



NABADWIP MUNICIPALITY
RECEIVED
Date of receipt. 17.11.16
Docket No. 1381-R

भारतीय लेखा एवं लेखा परीक्षा विभाग
कार्यालय - प्रधान महालेखाकार (सामान्य एवं सामाजिक क्षेत्र
लेखा परीक्षा), प.चं., स्थानीय लेखा परीक्षा विभाग

INDIAN AUDIT AND ACCOUNTS DEPARTMENT
OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL
(GENERAL & SOCIAL SECTOR AUDIT), W.B.
LOCAL AUDIT DEPARTMENT

No. 35-III/A/c, Nabadwip m (14-15)/16-17/
संख्या /No.

दिनांक / Dated : 09.11.2016

2887
(13)

Ac Sec. M.R. No. 18.69.
Date 17.11.16

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 2014-15

Sir,

I am forwarding the Audit Reports and detailed comments on the AFS for the year 2014-15 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

May be sent to A-F-c. for
necessary action.

Work
AFC P1 finance
and submit AFS of
2015-16 on work basis.
19-11-16

AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF NABADWIP MUNICIPALITY FOR THE YEAR ENDED 31ST MARCH, 2015

We have audited the Balance Sheet of the Nabadwip Municipality as at 31st March, 2015 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 Other Liabilities (Sundry Creditors): ₹ 85.29 lakh
Gratuity Payable: Nil**

(a) Above did not include ₹2850538.00 being the unpaid amount of Gratuity, payable to the retired/died (retired in earlier years) Municipal employees during the period from 2010-11 to 2014-15. It requires detail checking and rectification with accounting effect.

NA Non-accounting of above liability resulted in understatement of 'Other liabilities (Sundry Creditors)' with the corresponding understatement of expenditure' and there by overstatement of 'Surplus of income over expenditure' to the extent of ₹ 28.51 lakh.

The Municipal authority accepted the facts and noted for future guidelines.

(b) Above did not include ₹ 2486250.00 being the interest accrued and due as on 31.03.2015 on the loan received from the State Government. It requires to assess actual interest payable with proper accounting effect.

MA Non accounting of the above resulted in understatement Sundry Creditor with the corresponding understatement of expenditure and thereby overstatement of Surplus of income over expenditure to the extent of ₹ 24.86 lakh.

Municipal authority admitted the observation and confirmed that necessary rectification will be done and shown to next audit.

A.2 Assets

A.2.1 Accumulated Depreciation (Sch.B-11): ₹ 1738.66 lakh

As per Accounting Manual for ULB (Para 12.4 of Part 3) depreciation shall be provided at full rates for assets, which are purchased/constructed before October 1 of an Accounting Year. Depreciation shall be provided at half the rates for assets, which are purchased/ constructed on or after October 1 of an Accounting Year.

(a) Due to wrong calculation of expired life of 02 assets (Office building and Fogging machine) ₹ 62542.00 (Grants Fund ₹ 33499.50 and municipal Fund ₹ 29042.5) was charged excess depreciation as on 31.03.2015.

Wrong accounting of the above resulted in understatement Fixed Asset (Net Block) by ₹ 0.63 lakh with the corresponding understatement of Grants against Fixed Asset by ₹ 0.34 lakh and overstatement of expenditure and thereby understatement of Surplus of income over expenditure by ₹ 0.29 lakh.

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The Municipal authority stated in their reply that the observation pointed out by audit had been noted for future guidance.

(b) Due to wrong calculation of estimated life of 19 assets (Pucca drains) ₹ 250209.45 (Grants Fund) was charged less depreciation as on 31.03.2015.

Wrong accounting of the above resulted in overstatement of Fixed Asset (Net Block) with the corresponding overstatement of Grants against Fixed Asset to the extent of ₹ 2.50 lakh.

The Municipal authority stated in their reply that the observation pointed out by audit had been noted for future guidance.

A.2.2 Sundry Debtors (Receivables) (Sch. B-15): ₹132.67 lakh.

(a) Above did not include ₹3342211.00 being the interest on Provident Fund lying with Treasury which was received in 2014-15.

Wrong accounting of the above resulted in understatement of Sundry Debtors (Receivables) with the corresponding understatement of Provident Fund to the extent of ₹ 33.42 lakh.

The Municipal authority stated in their reply that the observation pointed out by audit had been noted for future guidance.

