



भारतीय लेखा एवं लेखा परीक्षा विभाग
कार्यालय - प्रधान महालेखाकार (सामान्य एवं सामाजिक क्षेत्र
लेखा परीक्षा), प.वं., स्थानीय लेखा परीक्षा विभाग

INDIAN AUDIT AND ACCOUNTS DEPARTMENT
OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL
(GENERAL & SOCIAL SECTOR AUDIT), W.B.
LOCAL AUDIT DEPARTMENT

संख्या / No. 1996(TB)
दिनांक / Dated : 23.08.2016

To
The Chairman,
Uttarpara Kotrung Municipality,
New G.T. Road, P.O. Uttarpara,
Hooghly-712258

Sub: Audit Report on Annual Financial Statement for the year 2009-10

Sir,

I am forwarding the Audit Reports and detailed comments on the AFS for the year 2009-10 under section 87 of West Bengal Municipal Act 1993 as amended till date and annexure containing specified information as per Sub-Rule 2 of Rule 22 of West Bengal Municipal Finance and Accounting Rules 1999 as amended in January 2007. I draw your kind attention to Section 88 of the Act ibid to place the Audit Report to the Chairman-in-Council to take remedial measures and report to the Director of Local Bodies with intimation to this office. You are requested to carry out the rectifications as assured while preparing next accounts for correct depiction of Accounting heads and surplus/deficit.

Yours faithfully

UB 23/8/16
Examiner of Local Accounts
West Bengal

Enclosure: As stated above

AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENT OF UTTARPARA-KOTRUNG MUNICIPALITY FOR THE YEAR ENDED 31st MARCH, 2010

1. We have audited the Balance Sheet of the Uttarpara-Kotrung Municipality as at 31st March, 2010 along with Income & Expenditure Account and Receipts & Payments Account for the year ended on that date under section 86 of the West Bengal Municipal Act, 1993 as amended till date. Preparation of these financial statements is the responsibility of the Uttarpara-Kotrung Municipality Management. Our responsibility is to express an opinion on these financial statements based on our audit findings.

2. This Audit Report contains the comments of the Examiner of Local Accounts (ELA) on the accounting treatment with regard to classification, conformity with the best accounting treatment, accounting practices, accounting standards and disclosure norms, etc. Audit observation on financial transactions with regard to compliance with the Laws, Rules and Regulations (Propriety and Regularity Audit) and efficiency-cum-performance aspects, etc., are reported through Inspection Reports/Audit Reports separately.

3. We have conducted our audit in accordance with the Auditing Standards generally accepted in India. These standards require that we plan and perform audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

4. Based on our audit, we report that:

i. 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.

ii. The Balance Sheet and Income & Expenditure Account and Receipts and Payments Account dealt with by this report have been drawn up in the format prescribed under Accounting Manual for Urban Local Bodies (Part – 5 : Forms & Formats) subject to the observations made below.

iii. In our opinion, proper books of accounts and other relevant records have been maintained by the Uttarpara-Kotrung Municipality as required under Accounting Manual for Urban Local Bodies (Part – 5 : Forms & Formats) in so far as it appears from our examination of such books and subject to the observations made below.

Management adhered to appropriate internal controls [Comments as per Sub-rule (2) (1) (d) of the Rule 22 of West Bengal Municipal (Finance & Accounting) Rules, 1999 (Amends) is enclosed (Annexure – 1)]

iv. We further report that-

A. Balance Sheet

A.1 Liabilities

A.1.1 Earmarked Fund (Sch B-2)

General Provident Fund: ₹ 264.24 lakhs

Above did not include ₹2030809.00 being the interest accrued on the Provident Fund of the employees deposited in Treasury Provident Fund for the year 2009-10 as allotted by the State Government in 2010-11.

Non-accounting of the above resulted in understatement of 'Provident Fund' with corresponding understatement of 'Sundry Debtors- Receivable from State Government to the extent of ₹ 20.31 lakhs.

In reply the Municipal Authority stated that the interest on Provident Fund was accounted on Cash Basis.

The reply of the Municipal Authority was not tenable as the interest on Provident Fund deposited in Treasury was accrued on monthly basis and the total interest accrued during the year was to be included in Provident Fund balance and was to be recorded in individual Ledger of employees, Abstract of Provident Fund Ledger etc.

A.1.2 Other Liability (Sundry Creditors) (Sch B-9)

(i) Contractors (code 3501002): ₹ 11.87 lakh

Above did not include ₹236765.00 being payable to contractors as on 31.03.2010 for creation of asset viz. lying of pipe valuing ₹ 153663.00(₹ 109747.00+43916.00) and maintenance of building valuing ₹ 83102.00.

