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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 Haldia M(12-13)/15-16/5726(1B)

Dated: 2-6-2016

The Chairman
Haldia Municipality,
Dr. B.R.Ambedkar Bhawan
PO-Debhog,
Purba Medinipur,
Pin-721602

Sub: Audit Report on Annual Financial Statement (AFS) 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


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 HALDIA
MUNICIPALITY FOR THE YEAR ENDED 31st MARCH, 2013**

We have audited the Balance Sheet of the Haldia Municipality as at 31 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 Haldia 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 subject to the observations made below.

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 Haldia 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. Source of Fund (Liabilities)

A.1.1 Earmarked Fund (Sch-B-2):Rs.428.87 lakh

Provident Fund : Rs. 118.67 lakh

P.F Payable:Rs.0.01 lakh (Schedule B-9)

Against the net Provident Fund liability of Rs.15288682.00 (including accrued interest) as depicted in the 'Abstract of Ledger balance of P.F' as on 31.03.2013 an amount of 11867997.00 (Provident fund Rs.11867497.00 and PF payable Rs.500.00) was exhibited in the accounts. It requires detail review and proper accounting.

This resulted in understatement of 'Provident Fund' with the corresponding understatement of receivable (interest receivable) to the extent of Rs.9.80 lakh and understatement of payable (interest payable due to delay in deposit of interest etc.) with the corresponding understatement of expenditure and there by overstatement of 'Surplus' to the tune of Rs.24.41 lakh (Rs. 152.89 lakh – Rs.118.68 lakh – Rs. 9.80 lakh).

Municipal authority admitted the observation and stated that necessary rectification would be made in due course.

A.1.2. Grants, Contributions for Specific Purpose (Schedule B-4): Rs. 2607.93 lakh

A.1.2.1. Urban Housing Programme: Rs. 20.00 lakh

As per Accounting Manual for ULBs (part-II para 3.4.1(e)) the capital grants received as nodal agency or as implementing agency for an intended purpose which does not result in creation of assets with ownership rights of the ULB shall be shown under Deposit Works.

Above include unutilized amount of the Housing for the Urban Poor grant of Rs.20.00 lakh. As the said grant was received for creating assets belonging to the beneficiaries and the Municipality was only the implementing agency of the project, it was to be shown under Deposit work (B-8).

Wrong accounting of the above resulted in overstatement of Grants Contribution for Specific Purpose by Rs.20.00 lakh with corresponding understatement of Deposit work to that extent.

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

A.1.2.2. 13th Finance Commission (Schedule B-4):Rs.219.27 lakh

Above include Rs.107.90 lakh being 13th FC Grant received and paid to WBSEDCL on account of outstanding electric bill on 12.08.2012 (expenditure code-2302001-Dr. to 13th FC A/c –code 3201059-cr.). But as per the records furnished by the municipality the above adjustment was made after 31st March 2013.

This resulted in overstatement of Grants contribution for specific purpose with the corresponding overstatement of expenditure and there by understatement of Surplus of income over expenditure to the extent of Rs. 107.90 lakh.

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

A.1.3 Deposit (Schedule B-7): Rs. 724.10 lakh

Housing Deposit (code 3402051):Rs.124.87 lakh

As per Accounting Manual for ULBs (part-II para 3.4.1(e)) the capital grants received as nodal agency or as implementing agency for an intended purpose which does not result in creation of assets with ownership rights of the ULB shall be shown under Deposit Works.

Above Housing Deposit meant for beneficiary contribution for construction of house. As the said contribution was received for creating assets belonging to the beneficiaries and the

Municipality was only the implementing agency of the project, it was to be shown under Deposit work (Schedule B-8).

Wrong accounting of the above resulted in overstatement of Deposit Received by Rs.124.87 lakh with corresponding understatement of Deposit work to that extent.