(b) Above did not include ₹ 159780.00 being the "Receivable from rental income" (Opening Balance ₹109860.00 + Demand current ₹ 166320.00 – Collection ₹116400.00) for the year (as per the statement furnished by the Municipality). Collection of ₹ 116400.00 was received from Municipal market during the year was shown in the account on cash basis.

Wrong accounting of the above resulted in understatement of Income as well as Surplus with the corresponding understatement of "Receivable from Rental Income" to the extent of ₹ 1.60 lakh.

The Municipal authority stated in their reply that the observation pointed out by Audit had been noted for 'future guidance'.

A.2.3 Cash and Bank Balance (Schedule B-17): ₹ 1979.89 lakh

Above did not include ₹ 69270.00 being the value of 06 nos. cheques (05 cheques of SBI (A/Cs – 8366, 5116, 2390) and 01 cheque of UBI(A/C – 1590) issued by the Municipality which lost their validity prior to 31.03.2015. The above stale cheques should have been written back by crediting the liability to that extent.

This resulted in understatement of 'Cash and Bank Balance' with the corresponding understatement of 'Other liability' to the extent of ₹ 0.69 lakh.

The Municipal authority stated in their reply that the observation pointed out by Audit had been noted for 'future guidance'.

B Income & Expenditure Account

B.1 Income

B.1.1 Revenue, Grant & Subsidies (Sch.I-6): ₹ 2133.36 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.

4
2 Above income head did not include ₹ 108160.00 (20% of the ad-hoc bonus of ₹ 540800.00) being the receivable bonus grant during the year 2014-15

Non-accounting of the above assured income resulted in understatement of 'Income' and thereby understatement of Surplus of income over expenditure with the corresponding understatement of 'Sundry Debtors (Receivable from the Govt.) to the extent of ₹ 1.08 lakh.

The Municipal authority stated in their reply that the observation pointed out by Audit had been noted for 'future guidance'

B.2 Expenditure

B.2.1 Establishment Expense: ₹966.68 lakh

Pension contribution: Nil

Above did not include ₹2014124.00 (6% of the total Basic pay of ₹33568734.00) 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'.

4
2 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 ₹20.14 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 Asset Register:

N/A Physical verification of asset under the possession of the Municipality was not conducted at regular interval.

D.2 Ageing of Receivables of Property Tax:

N/A The age-wise analysis of Receivables of Property Tax shall be made a regular exercise and shown in Notes to Accounts. However no such analysis was disclosed in Notes to Accounts. Besides, individual demand and collection in respect of commercial, residential, Central Government holdings, State Government holdings etc was not maintained by the department; consequently not reflected in the annual account.

D.3 Journal Vouchers passed without authorization by the higher officer:

N/A As per 'Purohisab' accounting software package, 520 no. of Journal Vouchers were passed out without any authorization of the higher authority and justifying primary account.

D.4 Detailed Narration not recorded:

N/A Narration in most of the voucher was insufficient to identify the purpose of voucher. Even in some cases narration was not written. As a result in those cases details of purpose of receipt/payment or journal vouchers could not be ascertained from package.

D.5 Unauthorized use of Ledger Code:

N/A Ledger code provided in the accounting manual shall be used for specific transaction as guided. Besides, additional ledger code shall be used only on the requirement of ULB and with the prior approval of MAD. However, ledger codes under Schedule B-4 of Balance Sheet have been used by the municipality without any prior approval of MAD for various type of transaction.

D.6 Deposit Work

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 utilization and no further treatment, as a capital receipt shall be required.

However, beneficiary contribution received under IHSDP for construction of dwelling units of the relevant beneficiary were treated as "capital grant" and shown under "Schedule B-4" as liability.

D.7 Interest earned (Schedule I-8): ₹ 123.82lakh.

Bank Interest: ₹ 122.80 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 interest earned on deposit of various unutilized grant funds in the banks (IHSDP, 12th FC, Water Supply, KUSP, SJSRY, Revolving Fund etc). It requires details checking and rectification with proper accounting effect.

D.8 Cash/ Cheques deposited into treasury/ Bank but not reflected into Pass Book: ₹16.29 lakh

(a) Above includes bank balance of ₹ 1107696.17 deposited at Treasury no-I (A/c 8448), Krishnnagar, Nadia through Bill/Cheque on different dates ranging from 23.12.1980 to 08.01.1998. However, the amount is not reflected in the pass book despite repeated reminder on behalf of Municipal authority. It requires to be mentioned in Notes to Accounts.

