Employer's contribution' at a rate of 13.61% per month with effect from 8.01.2011.

But records revealed that the Mathabhanga Municipality neither deducts employee's contribution from the monthly wage payments nor contributes their contribution to the EPF account during the period from January, 2011 to July, 2013 violating provisions of the Act. Thus, the Municipality was in default in discharging the statutory provision of the Act *ibid*.

In this context, Asstt. Provident Commissioner summoned the Municipality in August, 2013 for non-compliance of the above stated provisions and finally directed to pay the entire amounting along with interest after scrutinizing necessary documents in the month of December, 2013.

In compliance, the Municipality paid the entire amount (both Employees' as well as Employers' contribution) out of their own fund during March, 2014 to December, 2014. The details of the amount deposited to the EPF account is as follows :

Period	No. of Casual Employees deployed	Amount paid towards wages	Employees Contribution towards EPF @12% of wages	Employers Contribution towards EPF @13.61% of wages	Interest Charge under section 7Q of the Act	Total amount to be deposited
8/1/2011 to 31/7/2013	33	3298350	395795	448917	143399	988111

Thus, non adherence of the statutory provisions of act, the Municipality had to shoulder the liability of Employees' contribution to the tune of Rs. 395795 and penal interest of Rs. 143399 out of their own fund which stood the entire payment of Rs. 9539194 as avoidable in audit.

In reply, the Municipality admitted the facts.



12. Irregularities in implementation of MPLAD scheme

During the course of audit on transactions of Mathabhanga Municipality for the years 214-15 & 2015-16, on scrutiny of records/documents submitted in connection with implementation of schemes out of MPLAD fund, the following irregularities were noticed in audit.

A. Separate Bank Account for MPLAD fund was not maintained :

Detailed scrutiny revealed that during 2014-15 & 215-16 the Mathabhanga Municipality parked MPLAD fund in the West Bengal State Co-Operative Bank, Mathabhanga Branch (A/c No. 129353052169 along with other schematic funds and general fund. As per guidelines separate bank account in any nationalized bank was to be maintained for the purpose of MPLAD fund.

B. Unauthorized retention of schematic savings to the tune of Rs. 1.76 lakh besides accrued interest in bank account:

Para 5.3 the Guidelines states that "On completion of a work, the Implementing agency shall quickly finalize the accounts for the work and shall furnish a work completion report and utilization certificate and return the un-utilized balance (savings) and interest amount within 30 days to the District Authority concerned".

In depth analysis of schemes funded by MPLAD fund 2014-15 & 215-16, revealed that there was a cumulative schematic savings of Rs. 175768/-. However, the Municipality failed to surrender the savings amount to the district authority as warranted by the MPLAD guidelines. In addition accrued interest (could not be quantified due to non-maintenance of separate bank account) was not returned to the District Authority.



13. Inordinate delay in payment of Pension & Family Pension and non-payment of Pension and Gratuity

Review of records regarding payment of pension and gratuity by the Municipality during the years under audit revealed that five employees were retired during 2013-15 but the Municipal authority did not forward the pension papers to the Director office one year in advance of the date of retirement of the Municipal employees. Consequently, in case of three employees, the Pension Payment Order and the authority for the payment of gratuity were received by the ex-employees after the date of retirement in three cases and in case of two ex-employees, the same are still awaiting as detailed below :

Name of Employee	Date of Retirement/Death	Date in which pension papers sent to Pension Directorate	Sanction date of PPO
Ashoke basfore	5.8.2013	12.3.2014	Not yet received
Kailash Oraon	1.12.2013	12.3.2014	Not yet received
Maheswar Roy	7.3.2014	21.6.2014	02.04.2015
Ranen Sarkar	30.6.2014	4.11.2013	25.05.2015
Bhismadeb Roy	31.3.2015	21.06.2015	26.03.2015

Form the above table, it would be evident that there was an inordinate delay in payment of regular pension/ family pension to the retired employees.

In the mean time, the retired employee had to remain satisfied with the provisional pension fixed by the Municipal authority. Moreover, after receiving the pension payment order, the employee did not get the arrear pension due to him for the period covered by provisional pension.

