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E-mail: examlawb@cal3.vsnl.net.in INDIAN AUDIT AND ACCOUNTS DEPARTMENT O/o PRINCIPAL ACCOUNTANT GENERAL (GENERAL& SOCIAL SECTOR AUDIT), W.B. LOCAL AUDIT DEPARTMENT

No. SS-III/ A/cs Alipurduar M (10-11)/18-19/1277 (775)
Dated: 14 .06.2018

To
The Chairman,
Alipurduar Municipality,
P.O.- Alipurduar Court,
Dist.-Alipurduar
West Bengal, PIN-736 122

Sub: Audit Report on Annual Financial Statement for the year 2010-11

Sir,

I am forwarding the Audit Reports and detailed comments on the AFS for the year 2010-11 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

R.Solow.

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 2011

We have audited the Balance Sheet of the Alipurduar Municipality as at 31st March, 2011 along with Income & Expenditure Account and Receipt and Payment Accounts for the year ended on that date under Section 86 of the West Bengal Municipality 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.

- 2. This Audit Report contains the comments of the Examiner of Local Accounts (ELA) on the accounting treatment with record 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 Report 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 the 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 disclosure 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.
- 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 subject to the observations made below.
- The Balance Sheet and Income and Expenditure Account and Receipt and Payment Accounts 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 Alipurduar Municipality as required under Accounting Manual for Urban Local Bodies (Part 5: Form & 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 Grants, Contribution for specific purpose (Sch. B-4): ₹ 819.80 lakh

A.1.1 IHSDP: ₹ 6.84 lakh

As per accounting Manual for ULBs (Part-II Para 3.4.1(e) the Capital Grants receipt as nodal agency or as implementing agency for an intended purpose which does not result in creation of assets with ownership right of the ULB shall be shown under Deposit Work.

Above Integrated Housing Slum Development Programme (IHSDP) fund included beneficiary contribution of ₹144000.00 for construction of housing. As the said contribution was received for creating assets belonging to the beneficiaries and the Municipality was merely implementing agency of the project, it had to be shown under Deposit Work (Schedule – 8).

Wrong accounting of the above resulted in overstatement of grants, contribution for specific purpose by ₹1.44 lakh with corresponding understatement of Deposit Work to that extent.

In reply, the Municipality accepted audit observation and assured that necessary rectification would be made in the following year.

A.1.2 Other Liability (Sundry Creditors) (Sch. B-9): ₹ 29.49 lakh

Above did not include ₹ 3.60 lakh being the interest accrued and due as on 31.03.2011 (Interest Demand letter for ₹ 180000.00 on 20.07.1998 and Interest Demand letter for ₹ 180000.00 on 09.07.1999) on the loan received from the State Government in earlier years.

Non-accounting of the above resulted in understatement of prior period expenditure thereby overstatement of "Municipal Fund" by ₹3.60 lakh with corresponding understatement of "Other Liability" to the same extent.

The Municipality accepted audit observation in its reply.

- B Income and Expenditure
- B.1 Income

B.1.1 Revenue Grants, Contribution & Subsidies (Sch.I-6): ₹ 517.67 lakh

As per Government order, 20% of ad-hoc bonus payment is to be reimbursed by the Government in submission of claim. Therefore, the Municipality accrued income of 20% of bonus as soon as such payments were made.

The Municipality paid bonus of ₹ 107000.00 to its permanent employees during the reporting year 2010-11. Thus, the Municipality accrued income of ₹ 21400.00. This accrued income should have been shown in Income for the reporting year with creation of Receivable for the same.

Non-accounting of the above resulted in understatement of Income as well as understatement of Surplus by ₹ 0.21 lakh with corresponding understatement of "Sundry Debtors (Receivable)" to that extent.

The Municipality accepted audit observation and noted for future guidance.

B.1.2 Interest earned: (Schedule I - 8)

Bank Interest: ₹ 1823543.00

Accounting Manual for ULB {(Prt-2/ Para 3.3.3(f))} provides that the income from grant under specific scheme should be recognized and credited to the specific grants respectively, whenever accrued.

Above included ₹ 926628.00 being the interest pertaining to Integrated Housing Scheme Development Programme (₹ 268956.00), Indira Gandhi National Widow Pension Scheme (₹ 2014.00), Pension Fund (₹ 93392.00), 13th Finance Commission (₹ 304286.00) and Mid Day Meal (₹ 257980.00); instead of crediting the same to the respective grant as per Accounting Manual.

