



INDIAN AUDIT AND ACCOUNTS DEPARTMENT
O/o THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT-II), W.B.
LOCAL AUDIT DEPARTMENT

No. LA/AMG-II/A/cs Arambag M (20-21)/21-22/ 564
Dated: 30.11.2021

To
The Chairman,
Arambag Municipality,
P.O. Arambag,
Hooghly- 712601

Sub: **Audit Report on Annual Financial Statement for the year 2020-21**

Sir,

I am forwarding the Audit Reports and detailed comments on the AFS for the year 2020-21 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 you kind attention to Section 88 of the Act ibid to place the Audit Report before 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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**DRAFT AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF
ARAMBAGH MUNICIPALITY FOR THE YEAR ENDED 31st MARCH, 2021**

1. We have audited the Balance Sheet of the Arambagh Municipality as at 31st March, 2021 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. 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 (subject to the observations made below) 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 Arambagh 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 subject to observations made below [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 Grants, Contributions for Specific Purpose (Sch.B-4): ₹ 2854.37 lakh Somobyathi Grant: ₹ (-) 0.82 lakh

Above negative (debit) balance of ₹81,869.00 under 'SOMOBYATHI Grants' was arrived due to showing excess utilization of the above amount over the available grant balance by way of excess recognition of Income under 'Grants for any other purposes (1601017)' by ₹81,869.00.

This wrong accounting treatment resulted in understatement of Grants Contribution for Specific Purposes with corresponding understatement of "Sundry Debtors (Receivables) by ₹0.82 lakh

In reply, the Municipality admitted the audit observation and stated that the excess payment to the Somobyathi beneficiaries would be adjusted in the next financial year.

A.1.2 Other Liabilities (Sundry Creditors) (Sch. B-9) ₹171.17 lakh Creditors (code 35010) ₹53.01 lakh

Above did not include ₹1,16,055.00 being the unpaid bills for revenue expenditure incurred during the year 2020-21. These expenditures were neither been paid nor been provided as liability in the accounts (Payment voucher no. 16, 18, 19, 47 for the year 2021-22 - ₹0.08 lakh from Municipal fund and Payment voucher no. 22-24, 35, 40-41 for the year 2021-22 - ₹1.01 lakh). The payments were released in the subsequent year i.e, 2021-22 and accounted in next year on cash basis.

Non-accounting of above expenditure as well as liabilities resulted in understatement of 'Other liabilities (Sundry Creditors) Sch. B-9' by ₹1.09 lakh with the corresponding overstatement Grant Fund (Sch.B-4) amounting to ₹1.01 and overstatement of "surplus" to the extent of ₹0.08 lakh.

In reply, the Municipality stated that they did not maintain bill register as such due to shortage of staff. However, the bill is due and accepted when the proper authority approved the bill and properly stamped as "Bill Passed on....". All those bills as shown above were not approved by the authority and so not due and payable during the year.

The reply could not be accepted since it was in contravention to Rule 234(1) of the Municipal (Finance and Accounting) Rule, 1999. As per Rule ibid, the Municipality had to include all the unpaid bills from Register of Bill Payment (Form-79) and indent register (Form-63) considering the formal agreements for supplies and works irrespective of whether the bill has been presented or not.' Further, it is evident from the concerned vouchers that all expenditure pertained to 2020-21 and bills were received prior to 31.03.2021.

A.2 ASSETS

A.2.1 Fixed Asset (Gross Block) (Sch.B-11) ₹10051.53 lakh

A.2.1.1 Accumulated depreciation (Sch. B-11) ₹5878.98 lakh

Fixed Asset (Net Block) (Sch.B-11) ₹4172.55 lakh

Above included net block of assets of ₹24,425.00 after charging depreciation amounting to ₹14,075 on purchase of Software / Software License on 21.12.2008 (for an amount of ₹26500.00 and 08.06.2009 (for an amount of ₹12000.00).

As per Accounting Manual for Urban Local Bodies (Part III) life span of Software / Software License is 5 years, hence value of above assets should be nil (Rs 1) after 5 years i.e. after 2013-14 (Annexure – III).

Wrong accounting of the above resulted in overstatement of Fixed Asset (Net Block) by ₹0.24 lakh (Sch. B-11) with the corresponding overstatement of Municipal Fund to that extent.

