



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-III/A/c Bhadreswar M (14-15)/17-18/4015 (13)
संख्या/No.

दिनांक / Dated : 02.10.2012



RECD. NO 20476
FILE 1/1
DATE 06.11.17

To
The Chairman
Bhadreswar Municipality,
35, G.T. Road
P.O. Bhadreswar,
Hooghly -712124

Sub: Audit Report on Annual Financial Statement for the year 2014-15

Sir,

I am forwarding the Audit Reports and detailed comments on the AFS for the year 2014-15 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

Examiner of Local Accounts
West Bengal

Enclosure: As stated above

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27/11/17

**DRAFT AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF
BHADRESWAR MUNICIPALITY FOR THE YEAR ENDED 31ST MARCH, 2015**

We have audited the Balance Sheet of the Bhadreswar Municipality as at 31st March, 2015 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, 2003, as amended till date. Preparation of these financial statements is the responsibility of the 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 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 not been maintained by the Bhadreswar 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 – B)].

iv. We further report that-

A Balance Sheet:

A.1 Liabilities

A.1.1 Municipal (General) Fund (Sch.B-1): (-) ₹ 152.54 lakh

In terms of para 24.3 of Accounting Manual (Part-3) in case of liabilities exceeding the assets, the balance will be shown as "Capital Deficit" under Application of funds.

But above ₹ 15253551.87 being the negative balance of Municipal Fund was shown as closing balance of Municipal Fund instead of showing the same as Miscellaneous Expenditure to be written off (Capital Deficit) under Sch.B-20.

Wrong accounting of the above resulted in understatement of 'Municipal Fund' with the corresponding understatement of 'Misc. Expenditure to be written off' to the extent of ₹ 152.54 lakh

In reply, the Municipal authority admitted the above facts and stated that necessary steps will be taken / adjustment will be done in the subsequent timed year.

A.1.2 Other Liabilities (Sundry Creditors) (Sch. B-9): ₹ 209.35 lakh
Gratuity Payable: ₹ 0.00

Above did not include ₹ 615830.00 being gratuity payable to eleven retired/death employees as on 31.03.2015.

Non-accounting of the above resulted in understatement of 'Other liabilities' with the corresponding understatement of 'Expenditure' and thereby overstatement of 'Surplus of income over expenditure' to the extent of ₹ 6.16 lakh.

In reply, the Municipal authority admitted the above facts and stated that necessary steps would be taken for adjustment in the subsequent timed year.

A.2 Asset

A.2.1 Sundry Debtors (Receivables) (Sch-B-15): ₹ 501.51 lakh

Above did not include ₹ 5940927.00 being the reimbursement of total requirement of Basic Pension and Dearness Relief (at the rate of 40 percent) for the year 2014-15 as claimed by the ULB as per Government Order and received in 2015-16.

Non-accounting of the above resulted in understatement of income and thereby understatement of Surplus of income over expenditure with the corresponding understatement of Sundry Debtors (Receivable) to the extent of ₹ 59.41 lakh.

In reply, the Municipal authority admitted the above facts and stated that necessary steps would be taken for adjustment in the subsequent timed year.

B Income and Expenditure

B.1 Income

B.1.1 Tax Revenue (Sch.I-1): ₹ 178.11 lakh

Against the actual demand of Property Tax of ₹ 16586852.29 (as per statement submitted by the Municipality on the basis of Demand and Collection Register), ₹ 17642362.05 was exhibited in accounts. The difference of between the figures was not reconciled to audit.

Wrong accounting of the above resulted in overstatement of income and there by overstatement of Surplus of income over expenditure with the corresponding overstatement Sundry Debtors (Receivables) to the extent of ₹ 10.55 lakh (₹ 176.42-₹ 165.87)

In reply, the Municipal authority admitted the above facts and stated that necessary steps would be taken for adjustment in the subsequent timed year.

**B.1.2 Rental Income from Municipal Properties
Rent from Markets: ₹5.25 lakh (Sch. I-3)**

Against the actual demand of Rental Income from Market of ₹ 353853.00 (as per statement submitted by the Municipality), ₹ 525246.00 was exhibited in accounts. The difference of between the figures was not reconciled to audit.

Wrong accounting of the above resulted in overstatement of income and there by overstatement of Surplus of income over expenditure with the corresponding overstatement Sundry Debtors (Receivables) to the extent of ₹ 1.71 lakh (₹ 5.25-₹ 3.54).

In reply, the Municipal authority admitted the above facts and stated that necessary steps would be taken for adjustment in the subsequent timed year.

B.1.3 Revenue, Grant and Subsidies (Sch. I-6) ₹1388.59 lakh

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 did not include ₹ 94720.00 being the bonus grant at 20% of the ad-hoc bonus paid by the Municipality during the year 2014-15.