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

A.1.4 Other liabilities (Sundry Creditors) (Sch B-9):Rs. 1389.59 lakh

Expenses payable:Rs.952.18 lakh

Above did not include Rs. 7166825.00 being the unpaid bills for revenue expenditure incurred during the year 2012-13 (payment voucher no. 7, 11, 47, 57, 63, 64, 91, 114, 117, 125, 152, 195, 206, 240, 253, 255, 272, 274, 277, 284, 326, 354, 395 to 398, 402 to 407, 457, 559 for the year 2013-14).

Non accounting of the above resulted in understatement of Sundry Creditors (Other Liability) with the corresponding understatement of 'expenditure' thereby overstatement of 'Surplus' to the extent of Rs.71.67 lakh.

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

A.2. Application of Funds (Asset)

A.2.1 Fixed Asset (Schedule B-11):Rs. 11032.99 lakh

A.2.1.1 Capital expenditure without right to asset (code: 4108002):Rs. 131.14 lakh

As per Accounting Manual for ULBs (part-II para 3.4.1(e)) Capital Grants received as a nodal agency or as implementing agency for an intended purpose i.e. Deposit Works, which does not, result in creation of assets with ownership rights for the ULB shall be treated as a liability till such time it is used for the intended purpose. Upon utilization for the intended purpose, the extent of liability shall stand reduced with the value of such utilisation and no further treatment, as a capital receipt shall be required.

Above 'capital expenditure without right to asset' meant for expenditure incurred for electrification of different Mouza of Haldia, construction of School building etc. which was handed over to WBSEDCL and others respectively, after completion. As the municipality had no ownership rights to the said assets and the ULB was only the implementing agency of the project, it was to be shown under Deposit work.

Wrong accounting of the above resulted in overstatement of Fixed asset with corresponding overstatement of Grant Against Fixed Asset to the extent of Rs.131.14 lakh.

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

A.2.1.2 Fixed Asset (Gross Block):Rs. 16732.69 lakh

Above did not include Rs.19930264.00 (municipal own fund Rs.10911871.00 and Grant fund Rs.9018393.00) being the Capital nature expenditure which was wrongly treated as Revenue expenditure as on 31.03.2013 (J.V. no. 1, 3, 4, 6, 10, 12, 17, 23 28, 30, 31, 32, 36, 38, 57, 84, 89 and voucher no. 408, 588 for the year 2012-13). Further, no depreciation has been charged.

This resulted in understatement of Fixed Asset (Gross Block) by Rs. 199.30 lakh with the corresponding overstatement of expenditure and thereby understatement of Surplus by Rs.109.12 lakh and understatement of Grant against Fixed Asset by Rs.90.18 lakh. The depreciation amount should be adjusted.

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

A.2.1.3 Accumulated depreciation:Rs.7082.55 lakh

Because of erroneous consideration of life span of 21 nos of Building (fixed assets), the depreciation was charged less by Rs.2497196.00 (Rs. 1336963.00 from Grant fund and Rs.1160233.00 from Municipal fund). Same nature of irregularities were noticed in case of other fixed assets also. It requires detail checking and necessary rectification.

Wrong calculation of depreciation resulted overstatement of 'Fixed Assets (Net Block)' of Rs. 24.97 lakh with the corresponding overstatement of 'Grant Against Fixed assets' to the extent of Rs. 13.37 lakh and understatement of expenditure and thereby overstatement of surplus by Rs. 11.60 lakh.

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

A.2.2 Investment General Fund (Sch-B-12): Rs. 13.57 lakh

West Bengal Municipal Development Trust Fund: Code 4208051:Rs. 10.00 lakh

Above include contribution of Rs. 10.00 lakh towards membership of West Bengal Municipal Development Fund Trust. As the above contribution was neither of deposit nature nor it would earn any profit in shape of interest or dividend therefore, it should be treated like expenditure. The municipality treated it as investment.

This resulted in overstatement of investment with the corresponding understatement of expenditure and there by overstatement of 'Surplus' to the extent of Rs.10.00 lakh.

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

A.2.3 Stock-in-Hand: (Sch B-14): Rs.203.97 Lakh.

