INTERNAL AUDIT REPORT

Cuttack Municipal Corporation

Cuttack

For the Period 01.10.2016 to 31.03.2017

INTRODUCTION

The Cuttack Municipal Corporation was established on 4th of June, 1876 and was known as the Cuttack Municipalilty. It has later accorded the status of Cuttack Municipal Corporation w.e.f.15.08.1994 as per the Government Notification No.24145/HUD dtd.28.07.1994.

The City is subdivided into a number of wards.

Area	:	192.5 Sq.Km.
Population	:	6,10,189 (as per 2011 census)
Total Nos. of Wards	:	59 Nos.
Identified Slums Under C.M.C.	:	264 Nos.
No.of Parks	:	29 Nos.
Males Population	:	3,16,242
Female Population	:	2,93,947

The Cuttack Municipal Corporation renders the following SERVICES

1. Construction & Maintenance of Civic Infrastructure
2. Poverty Alleviation
3. Sanitation & Public health
4. Mutation of Holdings
5. Removal of Encroachment
6. Creation of Vending Zones
7. Kine House Service
8. Issue of Birth Certificate and Death Certificate.
9. Issue of Trade & Carriage licence.
10. Issue of Marriage Certificate.
11. Post Disaster Management Relief & Rehabilitation.

About the Auditor:-

We, **M/s Mookherjee Biswas and Pathak Associates** has been appointed as the internal Auditor of CMC, Cuttack for the financial year 2016-17, on 8th November, 2016. As per the term of assignment, we have conducted the audit of 2nd half from 01.10.2016 to 31.03.2017.

As per the terms of appointment, we have carried out the Internal Audit for the period 01.04.2015 to 31.03.2016 and submit herewith the report in line with the scope of work assigned to us. The audit teams visited the office from 21.06.2017 to 19.08.2017. During the course of our audit the focus was given to the following areas.

i. Verification of Cash, Bank & Journal Voucher.
ii. General review of contract in respect of public work.
iii. To review the Budget for the financial year 2016-17 and compare with the actual expenditure incurred and deviation from budgets.
iv. Review of Statutory deductions & payment such as TDS, Sales Tax, Service Tax, Labour Cess, Royalty & Professional Tax etc.
v. Bank Reconciliation Statement.
vi. Ledger Scrutiny of major heads of accounts.
vii. Insurance of vehicle including insurance claim lodged by the corporation.
viii. Review of grant received from H & UD and their utilization.

A. Revenue Enhancement

1. HOLDING TAX

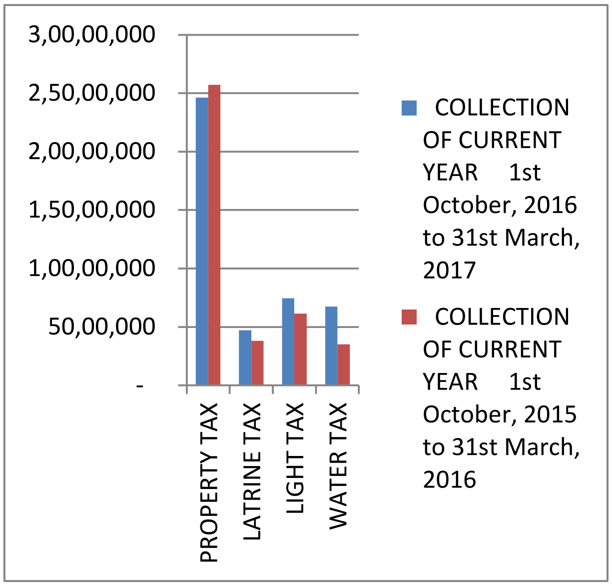
There are 59 nos. of wards located in Cuttack municipality corporation. Holding tax collectors are in position & the municipal council has fixed the rate of taxes. The details of taxes imposed are given in the following table.

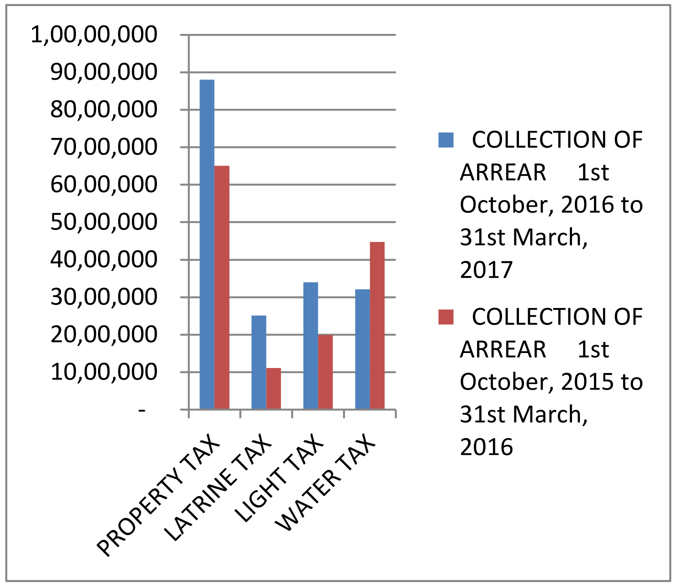
Clasification of Holding	Rate Per Square Feet. (up to 2 floor)	Rate Per Square Feet. (More than floor)	Percentage of Tax imposed				Total % of tax
			Holding	Light	Water	Drain	
Domestic (Paka House)	3	3.50	10%	4%	4%	2.5%	20.5%
Domestic (Other House)	2	-	10%	4%	4%	2.5%	20.5%
Commercial	10/15/20/25	10/15/20/25	10%	4%	4%	2.5%	20.5%

