



सत्यमेव जयते

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

No. LA/AMG-II/A/cs Arambag M (21-22)/22-23/1334
Dated: 16.12.2022

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

Sub: Audit Report on Annual Financial Statement for the year 2021-22

Sir,

I am forwarding the Audit Reports and detailed comments on the AFS for the year 2021-22 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 before the Chairman-in-Council to take remedial measures and report to the Director of Local Bodies with intimation to this office.

Yours faithfully,

Examiner of Local Accounts
West Bengal

Enclosure: As stated above

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**Audit Report on the Annual Financial Statements of Arambagh Municipality
for the Year Ended 31st March, 2022**

We have audited the Balance Sheet of the Arambagh Municipality as at 31st March, 2022 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 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 (subject to the observations made below) which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

ii. The Balance Sheet and Income & Expenditure Account and Receipts and Payments Account dealt with by this report have been drawn up in the format prescribed under Accounting Manual for Urban Local Bodies (Part-5 : Forms & Formats) subject to the observations made below.

iii. In our opinion, proper books of accounts and other relevant records have been maintained by the Arambagh Municipality as required under Accounting Manual for Urban Local Bodies (Part – 5 : Forms & Formats) in so far as it appears from our examination of such books and subject to the observations made below.

Management did not adhere to the appropriate internal controls subject to observations made below [Comments as per Sub-rule (2) (1) (d) of the Rule 22 of West Bengal Municipal (Finance & Accounting) Rules, 1999 (Amends) is enclosed (Annexure – 1)].

iv. We further report that-

A BALANCE SHEET

A.1 Liabilities

A.1.1 Other Liabilities (Sundry Creditors-Sch B 9) ₹ 324.29 lakh

Expenses payable-₹ 7.04 lakh

In terms of para no. 16.21 & 16.22 of the National Municipal Accounting Manual the expenditures, pertaining to a particular accounting period in respect of which the bills have been received but may not have been admitted for payment by the ULB, shall be provided at the end of an accounting period. For this, at the end of the accounting period, each of the departments shall collate the details of the accrued expenditure from the bills received during or after the accounting period but pertaining to the accounting period and remaining unpaid at the end of the accounting period. The said information shall be collated by 30th April of the next financial year where the accounting period is a financial year.

As per Accounting Manual for ULBs (Part-2, Accounting Principles) Para no. 3.2.3 (b) Provisions shall be made at the end of the year for all bills received up to 31st May of next financial year or till finalization of accounts, whichever is earlier. Moreover, as per Accounting Manual for ULBs (Para 3.4.1.C of Part-2) "Grants received or receivable in respect of specific revenue expenditure shall be recognized as income in the accounting period in which the corresponding revenue expenditure is charged to the Income and Expenditure Account".

Above did not include ₹688237.00 being the unpaid bill for Capital expenditure (₹589898.00 from Grant fund) & Revenue expenditure (₹98339.00, ₹64200 from Grant fund and ₹34139.00 from municipal fund) incurred during the year 2021-22 which were neither been paid nor been provided as liability in the Accounts in the year 2021-22. The whole payment was made in the year 2022-23 (vide PV no. 1, 2, 14, 17, 20-25, 48, 65, 114).

Non-accounting of above resulted in understatement of 'Other liabilities by ₹6.88 lakh with corresponding understatement of CWIP by ₹5.90 lakh, overstatement of Grants Contribution for Specific Purpose ₹0.64 lakh and understatement of 'Expenditure' thereby understatement of deficit by ₹0.34 lakh.

In reply the Municipality stated that as per accounting rule, provision for expenses should be made when there was reasonable certainty for payment, mere receiving of bills without confirmation of payment did not arise liability. Therefore, the capital expenditures was treated as expenditure in the period in which they are paid.

The reply is not tenable as per the Accounting Manual for ULBs provisions shall be made at the end of the year for all bills received up to 31st May of next financial year or till finalization of accounts, whichever is earlier. Moreover, all bills of above mentioned liability were paid within April 2022.

A BALANCE SHEET

A.2 Assets

No comments.

