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INDIAN AUDIT AND ACCOUNTS DEPARTMENT
O/o THE PRINCIPAL ACCOUNTANT GENERAL
(GENERAL & SOCIAL SECTOR AUDIT), W.B.
LOCAL AUDIT DEPARTMENT

No. SS-III/ A/cs Durgapur MC (10-11)/15-16/3100(B)
Dated: 30.10.2015

To
The Mayor,
Durgapur Municipal Corporation
City Centre, Durgapur
District- Burdwan
Pin-713216

F.O.
Sm n/n 31.
5/11/15

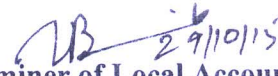
Sr. Acctt./AFC
A
5/11/15

Sub: Audit Report on Annual Financial Statement(AFS) for the year 2010-11

Sir,

I am forwarding the Audit Reports including detailed comments on the Annual Financial Statement for the year 2010-11 under section 88 of West Bengal Municipal Corporation Act 2006 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 89 of the Act ibid to take remedial measures and report to the Corporation and State Government.

Yours faithfully


29/10/15
Examiner of Local Accounts
West Bengal

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

**AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF DURGAPUR
MUNICIPAL CORPORATION FOR THE YEAR ENDED 31st MARCH, 2011**

We have audited the Balance Sheet of the Durgapur Municipal Corporation at 31 March, 2011 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 Durgapur Municipal Corporation 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 Durgapur Municipal Corporation required under Accounting Manual for Urban

Local Bodies (Part – 5 : Forms & Formats) in so far as it appears from our examination 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-

BALANCE SHEET

A.1 Source of Fund

**A.1.1 Earmarked Fund (Sch. B- 2): ₹ 1512.91 lakh
Provident Fund: ₹ 812.63 lakh**

As per Balance sheet of Provident Fund (submitted by the Corporation instead of PF Ledger), the employees liability as provident fund as on 31.03.2011 was ₹ 716.47 lakh (GPF & CPF) whereas as per Financial Account(FA) the provident fund balance under Earmark Fund was shown ₹812.63 lakh . The discrepancies between two balances should be reviewed and reconciled.

Pending reconciliation resulted in overstatement of Provident Fund with the corresponding understatement of Corporation Fund to the extent of ₹96.16 lakh (₹812.63 lakh – ₹716.47 lakh)

The Municipal Corporation Authority did not furnish any reply.

**A.1.2 Other Liabilities (Sundry Creditors) (Sch.B-9): ₹ 379.13 lakh
Expenses Payable: ₹ 94.16 lakhs**

Above did not include ₹ 64.73 lakh being Electricity Bill payable to DPL and WBSEDCL as on 31.03.2011.

Non accounting of the above resulted in understatement of expenditure and there by overstatement of Surplus with the corresponding understatement of 'Other liabilities (Sundry Creditors)' to the extent of ₹ 64.73 lakh.

The Municipal Corporation Authority did not furnish any reply.

A.2 Asset
A.2.1 Fixed Assets (Gross Block): ₹ 18819.32 lakh
Accumulated depreciation: ₹ 8144.78 lakh
Fixed Assets (Net Block): ₹ 10674.54 lakh

As per Accounting Manual for ULBs (Sl No. 21 of Annexure-6 of Part-3), depreciation of 'light/lamp post' will be charged at 10% per annum.

The Corporation charged depreciation (20% per annum) of ₹2858028.00 (Grants Fund- ₹ 2163437.00 and Municipal Fund- ₹ 694591.00) instead of actual ₹ 1429014.00 (Grants Fund- ₹1081718.50 and Municipal Fund- ₹ 347295.50) of 19 no of Lamp Post as on 31.03.2011

Wrong account of the above resulted in understatement of Fixed Asset (Net block) by ₹ 14.29 lakh (₹2858028.00 - ₹ 1429014.00) with the corresponding understatement of 'Grant against Fixed Assets' by ₹ 10.82 lakh and overstatement of expenditure and there by understatement of 'Surplus' by ₹ 3.47 lakh.

The Municipal Corporation Authority did not furnish any reply.

A.2.2 Stock in hand (Sch. B-14): ₹440.78 lakh
i) Water supply store: ₹382.68 lakh
ii) Sanitary & Conservancy Store: ₹17.65 lakh
iii) Electricity Store: ₹32.53 lakh

The stock balance of Water Supply Store, Sanitary & Conservancy Store and Electricity Store as per primary document submitted by the Corporation was ₹ 43503080.00 where as the balance of these stores shown in accounts was ₹ 43285794.56. The closing stock was not physically verified. Hence it requires proper verification and reconciliation.