We have examined the tax register and found that there was a incremental trend in collection of various taxes. We are submitting comparative statement of the tax receipt of CMC.

PARTICULARS	COLLECTION OF CURRENT YEAR		COLLECTION OF ARREAR	
	1st Oct, 2016 to 31st March, 2017	1st Oct, 2015 to 31st March, 2016	1st Oct, 2016 to 31st March, 2017	1st Oct, 2015 to 31st March, 2016
PROPERTY TAX	2,46,08,862	2,57,08,160	88,03,450	65,08,231
LATRINE TAX	47,08,205	38,06,893	25,12,919	11,10,257
LIGHT TAX	74,60,358	61,53,605	34,00,044	19,91,238
WATER TAX	67,46,844	35,05,063	32,12,612	44,75,341

The graphical presentation of the various tax incremental trends is as follows:





The Demand Collection Balance (DCB) position of holding and other ancillary taxes in respect of Cuttack Municipal Corporation for the year 2016-17 is as follows:

PARTICULARS	**Demand**			**Collection**			**Balance**		
	Arrear	**Current**	**Total**	**Arrear**	**Current**	**Total**	**Arrear**	**Current**	**Total**
PROPERTY TAX	1,62,11,657	4,03,75,153	565868810	1,23,23,676	3,91,81,221	5,15,04,897	38,87,981	11,93,932	50,81,913
LATRINE TAX	40,52,914	1,00,93,788	14146702	34,15,091	83,37,959	1,17,53,050	637823	1755829	23,93,652
LIGHT TAX	64,84,663	1,61,50,061	22634724	48,11,684	1,33,61,980	1,81,73,664	16,72,979	27,88,081	44,61,060
WATER TAX	64,84,663	1,61,50,061	22634724	43,30,836	1,14,38,759	1,57,69,595	21,53,827	47,11,302	68,65,129
TOTAL	3,32,33,897	8,27,69,063	11,60,02,960	2,48,81,287	7,23,19,919	9,72,01,206	83,52,610	1,04,49,144	1,88,01,754

It can be observed from the above table that during the year 2016-17:

Total Demand: 11,60,02,960

Total Collection: 9,72,01,206

Thus the overall collection efficiency of the municipality is . - 83.80%

Putting the demand and collection efficiency of holding tax in graphical presentation for the financial year 2016-17 is as follows:

2. RENT INCOME

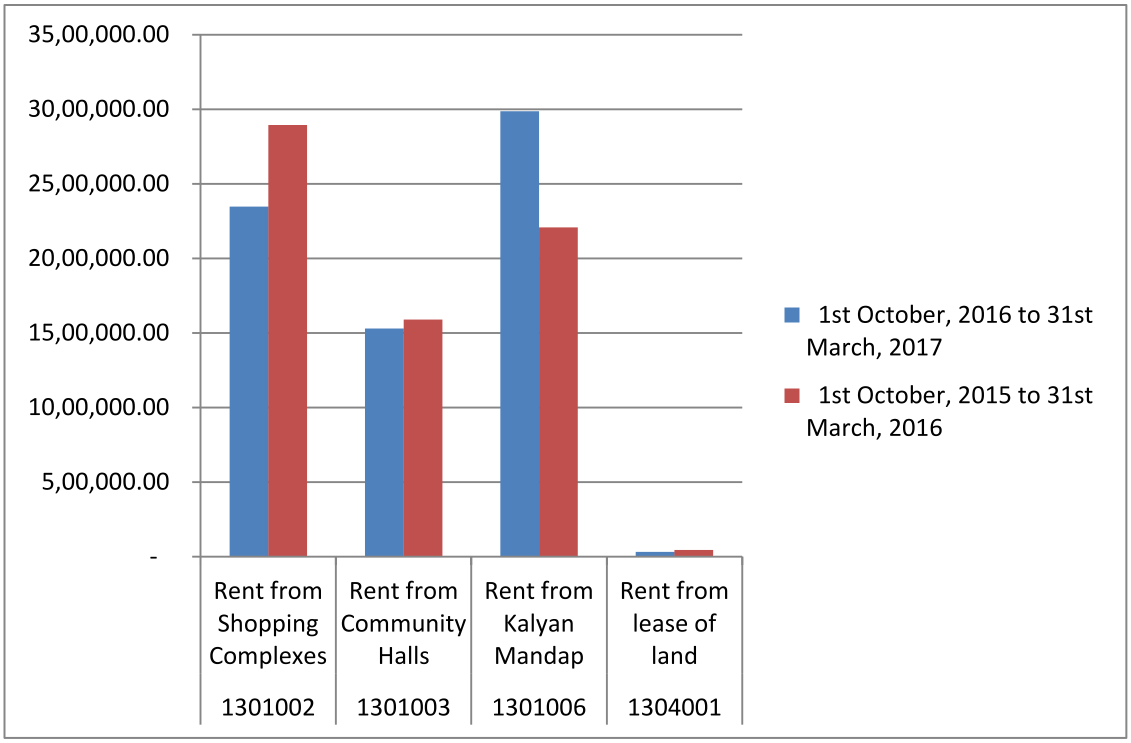
CMC has collected rent from various sources such as Kalyan Mandap, Community Hall, Shoping Complex and Leased Land. Details are given below.

