



A/c Sec. M.R. No. 1791  
Date.....7.12.15.....

NABADWIP MUNICIPALITY  
RECEIVED 7.12.15  
Date of receipt.....1426-R

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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 Nabadwip M(09-10)/15-16/ 3636(TB)  
Dated: 03.12.2015

To  
The Chairman,  
Nabadwip Municipality,  
95 C/1, N.S.Road  
P.O- Nabadwip  
Dist- Nadia  
Pin-741302

Sub: Audit Report on Annual Financial Statement (AFS) for the year 2009-10

Sir,

I am forwarding the Audit Reports and detailed comments on the AFS for the year 2009-10 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

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

To  
F.O  
PL. take n.a  
GSR-7/15  
To  
AC/Accountant  
P/Q  
7-12-14

**AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF NABADWIP  
MUNICIPALITY FOR THE YEAR ENDED 31ST MARCH, 2010**

We have audited the Balance Sheet of the Nabadwip Municipality as at 31st March, 2010 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 Nabadwip 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 Nabadwip 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.1.1 Municipal Fund (Schedule B-I)- ₹ 23.87 lakh**

Excess of Income over Expenditure of ₹23.87 lakh transferred to Municipal Fund instead of adjustment with capital deficit (Schedule B-20 - ₹365.74 lakh)

Wrong accounting of the above resulted in overstatement of 'Municipal Fund' with the corresponding overstatement of 'Misc. Expenditure' to the extent of ₹23.87 lakh.

The Municipality accepted the facts and figure and stated that the rectification would be done in due course.

**A.1.2 Earmarked Fund (Sch. B-2): ₹ 314.02 Lakh**

**Provident Fund: ₹ 286.62 lakh**

Above included ₹28662371.00 as Provident Fund. However, as per Abstract of Provident Fund Ledger, to Provident Fund Liability was ₹27851062.00 (including interest of ₹2046572.00) and as per the Treasury Pass Book closing balance as on 31.03.2010 was ₹25804490.00.

Wrong accounting of the above resulted in overstatement of Provident Fund by ₹8.11 (₹286.62 - ₹278.51) lakh with the corresponding overstatement of Investment by ₹28.58 lakh (₹8.11 + ₹20.47) and understatement of Sundry Debtors (Receivables) by ₹ 20.47 lakh.

The municipality accepted the facts and figures and stated that the rectification would be done in due course.

**A.2 Assets**

**A.2.1 Sundry Debtors (Receivables) (Sch. B-15): ₹119.63 Lakh.**

Above did not include ₹1.59 lakh, (Arrear-₹1.36 lakh & Current-₹0.23 lakh), being the outstanding rent of Municipal Market up to 31.03.2010.

Wrong accounting of the above resulted in understatement of Sundry Debtors (Receivables) by ₹ 1.59 lakh with the corresponding understatement of income and there by understatement of Surplus by ₹ 1.59 lakh

The municipality accepted the facts and figures and stated that the rectification will be done in due course.

**B Income & Expenditure Account**

**B.1 Income**

**B.1.1 Interest earned (Schedule I-8): ₹ 10.41 Lakh.**

**Bank Interest: ₹ 9.35 Lakh**

*(Handwritten notes: (Sch) (304) 50-21)*

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 ₹924306.54 being the interest earned on deposit of various unutilized grant funds in the banks.

Wrong accounting of the resulted in overstatement of 'Income' as well as overstatement of 'Surplus of Income over expenditure' with the corresponding understatement of 'Grants, Contribution for specific purpose' to the extent of ₹9.24 lakh.

The municipality accepted the facts and figures and stated that the rectification will be done in due course.

**B.2 Expenditure**

**B.2.1 Operation and Maintenance (Schedule.I-12): ₹ 160.06 Lakh**

Above did not include ₹375290.00 being the Electricity expenses for the month of March 2010 as on 31.03.2010. The accrued expenditure was also not booked as liability during the period.

Non-inclusion of the above resulted in understatement of Sundry Creditors with the corresponding understatement of expenditure and thereby overstatement of Surplus to the extent of ₹ 3.75 lakh.

The municipality accepted the facts and figures and stated that the rectification will be done in due course.

**B.2.2 Establishment Expense: ₹631.26 lakh**

**Pension contribution: Nil**

Above did not include ₹2181019.00 (6% of the total Basic pay of ₹36350317.00) being the pension contribution of the Municipality for Pension Fund of the employee. The pension fund investment should be kept separately under 'Investment'. All basic pension payment should be operated through 'Pension Fund'.