Stationary Store: Rs. 3.44 lakh

Above included Rs.343558.00 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 understatement of expenditure and there by overstatement of Surplus to the extent of Rs.3.44 Lakh.

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

A.2.4 Sundry Debtors (Receivables) (Sch: B-15):Rs. 3780.21 lakh

A.2.4.1. Receivables for Property Taxes:Rs.3509.08

Against the actual receivable of Paroperty Tax of Rs.365147468.00 (as per the documents furnished by the municipality) Rs. 350908335.00 was shown in accounts. It requires proper verification and rectification.

Pending verification and rectification of outstanding Demand of property tax resulted in understatement of Sundry Debtors (Receivables) with the corresponding understatement of Income under 'Property Tax' and thereby understatement of 'Surplus of income over expenditure to the extent of Rs. 142.39 lakh (Rs.3651.47 lakh-Rs.3509.08 lakh).

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

A.2.4.2. Receivable for Bus service:Rs. 40.84 lakh

A cheque bearing no. 428764 drawn on Indian overseas Bank, Haldia Branch, amounting to Rs.25.00 lakh for lease rent of Bus services in favour of Haldia Municipality, payable by 'Ratul Transport' was dishonored by the bank. The municipality made a wrong

adjustment, vide journal voucher no. 0051 dated 31.12.2008 (Bank account Cr.-code 4502153- to hire charges for bus Dr.-code-1504001 instead of actual debited head receivable for bus service - code-4314056). This was not rectified till 31.03.2013

Wrong accounting of the above resulted in understatement of Receivable with corresponding understatement of Income and thereby understatement of 'Surplus of income over expenditure to the extent of Rs.25.00 lakh.

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

B. Income and Expenditure Accounts

B.1. Income.

B.1.1 Revenue grants, contributions and subsidies (schedule I-6):Rs.1039.79 lakh

B.1.1.1 BRGF Grant Rs. 36.90 lakh and IHSDP Grant:Rs. 200.08 lakh

Above included Rs.23697661.00 as Revenue Grant that transferred from capital Grant (BRGF and IHSDP grant).

Wrong accounting of the above resulted in understatement of Grants Contribution for Specific Purpose fund of Rs.36.90 lakh (schedule B-4), understatement of Deposit works (schedule B-8) of Rs. 200.08 lakh with the corresponding overstatement of Surplus of income over expenditure to the extent of Rs.236.98 lakh.

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

B.1.1.2. Contribution towards fixed assets (Schedule I-6): Rs. 377.98 lakh.

As per Accounting Manual for ULBs (Part 2), amount proportionate to depreciation of the fixed assets created out of grants shall be credited to the Income & Expenditure Account every year.

As per the Asset register attached with the Balance Sheet, total depreciation of the assets out of grant fund under 'computer & furniture' was Rs. 0.48 lakh but the same was taken as Rs. 103.80 lakh in the abstract of fund matrix. Hence, a sum of Rs. 377.98 was wrongly credited to Income & Expenditure Account instead of Rs.274.66 lakh being proportionate depreciation of the fixed assets created out of grant fund for the year 2012-13.

Incorrect accounting of the above resulted in overstatement of 'Income' as well as overstatement of 'Surplus of Income over Expenditure', with the corresponding understatement of 'Grants against Fixed Assets' to the extent of Rs.103.32 lakh (Rs.109.80 lakh - 0.48 lakh).

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

B.1.1.3 Ad-hoc Bonus: Nil

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.

The Municipality paid 'Bonus' to its employees in the year 2012-13 of Rs. 155275.00. Thus, the municipality accrued an 'Income' of Rs.31055.00. 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 understatement of Surplus by Rs. 0.31 lakh with consequent understatement of 'Sundry Debtors (Receivables)' by the same amount.