Particulars	Nos.	Rate (Per Day)		Rate (Per Shift)
		Ground Floor	1st Floor	
Kalyan Mandap	1	35,631/-	32,618/-	-
Community Hall	1	25,583/-		-
Town Hall	1	-		3,000/-
Shoping Complex	23	-		-
Leased Land	1	1,000/-		-

We have examined the rent register and it is found that there was a incremental trend in collection of various rents. We are submitting comparative statement of the rent receipt of CMC.

GL Code	*GL Name*	1st Oct, 2016 to 31st March, 2017	1st Oct, 2015 to 31st March, 2016
1301002	Rent from Shopping Complexes	23,47,359	28,94,461
1301003	Rent from Community Halls	15,30,046	15,89,735
1301006	Rent from Kalyan Mandap	29,85,967	22,07,500
1304001	Rent from lease of land	31,352	44,100

The graphical presentation of the various tax incremental trends is as follows:

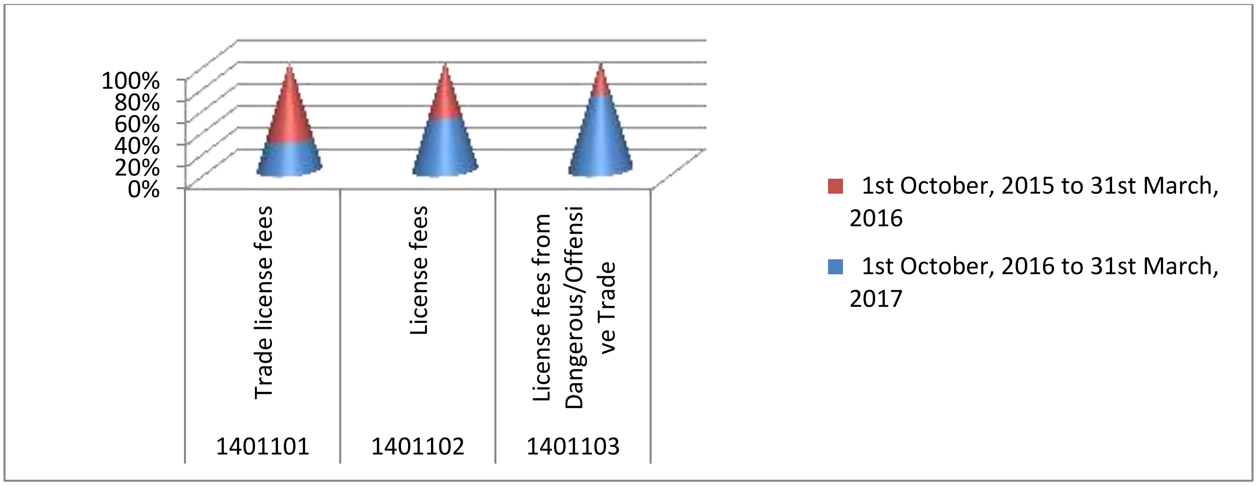


3. **License Fees.**

Comparative collections of license fees are given below.

GL Code	***GL Name***	**1st October, 2016 to 31st March, 2017**	**1st October, 2015 to 31st March, 2016**
1401101	Trade license fees	1,95,02,817	4,76,31,093
1401102	License fees	30,650	31,350
1401103	License fees from Dangerous/Offensive Trade	31,29,308	13,46,518

