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INDIAN AUDIT AND ACCOUNTS DEPARTMENT
O/o PRINCIPAL ACCOUNTANT GENERAL
(GENERAL & SOCIAL SECTOR AUDIT), W.B.
LOCAL AUDIT DEPARTMENT

To
The Chairman
Alipurduar Municipality
PO- Alipurduar Court
Dist-Alipurduar
Pin- 736122

No. SS-III/ A/cs Alipurduar M(08-09)/15-16/ 5886 (TB)
Dated: 09.03.2016

Sub: Audit Report on Annual Financial Statement for the year 2008-09

Sir,

I am forwarding the Audit Reports and detailed comments on the AFS for the year 2008-09 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

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

**AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF
ALIPURDUAR MUNICIPALITY FOR THE YEAR ENDED 31st MARCH, 2009**

1. We have audited the Balance Sheet of the Alipurduar Municipality as at 31 March, 2009 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 Alipurduar 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 (though not in proper formats) have been maintained by the Alipurduar 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 did not 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 SOURCE OF FUNDS (Liabilities)

A.1.1 Secured Loan (Sch.B-5): ₹ 64.06 lakh

Loan from State Government: ₹29.06 lakh

Against total outstanding loan from State Government of ₹ 3839398.36 (as per the information furnished) as on 31.03.2009, an amount of ₹. 2906207.00 was exhibited in the accounts. It requires detail review and proper accounting.

Wrong accounting of the above loan resulted in understatement of 'Secured Loan' with corresponding overstatement of 'Municipal fund' to the extent of ₹ 9.33 lakh.

The authority accepted the audit observations & stated that the requisite corrections would be made in the next Balance Sheet.

A.1.2. Other liabilities (Sundry Creditors) (Sch. B-9): ₹ 12.26 lakh

a. Above did not include the outstanding electricity bill of ₹ 181668.71 as on 31.03.09, of the municipality.

Non accounting of the above liability resulted in understatement of 'Sundry Creditors' with corresponding understatement of 'Prior period expenditure' as well as overstatement of 'Surplus of income over expenditure' to the extent of ₹ 1.82 lakhs.

In reply the authority accepted the Audit observations and assured that necessary corrections would be made in the next Balance Sheet.

b. Above did not include ₹ 3.60 lakh being the interest accrued and due as on 31.03.09 (as per the information furnished by the municipal authority) on the loan received from Government in earlier years.

As a result, other liability was understated by ₹3.60 lakh with the corresponding understatement of Expenditure as well overstatement of 'Gross Surplus of income over expenditure' to the same extent.

In reply the authority accepted the Audit observations and assured that necessary corrections would be made in the next Balance Sheet.

c. Above did not include ₹343011.00 being the unpaid amount of Gratuity, payable to the retired (retired in earlier years) Municipal employees as on 31.03.2009.

Non-accounting of above liability resulted in understatement of 'Other liabilities (Sundry Creditors)' with the corresponding understatement of 'expenditure' and there by overstatement of 'Surplus of income over expenditure' to the extent of ₹ 3.43 lakh.

The authority accepted the audit observations & stated that the requisite corrections would be made in the next Balance Sheet.

A.2 Assets (Application of Fund)

A.2.1 Sundry Debtors (Receivables) (Sch.B-15): ₹ 182.97 lakhs

Property Tax receivable on State Govt. Buildings: ₹ 109.19 lakhs

Above included ₹126894.00 being the Property Tax on the buildings pertaining to Govt. aided/sponsored schools and colleges for the year 2007-09. As per provisions of Section 100 & 101(e) of West Bengal Municipal Act 1993, all Central govt. property and Govt. or Govt. sponsored school or college which is serving the cause of education without generating any surplus fund or without being run on commercial line shall be exempted from Property Tax. So, the above stated property tax should not be recognized

as income of the Municipality. It requires detail verification and necessary rectification for the previous years also.

Wrong Accounting of the above resulted in overstatement of 'Sundry Debtors with the corresponding overstatement of 'Income' as well as 'Surplus of Income over Expenditure' to the extent of ₹ 1.27 lakhs.

The authority while accepting the audit observations stated that the discrepancy would be rectified in the next Balance Sheet.

A.2.2. Interest Receivable on General Provident Fund: ₹ 0.00 lakh

Above did not include ₹.379589.00 being the interest for the year 2008-09 on the Provident Fund of the employees deposited in Treasury which was not allotted by the State Government till 31.03.2009.