In reply, the Municipality accepted the audit observation and stated that the same would be rectified in the next financial year.

A.2.2 Stock-in-Hand: (Sch B-14): ₹94.95 lakh

Stationary Store (Code 4301006): ₹0.84 lakh

Above included ₹84,086.00 being the closing stock value in respect of Stationary Store. As per Accounting Principles Part-2 para 3.3.2 e) Inventories of consumable supplies such as stationery, fuel shall be charged to revenue at the time of purchase and hence should not be booked under Stock-in-hand.

Wrong accounting of the above resulted in overstatement of Stock-In-Hand with corresponding overstatement of 'Surplus' to the extent of ₹0.84 lakh.

In reply, the Municipality accepted the audit observation and stated that the same would be rectified in the next financial year.

B. INCOME AND EXPENDITURE ACCOUNTS

B.1. INCOME

B.1.1 Revenue, Grant & Subsidies (Sch.I-6): ₹1793.04 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 ₹84,000.00 (20% of ₹420,000.00 paid as ad-hoc bonus during the year 2020-21) being the receivable bonus grant for the year 2020-21.

Non-accounting of the above assured income resulted in understatement of 'Income' and thereby understatement of 'Surplus' with the corresponding understatement of 'Sundry Debtors (Receivable) to the extent of ₹0.84 lakh.

In reply, the Municipality noted the audit observation and stated that proper accounting procedure to be followed in the next financial year.

B.2. EXPENDITURE

No Comment.

C. RECEIPT & PAYMENTS ACCOUNTS.

No Comment.

D. GENERAL COMMENTS

D.1 Other Liabilities (Sch.B-9): ₹184.43 lakh

Above included negative balances of ₹16,091.00 in respect of payables against TDS from contractors and GST from contractors/ suppliers. Negative balance indicates non-provision of expenses payable, i.e., liability was not booked in the Balance Sheet.

In reply, the Municipality admitted the audit observation and stated that the same would be rectified in the next financial year.

D.2 Unsecured Loans (Sch.B-6): ₹83.90 lakh

Above Unsecured Loans of ₹83,89,906 being the balance of 'Loans from State government (Code-3312001) was shown in accounts. The Municipality did not produce any documents in support of the above loan. As such the veracity of the above liability could not be ascertained in audit.

D.3 Capital Work-In-Progress (Sch.B-11) ₹1884.48 lakh

The Municipality did not prepare 'Summary statement of status on CWIP in Form 141 (rule 175A) for which the amount of Capital Work in Progress as shown in accounts could not be verified.

D.4 Receivable for Property Tax (code 43110) (Sch.B-15): ₹328.46 lakh

In contravention to the provision of para 3.1.4 (d) of the Accounting Manual for Urban Local Bodies (Part 2) the Municipality did not prepare age-wise analysis of receivables of Property Tax (₹328,46,222.00). In contravention to the principles laid in the National Municipal Accounting Manual for ULBs, the Municipality did not make 'provision' for the amount outstanding beyond three years. In absence of age analysis, the amount of provision could not be ascertained.

D.5 Other Assets (Sch B-19): ₹15.74 lakh

The Municipality did not produce relevant document in support of the above mentioned 'Deposit works expenditure'. As such the veracity of the above figures could not be ascertained in audit.

D.6 Asset Register:

Asset register was not maintained but calculation sheet in soft copy (Microsoft Excel) was prepared for depreciation calculations which is not authenticated and approved by the municipality authority.

D.7 Physical Verification of Store/Fixed Asset not conducted

The Municipality did not conduct physical verification of assets and store. Thus, the ULB could not ensure whether all the assets as accounted in the Asset Register were physically available as on 31.03.2021.

D.8 Journal passed without authentication:

Several Journal vouchers were passed during the year but relevant primary documents justifying those journal vouchers were not furnished. Moreover, rectification vouchers were passed without any authorization of higher authority as required under rule 18 of the West Bengal (Finance and Accounting) Rules, 1999 (amended). Thus the propriety in drawing the adjustment vouchers could not be ascertained in audit.

D.9 Irregularities in vouchers

Computer generated voucher numbers were not linked with the manual vouchers. As a result vouching could not be linked with the Cash book.