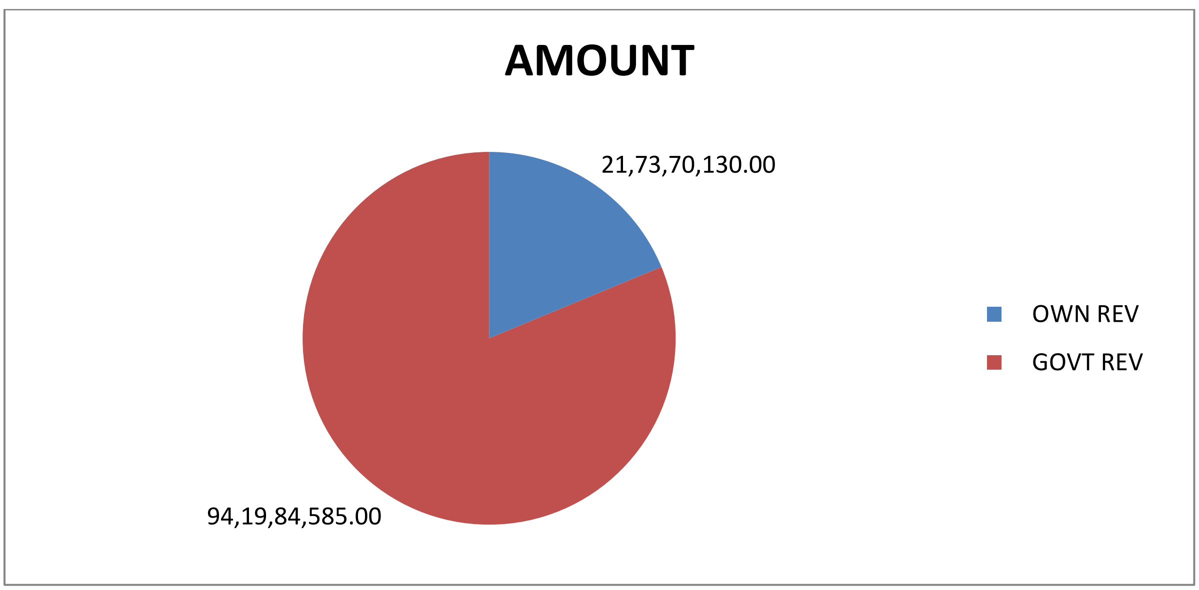
The graphical presentation of the various license fees are given below.



4. Own Revenue in Comparison to the total grants received from Government.

During the financial year 2016-17 the Cuttack Municipal Corporation has received Central Grant, State Grant and Octrai Compensation of Rs. 94,19,84,585 /-

In comparison to this the Corporation has generate own revenue from various sources of Rs. 2,17370130/-



If we take the percentage of own revenue in-comparison to the total grants received from the government it will be 19%. In order to meet the funding gap the CMC will issue the municipal bond in the open market. The municipal bond can only be when there is adequate credit worthiness. The credit worthiness largely depends upon the own revenue generation.

Further Credit Rating is one of the mandatory Reform milestone as per the AMRUT guidelines. Unless the CMC get at least rating of AA in Credit Rating municipal bond cannot be invited for raising fund from the open market. And for obtaining the rating of AA the Corporation should have sound own revenue. Hence the Corporation may take necessary steps to increase the own revenue.

➢ UTILISATION OF GRANTS

We have examined the revenue and capital grants received during the year by the CMC. It is observed that some grants are not completely utilized. In respect to the grant for which the utilization certificate was not provided to government is as follows:

GRANT CODE	GRANT NAME	OPENING BALANCE	UTILISED	RECEIVED	BALANCE UN UTILISED
3201008	IGNOAP Central Grant	6,397,903	23,495,600	1,220,000	(15,877,697)
3208022	Rajiv Awas Yojana	34,383,252	40,544,293	6,543	(6,154,498)
3208033	NULM - EST & P	4,084,315	11,616,811	5,403,100	(2,129,396)
3202039	Car Festival Grant/Local Festival Grant - State Grant	-	373,366	-	(373,366)
3208032	NULM – SE P(I) & (G)	1,969,000	2,304,752	-	(335,752)
3202042	Grants for Maintenance of Non-Residential Buildings - State	1,200,000	1,243,129	-	(43,129)
3206001	Grant From JICA	25,693,737	26,969,358	1,239,899	(35,722)
3208011	SJSRY - UWSP - Revolving Fund	41,000	-	-	41,000
3202022	DP- Aids	178,761	231,200	101,792	49,353
3202030	Special Development Funds (C.C Road)- State Grant	300,127	-	-	300,127
3202009	SJSRY	492,882	-	192,991	685,873
3201009	IGNWP - Central Grant	1,064,400	-	-	1,064,400
3202047	Chief Minister's Relief Fund	1,043,302	-	42,480	1,085,782