Non-accounting of the above resulted in understatement of Other Liability (Sundry Creditors) to the extent of ₹ 2.37 lakh with corresponding understatement of asset of ₹ 1.54 lakh and understatement of expenditure on repair and maintenance thereby understatement of Deficit to the extent of ₹ 0.83 lakh.

The Municipality admitted the audit comment and stated that necessary adjustment would be made in due course. The depreciation of the asset so created should also be taken into account while making adjustment.

(ii) Gratuity Payable (code 3501106): Nil

Above Gratuity payable did not include ₹ 2769330.00 being Gratuity payable to the employees (18 nos.) retired prior to 31.03.2010.

Non accounting of the above resulted in understatement of Other Liabilities (Sundry Creditors) with corresponding understatement of expenditure thereby understatement of Deficit of income over expenditure to the extent of ₹ 27.69 lakh.

In reply the Municipal Authority stated that the above liability towards gratuity was not considered till receipt of sanction of the same by the State Government (Directorate of Pension, Provident Fund and Gratuity).

The reply of the Municipal Authority was not tenable in terms of para 3.2.1(c) of Accounting Manual for ULB which stipulated that the Gratuity shall be calculated upon retirement of the employees and would be due then.

A.2. Assets

A.2.1 Stock in Hand (Sch. B-14): ₹ 2.59 lakh

Above included ₹ 46668.70 being the value of closing stock in respect of 'Stationery Store'.

As per para 3.3.2(e) of Accounting Manual for ULBs (Part-2), inventories of consumable supplies such as stationery, fuel shall be charged to revenue at the time of purchase. Hence there should not be any stock balance.

Thus, inclusion of stationery items to stock-in-hand balance resulted in overstatement of 'Stock-in-Hand' with the corresponding understatement of expenditure thereby understatement of 'Deficit' to the extent of ₹ 0.47 lakh.

The Municipal Authority could not adduce reasonable reply in this regard.

A.2.2 Cash and Bank Balance (Sch B-17): ₹ 727.33 lakh

Above did not include ₹ 50400.00 being the amount of fifteen un-cashed cheques, the validity of which had already been expired within 31.03.2009 but the amount was not written back in accounts within 31.03.2010.

This resulted in understatement of Cash and Bank Balance with corresponding understatement of Current Liabilities to the extent of ₹ 0.50 lakh.

The Municipal Authority admitted the comments and assured rectification in due course.

A.2.3 Loans, Advance and Deposits (Sch.B-18): ₹ 6.54 lakh

Above did not include Advance of ₹ 810000.00 paid to supplier (vide voucher no.5202 dt.15.03.2010) for procurement of medical equipments against proforma invoice. Instead, the same was shown as payment for acquisition of asset prior to the date of installation in April 2010.

Wrong accounting of the above resulted in understatement of Loans, Advance and Deposits with corresponding overstatement of Fixed Asset by ₹ 8.10 lakh.

The Municipal Authority admitted the comments and assured rectification in due course.

B. Income & Expenditure Account

B.1 Income

B.1.1 Revenue Grants & Subsidies (Sch.I-6): ₹ 751.15 lakhs

As per Government order, 20% of ad-hoc bonus payment is to be reimbursed by the Government on submission of claim in the following year. Therefore, income will be accrued as soon as ad-hoc bonus payment is made.

Above income did not include ₹ 45600.00 being the receivable bonus grant at 20% of the ad-hoc bonus paid by the Municipality during the year 2009-10.

Non-accounting of the above assured income resulted in understatement of 'Income' thereby overstatement of 'Deficit' with corresponding understatement of 'Sundry Debtors (Receivable from the Govt.) to the extent of ₹ 0.46 lakhs.

The Municipal Authority admitted the comments and assured compliance in subsequent years.

B.2 Expenditure

B.2.1 Establishment Expenses (Sch. No. I-10): ₹ 452.56 lakh

Pension contribution: NIL

Above did not include ₹ 1396596.24 being the pension contribution of the Municipality for 'Pension Fund' of the employees at the rate of six *per cent* of the basic salary (₹ 23276604.00). The matching Pension Fund amount should be kept separately under 'Investment'. All basic pension payment should be made through 'Pension Fund'.

Non-accounting of the pension contribution resulted in understatement of expenditure thereby understatement of Deficit with corresponding understatement of 'Pension Fund (Earmarked Funds) to the extent of ₹ 13.97 lakh. Simultaneously Cash at Bank overstated with corresponding understatement of Investment by the same extent.

