



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

SS-17/1/15 उत्तरपारा-कोट्रुंग म (11-12)/17-18/624(TB)
संख्या / No.

दिनांक / Dated : 15.05.2017

F.O. Sahab, PL,
25/5/17

Praboy Babu pl.
1/12/2017
05/05/17

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 2011-12

Sir,

I am forwarding the Audit Reports and detailed comments on the AFS for the year 2011-12 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 you 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

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, 2012

1. We have audited the Balance Sheet of the Uttarpara-Kotrung Municipality as at 31st March, 2012 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 Other Liabilities (Sundry Creditor) (Sch.B-9): ₹ 1258.82 lakh

(a) Above did not include ₹ 3877632.00 (₹ 3655848.00 as revenue expenditure and ₹ 221784.00 as wage bills) being the revenue nature expenditure incurred during 2011-12 but paid during 2012-13.

Non inclusion of the above liability resulted in understatement of Other Liabilities (Sundry Creditors) with the corresponding understatement of expenditure and thereby overstatement of Surplus of income over expenditure to the extent of ₹ 38.78 lakh. The Municipality should ascertain the source of fund of the revenue expenditure and made necessary grants fund adjustment if the expenditure incurred from grants fund.

In reply, the Municipality admitted the facts and figures and assured that necessary rectification would be made in the subsequent AFS.

(b) Gratuity Payable: Nil

The above did not include ₹ 5182520.00 being Gratuity payable to twenty nine employees retired/died prior to 31.03.2012. The expenditure had neither been paid nor provided any liability in the accounts for the year 2011-12.

Non-inclusion of the above liability resulted in understatement of Other Liabilities (Sundry Creditors) with the corresponding understatement of expenditure/prior period expenditure and thereby overstatement of Surplus of income over expenditure to the extent of ₹ 51.83 lakh.

In reply, the Municipality admitted the facts and figures and assured that necessary rectification would be made in the subsequent AFS.

A.2 Assets

A.2.1 Fixed Assets (Gross Block) (Sch.B-11): ₹ 3362.64 lakh

Fixed Assets (Net Block) (Sch.B-11): ₹ 1092.01 lakh

As per Accounting Manual for ULBs [Part-3, Annexure-6], the estimated life of Electrical installation, Transformers, Cables (HT & LT), is 15 years.

Due to wrong calculation of estimated life (10 years instead of 15 years) of three assets (Electric installation), (Created out of Govt. Grants fund) depreciation was charged excess by ₹ 13351.00 (Grants Fund).

Wrong accounting of the above resulted in understatement of Fixed Asset with the corresponding understatement of Grants against Fixed Asset to the extent of ₹ 0.13 lakh.

The Municipality did not furnish any reply.

A.2.2 Stock in Hand (Sch.B-14): ₹ 6.69 lakh

Stationary Store: ₹ 0.81 lakh

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.

Above included ₹ 81374.00 being the value of closing stock in respect of 'Stationery Store'.

Thus, inclusion of stationery items to stock-in-hand balance resulted in overstatement of 'Stock-in-Hand' with the corresponding understatement of expenditure thereby overstatement of 'Surplus of income over expenditure' to the extent of ₹ 0.81 lakh.

In reply, the Municipality admitted the facts and figures and assured that necessary rectification would be made in the subsequent AFS.

A.2.3 Pre-paid Expenses (Sch.B-16): Nil

Above did not include ₹ 11071.00 being Pre-paid insurance premium for vehicles relating to financial year 2012-13. (Vr. no. 3247 dt. 04.01.12 and Vr. no. 3984, dt 24.03.12).

This resulted in understatement of Pre-paid Expenses with the corresponding overstatement of expenditure and thereby understatement Surplus of income over expenditure to the extent of ₹ 0.11 lakh.

The Municipal Authority admitted the comments and assured that due effect would be given in the next balance sheet.

B Income & Expenditure Account

B.1 Income

B.1.1 Revenue Grants & Subsidies (Sch.I-6): ₹ 1053.00 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.