3201010	IGNDP - Central Grant	1,168,800	-	-	1,168,800
3202017	Grant for Development of Park	2,790,289	1,555,731	120,201	1,354,759
3202010	National Family Benefit Scheme (NFBS)	2,976,000	1,720,000	160,000	1,416,000
3202008	VAMBAY	1,476,733	-	-	1,476,733
3202035	Harischandra Sahayata - State Grant	925,120	-	700,000	1,625,120
3208031	NULM - SM & ID	960,761	4,451,825	5,310,375	1,819,311
3202019	Election Fund Grant	2,169,695	-	-	2,169,695
3202052	Compensation for Sitting fees, honorarium, TA & DA	1,102,000	-	1,283,600	2,385,600
3203006	Special Development Programme	2,511,046	-	-	2,511,046
3208034	NULM - CB & T	2,580,000	-	-	2,580,000
3201002	13th Finance Commission Grant	2,586,745	-	-	2,586,745
3201019	Grant for AMRUT	4,060,000	1,326,074	-	2,733,926
3208010	SJSRY - USEP - Subsidy on Loan	3,387,117	-	-	3,387,117
3208037	NULM - Interest on Bank Deposits	2,655,161	-	1,881,606	4,536,767
3208028	CDPO/Anganbadi - Interest on Bank Deposit	4,649,243	-	-	4,649,243
3202043	Performace Based Incentives for Providing Basic Urban Servic	3,943,000	-	918,200	4,861,200
3202028	Motor Vehicle - State Grant	20,011,844	60,594,151	45,551,206	4,968,899
3202046	Development of Night Shelter/Community Amenities - State Gra	6,374,000	978,522	-	5,395,478

3201005	Grant - Social Economic Caste Sensus (SECC)	7,492,813	-	-	7,492,813
3203002	Grant for Street Light	9,051,867	8,320,583	8,360,640	9,091,924
3202040	Grants for Construction of Public Toilets State Grant	22,249,066	42,828,391	30,675,466	10,096,141
3202020	Grants for Construction of Boundary Wall	11,500,000	668,879	613,413	11,444,534
3202045	13th FC - Roads & Bridges - State Grant	12,351,625	-	-	12,351,625
3208035	NULM - SUH	5,240,000	-	7,730,000	12,970,000
3208025	Special Relief Commission (SRC) Grant	19,621,104	4,602,313	-	15,018,791
3202003	Grants for Road Development	53,297,667	55,058,983	17,502,981	15,741,665
3202038	Special Problem Fund - State Grant	14,627,294	8,603,061	13,304,662	19,328,895
3202029	Road & Bridge - State Grant	19,514,000	19,514,000	20,235,127	20,235,127
3202002	Grants from State Finance Commission	14,375,000	3,762,937	10,403,924	21,015,987
3201007	IHSDP - Central Grant	95,007,000	71,794,000	1,229,439	24,442,439
3202005	MPLAD/MLA funds	15,800,381	200,000	9,307,353	24,907,734
3208027	CDPO/Anganbadi Building Construction Grant	33,918,406	6,970,867	1,813,642	28,761,181
3201016	Grant for Swachh Bharat Mission	43,312,609	11,187,164	2,329,692	34,455,137
3201011	UIDSSMT - Central Grant	149,982,600	126,900,000	16,917,928	40,000,528
3202004	National Slum Development Programme (NSDP)	40,149,401	-	-	40,149,401

3208008	JnNURM - City Bus	142,792,852	83,982,180	-	58,810,672
3202016	Grant for Renovation of Dying Water Bodies	62,630,650	1,383,514	4,559,064	65,806,200
3202015	Other Grants	60,314,240	10,632,000	40,653,290	90,335,530
3202032	MBPY - State Grant	131,187,637	58,114,700	19,452,800	92,525,737
3201017	14th Finance Grant	90,982,512	203,910,717	241,150,681	128,222,476
3202033	Pension/Family Pension - State Grant	155,913,708	167,967,424	154,921,000	142,867,284
3202024	Old Age Pension Grant	68,240,476	12,900	84,411,675	152,639,251
3202034	Devolution of Fund - State Grant	117,691,977	119,596,772	174,495,714	172,590,919

C. Audit Observation:-

i. GRANT

a. JnNURM - City Bus

This grant was received towards procuring city bus for urban area on behalf of Cuttack Urban Transportation corporation Limited (CUTCL). CUTCL has maintained separate books of account towards procuring of bus. . But CMC has wrongly booked the asset towards purchase of bus of Rs.7,09,63,756, in its books of accounts . So It is suggest the same should be rectified by passing the following ratification entry

Municipal Fund A/c Dr. (3101001) 7,09,63,756
To Bus A/c (4105003) 7,09,63,756

B. IHSDP- Central Grant (3201007)

The basic objective of the Scheme is to strive for holistic slum development with a healthy and enabling urban environment by providing adequate shelter and basic infrastructure facilities to the slum dwellers of the identified urban areas. The funding pattern will be in the ratio of 90:10 between Municipality and Beneficiary. Accounting entry for the grant is a

When grant Received :

Bank A/c Dr

To IHSDP Central Gant

When expenditure made from this grant:

IHSDP grant a/c Dr.	(100%)
To Bank	(90%)
To Scheme for Benefiary	(10%)

Deduction towards scheme for beneficiary is booked as income by municipal corporation, entry will be:

Scheme for Beneficiary A/c Dr.

To Income A/c

CMC has wrongly booked the same under other building , this entry should be rectified . Rectification entry will be:

IHSDP central grant A/c Dr.