The Municipal Authority admitted the comments and assured rectification in due course.

B.2.2 Administrative Expenses (Sch.I-11)

Insurance (22040): ₹ 0.53 lakh

Above expenditure on Insurance of ₹ 52883.50 included ₹ 10272.00 being Pre-paid insurance premium on Municipal Buildings- Assets and Vehicles relating to financial year 2009-10.

Wrong accounting of the above resulted in overstatement of expenditure on Insurance thereby overstatement of Deficit of income over expenditure with corresponding understatement of 'Pre-paid Expenses (Sch. B-16) by ₹ 0.10 lakh.

The Municipal Authority admitted the comments and assured compliance in subsequent years.

C. GENERAL OBSERVATIONS:-

1. Journal Vouchers passed without authorization by the higher officer:.

Total 1703 nos. of Journal vouchers amounting ₹5489.15 lakh were passed for rectification of entries. But, none of the Journal vouchers were authorized by competent Authority of the Municipality and also were not supported by primary documents/records.

2. Property Tax:

(a) Demand & Collection Register of property Tax:

The Municipality failed to furnish source documents of such as Demand and Collection Register, Abstract register of Demand and Collection, demand notice etc related to Demand and Collection of Property Tax for the year 2009-10.

(b) Sundry Debtors (Receivables) (Sch B-15): ₹ 405.14 lakh

As per para 3.1.4 of Accounting Manual of ULB (Part-2), 100% provision on the arrears of Property Tax due is to be made in respect of sick/closed industries. However, no provision was made in the accounts although there were arrears of ₹ 7687114.33 on Property Tax from sick/closed industries. But no provision was made in the accounts. The Municipality should properly verify the actual status of the concerned industries and should make the necessary rectification in the Accounts.

The Municipality in reply stated that the Municipality could not ascertain the sick/closed industries as yet. The process of identification of such was going on.

The reply was not tenable because such receivable was included in Accounts.

3. Physical verification of Store/Fixed Asset not conducted:

No physical verification of movable as well as immovable assets was done by the Municipality at a regular interval. As a result the Municipal authority could not ensure whether all the assets accounted for in the Stock Register/Assets Register were physically available and vice versa.

4. Deficiencies/shortcomings in accounting software package 'Purohisab' :

a) The accounting software package 'Purohisab' did not generate any 'Grant register, Unpaid Bill Register, Works register, Loan register, Investment Register, records in details of Sundry creditors, Asset matrix, as per prescribed format.

b) In case the accounting software package 'Purohisab' encounters any malfunction or crashes, the workability of data backup is not known.

c) Narration in some payment voucher was absent.

d) The name/designation of voucher entering and passing person was same, i.e., AFC which frustrated the system of double checking of the vouchers. Moreover, the Municipality failed to furnish any password register or copy of the resolution indicating the persons authorized by the B.O.C. for posting the entries and passing the entries in the system leaving the total system unsecured.

D. Effect of Audit Comments on Accounts:

The net impact of the comments given in preceding Para is that the liabilities as on 31st March 2010 were understated by ₹64.84 lakh, assets understated by ₹ 22.44 lakh and the Deficit of income over expenditure for the year was understated by ₹42.40 lakh.


v) Subject to our observations in the preceding paragraphs, we report that the Balance Sheet and Income and Expenditure Account and receipts and Payment Account dealt with by this report are in agreement with the books of accounts.

vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Accounting Policies and Notes on Accounts, and because of the significant matters stated above do not give a true and fair view in conformity with Accounting Principles generally accepted in India.

a) In so far as it relates to the Balance Sheet of the State of affairs of the Uttarpara-Kotrung Municipality as at 31st March, 2010 and

b) In so far as it relates to the Income & Expenditure for the year ended on that date.

Place : Kolkata
Date : .08.2016


23/8/16
Examiner of Local Accounts
West Bengal

Working Sheet on Net impact on Accounts of Uttarpara-Kotrung Municipality for 2009-10

(₹ in Lakh)

Ref. No.	Liability		Asset		Deficit	
	U/S	O/S	U/S	O/S	U/S	O/S
A.1.1	20.31		20.31			
A.1.2(i)	2.37		1.54		0.83	
A.1.2(ii)	27.69				27.69	
A.2.1				0.47	0.47	
A.2.2	0.50		0.50			
A.2.3			8.10	8.10		
B.1.1			0.46			0.46
B.2.1	13.97		13.97	13.97	13.97	
B.2.2			0.10			0.10
Total	64.84	0.00	44.98	22.54	42.96	0.56