Non- accounting of the above assured income resulted in understatement of 'Income' as well as understatement of 'Surplus of income over expenditure' with the corresponding understatement of 'Sundry Debtors (Receivables) to the extent of ₹ 0.95 lakh.

In response to audit query, the Municipal authority admitted the above facts and stated that necessary steps will be taken & adjustment will be done in the next timed year.

B.2 Expenditure
B.2.1 Establishment Expenses (Sch.I-10): ₹ 900.73 lakh
Pension Fund Contribution: Nil

Above did not include Pension Fund Contribution of ₹ 1612035.84 (6% of Basic Salary of ₹ 26867264.00) as Pension Fund Contribution to the Pension fund. All basic pension payment should be made through 'Pension Fund'.

This resulted in understatement of expenditure and thereby overstatement of 'Surplus of income over expenditure' with the corresponding understatement of 'Pension Fund (Earmarked fund) to the extent of ₹ 16.12 lakh.

In response to audit query, the Municipal authority admitted the above facts and stated that necessary steps will be taken & adjustment will be done in the next timed year.

C Receipts and Payments Accounts

No comments

D General Observations:

D.1 Bank Reconciliation

Bank Reconciliation Statements of 9 nos Bank Account out of total 29 nos. of Bank Accounts was produced to audit. Hence cash & bank balance could not be verified to audit.

Bank Reconciliation Statement of A/c No. 703 (UBI), 0628 (UBI), 0529 (UBI), 0574 (UBI), 0581 (UBI), 0635 (UBI), 3664 (UBI), 2585 (UBI), Hooghly Co-operative Bank, 1866 (UBI), 20063 (Allahabad), 13285 (UBI), 51631 (BOI), 50001 (BOI), 8764 (UBI), 3974 (UBI), 4196 (BOI), 4881 (UBI), 52159 (SBI), C/D 12 (BOI) were not submitted before audit.

D.2 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 assets accounted for in the Stock Register/Assets Register were physically available or not.

D.3 Deficiencies/shortcomings in accounting software package 'Purohisab'

a) The accounting software package 'Purohisab' 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) Narration in most of the voucher was insufficient. Not even that, narration was absent in few vouchers also. As a result, details and purpose of payment /journal entries could not be ascertained in audit.

D.4 Unpaid Bill Register: - Unpaid bill register was not maintained. Thus, actual total outstanding liability could not be ascertained at the close of financial year.

D.5 Journal voucher passed without authorization by the higher Officer: As per 'Purohisab' accounting software package, 259 nos. of Journal Vouchers were passed while preparation of Annual Accounts for the year 2014-15, without any authorization of the Higher authority and justifying primary documents as required under rule 18 of the West Bengal Municipal(Finance and Accounting),Rules,1999 (amended).

D.6 Stock-in-hand: - Stores Ledger was maintained in improper manner. Thus opening, closing of different stocks and its utilization during the year could not be verified in audit. Besides this, physical verification of stocks under the possession of the municipality was not done at regular interval.

Besides, two stock Registers were maintained – One for Conservancy related materials and other for water works related materials. Stock registers before 2014-15 could not produce, hence opening balance of 2014-15 and onwards could not be verified. No preface certificate maintained in the stock register. Dealing hand not signed at the time of issue of materials. Challans, Vouchers, Bill etc. against purchase of materials could not be produce to audit. "Certified that the balance has been verified" not given any where by proper authority.

D.7 Unsecured Loan: Municipality had outstanding unsecured loan of ₹78980571.00 ✓ as on 31.03.2015. However, necessary documents in support of this are not available on record/ not submitted to audit. Thus; purpose of loan, actual amount outstanding and interest accrued could not be verified in audit.

D.8 Depreciation: As per accounting manual, estimated life of each type of asset is provided for charging depreciation on straight line method. However, scrutiny of asset register revealed that in some cases estimated life of assets as reflected in asset register was not in conformity with the estimated life as per accounting manual.

D.9 Sundry Debtors (Receivables) (Sch.B-15): ₹ 501.51 lakh

(a) Against the actual receivable of Property Tax of ₹ 45350416.43 (as per the Demand and Collection statement furnished by the Municipal Authority) ₹ 46501202.91 was shown in accounts. Further, the difference was also noticed in Opening balance. It requires proper verification and rectification.

In reply, the Municipal authority admitted the above facts and stated that necessary steps would be taken for adjustment in the subsequent timed year.

(b) Above receivable for Rental income of ₹ 963019.70 being carried forward balance from previous year was shown in accounts against the receivable of ₹ 264099.00 as per Demand and Collection statement for Rent from Market as submitted by the Municipal Authority. No transaction related to outstanding Market rent for the year 2014-15 was exhibited to accounts. It requires proper verification and rectification.