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

B.1.f.4 Interest Earned (Sch. I – 8): Rs.16.02 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 include Rs.1105064.00 being the interest earned from Saving Bank Accounts of various unutilized grants (BRGF, 13th FC, HHW, IHSDP, UIDSSMT, SGSRY, NSAP, KUSP, NCLP etc.). However, instead of crediting the above interest to the respective grant, it was wrongly taken as operating income of the Municipality.

This resulted in overstatement of 'Income' as well as 'Surplus' with the corresponding understatement of 'Grants, Contribution for specific purpose' to the extent of Rs.11.05 lakh.

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

B.2. Expenditure

B.2.1. Establishment Expendis (Schedule I-10) : Rs. 647.52 lakh

B.2.1.1 Pension contribution : Nil

Above did not include Rs.600403.00 (6% of total basic salary of Rs.10006723.00) 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 paymnet should be made through 'Pension Fund'.

This resulted In understatement of 'Expenditure' and there by overstatemnt of 'Surplus of Income over expenditure' with the corresponding understatment of 'Pension fund (Earmarked fund) to the extent of Rs. 6.00 lakh and overstatemnt of Cash and bank balance with the corresponding understatement of Investment other Fund by the same extent.

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

B.2.1.2 Pension Rs.30.92 lakh and Family Pension;Rs.1.26 lakh

Above 'Establishment Expenses' included Rs.3217290.00 being the Pension payment during the year 2012-13. Since a separate Pension fund was created (Schedule-B-2- Pension fund available balance Rs.403286.00 and pension contribution Rs.600403.00 for the year 2012-13) and operated by the Municipal authority, the above payments should be adjusted against 'Pension Fund' and then remaining amount should be shown as expenditure in the Income and Expenditure account.

Improper accounting of the above resulted in overstatement of expenditure and there by understatement of 'Surplus of Income over expenditure' with the corresponding overstatement of 'Pension fund' to the extent of Rs.10.03 lakh and understatement of 'Cash and Bank Balance' with the corresponding overstatement of 'Investment' by the same extent.

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

B.2.2. Interest and Finance Charges (Schedule I-13): Rs. 47.75 lakh

Discount on Early/Prompt Payments : Rs.47.71 lakh

As per the Accounting Manual for Urban Local Bodies (volume-6), discount/remission will be passed when the Remission/Rebate has been approved by the Chairman or Assessment Review Committee. When remission is granted only that portion of the remission will be accounted for.

A sum of Rs. 4770619.00 was shown as expenditure in the Income & Expenditure statement of the year 2012-13 without any approval of the appropriate authority or committee.

This resulted in overstatement of expenditure and thereby understatement of Surplus of Income over Expenditure with the corresponding understatement of Sundry Debtors to the extent of Rs. 47.71 lakh.

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

B.2.3 Programme Expenses (Schedule I-14):Rs. 393.62 lakh

Low cost housing (code 2503060): Rs. 202.90 lakh

Above included Capital expenditure (Deposit works) of Rs.20290000.00 for construction of low cost housing.

Wrong accounting of the above resulted in understatement of Other Asset(Deposit works expenditure-schedule B-19) with the corresponding overstatement of expenditure and thereby understatement of Surplus of Income over Expenditure by Rs.202.90 lakh .

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

C RECEIPT & PAYMENT ACCOUNT

Total receipt of Property Tax as per the Balance sheet (receivable of 2011/12 Rs.259955023.00 + demand of 2012-13 Rs.313252297.00 – Receivables of 2012-13 Rs.350908335.00 = Rs.222298985.00) did not tally with the Property tax receipt as per the Receipts and Payments Accounts (Rs.209849329.00). This needs necessary reconciliation and rectification.

D General Observation

D.1. Fixed asset (Schedule-B-11):Rs.11032.99 lakh

Depreciation (Schedule I-0): Rs. 1314.15 lakh

Contribution towards fixed assets (Schedule I-6) : Rs. 377.98 lakh.