The Municipality paid 'Bonus' to its employees in the year 2011-12 of ₹ 555000.00 Thus, the municipality accrued an 'Income' of ₹ 111000.00. This was required to be included as 'Income' for the year with creation of Receivables for the same amount.

Non-accounting of the above assured income resulted in understatement of 'Income' and thereby understatement of Surplus of income over expenditure with the corresponding understatement of 'Sundry Debtors (Receivable from the Govt.) to the extent of ₹ 1.11 lakhs.

The Municipal Authority admitted the comments and assured that due effect would be given in the next balance sheet.

B.1.2 Interest Earned (Sch.I-8): ₹ 13.39 lakh
Bank Interest: ₹ 8.55 lakh

As per Accounting Manual for ULBs (Para 3.3.3 f of Part 2) income on investments made from Special Fund and Grants under specific Scheme should be recognized and credited to Special Fund and Grants under Specific Scheme respectively, whenever accrued.

Above included ₹ 621507.00 being the interest earned on specific grants fund (SJSRY, Mid Day Meal and 13th FC & 12th FC) deposited into the banks. The interest accrued on specific grant become part of the respective grants. It should not be shown in the 'Income & Expenditure Account' as operating income.

Thus, inclusion of above interest as income of the Municipality resulted in overstatement of income and thereby overstatement of 'Surplus of income over expenditure' with the corresponding understatement of 'Grant, Contribution for Specific Purpose' to the extent of Rs 6.22 lakh.

The Municipal Authority admitted the comments and assured that due effect would be given in the next balance sheet.

B.2 Expenditure

B.2.1 Establishment Expenses (Sch.I-10): ₹ 763.80 lakh
Pension contribution: NIL

Above did not include ₹ 1417487.82 being the pension contribution of the Municipality for 'Pension Fund' of the employees at the rate of six *per cent* of the basic salary (₹ 23624797.00). 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 overstatement of Surplus of income over expenditure with corresponding understatement of 'Pension Fund (Earmarked Funds) to the extent of ₹ 14.17 lakh and overstatement of Cash and Bank balance with the corresponding understatement of Investment Other Fund by the same extent.

The Municipal Authority admitted the comments and assured that due effect would be given in the next balance sheet.

C RECEIPT AND PAYMENT ACCOUNT

No comments

D.1 Journal Vouchers

As per 'Purohisab' accounting software package, Journal Vouchers were passed while preparation of Annual Accounts for the year 2011-12 without any authorization of the Higher authority and justifying primary documents.

D.2 Property Tax

A defalcation was detected during Transaction Audit as to collection and deposit of Property tax pertaining to the period 2011-12. It was noticed that the demand for property tax was reduced although the entire collection money was not deposited against actual collection. Pending further enquiry figures shown under Property Tax could not be verified in audit.

D.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 or not.

D.4 Primary Documents

Though the Municipality did finalize the Annual accounts for the 2011-12, it did not maintain the basic/primary records like Advance Register, Unpaid Bill Register, etc. As a result, the figures as depicted in the annual accounts could not properly be verified in audit.

D.5 Deficiencies/ shortcomings in accounting software package 'Purohisab'

a) The accounting software package 'Purohisaab' has no locking arrangement in so far as accounting period is concerned i.e. any voucher can be entered at a later date after closing of a particular accounting year on real time basis thereby leaving the system unsecured.

b) The accounting software package 'Purohisaab' is unable to generate 'Bank Reconciliation statement' thereby rendering it ineffective as all the record/entries pertaining to Bank Reconciliation statement are being kept manually.

c) The accounting software package 'Purohisaab' did not generate any 'Grant Register', 'Fixed Assets Register', 'Cash Flow statement', etc. as per prescribed format.

d) There was no scope to save any computer I.P. address against any transaction. Not even that, the name/designation of voucher entering and passing person was not reflected against the voucher posted/passed in any occasions. Hence, both the persons might be the same 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;

e) The Receipt and Payment vouchers were not maintained by the Municipality in Form no. 97 and 98.