Pending reconciliation resulted in understatement of Stock in Hand with the corresponding overstatement of expenditure and there by understatement of Surplus to the extent of ₹ 2.17 lakh (₹43503080.00 - ₹ 43285794.56).

The Municipal Corporation Authority did not furnish any reply.

A.2.3 Sundry Debtors (Receivables) (Sch. B-15): ₹ 2188.77 lakh
Receivables for Property Tax (current and arrear): ₹1734.81 lakh

Above included Property Tax Receivables on Residential Buildings/Commercial Buildings/Industries of ₹ 1734.81 lakh (Current Year- ₹ 261.58 lakh and Arrear ₹1473.22 lakh) whereas the actual Property Tax Receivables as per primary documents submitted by the Corporation was ₹1830.33 lakh (Current Year ₹ 301.99 lakh and Arrear ₹1528.34 lakh).

Wrong accounting of the above resulted in understatement of Surplus (Receivables) by ₹95.52 (₹1830.33 - ₹1734.81) lakh with the corresponding understatement of surplus of income over expenditure by the same amount.

The Municipal Corporation Authority did not furnish any reply.

B. INCOME & EXPENDITURE STATEMENT

B.1 Expenditure

B.1.1 Establishment Expenses (Sch. I-10): ₹1398.65 lakh

Pension fund contribution: ₹ 130.79 lakh

Above included ₹ 13079282.00 instead of ₹4271745.41 (6% of total basic of ₹71195756.79 for the year 2010-11) being the pension contribution of the Corporation which was to be deposited towards Pension Fund of the employee. The matching Pension Fund amount should be kept separately under 'Investment'. All basic pension payment should be made through 'Pension Fund'.

Wrong-accounting of the above resulted in overstatement of expenditure and there by understatement of Surplus with the corresponding overstatement of 'Pension Fund (Earmarked Funds)' to the extent of ₹ 88.07 (₹13079282.00 - ₹ 4271745.41) lakh and understatement of Cash and Bank balance with the corresponding overstatement of Investment by the same amount.

The Municipal Corporation Authority did not furnish any reply.

B.2 Income

B.2.1 Interest on Fixed Deposit: ₹61.62 lakhs.

Above included ₹ 5088879.57 being the interest earned from Investment of various Government Grants.

As per Accounting Manual for ULBs (Part – 2 / Para 3.3.3 f) 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.

Wrong accounting of the above resulted in overstatement of 'Income' and there by overstatement of Surplus with the corresponding understatement of respective Grants under 'Grants, Contributions for Specific Purposes' to the extent of ₹ 50.89 lakh

The Municipal Corporation Authority did not furnish any reply.

C RECEIPTS & PAYMENTS ACCOUNTS

No comments

GENERAL COMMENTS

D.1 As per the Para 3.1.4 (d) of the Accounting Manual for Urban Local Bodies (Part -2) "The age wise analysis of Receivables of Property Tax shall be made a regular exercise and shown in Notes to Accounts. Such age-wise analysis was not disclosed in the Notes to Accounts.

D.2 Huge stock in hand did not include the balance under General Store, Auto Store, Water Supply store, Health Store, Medical Store. Instead, all store materials were shown as consumption and charged as expenditure. Non inclusion of such store materials resulted in undervaluation of stock in hand. The stock in hand should be incorporated in the accounts with proper quantification and duly reconciled with primary record after physical verification of store.

D.3 The accounting software package 'Purohisaab', used by Durgapur Municipal Corporation, has been prepared based on Visual basic-frontend, Microsoft Access-backend. There is no security on User role as well as backend data base. The data base is opened to the entire work users who are connected through LAN. There is no locking arrangement in so far as date is concerned i.e. any voucher can be entered at a later date even after closing of a particular accounting year thereby leaving the system unsecured. Therefore, reliability of the figures at later date is not ensured.

D.4 The reformed accounting in double entry system requires co-ordination among the line departments having financial transaction but there was no proper co-ordination/reconciliation of figures generated by the line depts. i.e Cash, Tax, PF, Collection Department with that shown in accounts. This caused poor internalization of double entry accounting system. The primary records viz. PF ledgers, loan register, unpaid bill register (for Sundry creditor), stock register, Demand and Collection register of property tax were not maintained / perfunctorily maintained.

D.5. Total 1302 no of Journal Vouchers (JV) amounting to ₹878.52 lakhs were passed during 2010-11 without authorization by the competent authority and records showing justification of JV. Thus the authorization and justification of the passing of JV could not be verified with the primary documents.

