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INDIAN AUDIT AND ACCOUNTS DEPARTMENT

O/o PRINCIPAL ACCOUNTANT GENERAL

(GENERAL & SOCIAL SECTOR AUDIT), W.B.

LOCAL AUDIT DEPARTMENT

No. SS-III/ A/cs Bansberia M (09-10)/15-16/ 3365 (TB)
Dated: 18.11.2015

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To
The Chairman,
Bansberia Municipality,
Rudra Main Road
PO- Bansberia,
Dist- Hooghly, Pin-712502

Sub: Audit Report on Annual Financial Statement(AFS) 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.

Yours faithfully

UB 13/11/15

Examiner of Local Accounts
West Bengal

8, Kiran Sankar Roy Road, G.I. Press Building 2nd Floor, Kolkata-700001

**AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF
BANSBERIA MUNICIPALITY FOR THE YEAR ENDED 31ST MARCH, 2010**

We have audited the Balance Sheet of the Bansberia 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 Bansberia 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 not 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 not been maintained by the Bansberia 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 Funds (Schedule No. B - 2): ₹ 177.77 lakh
Provident Fund: ₹ 161.89 lakh**

Above did not include ₹ 1282510.00 being the interest accrued on General Provident Fund balance as on 31.03.2010.

Non-accounting of the above resulted in understatement of 'Provident Fund (Earmarked Funds)' with the corresponding understatement of receivable to the extent of ₹ 12.83 lakh

Necessary steps may be taken to create a new Account head to account for interest receivable on 'Investments-Other Fund (Schedule No B-13)' so that the interest accrued on General Provident Fund balance but not received during the year may be accounted for under this head.

In reply, the Municipality stated that the matter was noted for future guidance.

B INCOME AND EXPENDITURE ACCOUNTS

B.1 Expenditure

B.1.1 Establishment Expenses (Schedule No I-10): ₹ 619.33 lakh

a. Pension contribution: NIL

Above did not include ₹ 1691694.06 (6% of the basic salary of ₹ 28194901) being the pension contribution of the Municipality for 'Pension Fund' of the employees. 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 and there by understatement of Deficit with the corresponding understatement of 'Pension Fund (Earmarked Funds)' to the extent of ₹ 16.92 lakh and overstatement of Cash and Bank balance with the corresponding understatement of Investment by the same amount.

In reply, the Municipality stated that henceforth the matter would be rectified.

b. Above included ₹6579390.00 being the expenditure incurred towards payment of 'Pension' during the year 2009-10. Since a separate Pension Fund (available balance ₹ 565000.00 and above pension contribution ₹ 1691694.06) was operated by the Municipality, the above payment should be adjusted against 'Pension fund' (₹5.65 lakh + ₹16.92 lakh = ₹22.57 lakh) and then remaining amount should be shown as expenditure in the Income and Expenditure account.

Non-adjustment against the Pension Fund as stated above resulted in overstatement of expenditure and there by overstatement of Deficit with the corresponding overstatement of 'Pension Fund (Earmarked Funds)' to the extent of ₹ 22.57 lakh and understatement of 'Cash and Bank balance' with the corresponding overstatement of 'Investment' by the same amount. Remaining balance of ₹43.22 lakh should be treated as prior period expenditure.

In reply, the Municipality stated that henceforth the matter would be rectified.

B.2 Income

B.2.1 Interest Earned (Schedule No. I - 8): ₹ 20.30 lakh

Above included ₹ 1092674.00 being the interest earned from Savings Bank Accounts of various unutilized Grants (₹ 1080096.00) and item of Earmarked Fund (₹ 12578.00).

As per Accounting Manual for ULBs (Part – 2 / Para 3.3.3 f) 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.

Wrong accounting of the above resulted in overstatement of 'Income' and there by understatement of Deficit by ₹ 10.93 lakh with the corresponding understatement of respective Grants under 'Grants, Contributions for Specific Purposes' by ₹ 10.80 lakh and understatement of Benevolent Fund under Earmarked Fund by ₹ 0.13lakh.

In reply, the Municipality stated that bank balance was not to be treated as investment as investments were placed under B-13 and not under B-17.

The reply of the Municipality is not tenable as income generated in the form of interest earned from Savings Bank Accounts of various unutilized Grants and item of Earmarked Fund are not part of the Municipal Fund but should be credited to the respective grants and items of Earmarked Fund.

D GENERAL OBSERVATION)

D.1 Bank Reconciliation Statement

The Bank Reconciliation Statements for the year was not prepared in proper way and furnished to Audit. In reply, the Municipality stated that the matter would be rectified in future. Hence, the Cash and Bank Balance (Sch-B-17) could not be confirmed in audit.

D.2 The Works Register was not checked and authenticated by the competent Authority and as such, the figures could not be verified by the Audit.

In reply, the Municipality stated that the matter was noted for future guidance.

D.3 Journal Vouchers passed without authorization

Total 1525 no. of Journal Vouchers were passed and incorporated in the Annual Accounts for the year without any authorization by the controlling officer and justifying primary documents.

In reply, the Municipality stated that the related payment vouchers were authenticated by the authority and in them the related journal vouchers were also mentioned; though the matter was noted for future guidance.

D.4 Physical verification

Physical Verification of Stock was not done regularly by the Authority, in the absence of which the figures incorporated in the accounts could not be verified.

In reply, the Municipality stated that the matter was noted for future guidance.

D.5 Property Tax

Age-wise receivable of Property Tax were not shown in Accounts.

In reply, the Municipality stated that the matter was noted for future guidance.

