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31/03/16

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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 Bankura M (12-13)/15-16/6074(TB)

Dated: 28.03.2016

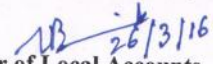
To  
The Chairman,  
Bankura Municipality,  
P.O & Dist- Bankura  
Pin-722101

Sub: Audit Report on Annual Financial Statement for the year 2012-13

Sir,

I am forwarding the Audit Reports and detailed comments on the AFS for the year 2012-13 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

  
26/3/16  
Examiner of Local Accounts  
West Bengal

Enclosure: As stated above

**AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF BANKURA  
MUNICIPALITY FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013**

We have audited the Balance Sheet of the Bankura Municipality as at 31<sup>st</sup> March, 2013 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 Bankura 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 Bankura 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.2 Assets**

**A.2.1. Fixed Asset (Gross Block) (Schedule B-11): ₹ 2135.76 lakh**

Above did not include ₹8015203.00 (Govt. Grants) being the Capital nature expenditure which was wrongly treated as Revenue expenditure during the year 2012-13. No depreciation has been charged.

This resulted in understatement of Fixed Asset (Gross Block) with the corresponding understatement of Grants against Fixed Asset to the extent of ₹ 80.15 lakh. The depreciation amount should be adjusted.

Municipal authority admitted the observation and stated that necessary rectification would be made in the subsequent year.

**B. Income & Expenditure Statement**

**B.1 Income**

**B.1.1 Revenue Grants, Contributions and Subsidies (Sch I-6): ₹ 1189.73 lakh**

The Municipality had to pay ad-hoc Bonus to its employees. As per Government order, 20 per cent of ad-hoc Bonus payment is to be reimbursed by the Government on submission of claim. Therefore, the Municipality accrued assured income of 20 % of bonus as soon as such payments were made.

As per documents submitted by the Municipality ₹ 66040.00 was accrued as an 'Income' for the year 2012-13 This was required to be included as 'Income' for the year with creation of Receivables for the same amount.

Non-accounting of the above resulted in understatement of 'Income' as well as overstatement of Deficit by ₹ 0.66 lakh with the consequent understatement of 'Sundry Debtors (Receivables)' by the same amount.

Municipal authority informed that effects thereof adjusted usually in the subsequent year after receiving the same.

**B.1.2. Interest Earned (Sch. I- 8): ₹15.64 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 ₹1143470.70 being the interest earned from Saving Bank Accounts of various unutilized grants funds (₹1132574.70) and special funds (₹10896). However, instead of crediting the above interest to the respective grant funds and special funds, it was wrongly taken as operating income of the Municipality.

This resulted in overstatement of 'Income' as well as understatement of 'Deficit' by ₹11.43 lakh with the corresponding understatement of 'Grants, Contribution for specific purpose' by ₹ 11.32 lakh and understatement of Special Fund by ₹0.11 lakh.

Municipal authority stated that interest from savings bank accounts cannot be treated as income from investment. The interpretation of the Municipality was not correct since the essence of para 3.3.3 of ULB manual was that the income generated from Special Fund/Grants Fund (under specific scheme) should be a part of the particular Special Fund/Grant Fund.

**B.2 Expenditure**

**B.2.1 Establishment Expenses (Sch.I-10): ₹ 1204.12 lakh**

**Pension contribution: Nil**

Above did not include ₹ 27.28 lakh (6% of total basic salary of ₹ 45468921.55) 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 understatement of 'Deficit of Income over expenditure' with the corresponding understatement of 'Pension Fund (Earmarked fund) to the extent of ₹ 27.28 lakh and overstatement of Cash and Bank Balance with the corresponding understatement of Investment Other Fund by the same extent.

In admitting the above observations the Municipality assured to rectify the entry and incorporate into the Annual Accounts.

#### **C. RECEIPTS AND PAYMENTS ACCOUNTS**

No comments

#### **D General Observation**

**D.1** Earmarked Fund includes provident fund of ₹298.51 lakh. Apart from this, liability of the Municipality towards PF payable amounting to ₹48.81 lakh was shown under Other Liabilities (Sch.B-9) Against the total PF liability of ₹343.92 (₹298.51+₹48.81) lakh, the asset side of the Balance Sheet as on 31.03.2013 showed ₹274.99 lakh only as investment (Schedule B-13) and ₹0.00 lakh as cash book balance (Sch. B-17). Thus, short deposit of PF subscription of ₹68.92 lakh was observed. The PF Abstract also not produced before the audit to reconcile the figure. It requires proper verification and rectification.

**D.2** Loans, Advances and Deposits (Schedule B-18)- ₹260.82 lakh

The Advance Register being the primary record of Advances was not maintained. Due to above reasons the amount shown under above heads could not be confirmed. It requires proper verification and rectification.

**D.3.** Total 329 no. of Journal Vouchers amounting to ₹ 5878.22 lakh were passed during the year 2012-13 for rectification/ adjustment without any authorization by the appropriate authority and justifying the primary documents.

**D.4** The reformed accounting in double entry system requires co-ordination among the line Departments having financial transaction. It was observed that there was no co-ordination/reconciliation of figures generated by the line Departments. i.e Cash, Tax, Works, Stores, Provident Fund, Collection Departments with that by the Finance Departments. Thus, there is poor internalization of double entry accounting system.

**D.5** The computer generated hard copy of receipt, payment, contra and journal vouchers were not duly attached with the manual vouchers. Proper narration of each and every voucher was also not written. Thus the vouching could not be made reconciled with the cash book.