Non-accounting of the above resulted in understatement of expenditure and thereby overstatement of 'Surplus of income over expenditure' with the corresponding understatement of 'Pension fund (Earmarked fund)' to the extent of ₹21.81 lakh. and overstatement of Cash & Bank Balance with the corresponding understatement of Investment by the same.

The municipality accepted the facts and figures and stated that the rectification will be done in due course.

**C. Receipt and Payment Account**

No comments.

**D. General Observation :**

**D.1. Journal Vouchers passed without authorization by the higher officer:**

As per 'purohisab' accounting software package, total 602 numbers of Journal Vouchers were passed and incorporated in the Annual Accounts for the year 2009-10 without any authorization by the controlling officer and justifying primary documents as required under the rule 18 of the West Bengal (Finance and Accounting), Rules, 1999 (amended).

**D.2 Poor Internalization of the Reformed Accounting Procedure:**

The reformed accounting in double entry system requires co-ordination among line departments having financial transaction. It was observed that there was lack of co-ordination/reconciliation of figures generated by the line departments i.e. cash, tax, works, stores, collection departments with that by the Finance department. Thus there is poor internalization of the reformed accounting system.

**D.3 Schedule forming part of Financial Statement:**

Incomplete schedules i.e. B-2, B-4, B-6, B-7, B-9, B-10, B-11, B-12, B-13, B-14, B-15 and B-18 attached to the Balance Sheet which were not conforming to the provisions of the Accounting Manual for ULB (Part -5) were attached to Financial Statements.

**D.4 Details of Capital Work in progress not attached:-**

The ULB did not annex the details of 'Capital Work in Progress'. Thus opening balance, addition/ disposal, total cost and depreciation in respect of fixed asset could not be ascertained.

**D.5. Deficiencies in the Accounting software:**

During test check of annual accounts maintained in the 'Purohisab package', the following deficiencies are noticed:

- a) Code wise searching for any transaction is not possible in the above package. Further, the package leaves no scope for preparing account code wise periodical abstract of the Cash Book entries.
- b) There is no locking arrangement so far as date is concerned i.e. any voucher can be inserted at a later date even after closing of particular accounting year thereby leaving the system unsecured.

c) There was no scope to save any computer I.P. address against any transaction. Not even that, the name of voucher entering person and passing person was not reflected against the voucher posted/passed in many occasions. Hence, both the persons might be the same which frustrated the system of double checking of the vouchers.

d) Exporting of data from this package to another programme like MS-Word or MS-Excel was not possible.

**D.6. Physical Verification of Store not conducted:**

No physical verification of stock was conducted during the year 2009-2010.

**D.7. Detailed Narration not recorded:**

Recording narration against each entries made in the ledger are too short for which the details of the expenditure could not be ascertained in audit.

**D.8 Property Tax:**

Property tax Receivable of ₹ 119.63 lakh as shown in Balance Sheet (Sch: B-15) did not tally with the figures of ₹97.036 lakh being the value of outstanding Property tax as on 31.03.2010 as shown in the statement prepared by the Municipal authority. Thus there was difference of ₹ 22.59 lakh between two records. It requires details review and reconciliation with proper accounting of Property Tax.

Besides no ageing of receivables against Property tax was done and attached with the annual accounts in compliance with the provision of para 3.1.4 (d) of the Accounting Manual for Urban Local Bodies (Part-2 Accounting Principles).

**D.9. Bank Reconciliation Statement:**

As per the Bank Reconciliation Statement furnished by the Municipality, a good number of cheques were either not encashed by the payee or not encashed by the Bank / Treasury in the accounts of the municipality. These cheques had lapsed long ago. However, municipality did not reverse the entry in their cash book. Further, amount wrongly credited / debited by banks / treasury were also not reversed back. Municipal Authorities are advised to take necessary action for reversal of those entries in their books of accounts.

**D.10.** As per stock register of food grain under mead day meal scheme furnished by the municipality, food grains weighing 804.97 quintle were lying unutilized which needs disclosure in the accounts of the municipality.

**D.11. Balance Sheet**

**Investment – General Fund (Sch: B-12)**

**Term Deposit – Bank: ₹ 1.44 lakh**

The above investment was made following an order from the Hon'ble High Court, Calcutta pending judgement for pension payment to the survivors of two retired municipal

employees. Thus the investment shown above was made against a contingent liability which needs disclosure in the accounts.