To other Building A/c

C. Old Age pension/MBPY/IGNOAP Grant:

Grant received towards this scheme is distributed as pension to old age personaries as per rules prescribed by the Govt. During our audit we observed that grant received was booked under old age pension head but at the time of payment the same was booked under IGNOAP head, as a result balance in IGNOAP grant shows negative figure (Rs.15,877,697). It is suggested that management should follow same accounting procedure in both at the time of inflow and outflow of fund and the same grant needs to be reconciled.

ii. Verification of cash, Bank & Journal Voucher:-

We have verified cash book, Bank book & Journal Voucher relating to the period from 01.10.2016 to 31.03.2017. Physical verification of cash was done on 7th July, 2017. The physical balance was Rs. 2,55,455 /- (Rupees Two lakh Fify Five Thousand Four hundred Fifty Five.) with the following denomination;

- **Cash In Hand Denomination**

Denomination	Number	Amount
2000	68	1,36,000
500	199	99,500
100	189	18,900
50	7	350
20	33	660
10	4	40
Coin	4	5
Total		**2,55,455**
Balance as per cash Book		**2,55,455**
Difference		**0**

- **Cash Chest Insurance.**

OMAR Point No 27 (2) clearly states that cash kept in a chest must have two keys and should be insured.

During the audit we found that the corporation has kept two keys one is in custody of cashier and other by the designated authority. But the corporation has not taken any insurance policy for the cash chest.

iii. Bank Reconciliation Statement

- The Corporation has maintained 138 bank accounts during the FY 2016-17. Bank reconciliation statements of the 10 bank accounts are given in ***Annexure-1.***

- **Interest Amount Not Booked**

Interest received in Bank A/c not consider in the books of account the same is given below.

S.l. No	Bank Name	Bank A/C ID	Amount(`)
1	BANK OF INDIA (GOPAL PUR)	12	279
		Total	**279**

iv. Review of Statutory deductions & payment such as TDS, Sales Tax, Service Tax, Labour Cess, Royalty & Professional Tax etc

a. TDS Deducted but not yet deposited.

During the course of our audit, we found that balance in TDS on contractors (3502009) of Rs. 10,833 /- & TDS on Professional (3502049) for Rs. 4200 /- being carried forward since long and the same needs to be reconciled.

b. Excess TDS deducted

As per section 194C of Income Tax Act,1961 in case of individual and HUF TDS has to be deducted @1 % on contract value and in case of other than individual and HUF TDS has to be deducted @2% on contract value.

During the year the corporation has deducted TDS in higher rate as compared to the rate prescribed the Income Tax Act of Rs. 41,758 /-. Details of Excess deduction given in ***Annexure- 2.***

c. TDS Not Deducted.

As per sec 194 C if the payment that is being made to the contractor does not exceed Rs.30,000, no TDS on payment to contractor is required to be deducted. However, if the total of all such payment made or to be made during financial year exceeds Rs.1,00,000. TDS shall be deducted @1% on gross amount of receipt at the time of payment in cash or issue of cheque or by demand draft.

S.l. No	Party Name	Bill Amount	Ref Vch ID	Rate of TDS	TDS Amount
1	Trend Technology	6,15,963	8440	1 %	6,160
Total		**6,15,963**			**6,160**

d. Unclaimed Tax Deducted at Source (TDS)

While examining the books of accounts Cuttack Municipal Corporation (CMC) for preparing the financial statement for the financial year 2015-16 it is found that there is a un-claimed Tax Deducted at Source (TDS) of Rs. 23,61,152 /-(Rupees twenty three lakh sixty one thousand one hundred fifty two) lying with Income Tax Department from financial year 2012-13 to 2015-16. These taxes were mainly deducted by the banks on the fixed deposits made by the Corporation. In order to claim the refund the assessee is required to file the income tax return within the prescribed time. If the assessee fails then no claim for refund is entertained by the Income tax department. The CMC has not filed the income tax return.

Though income of CMC is not taxable as per income tax Act, but TDS has been deducted by bank, which is shown as other deposit (4606003). The corporation has not taken any step for the refund the same.

e. Service Tax

Service Tax of Rs. 4,07,941 /- was received but has not yet been deposited in Govt. account instead the same is shown under Service Tax Deductions/Recovery (3502004).

While examining the Service Tax Payable ledger of CMC it is found that the Corporation is not depositing the Service Tax received within the prescribe time line. Monthly details are given below.