D.6 Deficiencies/shortcomings in accounting software package 'Purohisaab'

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) In absence of any password policy in respect of the accounting software package 'Purohisaab', password can be created using only numeric/alphabets characters that too of desired length rendering the password strength weak. In IT environment, password being an integral part of logical access control, must be maintained as per

standard password policy and should preferably be alphanumeric as well as containing special character. Besides, there is no restriction on the unauthorized log-in attempts i.e unlimited/unrestricted number of unauthorized log-in attempts can be made to enter the accounting software package 'Purohisaab', rendering the security of entire system vulnerable.

In reply, the Municipality stated that the matter was noted for future guidance.

D.7 During the scrutiny of Schedule B-15 of the Balance Sheet & Schedule I-1 of the Income & Expenditure statement, it had been observed that the property tax receivable on commercial buildings (arrear) (4311004) had been shown as Nil and Current Property Tax receivable on commercial buildings had not been shown.

In reply, the municipality stated that code nos. 4311001, 4311002 and 43110010 are used for property tax.

As the Codes stated in the reply pertained with the Property tax on Residential Buildings and Sick Commercial properties, it was obvious that the municipality did not maintain the account of property tax on commercial buildings both in respect of the current year and in respect of the arrear separately during the year 2009-10 which violated the basic accounting policies. The municipality is required to stop the aforesaid practice and maintain separate accounts/code for the property tax on commercial buildings rather than clubbing it with the property tax on residential buildings.

D.8 During the Scrutiny of the Schedule B-11 (Fixed Assets) & Schedule B-11 (Accumulated depreciation) of the balance Sheet, it has been noticed that actual depreciation has not been charged on 'Municipal halls, Shops and Town Halls' and 'Construction/Renovation of Building for pro-poor Activity' though asset value of ₹677514.00 and ₹ 1964055.00 has been added respectively.

In reply the municipality stated that the depreciation in respect of the aforesaid items was provided in the code 4112001.

Non-providing of depreciation in respect of the aforesaid items separately in the concerned schedule amounted to the violation of the the accounting standards according to which the depreciation in respect of fixed items capable of being identified as distinct entity should be provided separately.

D.9 Fixed Asset (Net Block): ₹ 1927.87 lakh

Above included ₹2522257.00 being the balance of 'Capital Work in Progress (CWIP)' for the year. However, the balance under CWIP cannot be treated as part of the Net Block as the CWIP had not been capitalized as yet.

In reply, the Municipality stated that the value of CWIP was not included in the Gross Block of Assets and no depreciation was provided; however, somehow the Balance of CWIP was included in the Net Block of Balance Sheet and that it should be after the Net Block. The Municipality also stated that Balance Sheet was auto generated and it may be a fault in Accounting Software (Purohisab). On examination it was found that the total balance of the Fixed Assets, i.e. [(Gross Block - Depreciation) + Capital Work in Progress] was correctly shown. However, the fact remains that amount under Net Block wrongly included the balance under CWIP and the balance of CWIP was not shown in its proper position i.e. after the Net Block and appropriate action is required to be taken for rectification of the error.

v) Subject to our observation in the preceding paragraphs, we report that the Balance Sheet and Income and Expenditure Account and Receipts and Payments Account dealt with by this report are not 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 and because of the significance of the matters discussed in preceding paragraphs, **we are not able to express an opinion on the Financial Statement of the Bansberia Municipality for the year ending 31st March 2010.**

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(a) In so far as it relates to the Balance Sheet of the State of affairs. of the Bansberia Municipality as at 31 March, 2010 and

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

Place: Kolkata
Dare: .11.2015


Examiner of Local Accounts,
West Bengal


ANNEXURE – I

**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 authorized by law.	During test check, no such deviation was found.
2.	Whether all sums due to and received by the Municipality have been brought to account within the prescribed time limits and are in all cases such as are authorized by law.	Deficiencies noticed during test check, have been pointed out.
3.	Whether all transaction (income, expenditure, assets and liabilities) are correctly classified and stated in sufficient details?	-do-
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?	No major deviation was found during test check.
5.	Whether the amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order?	-do-
6.	Whether the special funds, if any, have been created as per the provisions of relevant statutes and whether the special funds have been utilized for the purpose for which created?	-do-
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 informed (June 2015) that physical verification had been done and no discrepancy had been found.
8.	Whether physical verification has been conducted at reasonable intervals in respect of stores?	The matter has been commented upon.
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.	-do-
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?	The Municipality informed (June 2015) that the matter had been properly dealt with in the books of accounts.

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?	During test check, no major irregularity was noticed in this regard.																					
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?	-do-																					
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?	The Municipality informed (June 2015) that required action in this regard had been taken.																					
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.	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 (₹ 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>177.77</td><td></td></tr> <tr> <td>Unspent grant-</td><td>409.31</td><td></td></tr> <tr> <td>Loan</td><td>853.56</td><td>1440.64</td></tr> <tr> <td>Current assets - Current liabilities</td><td>168.88</td><td></td></tr> <tr> <td>Investment</td><td>180.39</td><td>349.27</td></tr> <tr> <td>Excess of liability over cash strength</td><td></td><td>1091.37</td></tr> </tbody> </table>	Head	Amount	Amount	Earmarked funds	177.77		Unspent grant-	409.31		Loan	853.56	1440.64	Current assets - Current liabilities	168.88		Investment	180.39	349.27	Excess of liability over cash strength		1091.37
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Place: Kolkata
Date: .11.2015


 Examiner of Local Accounts,
 West Bengal