

*Internal Audit Report*  
of  
*Hooghly - Chinsurah*  
*Municipality*

on  
*Annual Financial*  
*Statements*

*for the year 2015-16*

by

**R B S C & CO.**

**CHARTERED ACCOUNTANTS**

*21, OLD COURTHOUSE STREET, KOLKATA - 700 001*

# R B S C & CO.

CHARTERED ACCOUNTANTS

(Formerly S. S. Kothari & Co.)

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**The Chairman,**

**Hooghly – Chinsurah Municipality,**

**Mahendra Mitra Road, Pipulpati, Dist – Hooghly,**

**West Bengal, PIN – 713 102.**

**Date : 23-09-2017**

**Sub :- Internal Audit Report of Annual Financial Statements of Hooghly-Chinsurah Municipality for the Financial Year 2015-16. (PART – A)**

Sir,

As per your work order no. 4622/A/AC-DP dated 1.9.2017, we have verified the Annual Financial Statements of Hooghly-Chinsurah Municipality for the Financial Year 2015-16. During the course of our audit, we have gone through the records of the following departments :-

1. Accounts Section / Cash Section.
2. General / Administration Section / PWD Section.
3. Property Tax Department / Trade License Department.
4. Store Department / Establishment Department.

We have also checked the following registers :-

1. Cash Book & Journal Book.
2. Bank Reconciliation Statements.
3. Income & Expenditure Statement.
4. Investment Register / Loan Register / Appropriation Register / Stock Register.

During the period of our audit, we have gone through the books, records, papers, documents, circulars etc. both hard copies and soft copies, as produced before us and our report is mainly based on the same which are clearly mentioned in the respective area covered in our report. We have entirely relied on the said papers/documents and Audit Reports as stated above and framed our Internal Audit Report accordingly.

**We have found the Annual Financial Statements are in agreement with the Books of Accounts and accepted accounting practice and principles followed in India have been considered by the Municipality at the time of preparation of the same.**

The detailed report has been enclosed herewith for your kind consideration in **PART - B**.

The extract of Income & Expenditure Statement of Hooghly – Chinsurah Municipality for the Financial Year 2015-16 is also enclosed in **Annexure – 1A**.

Thanking you,

Yours faithfully,

**For R B S C & CO.**

Chartered Accountants

FRN : 302034E



**R. N. BARDHAN**

Partner

Membership No. 017270



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The extract of Income & Expenditure Statement of Hooghly-Chinsurah Municipality for the financial year 2015-16 is summarised below :-

## SUMMARY OF INCOME (both Capital and Revenue)

Rs. In lakh

<b>TOTAL FUND</b>	<b>4051.79</b>
<b>Revenue Receipts</b>	<b>3702.74</b>
<b>Own Sources Income</b>	<b>725.04</b>
<b>Tax Revenue</b>	<b>287.77</b>
Property Tax	259.57
Other Tax	28.20
<b>Non Tax Revenue</b>	<b>437.27</b>
Rental Income	0.00
Fees & User Charges	248.02
Sale & Hire Charges	118.28
Other Non-tax Revenue	70.97
<b>Other Revenue</b>	<b>280.52</b>
Interest	280.52
Other Income	0.00
<b>Total Revenue Grant</b>	<b>2697.18</b>
Assigned Revenue	98.71
State Finance Commission	117.71
Octroi Compensation	0.00
Other State Govt Transfer	777.17
13th Finance / 14th Finance	256.89
<b>Other Central Government Revenue Grant</b>	<b>1346.70</b>
<b>Others</b>	<b>100.00</b>
<b>Total Capital Grant</b>	<b>349.05</b>
State Government Capital Grant	1.07
Central Government Capital Grant	347.98
Other Capital Receipt	0.00

## SUMMARY OF EXPENDITURE (both Capital and Revenue)

Administrative & Establishment Expenditure	1526.72
Operation & Maintenance (O & M)	560.57
Loan Repayment (Interest payment)	1.30
Other Revenue Expenditure	492.23
<b>Total Revenue Expenditure</b>	<b>2580.82</b>
<b>Fixed Assets</b>	<b>849.25</b>
Loan Repayment (Principal payment)	2.67
Other Capital Expenditure	85.31
<b>Total Capital Expenditure</b>	<b>937.23</b>
<b>Total Revenue and Capital Expenditure</b>	<b>3518.05</b>

For R B S C & CO.

Chartered Accountants

FRN : 302034E

  
R. N. BARDHAN

Partner

Membership No. 017270



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The Chairman,  
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Date : 23<sup>rd</sup> September, 2017

## PRIVATE AND CONFIDENTIAL

Dear Sir,

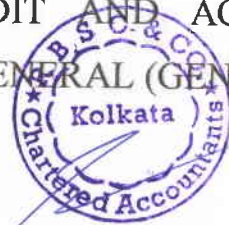
**Re: Internal Audit Report of Hooghly – Chinsurah Municipality for the financial year 2015-16. ( PART - B)**

We are pleased to inform you that we have finalized the Internal Audit for the financial year 2015-16 as per your request and submit our Report for your consideration and necessary action.