D.10 Deficiencies/shortcomings in accounting software package 'Purohisab' and other irregularities

- i) The accounting software package 'Purohisaab' did not generate any 'Grant Register', 'Fixed Assets Register', 'Cash Flow statement', etc. as per prescribed format.
- ii) Proper narration against the payment voucher was absent in few cases.

The Municipality noted the observation for future guidance and also assured that corrective measures would be taken in due course.

D.11 Primary documents

In contravention to the Accounting Manual for ULB (part-5: Forms & Formats), the Municipality did not maintain/ furnish various mandatory records including Summary Statement of Bills raised (N-128), Register of Dishonoured Cheque and Drafts (N-103), Summary statement of remission and refunds (N-115), Register of Advertisement Tax (N-28), Deposit Register (N-69), Receipt Register (N-101), Unpaid salary register (N-151), Register of Disbursement of Cash Drawn on cheques in favour of Chairman (N-82), Register of Bill for payment (N-79), Deposit Work Register (N-143), Register of Immovable property (N-118), Register of movable property (N-119), Loan Register (N-72), etc. As a result, the figures as depicted in the annual accounts could not be properly verified in audit.

E. Effect of Audit Comments on Accounts.

The net impact of the comments given in preceding paras is that the Liabilities as on 31st March, 2021 was understated by ₹0.66 lakh, Assets understated by ₹0.58 lakh and the Surplus was overstated by ₹0.08 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 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 Arambagh Municipality as at 31 March, 2021 and

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

Place: Kolkata
Date: 30.11.2021



Examiner of Local Accounts
West Bengal

Working Sheet on Net impact on Accounts of Arambagh Municipality for 2020-21

(₹. in Lakh)

Ref No	Liability		Asset		Surplus	
	U/S	O/S	U/S	O/S	U/S	O/S
A.1.1	0.82		0.82			
A.1.2	1.09	1.01				0.08
A.2.1		0.24		0.24		
A.2.2				0.84		0.84
B.1.1			0.84		0.84	
Total-	1.91	1.25	1.66	1.08	0.84	0.92

Liabilities understated by ₹ (1.91 – 1.25) lakh = ₹0.66 lakh

Assets understated by ₹(1.66 – 1.08) lakh = ₹ 0.58 lakh

Surplus overstated by ₹ (0.92 – 0.84) lakh = ₹0.08 lakh

U/s- Understated

O/s- Overstated


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.	No deviation was noticed during test check.
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, subject to comments in the Audit Report.
3.	Whether all transaction (income, expenditure, assets and liabilities) are correctly classified and stated in sufficient details?	Audit comments 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?	No deviation was noticed during test check.
5.	Whether the amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order?	No major deviation was noticed.
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. Pension fund, Provident Fund and Benevolent Fund 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?	Asset register / Asset matrix was prepared but physical verification of such assets was not done.
8.	Whether physical verification has been conducted at reasonable intervals in respect of stores?	Physical verification of store was not done.
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.	Physical verification of store 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?	Physical verification of store was not done.

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?	Yes, subject to comments in the report.																								
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 such case of non-repayment was noticed in 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?	Internal control 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.																								
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?	No. As shown below. <table border="1" data-bbox="906 1259 1470 1591"> <thead> <tr> <th>Head</th> <th>Amount</th> <th>Total Amount</th> </tr> </thead> <tbody> <tr> <td>Earmarked funds</td> <td>301.83</td> <td></td> </tr> <tr> <td>Unspent grant</td> <td>2854.37</td> <td></td> </tr> <tr> <td>Loan</td> <td>83.90</td> <td>3240.10</td> </tr> <tr> <td>Current assets -</td> <td>1091.75</td> <td></td> </tr> <tr> <td>Current liabilities</td> <td></td> <td></td> </tr> <tr> <td>Investment</td> <td>287.67</td> <td>1379.42</td> </tr> <tr> <td>Excess of liability over cash strength.</td> <td></td> <td>1860.68</td> </tr> </tbody> </table>	Head	Amount	Total Amount	Earmarked funds	301.83		Unspent grant	2854.37		Loan	83.90	3240.10	Current assets -	1091.75		Current liabilities			Investment	287.67	1379.42	Excess of liability over cash strength.		1860.68
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Place: Salt Lake
Date:30.11.2020


Sr. Audit Officer
AMG-II / Accounts