Non-accounting of the above resulted in understatement of 'Provident Fund' with the corresponding understatement of 'Sundry Debtors- Receivable' to the extent of ₹ 3.80 lakh.

In reply the authority accepted the Audit observations and assured that necessary corrections would be made in the next Balance Sheet.

A.2.3 Loans, Advances and Deposits (Sch.B-18): ₹ 40.59 lakh

Other Purposes Loan (Code 460-20-04): ₹ 2.28 lakh

Above 'Other Purposes Loan' of ₹ 227868.00 was shown in accounts being the Provident Fund loan of employees as on 31.03.2009. Since, the Provident Fund is the own deposit of the employees and the Municipality is only the custodian of the same, the PF loan from their own deposit should not be shown as 'Loan' in the Accounts of the Municipality. Instead the same was to be deducted from Provident Fund.

Wrong accounting of the Provident Fund loan resulted in overstatement of 'Loans, Advance and Deposit' with the corresponding overstatement of 'Provident Fund' (Earmarked fund) to the extent of ₹ 2.28 lakh.

In reply the authority accepted the Audit observations and assured that necessary corrections would be made in the next Balance Sheet.

B. Income and Expenditure Accounts

B.1 Expenditure

B.1.1 Establishment Expenses (Sch.I-10): ₹136.85 lakh

B.1.1.1 Pension contribution: ₹0.00 Lakh

Above did not include ₹.207061.26 (6% of total basic of ₹.3451021.00 for the year 2008-2009) as Pension Contribution to the Pension fund. As per Govt. order, 6% of the basic pay was to be contributed to this fund. The matching Pension Fund amount should be kept separately under 'Investment'. All basic pension payment should be made through 'Pension Fund'.

This resulted in understatement of 'Expenditure' and there by overstatement of 'Surplus of Income over expenditure' with the corresponding understatement of 'Pension Fund (Earmarked fund) to the extent of ₹.2.07 lakh and overstatement of Cash and Bank Balance with the corresponding understatement of Investment Other Fund by the same extent.

The authority accepted the audit observations & stated that the requisite corrections would be made in the next Balance Sheet.

B.2 Income

B.2.1 Revenue, Grant & Subsidies (Sch.I-6): ₹ 304.49 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 income head did not include ₹ 21200.00 being the receivable bonus grant at 20% of the ad-hoc bonus (₹ 106000.00) paid by the Municipality during the year 2008-09.

Non-accounting of the above assured income resulted in understatement of 'Income' as well as 'Surplus' with the corresponding understatement of 'Sundry Debtors (Receivable from the Govt.) to the extent of ₹ 0.21 lakh.

The authority while accepting the audit observations stated that the discrepancy would be rectified in the next Balance Sheet.

C. Receipt & Payments Accounts:

No Comments.

General Observation:

D.1 Journal Vouchers

Journal Vouchers were passed, while preparation of Annual Accounts for the year 2008-09, without any authorization of the Higher authority and justifying primary documents. No narration was made for each entry.

D.2 Capital work in progress (Sch.B-11): ₹3.26 lakh

The Municipality did not prepare any 'Summary statement of status on CWIP' in Form 141(rule 175A) for the year 2008-09. Moreover, no schedules of /capital work in progress was attached to the accounts. As a result, exact status of CWIP in detail could not be checked 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 Stock in-hand (Sch.B-14): ₹89.54 lakh

The store departments of Municipality did not prepare any 'Statement of Closing stock' in Form 147 as required under rule 179A of rule ibid for which the actual position of store as on 31.3.2009 and its valuation could not be verified in audit. No physical verification had been done by authority during the year 2008-09.

D.5. Primary Documents

Though the Municipality did finalize the Annual accounts for the 2007-08 but not maintained the basic/primary records like Grant register, Unpaid Bill Register, work register, Loan register, Investment Register, records in details of Sundry creditors, Asset matrix, Grant matrix etc. As a result, the figures as depicted in the annual accounts could not properly be verified in audit.

D.6 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) The accounting software package 'Purohisab' 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.
- d) The accounting software package 'Purohisab' did not generate any 'Grant Register', 'Fixed Assets Register', 'Cash Flow statement', etc. as per prescribed format.
- e) In case the accounting software package 'Purohiaab' encounters any malfunction or crashes, the workability of data backup is not known.
- f) Narration in most of the payment voucher was absent.
- g) 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;
- h) The Receipt and Payment vouchers were not maintained by the Municipality in Form no. 97 and 98.