Liability understated by ₹ (64.84-0.00) lakh = ₹64.84 lakh

Asset understated by ₹ (44.98-22.54) lakh = ₹ 22.54 lakh

Deficit understated by ₹ (42.96-0.56) = ₹ 42.40 lakh

U/S – Understatement

O/S – Overstatement

ANNEXURE – 1

**Audit comments on the information as asked under Sub rule 2 of Rule 22 of the West Bengal Municipal (Financial & Accounting) Rules, 1999 as amended in January, 2007
Uttarpara-Kotrung Municipality for the year 2009-10**

Sl. No.	Item of Information	Audit Comments
1	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 unauthorized by law.	During test check, no such deviation was found.
2	Whether all sums due to are in all cases such as are authorized by law.	No deficiency was noticed in course of test check.
3.	Whether all transactions (income, expenditure, assets and liabilities) are correctly classified and stated in sufficient details?	Audit comment given in specific cases.
4.	Whether in respect of all bills for charges on accounts of all works and other expenditure proper certificates have been furnished in support of them and that no deviation has been made from the sanctioned plans and the estimate without other sanction of the competent authority?	As per test check no deviation has been made from the sanctioned plans and the estimates.
5.	Whether the amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order?	No major deficiency in this respect was noticed as per test check.
6.	Whether the special funds, if any, have been utilized for the purpose for which created?	Pension Fund was not created. Provident Fund was being utilized for the purpose for which the same was created.
7.	Whether the Municipality is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets? Whether these fixed assets have been physically verified by the management at reasonable intervals? Whether any material discrepancy was noticed on such verification and if so, whether the same have been properly dealt with in the Books of accounts?	The Municipality though maintained Asset Register but the details of work and measurement were not recorded. No physical verification of fixed assets had been done by the Management.
8.	Whether physical verification has been conducted by the Municipality at reasonable intervals in respect of stores?	Physical verification of stores was not done during the year 2009-10.
9	Whether the procedures of physical verification of store followed by the Municipality are reasonable and adequate, if not, the inadequacies in such procedures should be reported.	No. Physical verification of stores was not done.
10	Whether any material discrepancies have been noticed on physical verification as compared to books of records and if so whether the same have been properly dealt with in the books of accounts?	Discrepancy could not be ascertained as physical verification of stores was not done at all.
11	Whether the valuation of stores is in accordance with the Accounting principles laid down by the state govt. from time to time? Whether the basis of valuation of stores is same as	Yes.

Sl. No.	Item of Information	Audit Comments																		
	in the preceding year. If there is any deviation in the basis of valuation, the effect of such deviation, if materials, should be reported?																			
12	Whether the parties to whom the loans or advances in the nature of loans have been given by the Municipality, are repaying the principal amounts as stipulated and are also regular in payments of the interest and if not, whether reasonable steps have been taken by the Municipality for recovery of the principal and interest?	No primary record in this respect was available. Hence it could not be ascertained.																		
13	Whether there exists an adequate internal control procedure for the purchase of store including components, plant and machinery, equipment and other assets?	Yes.																		
14	Whether proper procedure 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?	Yes.																		
15	Whether the Municipality is regular in depositing Provident fund dues and Professional Tax deducted with the appropriate authorities and if not, the extent of arrears?	Yes.																		
16	Whether the Municipality is regular in depositing deducted at source Income Tax and Work contract tax and other statutory dues, and if not, the nature and cause of such delay and the amount not deposited?	Yes.																		
17	Whether any personal expenses have been charged to revenue accounts? If so the details thereof.	No.																		
18	Whether the total liabilities of the Municipality can be met out of the Municipal fund when falling due?	<p>No. As calculated below</p> <p style="text-align: right;">(₹ in Lakh)</p> <table border="1"> <thead> <tr> <th>Head</th> <th>Amount</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Earmarked funds</td> <td>264.24</td> <td></td> </tr> <tr> <td>Unspent grant-Loan</td> <td>414.76</td> <td>679.00</td> </tr> <tr> <td>Current assets – Current liabilities</td> <td>(-) 272.74</td> <td></td> </tr> <tr> <td>Investment</td> <td>469.93</td> <td>197.19</td> </tr> <tr> <td>Excess of liability over cash strength</td> <td></td> <td>481.81</td> </tr> </tbody> </table>	Head	Amount	Amount	Earmarked funds	264.24		Unspent grant-Loan	414.76	679.00	Current assets – Current liabilities	(-) 272.74		Investment	469.93	197.19	Excess of liability over cash strength		481.81
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Place : Kolkata
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