The above figures shown in the accounts did not tally with the figures shown in the Asset Register attached with the Balance Sheet. Details are given below:

	Fixed Asset (Net block)	Depreciation during the year (Schedule I-0)	Depreciation of asset out of Grant fund (contribution towards fixed assets Schedule I-6)
As per Asset Register	1163014593.66	131889525.08	37797526.02
As per Balance sheet	1103298998.00	131414790.97	37797526.02
U/s-under stated	U/s Rs.59715595.66	U/s Rs.474734.11	0.00
O/s- over stated.			

In addition to above the municipality made several mistake during calculation of depreciation, eg. some CWIP works considered as complete assets, erroneous consideration of life span of some assets, wrong consideration of expired life period, CWIP shows negative balance (eg. Land development Rs.-1513148.00, Water ways Rs.-26429735.00 and Public lighting Rs.-2715045.00) etc. In some cases date of completion was not mentioned also. It needs detail review and necessary rectification.

D.2. EPF payable: Rs.(-)4.22 lakh

Professional Tax :Rs.(-)0.23 lakh

Child labour school grant: Rs.(-)0.10 lakh

Above negative balances were shown due to wrong journal vouchers entry, vide no. 0131, dated 31.03.2013 (EPF code-3501153-Dr. to Expenses Payable –code 3501003-cr.), J.V. no. 0130, dated 31.03.2013 (Professional Tax code-3502003-Dr. to Expenses Payable –code 3501003-cr) and J.V. no. 0103, dated 31.03.2013 (Child labour School grant code-3202058-Dr. to Expenses Payable –code 3501003-cr). It requires detail checking and necessary rectification.

D.3 Journal Voucher passed without authorization by the higher officer

Journal Vouchers for the year 2012-13, were passed 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). Thus the propriety in drawing the adjustment vouchers could not be ascertained in audit.

D.4 Property Tax

No age-wise analysis of receivables of Property Tax was prepared and attached to accounts in compliance with the provision of para 3.1.4(d) of the Accounting Manual for Urban Local Bodies (Part 2). Arrear Property tax as per tax department was not tally with the accounts.

D.5. Physical verification of store / fixed asset not conducted

Physical verification of store / movable as well as immovable assets was not conducted at a regular interval, as a result the Municipal authority could not ensure whether all the assets accounted for in the Stock register / Asset register were physically available or not.

D.6. Poor Internalization of the Reformed Accounting Procedure

The reformed accounting in double entry system required close coordination amongst all the departments. But there was no proper coordination with Accounts section in providing appropriate data, reconciling figures generated by the respective departments. This was indicative of poor internalization of the reformed accounting system.

D.7. The Bank pass book of Standard Chartered Bank (Account no. 3243024577) was not produced to audit.

D.8. No provision had been made for receivables from other sources outstanding for long period. Provision had also not been made for recoveries of HUDCO loan from beneficiaries.

D.9. Though Gratuity fund was created but Gratuity payment had been made from municipal own fund.

D.10 Primary Documents

Though the Municipality did finalize the Annual accounts for the year 2012-13 but not maintained the basic/ primary records like Appropriation Register, Lease Register, Investment Register, Unpaid Bill Register, Loan register, Stock Verification Report, Register of Tools and Plants, Advance Register, Demand and collection Register, Revenue collection register, stock register of Engineering store etc. As a result, the figures as depicted in the annual accounts could not properly be verified in audit.

D.11 Deficiencies/shortcomings in accounting software package 'Purohisab'

a) A different software package has been maintained by the Municipality. 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.

c) The accounting software package 'Purohisab' did not generate any 'Grant Register', 'Fixed Assets Register', 'Cash Flow statement', etc. as per prescribed format.

d) Narration in most of the payment voucher was absent. Vouchers can't be printed from the software.

e) 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 for posting the entries and passing the entries in the system leaving the total system unsecured.

D.12 Action Taken Report on previous Audit Reports (2008-10) was not furnished to audit.

Municipal authority admitted the observations and stated that necessary rectification would be made in next year.