In reply, the Municipal authority admitted the above facts and stated that necessary steps would be taken for adjustment in next financial year

D.10 Investments-Other Fund (Sch.B-13): ₹ 248.42
Other Investment with Bank: ₹ 2.00 lakh

Above included ₹ 200000.00 as Other Investment with bank, but no documents related to such investment were furnished to audit. It was a carry forwarded balance. Hence it requires detailed review and proper accounting.

D.11 Cash and Bank Balance (Sch.B-17): ₹ 1752.94 lakh

Against the actual Cash in Hand balance of ₹ 233680.46 (as per Register of details of Daily Cash balance) as on 31.03.2015 Rs 8041897.26 was exhibited in accounts (Sch.B-17). It requires detailed checking and rectification with proper accounting effect.

D.12 The accounting head 'Beneficiary contribution on BSUP' has been shown under Municipal General Fund (Sch.B-2) instead of showing the accounting head under Deposit Work (Sch.B-8). It requires proper accounting.

E. Effect of Audit Comments on Accounts.

The net impact of the comments given in preceding Para is that the liabilities as on 31st March, 2015 were understated by ₹ 174.82 lakh, Assets were understated by ₹ 200.64 lakh and the Surplus of income over expenditure for the year was understated by ₹ 25.82 lakh

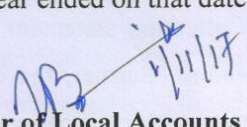
v) Subject to our observation in the preceding paragraphs, we report that the Balance Sheet and Income and Expenditure Account and Receipts and Payments Account dealt with by this report are in agreement with the books of accounts.

vi) In our opinion and to the best of our information and according to the explanations given to us and because of the significant matters stated above and other matters mentioned in Annexure I to this Audit Report, 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 Bhadreswar Municipality as at 31st March, 2015 and
- b) In so far as it relates to the Income and Expenditure for the year ended on that date.

Place: Kolkata

Date: .10.2017


Examiner of Local Accounts
West Bengal

Working Sheet on Net impact on Accounts of Bhadreswar Municipality for 2014-15

(₹ in Lakh)

Ref. No.	Liability		Asset		Surplus	
	U/S	O/S	U/S	O/S	U/S	O/S
A.1.1	152.54		152.54			
A.1.2	6.16					6.16
A.2.1			59.41		59.41	
B.1.1				10.55		10.55
B.1.2				1.71		1.71
B.1.3			0.95		0.95	
B.2.1	16.12					16.12
Total	174.82	0.00	212.90	12.26	60.36	34.54

Liability understated by ₹ (174.82-0.00) lakh = ₹ 174.82 lakh

Asset understated by ₹ (212.90-12.26) lakh = ₹ 200.64 lakh

Surplus understated by ₹ (60.36-34.54) lakh = ₹ 25.82 lakh

U/S – Understatement

O/S - Overstatement

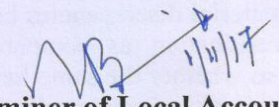
ANNEXURE – 1

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.	During test check, no such deviation was found.
2	Whether all sums due 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.	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 created as per the provisions of relevant statutes and whether the special funds have been utilized for the purpose for which created?	Pension Fund was not 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?	Yes. 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.
9	Whether the procedures of physical verification of store followed by the Municipality are reasonable and adequate?	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	Deviations were commented.

Sl. No.	Item of Information	Audit Comments																					
	stores is same as in the preceding year?																						
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 major deficiency in this respect loan and advances was noticed as per test check.																					
13	Whether there exists an adequate internal control procedure for the purchase of stores including components, plant and machinery, equipment and other assets?	No. 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?	No.																					
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 except Provident Fund Deposit.																					
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</p> <table border="1"> <thead> <tr> <th colspan="3" style="text-align: right;">(₹ in Lakh)</th> </tr> <tr> <th>Head</th> <th>Amount</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Earmarked funds</td> <td>419.40</td> <td></td> </tr> <tr> <td>Unspent grant- Loan</td> <td>1405.77 789.81</td> <td>2614.98</td> </tr> <tr> <td>Current assets – Current liabilities</td> <td>1952.17</td> <td></td> </tr> <tr> <td>Investment</td> <td>299.11</td> <td>2251.28</td> </tr> <tr> <td>Excess of liability over cash strength</td> <td></td> <td>363.70</td> </tr> </tbody> </table>	(₹ in Lakh)			Head	Amount	Amount	Earmarked funds	419.40		Unspent grant- Loan	1405.77 789.81	2614.98	Current assets – Current liabilities	1952.17		Investment	299.11	2251.28	Excess of liability over cash strength		363.70
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Place: Kolkata
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