It is to be noted that the name of our Firm has been changed from S. S. Kothari & Co. to R B S C & Co. and the same has been duly approved by the Institute of Chartered Accountants of India (I C A I) vide letter dated 30<sup>th</sup> May 2017. In this connection we like to state that the constitution of our Firm and Registration number allotted by the I C A I remain the same (Registration Number 302034E). The copy of the letter from the I C A I in this regard is given in Annexure – 1.

Our report is based on the mandatory information required for KNOW YOUR CUSTOMER (KYC), the area and extents of audit, finalized with your officials at the time of issuing work order, are stated in Annexure -2.

It is also reported by the Management that the audit of “Annual Financial Statements” for year from 2006-07 to 2014-15 of the Municipality have been duly audited by the INDIAN AUDIT AND ACCOUNTS DEPARTMENT C/O PRINCIPAL ACCOUNTANT GENERAL (GENERAL & SOCIAL SECTOR





AUDIT), WEST BENGAL, LOCAL AUDIT DEPARTMENT. However, the said Audit Reports, for the years from 2012-13 to 2014-15 are not yet received by the Municipality till the date of this Internal Audit Report. A copy of the said Audit for the 2011-12 has produced to and we have considered the same while framing our Internal Audit Report.

The ULB has also produced “**Inspection Report on the Transactions of Hooghly - Chinsurah Municipality for the period from 01.04.2014 to 31.03.2015**”, the audit of which has also been conducted by the said department. Apart from that, no other audit/inspection report has been produced to us for our consideration.

During the period of our audit, we have gone through the books, records, papers, documents, circulars etc. both hard copies and soft copies, as produced before us and our report is mainly based on the same which are clearly mentioned in the respective area covered in our report. We have entirely relied on the said papers/documents and Audit Reports as stated above and framed our Internal Audit Report accordingly.

### **Annual Financial Statements 2015-16 :-**

A reply from the Management, on our audit queries based on the internal control, is reproduced in **Annexure - 3**.

#### **A. Earmarked Funds (B – 2):**

##### **Benevolent Fund :**

During the course of our audit, we have noticed the balance ` 3,61,720.92 of the Benevolent Fund Investment is shown under Schedule (B -17 ) with PNB – SB 104864 (Health Fund) as on 31<sup>st</sup> March, 2016 which should has been shown under “Investment – Other Fund”. As a result the Current Assets of the Municipality is overstated as well as the “Investment – Other Fund” is understated.



**Auditee's Reply :-** The Management of the ULB has accepted the observation and proper adjustment of the same will be made in the next financial year.

The investments made with Life Insurance Corporation of India neither shown under Gratuity Fund (311- 70 -03) under Earmarked Funds nor under “ Investments – Other Fund”. However, ` 18,59,482/- has been shown under “Investments – General Fund” for investments with LIC and the said figure is wrong. The actual closing balance with LIC as on 31<sup>st</sup> March, 2016 is amounting ` 21,86,323/- , a photo copy of the same is given in **Annexure – 4**.

#### **B. Grants, Contributions for Specific Purpose (B – 4):**

During the course of our audit, we have noticed that the KUSP Projects had been discontinued since the year 2010-11but there is a brought forward balance of ` 2,19,079/- under “ 320-30-03 KUSP “. The said balance should have been ‘Nil’ and as a result the liabilities of the Municipality is overstated to that extend.

**Auditee's Reply :-** The Management of the ULB has accepted the observation and proper adjustment of the same will be made in the next financial year.

#### **C. Secured Loan (B -5):**

Unsecured loan taken from West Bengal Municipal Development Fund Trust is wrongly shown under this head which should have been shown under “ Unsecured Loan (B – 6)”.

#### **D. Deposits Received (B -7):**

**Security Deposits –** During the course of our checking, we have observed that no security deposit is taken against booking of the Municipal Guest House / Auditorium



and Water Tank for supply of extra water, given on rent for different occasions which shows a serious loophole in the internal control in vogue. There is every possibility of getting, the property of the ULB, damaged while the same is given on hire to public.

**Recommendation:** It is recommended to accept a fixed amount as security deposit at the time of booking of the same given on rent for different occasions to protect the assets of ULB from the possible lose that may arise during the said properties given on hire.

**E. Other Liabilities (B – 9 Sundry Creditors) :**

1. Total liability on account of Tax Deducted at Source (TDS) up to the year 2015-16 is mismatched with that shown in statement furnished by Income Tax Department. No provision has been made in the books of the Municipality for the same.

**Auditee's Reply :-** It is stated by the management that the matter is under the process of reconciliation. The liability, if any, will be ascertained only on the completion of the said reconciliation.

2. No provision has been made for Gratuity liabilities in the books of the ULB on the basis of actuary valuation. As a result, we are not in a position to make any comment on quantum of the said liabilities which should has been considered as understatement of liabilities and understatement of deficit to that extent.
3. No provision has been made for liabilities for Contributory Provident Fund up to 31<sup>st</sup> March, 2016 in the books of the ULB. As a result the liabilities and deficit of the ULB are understated to that extent.