**D.6 i)** The accounting software package 'Purohisab' used by Bankura Municipality, security has been based on "User role" (User name and pass word). But the Municipality did neither devise any password system as scrutiny measure for entering in the core database lying with main server nor into the system also. Hence, any individual can have an access to enter into the system at any time as the database was opened to all.

**ii)** There is no locking arrangement in so far as date concerned i.e any voucher can be inserted at a later date even after closing of particular accounting year thereby leaving



**D.7 Un-reconciled Bank account :** In the Bank reconciliation statement (BRS), the pass book balance of BMSP Fund (PNB A/C No-30827) was shown as ₹ 6812.00 against the actual pass book balance of ₹7367.00 and the pass book balance of HHW (A/c No 0013) was shown as ₹449065.00 against the actual pass book balance of ₹477215.00. Due to discrepancies in the BRS in respect of above two bank accounts, the Bank balance of ₹ 908.34 lakh was not treated as reconciled and confirmed. It requires proper rectification and reconciliation.

**D.8** The Property tax was not segregated into residential and non-residential. As per para 3.14 of the Accounting Manual (Part-2), the age-wise analysis of Receivables of Property Tax shall be made. This was not disclosed in the Notes to the Balance Sheet as on 31.03.2013.

**D.9** There were discrepancies in valuation of store items between stock register and accounts. Stock in Hand (Sch.B-14) of ₹3758433.00 were shown as the Closing Balance as on 31.3.2013 but as per Store Register produced there was no mention of Stock in monetary value. The closing stock was not physically verified. Hence it requires proper verification and reconciliation.

**D.10** The Municipality did not invest the Provident Fund Contribution of the employees timely. Further, the expenditure towards compensation for loss of interest due to non deposit of provident fund contribution was not shown in accounts. It requires detail verification and rectification with proper accounting effect.

**E. Effect of Audit Comments on Accounts.**

The net impact of the comments given in preceding paras is that the assets as on 31<sup>st</sup> March, 2013 were understated by ₹ 80.81 lakh, the liability understated by ₹ 118.86 lakh, and the Deficit of income over expenditure was understated by ₹ 38.05 lakh.

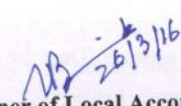
v) Subject to our observations in the preceding paragraphs, we report that the Balance Sheet and Income and Expenditure Account and Receipts and Payments Account dealt with by this report are in agreement with the books of accounts.

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, 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 Bankura Municipality as at 31<sup>st</sup> March, 2013 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 Annual Accounts of Bankura Municipality for**  
**2012-13**

(₹ in Lakh)

Ref. No.	Liabilities		Assets		Deficit	
	U/S	O/S	U/S	O/S	U/S	O/S
A.2.1	80.15		80.15			
B.1.1			0.66			0.66
B.1.2	11.43				11.43	
B.2.1	27.28		27.28	27.28	27.28	
<b>Total</b>	<b>118.86</b>	<b>0.00</b>	<b>108.09</b>	<b>27.28</b>	<b>38.71</b>	<b>0.66</b>

Liability understated by ₹ (118.86-0.00) lakh = ₹ 118.86 lakh

Asset understated by ₹ (108.09-27.28) lakh = ₹ 80.81 lakh

Deficit understated by ₹ (38.71-0.66) lakh = ₹ 38.05 lakh

U/S – Understatement

O/S - Overstatement



**Annexure – I**  
**Audit comments with reference to sub-rule (2) (1) (d) of Rule 22 of the West Bengal**  
**Municipal (Finance & Accounting) Rules, 1999**

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.	Information not available/ furnished.
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.	Yes.
3.	Whether all transaction (income, expenditure, assets and liabilities) are correctly classified and stated in sufficient details?	Yes.
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?	Yes.
5.	Whether the amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order?	Yes.
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?	Yes.
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.
8.	Whether physical verification has been conducted at reasonable intervals in respect of stores?	No.
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.	NA
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?	NA

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 discrepancies found																					
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?	Municipality not gives any loan but some advances remain unadjusted.																					
13.	Whether there exists an adequate internal control procedure for the purchase of store including components, plant and machinery, equipment and other assets?	Yes purchase are made according to Govt. norms & procedure																					
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 Municipality is depositing Provident fund dues and Professional Tax regularly																					
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.	No.																					
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> <tr> <th>Head</th><th>Amount</th><th>Amount</th></tr> <tr> <td>Earmarked funds</td><td>338.21</td><td></td></tr> <tr> <td>Unspent grant-</td><td>764.10</td><td></td></tr> <tr> <td>Loan</td><td>0.00</td><td>1102.31</td></tr> <tr> <td>Current assets - Current liabilities</td><td>(-)1008.06</td><td></td></tr> <tr> <td>Investment</td><td>360.29</td><td>(-)647.77</td></tr> <tr> <td><b>Excess of liability over cash strength</b></td><td></td><td><b>1750.08</b></td></tr> </table>	Head	Amount	Amount	Earmarked funds	338.21		Unspent grant-	764.10		Loan	0.00	1102.31	Current assets - Current liabilities	(-)1008.06		Investment	360.29	(-)647.77	<b>Excess of liability over cash strength</b>		<b>1750.08</b>
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Place: Kolkata  
Date: 03.2016

Examiner of Local Accounts  
West Bengal