Wrong-accounting of the above resulted in overstatement Income thereby "Surplus of Income over expenditure" by ₹ 9.27 lakh with corresponding understatement of "Grants, Contribution for specific purpose" to that extent.

In reply, the Municipality accepted audit observation stating that necessary correction would be made in future.

B.2 Expenditure

B.2.1 Establishment Expenses (Sch.I-10): ₹ 277.32 lakh

Pension Contribution: ₹ 0.00

Above did not include ₹ 532133.52 (6% of total basic of ₹ 8868892.00.00 for the year 2010-11) as Pension contribution to the Pension Fund. As per Government order, 6% of the basic pay was to be contributed to this fund. The matching Pension Fund was however, kept by the Municipality under Earmarked Fund and Investment- Other Fund as well.

Non-accounting of the above resulted in understatement of Expenditure and thereby overstatement of Surplus of Income over Expenditure with corresponding understatement of Pension fund to the extent of ₹ 5.32 lakh.

The Municipality accepted audit comment stating that contribution of PF would be shown as expenditure of the Municipality in the following years.

C Receipt & Payment Accounts

No comments.

General Observations

D.1 Journal Vouchers

Proper narration was not made for each Journal Voucher entry.

In reply, the Municipality accepted audit comment and noted for future guidance.

D.2 Primary Documents

The Municipality did finalize the Annual Account for the reporting year, but it did not maintain basic / primary records such as Bill Register, unpaid Register and Work Register. As such, the figures as depicted in the Annual Accounts could not be properly verified in audit.

In reply, the Municipality accepted audit comment and noted for future guidance.

D.3 Capital-Work-In- Progress (CWIP)

Summary statement of status on CWIP in Form 141 (Rule 175A) for the reporting year was not made available to audit. As such, detailed status of CWIP could not be verified in audit.

In reply, the Municipality accepted audit comment and noted for future guidance.

D.4 Physical verification of Store/Fixed Asset not conducted

There was no records showing conducting physical verification of moveable and immoveable assets of the Municipality at regular interval.

In reply, the Municipality accepted audit comment and noted for future guidance.

D.5 Bank Interest

The entire amount earned as interest from government grants was shown as Income of the Municipality. Any part of interest earned against Government grants should have been incorporated in the grant itself instead of showing them in Income and Expenditure Statement.

However, due to wanting of basic records the entire interest earned out of grants for specific purposes could not be quantified in audit.

In reply, the Municipality accepted audit comment and noted for future guidance.

D.6 Secured Loans

Loan amounting to ₹ 3500000.00 as exhibited in the accounts was taken from the Central Government by the Municipality at different points of time. The interest payable on the loan was not updated in the Loan Register. Had the interest been taken into consideration the loan payable to the central Government would have been much more than the amount exhibited in the accounts.

It required proper review for proper accounting.

In reply, the Municipality accepted audit comment and noted for future guidance.

D.7 Liability

Secured Loan (Sch-B-5): ₹ 64.06 lakh

Loan from State Government: ₹ 29.06 lakh

Test check of Loan Register revealed that Municipality had outstanding loan payable to the State Government amounting to ₹ 3119374.00 (₹ 2906207.00 + ₹ 190167.00 + ₹ 23000.00) as on 31.03.2011, while an amount of ₹ 2906207.00 had been exhibited as outstanding loan in the accounts of the Municipality. It required detail review and immediate rectification for proper accounting.

The Municipality in its reply stated that it was an old issue, however, necessary steps would be taken for review of the same.

D.8 Cash & Bank Balance (Sch.-17): ₹ 1112.69 lakh

Cash-in-hand: ₹ 0.48 lakh

Above did not include ₹ 114355.00, being the undisbursed Cash-in-hand as on 31st March 2011. The said amount should have been included in Cash-in-hand account. The Municipality could not clarify the existing discrepancy. This needs to be reviewed properly.

In reply, the Municipality Accepted audit observation stating that necessary action has already been taken in the preparation of Annual Accounts for the year 2014-15.

E Notes to Accounts

The fact that salary paid by the Government of West Bengal through different departmental Budget to the Executive Officer and Finance Officer of the Municipality with quantification was not exhibited.

F Effect of Comments on Accounts

The Net Impact of the comments given in preceding Paragraphs is that the liability as on 31st March 2011 were understated by ₹ 14.59 lakh, assets were understated by ₹ 0.21 lakh and the Surplus of Income over Expenditure was overstated by ₹ 14.38 lakh.