D.6 As per Accounting Manual journal voucher should be passed in non cash/bank items only. But the journal vouchers regarding cash related transactions were passed in 2010-11 without authentication by the competent authority.

D.7 Durgapur Municipal Corporation did not maintain Asset Register which is important permanent document.

D.8 The cash book being a permanent record, hard copy should be maintained. A copy of the Cash book for the year 2010-11 was prepared and submitted to audit.

D.9 Huge amount was transferred from Government Grants to Revenue Grants regarding revenue expenditure but the detailed statement for the purpose of Revenue expenditure from Government Grants not shown to audit.

D.10 Demand and Collection Register of Market Complex was not maintained properly.

D.11 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.12 The figure shown in Income & Expenditure does not tally with the figure shown in Income & Expenditure Statement and Trial Balance.

**D.13. Deposit Work (Sch.B-8) ₹ 1759.69 lakh
BSUP - ₹ 1625.18 lakh**

As per Accounting Manual for ULBs (part-II para 3.4.1.d), Grants received towards capital expenditure shall be treated as a liability till such time that the fixed asset is constructed or acquired. i.e. the grant should be shown as 'Grant, Contribution for Specific Purposes'. On construction/ acquisition of a fixed asset out of the grants so received, the extent of liability corresponding to the value of the asset so constructed/ acquired shall stand reduced and the amount shall be treated as a capital receipt and shall be transferred from the respective Specific Grant Account to the Grant Against Asset Account. Amount proportionate to depreciation of the asset shall be credited to the Income and Expenditure Account every year. Grants received for non-depreciable assets shall be credited to Capital Reserve.

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'. The ULB shall be treated the grants as 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.

But the above Deposit Work included unutilized balance of ₹162518276.10 of BSUP grant (housing and basic amenities) as on 31.03.2011. The unspent grant of 'basic amenities' should be shown under 'Grant, Contribution for Specific Purposes' (schedule B.4) instead of showing it as 'Deposit Work'. It requires necessary verification and rectification.

Further, on 12.06.2010, DI pipes was procure amounting to ₹2398230.00 and on the same day materials was shown issued from stock and value also deducted from BSUP fund. But, as per the ULB manual the value of completed projects should only be deducted from the Grant fund after creation of fixed assets. It requires necessary verification and proper rectification in the accounts

The municipal corporation authority did not furnish any reply.

E. EFFECT OF AUDIT COMMENTS ON ACCOUNTS.

The net impact of the comments given in preceding Para is that the assets as on 31st Mar 2010 were understated by ₹ 111.98 lakh, liability understated by ₹ 38.37 lakh and the Surplus was understated by ₹ 73.61 lakh.

v) Subject to our observations in the preceding paragraphs, we report that the Balance Sheet and Income and Expenditure Account and receipts and Payment 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 **give true & 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 Durgapur Municipal Corporations at 31st March, 2011 and

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

Place: Kolkata
Date: .10.2015

UB 29/10/15
Examiner of Local Accounts
West Bengal

Working Sheet on Net impact on Accounts of Durgapur Municipal Corporation for 2010-11
(₹. in Lakh)

Ref No	Liabilities		Assets		Surplus	
	U/S	O/S	U/S	O/S	U/S	O/S
A.1.1	96.16	96.16				
A.1.2	64.73					64.73
A.2.1	10.82		14.29		3.47	
A.2.2			2.17		2.17	
A.2.3			95.52		95.52	
B.1.1		88.07	88.07	88.07	88.07	
B.2.1	50.89					50.89
Total	222.60	184.23	200.05	88.07	189.23	115.62

Liability understated by ₹ (222.60– 184.23) lakh=₹38.37 lakh

Asset understated by ₹ (200.05– 88.07) lakh=₹111.98 lakh

Surplus understated by ₹ (189.23– 115.62) lakh=₹73.61 lakh

U/S – Understatement

O/S - Overstatement

ANNEXURE - 1

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.	In absence of the budget in proper format, the deviation could not be checked in audit.
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 created as per the provisions of relevant statutes and whether the special funds have been utilized for the purpose for which created?	yes
7.	Whether the Municipality is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets? Whether these fixed assets have been physically verified by the management at reasonable intervals? Whether any material discrepancy was noticed on such verification and if so, whether the same have been properly dealt with in the Books of accounts?	No
8.	Whether physical verification has been conducted by the Municipality at reasonable intervals in respect of stores?	No physical verification of store was found on record
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 store was found on record
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 has been 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	Audit comment given separately.