**D.12. Deposit Works (Schedule- B-8) ₹30.91 lakh**

Above included negative balance of ₹405.00 under MPLAD fund. Negative balance indicated excess expenditure over the grant received and the same was incurred out of Municipal fund. Hence, Municipal fund was overstated and Deposit works understated to the same extent.

The municipality accepted the facts and figures stated hereinabove and stated that the rectification will be done in due course.

**D.13. Figures mentioned in the Balance Sheet submitted to this office was different from the balance sheet produced to audit during audit (softcopy and hardcopy) by the Municipal authority. Hence, the detailed checking of data in respect of Balance sheet submitted to this office could not be accomplished.**

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

The net impact of the comments given in preceding paragraphs is that the liabilities were understated by ₹2.82 lakh, assets overstated by ₹30.39 lakh and the Surplus was overstated by ₹33.21 lakh as on 31<sup>st</sup> March, 2010.

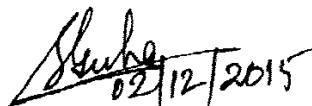
v) Subject to our observation in the preceding paragraphs, we report that the Balance Sheet and Income and Expenditure Account and Receipts and Payments Account dealt with by this report are in agreement with the books of accounts.

vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Accounting Policies and Notes on Accounts, and subject to the significant matters stated above and other matters mentioned in Annexure I to this Audit Report, **do not give a true and fair view** in conformity with accounting principles generally accepted in India:

a) In so far as it relates to the Balance Sheet of the State of affairs. of the Nabadwip Municipality as at 31 March, 2010 and

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

Place: Kolkata  
Date: .12.2015

  
02/12/2015  
Examiner of Local Accounts  
West Bengal

**Working Sheet on Net impact on Annual Accounts of Nabadwip Municipality for 2009-10**

( in Lakh)

Ref No	Liabilities		Assets		Surplus	
	U/S	O/S	U/S	O/S	U/S	O/S
A.1.1		23.87		23.87		
A.1.2		8.11	20.47	28.58		
A.2.1			1.59		1.59	
B.1.1	9.24					9.24
B.2.1	3.75					3.75
B.2.2	21.81		21.81	21.81		21.81
Total	34.80	31.98	43.87	74.26	1.59	34.80

Liability understated by ₹(34.80-31.98) lakh = ₹2.82 lakh.

Asset overstated by ₹( 74.26-43.87) lakh = ₹30.39 lakh.

Surplus overstated by ₹ (34.80-1.59) lakh = ₹33.21 lakh.

U/S - Understatement

O/S - Overstatement




**ANNEXURE - I**

**Audit comments on the information as asked under Sub rule 2 of Rule 22 of the West Bengal Municipal (Financial & Accounting) Rules, 1999 as amended in January, 2007**

<b>Sl. No.</b>	<b>Item of Information</b>	<b>Audit Comments</b>
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.	Yes
2	Whether all sums due to be in all cases such as is authorized by law.	Yes
3.	Whether all transactions (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 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?	Asset register was maintained in the computer. However, no physical verification of fixed asset was conducted.
8.	Whether physical verification has been conducted by the Municipality 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?	As per FIFO method

Sl. No.	Item of Information	Audit Comments																								
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 Loan has been given during the Financial Year.																								
13	Whether there exists an adequate internal control procedure for the purchase of store including components, plant and machinery, equipment and other assets?	Record not furnished																								
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?	Record not furnished																								
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.	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 border="1"> <thead> <tr> <th>Head</th> <th>Amount</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Earmarked funds</td> <td>314.02</td> <td></td> </tr> <tr> <td>Unspent grant-</td> <td>632.37</td> <td></td> </tr> <tr> <td>Loan</td> <td>39.54</td> <td>985.93</td> </tr> <tr> <td>Current assets -</td> <td>461.87</td> <td></td> </tr> <tr> <td>Current liabilities</td> <td></td> <td></td> </tr> <tr> <td>Investment</td> <td>288.07</td> <td>749.94</td> </tr> <tr> <td><b>Excess of liability over cash strength</b></td> <td></td> <td><b>235.99</b></td> </tr> </tbody> </table>	Head	Amount	Amount	Earmarked funds	314.02		Unspent grant-	632.37		Loan	39.54	985.93	Current assets -	461.87		Current liabilities			Investment	288.07	749.94	<b>Excess of liability over cash strength</b>		<b>235.99</b>
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