- v) Subject to our observation in the preceding paragraphs, we report that the Balance Sheet and Income & Expenditure Accounts and Receipts & Payments Accounts dealt with by this report 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 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.
 - (a) In so far as it relates to the Balance Sheet of the state of affairs of the Alipurduar Municipality as at 31st March'2011 and
 - (b) In so far as it relates to the Income and Expenditure Accounts for the year ended on that date.

Place: Kolkata Date: 14.06.2018 Examiner of Local Accounts
West Bengal

Working Sheet on Net impact on Account of Alipurduar Municipality for the year 2010-11 (₹ in lakh)

| Ref No. | Liability | | Assets | | Surplus | |
|---------|-----------|------|--------|------|---------|-------|
| | U/S | O/S | U/S | O/S | U/S | O/S |
| A.1.1 | 1.44 | 1.44 | | | | |
| A.1.2 | 3.60 | 3.60 | | | | |
| B.1.1 | | | 0.21 | | 0.21 | |
| B.1.2 | 9.27 | | | | | 9.27 |
| B.2.1 | 5.32 | | | | | 5.32 |
| Total | 19.63 | 5.04 | 0.21 | 0.00 | 0.21 | 14.59 |

Liability understated ₹ (19.63 - 5.04) lakh = ₹ 14.59 lakh

Assets understated ₹ (0.21-0.00) lakh = ₹ 0.21 lakh

Surplus overstated ₹ (14.59-0.21) lakh = ₹ 14.38 lakh

U/S- Understatement

O/S - Overstatement

ANNEXURE-I

Audit comments on the information as asked under Sub Rule (2) (1) (d) of Rule 22 of the West Bengal Municipality (Finance & Accounts) Rules, 1999 as amended in January, 2007

| SI. No | Item of information | Audit comments |
|-----------|--|---|
| 1 | Whether all the expenditures 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? | |
| 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? | |
| 3 | Whether all transactions (income, expenditure, assets and liabilities) are correctly classified and stated in sufficient detail? | |
| 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 estimates without other sanction of the competent authority? | |
| 5 | Whether the amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order? | |
| 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? | |
| 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? | reasonable interval was not on records. |
| 8 | Whether physical verification has been conducted by the Municipality at reasonable intervals in respect of stores? | |
| 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? | There was no statement of Physical verification of store of the Municipality. |
| 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? | |

| | | | 1 | |
|--|---|---|---|--|
| | Loan | 64.06 | 1022.89 | |
| | Unspent grant | | | |
| | Earmarked funds | 139.03 | | |
| met out of the Municipal fund when falling due? | Head | Amount | Amount | |
| Whether the total liabilities of the Municipality can be | Yes, as calculated below: (₹ in Lakh) | | | |
| Whether any personal expenses have been charged to | Not found during test check. | | | |
| 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? | test check . | | | |
| Provident fund dues and Professional Tax deducted with the appropriate authorities and if not, the extent of arrears? | | | | |
| unserviceable or damaged stores and whether provision for the loss in this respect, if any has been made in the accounts? | store was noticed as per test check. | | | |
| assets? | | | | |
| Whether there exists an adequate internal control procedure for the purchase of store including | | | | |
| also regular in payments of the interest and if not, whether reasonable steps have been taken by the | | | | |
| the nature of loans have been given by the Municipality, | during test check. | | | |
| 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? | | | | |
| | 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? 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? Whether there exists an adequate internal control procedure for the purchase of store including components, plant and machinery, equipment and other assets? 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? 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? 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? Whether any personal expenses have been charged to revenue accounts? If so the details thereof. | 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? 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? Whether there exists an adequate internal control procedure for the purchase of store including components, plant and machinery, equipment and other assets? 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? 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? 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? Whether any personal expenses have been charged to revenue accounts? If so the details thereof. Whether the total liabilities of the Municipality can be met out of the Municipal fund when falling due? Yes, as calculated be Head Earmarked funds Unspent grant | 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? 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? Whether there exists an adequate internal control procedure for the purchase of store including components, plant and machinery, equipment and other assets? 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? 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? 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? Whether any personal expenses have been charged to revenue accounts? If so the details thereof. Whether the total liabilities of the Municipality can be met out of the Municipal fund when falling due? Head Amount Earmarked funds 139.03 Unspent grant 819.80 | |

Place: Kolkata
Date: 14.06.2018

Examiner of Local Accounts
West Bengal