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 2013 were understated by Rs.290.97 lakh, Assets were understated by Rs.457.86 lakh and the surplus of income over expenditure for the year was understated by Rs.166.89 lakh.

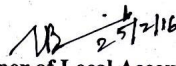
v) Subject to our observations in the preceding paragraphs, we report that the Balance Sheet and Income and Expenditure Account and Receipts and Payments Account dealt with by this report are in agreement with the books of accounts.

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, does 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 Haldia Municipality as at 31st 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: 02.2016


Examiner of Local Accounts
West Bengal

**Working Sheet on Net impact on Annual Accounts of Haldia Municipality
for the year 2012-13**

Ref No	Liabilities		Assets		(Rs. in Lakh) Surplus	
	U/S	O/S	U/S	O/S	U/S	O/S
A.1.1	34.21		9.8			24.41
A.1.2.1	20.00	20.00				
A.1.2.2		107.90			107.90	
A.1.3	124.87	124.87				
A.1.4	71.67					71.67
A.2.1.1		131.14		131.14		
A.2.1.2	90.18		199.30		109.12	
A.2.1.3		13.37		24.97		11.60
A.2.2				10.00		10.00
A.2.3				3.44		3.44
A.2.4.1			142.39		142.39	
A.2.4.2			25.00		25.00	
B.1.1.1	236.98					236.98
B.1.1.2	103.32					103.32
B.1.1.3			0.31		0.31	
B.1.2	11.05					11.05
B.2.1.1	6.00		6.00	6.00		6.00
B.2.1.2		10.03			10.03	
B.2.2			47.71		47.71	
B.2.3			202.90		202.90	
Total	698.28	407.31	633.41	175.55	645.36	478.47

Liability understated by Rs. (698.28-407.31) lakh = Rs. 290.97 lakh

Asset understated by Rs. (633.41-175.55) lakh = Rs. 457.86 lakh

Surplus understated by Rs. (645.36-478.47) lakh = Rs. 166.89 lakh

U/S – Understatement

O/S - Overstatement

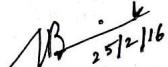
Annexure – I

**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.	As per test check, expenditures incurred were found to be authorized by appropriate provision in the sanctioned budget.
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?	No. Audit comments given in Audit Report.
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 was found.
5.	Whether the amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order?	No deviation 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?	Deficiencies noticed during test check, had been pointed out.
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?	No. Fixed Asset Register was not maintained properly. Physical verification of Fixed Assets has not been made any time.
8.	Whether physical verification has been conducted at reasonable intervals in respect of stores?	No physical verification of Stores was 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.	No physical verification of Stores was 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?	Does not arise, as no physical verification report of stores had been produced.

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.																								
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?	Registers not furnished.																								
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 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?	There was no proper procedure to identify any unserviceable and damaged store and no provision for the loss was made in the accounts.																								
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?	No. Audit comments given in Audit Report.																								
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?	As per test check no such irregularities was observed.																								
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>Yes, as calculated below. (Rs. in lakh)</p> <table border="1"> <thead> <tr> <th>Head</th><th>Amount</th><th>Amount</th></tr> </thead> <tbody> <tr> <td>Earmarked funds</td><td>428.87</td><td></td></tr> <tr> <td>Unspent grant-</td><td>2607.93</td><td></td></tr> <tr> <td>Loan</td><td>0.00</td><td>3036.80</td></tr> <tr> <td>Current assets -</td><td>3252.62</td><td></td></tr> <tr> <td>Current liabilities</td><td></td><td></td></tr> <tr> <td>Investment</td><td>170.65</td><td>3423.27</td></tr> <tr> <td>Excess of cash strength over liability</td><td></td><td>386.47</td></tr> </tbody> </table>	Head	Amount	Amount	Earmarked funds	428.87		Unspent grant-	2607.93		Loan	0.00	3036.80	Current assets -	3252.62		Current liabilities			Investment	170.65	3423.27	Excess of cash strength over liability		386.47
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Date: .02.2016


25/2/16
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