D.7. Schedule forming part of Financial Statement

Schedules B-1, B-2, B-3, B-4, B-8, B-11, B-12, B-15 and B-18 attached to the Balance Sheet were incomplete and not conforming to the provisions of the Accounting Manual for ULBs. As a result, the extent of addition, deduction, capital expenditure, revenue expenditure, out of grant/ own resources, movement of fund was implicit in the Financial Statement.

D.8. Investments-General Fund (Schedule B-12)--- ₹ 64.69 lakh

As per Balance Sheet, term deposit (bank) including interest as on 31.03.2009 was ₹.6469566.57 but as per the information furnished by the municipality, that was ₹.6470723.71. It requires detail verification and necessary rectification.

In reply the authority accepted the Audit observations and assured that necessary corrections would be made in the next Balance Sheet.

D.9. Property tax receivable on Residential Buildings (Arrears): ₹ 73.78 lakhs

As per point 3.6 (i) under Chapter-3 of 'National Municipal Accounts Manual' provision shall be made for 100% of outstanding property tax where arrears have been

outstanding for more than 05 years. But, the Municipality had not made any provision for the outstanding Property tax for more than five years. It requires detail checking and necessary rectification.

The authority accepted the audit observations & stated that the requisite corrections would be made in the next Balance Sheet.

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 paras is that the liabilities as on 31st Mar 2009 were understated by ₹12.44 lakh, Assets were understated by ₹0.46 lakh and the surplus of income over expenditure for the year was overstated by ₹11.98 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, the said financial statements read together with the Accounting Policies and Notes on Accounts, and subject to the significant matters stated above and other matters mentioned in Annexure I to this Audit Report, do not give a true and fair view in conformity with accounting principles generally accepted in India subject to the observations of this report.

(a) In so far as it relates to the Balance Sheet of the State of affairs of the Alipurduar Municipality as at 31 March, 2009 and

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

Place: Kolkata
Date .03.2016


Examiner of Local Accounts
West Bengal

Working Sheet on Net impact on Accounts of Alipurduar Municipality for 2008-09

(₹. in Lakh)

Ref No	Liability		Asset		Surplus	
	U/S	O/S	U/S	O/S	U/S	O/S
A.1.1	9.33	9.33				
A.1.2.a	1.82					1.82
A.1.2.b	3.60					3.60
A.1.2.c	3.43					3.43
A.2.1				1.27		1.27
A.2.2	3.80		3.80			
A.2.3		2.28		2.28		
B.1.1	2.07		2.07	2.07		2.07
B.2.1			0.21		0.21	
TOTAL	24.05	11.61	6.08	5.62	0.21	12.19

Liability understated by ₹ (24.05 – 11.61) lakh = ₹ 12.44 lakh

Asset understated by ₹ (6.08 – 5.62) lakh = ₹ 0.46 lakh

Surplus of income over expenditure overstated by ₹ (12.19 – 0.21) lakh = ₹ 11.98 lakh

U/S – Understatement

O/S – Overstatement


Annexure – I

Audit comments on the information as asked under Sub Rule sub-rule (2) (1) (d) of Rule 22 of the West Bengal Municipal (Finance & 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 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.	No deficiency was noticed in course of test check.
3.	Whether all transaction (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 is 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 at reasonable intervals in respect of stores?	Physical verification of stores was not done during the year 2008-09.
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 in the preceding year. If there is any deviation in the basis of valuation, the effect of such deviation, if materials, should be reported?	Deviations are commented.																								
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 store 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?	Yes, as calculated below. (₹ in lakh)																								
		<table border="1"> <thead> <tr> <th>Head</th> <th>Amount</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Earmarked funds</td> <td>68.15</td> <td></td> </tr> <tr> <td>Unspent grant</td> <td>712.94</td> <td></td> </tr> <tr> <td>Loan</td> <td>64.06</td> <td>845.15</td> </tr> <tr> <td>Current assets -</td> <td>1139.29</td> <td></td> </tr> <tr> <td>Current liabilities</td> <td></td> <td></td> </tr> <tr> <td>Investment</td> <td>130.62</td> <td>1269.91</td> </tr> <tr> <td>Excess of cash strength over liability</td> <td></td> <td>424.76</td> </tr> </tbody> </table>	Head	Amount	Amount	Earmarked funds	68.15		Unspent grant	712.94		Loan	64.06	845.15	Current assets -	1139.29		Current liabilities			Investment	130.62	1269.91	Excess of cash strength over liability		424.76
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Place: Kolkata
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 Examiner of Local Accounts
 West Bengal