**F. Fixed Assets (B – 11) :**

During the course of our checking, we have observed that no physical verification of Fixed Assets was conducted by the Management for the year under Audit.

**G. Investments – General Fund (B – 12) :**

During the course of our checking, we have observed that there is a brought forward amount ` 5,00,000/- as “State Government Securities” which should had been treated as revenue expenditure as the said amount was paid towards membership fee of West Bengal Municipal Development Fund Trust vide P/872 dated 25-06-2011 (Cheque No. 222765 dated 25-06-2011 on Axis Bank Limited) .

It is stated by the Management of the ULB that the balance appearing under “Other Investment “ amounting ` 18,59,482/- for deposit with Life Insurance Corporation of India (LICI) as on 31<sup>st</sup> March, 2016 for Group Gratuity Scheme.

After detail scrutiny, we have noticed that the correct balance as on 31<sup>st</sup> March 2016 with LICI amounting ` 21,86,323/-, not ` 18,59,482/- and the said amount should has been shown under “ Investments – Other Fund” (421-08-08 Investment in Other Financial Institution). The actual closing balance with LICI as on 31<sup>st</sup> March, 2016 is amounting ` 21,86,323/- , a photo copy of the same is given in Annexure – 4.

**H. Stock-in-hand (B – 14) :**

We could not verify the Stock-in-hand of Medical Stores as the list for the same and the stock register have not been produced to us in spite of our repeated request.





**During the course of our checking, we have noticed that the no stock register is maintained for Medical Stores, for the year under audit.**

**We have verified the entries made in the stock of Electricity and Water Supply Stores Register on test check basis and found the same to be in order.**

**During the course of our checking, we have observed that no physical verification of Stock-in-hand was conducted by the Management for the year under Audit.**

**The Stock Register for Mid-Day-Meal (for Cereal) is not updated.**

**I. Sundry Debtors (B – 15) :**

The interest accrued on the closing balance of General Provident Fund amounting ` 27,17,857/- is wrongly shown under Contributions (431-50-03). The said balance should have been shown under Earmarked Fund as well as Investments – Other Fund as the same is neither CURRENT ASSETS nor CURRENT LIABILITIES of the ULB. As a result, the current assets as well as the current liabilities of the ULB are overstated to that extent.

**J. Loans, Advances and Deposits (B – 18) :**

During the course of our checking we have observed that there is a brought forward balance of Tax Deducted at Source amounting ` 22,615/- (J/447 dated 31-03-2015 for Term Deposit matured on 08-01-2015 from United Bank of India). The provision in this regard is summarized below :-

**Non-applicability of TDS provisions on payments made to Corporations whose income is exempt under section 10(26BBB) [Circular No.7/2015, dated 23-04-2015]:**

The CBDT had earlier issued Circular No. 4/2002 dated 16.07.2002 which laid down that there would be no requirement for tax deduction at source in respect of payments made to such entities, whose income is unconditionally exempt under section 10 of the Income-tax Act, 1961 and who are statutorily not required to file return of income as per the section 139. The said Circular also lists the entities which are unconditionally exempt under section 10 and who



are statutorily not required to file return of income as per section 139.

Subsequently, section 10(26BBB) was inserted in the Income-tax Act, 1961 vide Finance Act, 2003 w.e.f. 01.04.2004 to provide that any income of a corporation established by a Central, State or Provincial Act for the welfare and economic upliftment of ex-service-men being the citizens of India does not form part of the total income. The corporations covered under section 10(26BBB) are also statutorily not required to file return of income as per the section 139.

The corporations covered under section 10(26BBB) satisfy the two conditions of Circular No. 4/2002 i.e., such corporations are statutorily not required to file return of income as per section 139 and their income is also unconditionally exempt under section 10 of the Income - tax Act, 1961. Accordingly, the CBDT has examined the matter and extended the benefit of the said Circular to such corporations whose income is exempt under section 10(26BBB). Hence, there would be no requirement for tax deduction at source from the payments made to such corporations, since their income is anyway exempt under the Income-tax Act, 1961.

It is to be noted that the claim for refund of the said TDS should has been made by filing Income Tax Return in the financial year 2015-16.

**The said TDS figure is to be adjusted in the books of the ULB.**

#### **Present Status of Data Entry on the date of Audit :-**

**We have observed that the entries, both receipts and payments, are more or less completed up to the year 2016-17 on the date of this Audit Report. From 2016-17 onwards, the entries are pending.**

#### **Recommendations -**

Daily data entries, both receipts and payments, should immediately be introduced by the ULB. The LAN system is operating during our audit, but the Accounts Department is not properly utilizing the same due shortage of efficient computer operator .

**It is reported by the Management that no fraud/defalcation and/or misappropriation of fund has been occurred during the year under audit.**

We are thankful to all level of the Management and staff concerned for extending their kind co-operation and due support for finalization of our report for the year 2015-16.



We assure you our best services as and when required, on request.

Thanking you,

Yours faithfully,

For R B S C & Co.

Chartered Accountants .

F.R.N.: 302034E



**(R.N. Bardhan)**

Partner

Membership No. 017270