E Notes to Accounts

The fact that salary paid by the Government of West Bengal through different Departmental Budget to the Executive officer, Finance Officer of the Municipality with quantification was not disclosed.

F Effect of Audit Comments on Accounts:

The net impact of the comments given in preceding Para is that the liabilities as on 31st March 2012 were understated by ₹ 111.13 lakh, assets understated by ₹ 0.54 lakh and the Surplus of income over expenditure for the year was overstated by ₹ 110.59 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, 2012 and

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

Place: Kolkata
Date: .05.2017


Examiner of Local Accounts
West Bengal

Working Sheet on Net impact on Accounts of Uttarpara-Kotrung Municipality for 2011-12

(₹ in Lakh)

Ref. No.	Liability		Asset		Surplus	
	U/S	O/S	U/S	O/S	U/S	O/S
A.1.1a	38.78					38.78
A.1.1b	51.83					51.83
A.2.1	0.13		0.13			
A.2.2				0.81		0.81
A.2.3			0.11		0.11	
B.1.1			1.11		1.11	
B.1.2	6.22					6.22
B.2.1	14.17		14.17	14.17		14.17
Total	111.13	0.00	15.52	14.98	1.22	111.81

Liability understated by ₹ (111.13-0.00) lakh = ₹111.13 lakh

Asset understated by ₹ (15.52-14.98) lakh = ₹ 0.54lakh

Surplus overstated by ₹ (111.81-1.22) = ₹ 110.59 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

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.	As per test check, expenditures incurred were authorized by appropriate provision in the sanctioned budget.
2	Whether all sums due to are in all cases such as are authorized by law.	Yes in test checked cases.
3.	Whether all transactions (income, expenditure, assets and liabilities) are correctly classified and stated in sufficient details?	Yes in test checked 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 was found 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 deviation was noticed as per test check.
6.	Whether the special funds, if any, have been utilized for the purpose for which created?	Provident Fund was 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?	No. Physical verification of Fixed Assets has not been made.
8.	Whether physical verification has been conducted by the Municipality at reasonable intervals in respect of stores?	No physical verification of Stores was done.
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 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?	No physical verification of Stores was done.
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 in the preceding year. If there is any deviation in the basis of valuation, the effect of such deviation, if materials, should be reported?	No.

Sl. No.	Item of Information	Audit Comments																				
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 deviation was noticed as per test check.																				
13	Whether there exists an adequate internal control procedure for the purchase of store including components, plant and machinery, equipment and other assets?	Internal control system needs to be strengthened.																				
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?	There was no proper procedure to identify any unserviceable and damaged store and no provision for the loss was made in the accounts.																				
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?	As per test check no such irregularities was observed.																				
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?	As per test check no such irregularities was observed.																				
17	Whether any personal expenses have been charged to revenue accounts? If so the details thereof.	Not found during test check.																				
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> <table border="1"> <thead> <tr> <th rowspan="2">Head</th> <th colspan="2">₹ in Lakh</th> </tr> <tr> <th>Amount</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Earmarked funds</td> <td>358.17</td> <td></td> </tr> <tr> <td>Unspent grant-Loan</td> <td>816.08</td> <td>1174.25</td> </tr> <tr> <td>Current assets – Current liabilities</td> <td>260.81</td> <td></td> </tr> <tr> <td>Investment</td> <td>550.75</td> <td>811.56</td> </tr> <tr> <td>Excess of liability over cash strength</td> <td></td> <td>362.69</td> </tr> </tbody> </table>	Head	₹ in Lakh		Amount	Amount	Earmarked funds	358.17		Unspent grant-Loan	816.08	1174.25	Current assets – Current liabilities	260.81		Investment	550.75	811.56	Excess of liability over cash strength		362.69
Head	₹ in Lakh																					
	Amount	Amount																				
Earmarked funds	358.17																					
Unspent grant-Loan	816.08	1174.25																				
Current assets – Current liabilities	260.81																					
Investment	550.75	811.56																				
Excess of liability over cash strength		362.69																				

Place: Kolkata
Date: .05.2017


Examiner of Local Accounts
West Bengal