Sl No.	Month	Service Tax Collected	Due Date of Deposit
1	Oct-16	74,670	05.11.2016
2	Nov-16	71,265	05.12.2016
3	Dec-16	67,566	05.01.2017
4	Jan-17	57,103	05.02.2017
5	Feb-17	89,067	05.03.2017
6	Mar-17	78,270	30.04.2017
Total		**4,07,941**	

Consequence of Delay in Deposit:

The charging of interest is mandatory in nature. Vide Notification No. -12/2014-ST dated 11.07.2014 the rate of interest charged on delay payment of Service Tax has been enhanced with effect from 1.10.2014, based on period of delay. The rate of interest is as under:

Extent of Delay	**Simple Interest Rate /annum (Normal cases)**	**Simple Interest Rate /annum (Small Ser. Provider)**
Upto 6 months	18 %	15 %
From 6 months and up to 1 year	24 %	21 %
More than 1 year	30 %	27 %

Hence, CMC should take care in this regard for avoiding the interest on delay in deposit of Service Tax collected.

- **Non filling of Half Yearly Service Tax Return by CMC**

While cross examining the Service Tax ledger with the Return it is found that the RMC has not filed the half yearly Service Tax Return in ST-3 for the 1st half of financial year 2016-17.

- ***Procedure for filling the Service Tax Return***

According to the Section 70 of the Finance Act, 1994 every assessee who has registered for Service Tax and has been assigned a Service Tax Registration No. is required to file a Service Tax Return on a half yearly basis.

- ***Due Dates of Filing the Return***

The service tax return, in Form ST-3 shall be filed within 25 days of the end of each half-year. The due dates on this basis are as under:

Half-year	**Due Date**
(1) 1st April - 30th September	25th October
(2) 1st October - 31st March	25th April

- **Late fees for Delay in filling of Service Tax Return**

It the Service Tax return is not filed by the assessee within the due date, then late fees shall be paid as follows:

Delay in filling of Return after Due date	**Late fees**
First 15 days	Rs. 500
15 - 30 days	Rs. 1000
More than 30 days	Rs. 1000 + Rs. 100 per day beyond 30days
Maximum late fees payable is Rs. 20,000	

Hence, the CMC should take due care in this regard.

f. <u>Non Depositing of VAT collected on sale of Tender Papers</u>

The CMC has collected VAT while selling the tender paper, and by way of deduction from the works bill of the contractors. During the 2^{nd} half of financial year 2016-17 the CMC has collected VAT of Rs 60,130 /-. While examining the books of accounts it is found that the CMC has not deposited the VAT amount collected on the sale of Tender paper.

According to the Odisha VAT Act the delay in deposit of VAT collected will attract interest @1% per month. Thus, it is advisee that in order to avoid to the interest it should be deposited within the due date.

Sl No.	**Month**	**VAT Collected**	**Due Date of Deposit**
1	Oct-16	20,750	21.11.2016
2	Nov-16	16,960	21.12.2016
3	Dec-16	7,600	21.01.2017
4	Jan-17	3,780	21.02.2017
5	Feb-17	7,520	21.03.2017
6	Mar-17	3,520	30.04.2017
Total		**60,130**	

g. Advance to contractor wrongly Charge Liability Head.

During the course of our audit we found that advance amount given to contractor which should accounted in to Advance to Supplier /Contractor (4604006) head instead of Contractor / supplier payable (3501002/3501003) head. Thus it is advice to take necessary step to adopt above principle.

Details of contractor / supplier having debit balance where no bill was raised but it still pending on liability head are given in ***Annexure- 3***.

v. Ledger Scrutiny of Major heads of accounts

Previously, We have done ledger scrutiny of major heads of account and our observations are given below:

Sl No.	Reference/Trns. Id	Observation	Amount (Rs.)	Remark/Rectification
1	7663/28.05.15	Amount wrongly treated as tds on employee instead of prof. Tax	4,000	Prof. Tax A/c Dr. To TDS on Employee
2	5774/31.03.16	Due entry passed in GPF account of Rs.29,02,616 but payment made from CPF A/c.To nullify the CPF A/c. net amount of Rs. 26,10,234 trf. To salary payble A/c .	29,02,616 26,10,234 2,92,382	GPF A/c Dr. To Salary payable To Opn. Bal. (3101002)
3	3502033--Recovery Payable - LIC Premium	Excess debit balance brought forward from earlier year	5,57,042	It should be Reconciled from opening balance
4	3502035- EPF Recovery	Excess debit balance brought forward from earlier year	6,72,651	It should be Reconciled from opening balance

The above entry are not yet passed by CMC for rectify the same.

- **Security Deposit**

Received towards security deposit (3401002), Earnest Deposit (3401001), Additional performance security (3401008), Initial security deposit (3401009) booked in their respective heads.
During ledger scrutiny we found that all of the above refund charged from (3401002) Security Deposit head. As a result the balance of remaining head still outstanding since long period.
It is advisable to record the above in appropriate manner.

- **Party sub Ledger:**
Party wise ledger towards security deposit (3401002), Earnest Deposit (3401001), Additional performance security (3401008), Initial security deposit (3401009) is not maintained by the Corporation, as a result it is difficult to track the outstanding balance of contractor/supplier. So it is advised to maintain sub ledgers for the same.

- **Merging of certain sub ledger**

During course of our audit we found that some contractor ledger open twice, which leads to duplicity of party ledger. It is advisable to merge with duplicate ID. Following details are given below.