Sl. No.	Item of Information	Audit Comments																					
	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?	No loan has been given during the period under audit. However Puja advance was given and it was recovered in installment.																					
13	Whether there exists an adequate internal control procedure for the purchase of store including components, plant and machinery, equipment and other assets?	No																					
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?	N.A.																					
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>Yes, 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>1512.91</td> <td></td> </tr> <tr> <td>Unspent grant-</td> <td>2490.77</td> <td></td> </tr> <tr> <td>Loan</td> <td>306.79</td> <td>4310.47</td> </tr> <tr> <td>Current asset- Current Liabilities</td> <td>1939.26</td> <td></td> </tr> <tr> <td>Investment</td> <td>3994.17</td> <td>5933.43</td> </tr> <tr> <td>Excess of cash strength over liability</td> <td></td> <td>1622.96</td> </tr> </tbody> </table>	Head	Amount	Amount	Earmarked funds	1512.91		Unspent grant-	2490.77		Loan	306.79	4310.47	Current asset- Current Liabilities	1939.26		Investment	3994.17	5933.43	Excess of cash strength over liability		1622.96
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Excess of cash strength over liability		1622.96																					

Place: Kolkata

Date: .09.2015

NB 29/10/15
Examiner of Local Accounts

West Bengal

Code No.	Description of Item	Schedule No	Current Year Amount	Previous Year Amount
SOURCES OF FUNDS				
	Reserves and Surplus			
310	MUNICIPAL (GENERAL) FUND	B-1	867370151.57	800295456.78
311	EARMARKED FUNDS	B-2	151291229.99	163134975.99
312	RESERVES	B-3	525170399.15	514641011.01
	Grants, Contribution for Specific purposes		1543831780.71	1478071443.78
320	GRANTS, CONTRIBUTIONS FOR SPECIFIC PURPOSES	B-4	249076573.76	105376728.44
	Loans		249076573.76	105376728.44
330	SECURED LOANS	B-5	30679129.00	27467764.00
331	UNSECURED LOANS	B-6	0.00	0.00
	TOTAL		30679129.00	27467764.00
	APPLICATION OF FUNDS		1823587483.47	1610915936.22
	Fixed Assets			

Code No.	Description of Item	Schedule No	Current Year Amount	Previous Year Amount
410	Gross Block FIXED ASSETS	B-11	1881932370.14	1694020754.14
411	Less: Accumulated Depreciation ACCUMULATED DEPRECIATION Net Block	B-11	814478270.43 1067454099.71	669059276.50 1024961477.64
412	CAPITAL WORK-IN-PROGRESS	B-11	162690029.99	40228670.99
	Investments		1230144129.70	1065190148.63
420	INVESTMENTS-GENERAL FUND	B-12	61357773.95	81257673.95
421	INVESTMENTS-OTHER FUND	B-13	338059563.22	251765422.22
	Working Capital		399417337.17	333023096.17
	Current assets, loans & advances			
430	STOCK-IN-HAND	B-14	44077898.31	6830001.35
431	SUNDRY DEBTORS (RECEIVABLES)	B-15	218876963.42	202570505.92
432	ACCUM. PROVISIONS AGAINST DEBTORS (RECEIVABLES)	B-15	0.00	0.00
440	PRE-PAID EXPENSES	B-16	328396.75	103032.00
450	CASH AND BANK BALANCE	B-17	210398654.97	141451084.15
460	LOANS, ADVANCES AND DEPOSITS	B-18	30699527.41	24326846.41

Code No.	Description of Item	Schedule No	Current Year		Previous Year	
			Amount	Amount	Amount	Amount
461	ACCUM.PROVISIONS AGAINST LOANS,ADVANCES & DEPOSITS	B-18	0.00		0.00	
340	Less: Current Liabilities & Provisions DEPOSITS RECEIVED	B-7	96573169.16		75214287.16	
341	DEPOSITS WORKS	B-8	175968637.10		68524355.10	
350	OTHER LIABILITIES (SUNDRY CREDITORS)	B-9	37913256.00		18939774.15	
360	PROVISIONS	B-10	0.00		0.00	
	Other Assets			193926378.60		212603053.42
470	OTHER ASSETS	B-19	99638.00		99638.00	
	Misc. Expenditure(to the extent not written off)			99638.00		99638.00
480	MISCELLANEOUS EXPENDITURE TO BE WRITTEN OFF	B-20	0.00		0.00	
				0.00		0.00
	TOTAL			1823587483.47		1610915936.22