(b) Above includes bank balance of ₹521208.90 that deposited at State Bank of India (A/c 11303565116), Nadia through Bill/Cheque on different dates ranging from 28.04.1975 to 27.03.2015. However, the amount is not reflected in the pass book despite reminders on behalf of Municipal authority. It requires to be mentioned in Notes to Accounts.

The Municipal authority stated in their reply that the observation pointed out by Audit had been noted for 'future guidance'.

E. Effect of Audit Comments on Accounts.

The net impact of the comments given in preceding paragraphs is that the liabilities as on 31st March, 2015 were understated by ₹ 105.46 lakh, assets understated by ₹ 34.92 lakh and the Surplus was overstated by ₹ 70.54 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.

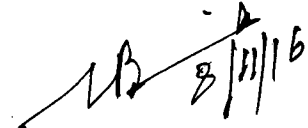
vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Accounting Policies and Notes on Accounts, and subject to the significant matters stated above and other matters mentioned in Annexure I to this Audit Report, give a true and fair view in conformity with accounting principles generally accepted in India:

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- a) In so far as it relates to the Balance Sheet of the State of affairs. of the Nabadwip Municipality as at 31st March, 2015
- b) In so far as it relates to the Income and Expenditure for the year ended on that date.

Place: Kolkata

Date: .11.2016


Examiner of Local Accounts
West Bengal

Working Sheet on Net impact on Annual Accounts of Nabadwip Municipality for 2014-15

(₹ in Lakh)

Ref No	Liabilities		Assets		Surplus	
	U/S	O/S	U/S	O/S	U/S	O/S
A.1.1(a)	28.51					28.51
A.1.1(b)	24.86					24.86
A.2.1(a)	0.34		0.63		0.29	
A.2.1(b)		2.50		2.50		
A.2.2(a)	33.42		33.42			
A.2.2(b)			1.60		1.60	
A.2.3	0.69		0.69			
B.1.1			1.08		1.08	
B.2.1	20.14		20.14	20.14		20.14
Total	107.96	2.50	57.56	22.64	2.97	73.51

Liability understated by ₹ (107.96-2.50) lakh = ₹ 105.46 lakh.

Asset understated by ₹ (57.56-22.64) lakh = ₹ 34.92 lakh.

Surplus overstated by ₹ (73.51-2.97) lakh = ₹ 70.54 lakh.

U/S – Understatement

O/S - Overstatement

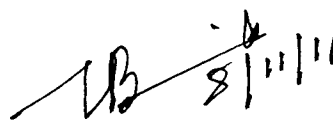
ANNEXURE – 1

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

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 be in all cases such as is authorized by law.	Deficiencies noticed during test check, have been pointed out.
3.	Whether all transactions (income, expenditure, assets and liabilities) are correctly classified and stated in sufficient details?	Deficiencies noticed during test check, have been pointed out.
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?	During test check, major deviation was not found from the sanctioned plans and the estimates.
5.	Whether the amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order?	Major deviation was not noticed during test check.
6.	Whether the special funds, if any, have been utilized for the purpose for which created?	Deficiencies noticed during test check, have 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?	Deficiencies noticed during test check, have been pointed out.
8.	Whether physical verification has been conducted by the Municipality at reasonable intervals in respect of stores?	Deficiencies noticed during test check, have been pointed out.
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.	Deficiencies noticed during test check, have been pointed out.
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?	Material discrepancies were not detected for the year 2014-15.
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	Yes. Major deviation was not noticed during test check.

Sl. No.	Item of Information	Audit Comments																					
	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?																						
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?	During test check, no major irregularity was noticed in this regard.																					
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?	Yes. No such case was found during test check.																					
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?	<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>402.89</td> <td></td> </tr> <tr> <td>Unspent grant-</td> <td>1661.86</td> <td></td> </tr> <tr> <td>Loan</td> <td>39.54</td> <td>2104.29</td> </tr> <tr> <td>Current assets - Current liabilities</td> <td>1607.54</td> <td></td> </tr> <tr> <td>Investment</td> <td>380.58</td> <td>1980.12</td> </tr> <tr> <td>Excess of liability over cash strength</td> <td></td> <td>116.17</td> </tr> </tbody> </table>	Head	Amount	Amount	Earmarked funds	402.89		Unspent grant-	1661.86		Loan	39.54	2104.29	Current assets - Current liabilities	1607.54		Investment	380.58	1980.12	Excess of liability over cash strength		116.17
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Place: Kolkata
Date: .11.2016


8/11/16
Examiner of Local Accounts
West Bengal