Sl No.	**Contractor Name**	**Party ID**	**Duplicate ID**
1	MAHRAJ MOHAMMAD	97	334
2	GOPABANDHU ROUTRAY	60	350
3	AJAY KUMAR SAHOO	433	707
4	AVIMANYU SETHI	651	689
5	PARAMATMA FEBRICATORS	718	719
6	ALEKH CHANDRA BASTIA	150	156
7	AKHAYA KUMAR BEHERA	296	424

- **Telephone and Electricity Bill**

CMC has maintained cash basis accounting for the above expenses since long period , which contravene the accounting principle. It is advisable to record both the account in accrual basis.

- **Liability outstanding**

In the course of our audit we found that certain liability which are outstanding since 3 year long of Rs. 66,53,457 /- was not adjusted. So it is advised to the management to take necessary step for its adjustment. The details are given below.

Code	Ledger Name	Amount	Date from outstanding
3401004	Security Deposit - Special Contribution	82,526.00	01.04.2014
3401005	Earnest Deposit - Special Fund	2,100.00	01.04.2014
3401006	Security Deposit - Special Fund	69,879.00	01.04.2014
3501003	Expenses Payable	686,197.00	01.04.2015
3501102	Wages Payable (labourers)	1,264,024.00	01.04.2014
3502001	Provident Fund Deductions	2,459,097.00	01.04.2014
3502002	Insurance Premium Deductions	2,084,189.00	01.04.2014
3502037	Recovery Payable - UCO Bank	1,245.00	01.04.2014
3502049	TDS – Professional	4,200.00	01.04.2014
	TOTAL	**66,53,457.00**	

- **3502041- HBL Payable**

During the course of our audit we observed that payment of Rs.1,77,601 as per details given below was made under Account head (3502041) but the corresponding provision of the same was not created, as a result of which debit balance of Rs.1,77,601 shown as at 31.03.2015. Details are given below.

Sl No.	**Date**	**Transaction Id**	**Amount(Rs.)**
1	30.05.2014	1044	73,883
2	30.05.2014	1045	33,540
3	30.05.2014	1046	51,617
4	20.11.2014	4433	3,582
5	20.11.2014	4436	4,902
6	05.12.2014	4668	3,359
7	27.01.2015	5409	3,359
8	02.02.2015	5462	3,359

It is advised to pass the necessary rectification entry.

vi. Loan & Advances

Advance of Rs. 4,20,296 given in earlier year was not yet recovered / adjusted. So it is advised to the management to take necessary step for its recovery/adjustment. The details are given below.

Sl No.	Advance Head	Amount(Rs.)	Remarks
1	4601001	1,43,296	Advance from 01.04.2012.
2	4601007	1,77,000	Advance from 01.04.2012.
3	4601010	30,000	Advance paid in F.Y.2013-14
4	4604006	70,000	Advance paid in F.Y.2012-13
Total		**4,20,296**	

During our course of audit, we observed that the corporation has not maintained any sub ledger relating to advance to contractors, loans and advance, security deposit, EMD etc.

It is advised to maintain the party wise register for the above mention ledgers also it is advised to prepare age wise analysis of different ledgers for proper internal control for the same.

Vii Fixed Assets

We have observed that the corporation has not conducted physical verification of the fixed assets during the financial year 2016-17.

The management should take proper action for the same in order to proper internal control over the property of the Corporation. It is also advised to conduct physical verifications of all the assets at least once in every year.

Viii **Stock Register and Bill Received Register**

The stock register is not produced before us for verification so we are unable to comment on the same.
As per the information received from the Corporation staff Bills received Register was not maintained at the Corporation, so it is advised to maintain the Bill received Register.

IX . **Contingent Liabilities**

The details of cases filed against the corporation and amount involved is Given In ***Annexure-4*.**

X . **OTHERS (Provision for Unrealised Taxes)**

As per omar chapter -6 Point No.54.
(1) On the amount of receivable, remaining outstanding on account of taxes a provision shall be made for unrealised taxes, at the end of the year, in accordance with the following norms:
(a) 25% of taxes outstanding for more than 2 years, but not exceeding 3 years;
(b) 50% of taxes outstanding for more than 3 years, but not exceeding 4 years;
(c) 75% of taxes outstanding for more than 4 years, but not exceeding 5 years; and
(d) 100% of taxes outstanding for more than 5 years.

(2) Such a provision is made on an overall basis in the Books of Account, and neither any change shall be made in the DCB Register, nor shall this be treated as a reduction of demand or write-off. Action shall be continued to be taken to collect the outstanding amounts by legal means provided under the Act.

During the year no such provision is made in the books of accounts of CMC.

XI **FINANCIAL STATEMENT FOR 2016-17**

On the basis of our examination and information obtained from the corporation the financial statements prepared by the CMC is in accordance with OMAR-2012 subject to our observations given above in our internal audit report.