B. INCOME AND EXPENDITURE ACCOUNTS

B.1 INCOME

B.1.2 Tax Revenue Items (Sch. I-1): ₹ 116.77 lakh

Property Tax: ₹ (-) 3.40 lakh

Section 103 of the West Bengal Municipalities Act, 1993 stipulates that "Whenever from the circumstances of the case, levy of property tax on any holding in a municipal area amounts to excessive hardship to the person liable to pay the same, the Board of Councillors may reduce the amount payable on account of such holding, or may realize the sum by installments. Provided that such reduction or remission shall not, unless renewed by the Board of Councillors, have effect for more than one year."

The above included a total remission of ₹65,765.00 (JV no. 751 dated 31.03.2022) on rent of property tax during the FY 2021-22 without any approval of the Board of Councillors. Such remission amount was reflected as negative balance in the property tax revenue head (1109001) of the Municipality. Owing to this irregular remission, receivables for rental income (4311001) was reduced to the same extent.

These resulted in understatement of income and thereby overstatement of deficit with corresponding understatement of Sundry Debtors (Receivables) to the extent of ₹ 0.66 lakh.

In reply the Municipality had stated that such remission was allowed on approval of the Chairman but BOC approval was not taken.

The reply was found as not tenable as the method adopted was not in conformity with the guideline *ibid*.

B. INCOME AND EXPENDITURE ACCOUNT

B.2 EXPENDITURE

No comments.

C. RECEIPT & PAYMENTS ACCOUNTS.

No comments.

D. GENERAL COMMENTS

D.1 Comments on Bank Reconciliation Statement

The Municipality could not submit two numbers of Bank Passbook/Statement viz. (i) SBM A/c No-1033645813 held at Axis Bank with stated balance of ₹6969479.00 and (ii) PMAY A/c No-082301001109 at ICICI Bank with stated balance of ₹115624708.00

Hence audit could not verify the closing balance of above mentioned two bank accounts and thereby BRS stands not verified with respect to the two Accounts.

In reply the Municipality stated that the above two fund accounts had been maintained in the new accounting platform (PFMS) where no option provided for generation of bank statements.

D.2 Security Deposit (3401002) ₹292.80 lakh

The Municipality did not maintain Register of Security Deposit, Moreover the 'Age Analysis' of security deposit was not prepared. Hence the quantum of 'Lapse Deposit' could not be ascertained.

D.3 Stock-In Hand (Sch.B-14): ₹122.73 lakh

The Registers of stocks were maintained in a perfunctory manner. The scrutiny of registers points out the absence of receipt challan and issue order. Hence, the closing balance of above mentioned three stores could not be ascertained.

D.4 Physical verification of Store/ Fixed Assets

No physical verification of movable as well as immovable assets etc. was done by the Municipality 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.5 Irregularities in vouchers:

The computer generated hard copy of receipt, payment, contra and journal vouchers were not duly attached with the manual voucher. Further, manual vouchers number did not tally with computer generated vouchers. As a result receipt/payment and journal vouchers could not be checked properly.

D.6 Statement of Cash flow and "Revenue Trend Analysis": No statement of Cash flow and "Revenue Trend Analysis" was attached with the AFS.

In reply of the observations of D2-D5 the Municipality stated that they noted for future guidance. It was also assured that it would be corrected in due course.

D.7 Age wise analysis of receivable not prepared:

Municipality did not prepare any age wise analysis of receivable property tax as on 31.03.2022. As a result, exact position of long pending outstanding of receivable could not be ascertained in audit.

D.8 Primary Documents:

Though the Municipality did finalize the Annual accounts for the 2021-22 but had not submitted to Audit the basic/ primary records like Grant Register, Records of Register of movable and immovable properties, Unpaid Bill Register, Deposit work register, Advance Register, Security deposit register etc. As a result, the figures as depicted in the annual accounts could not properly be verified in audit.

D.9 Non maintenance of liquid cash register: In the liquid cash register last entry was found for the date of 24/08/2021. Beyond that the Municipality had not updated the register. Hence, the amount of cash in hand on 31/03/2022 could not be verified in audit.

D.10 CWIP: Municipality had not submitted statement i.r.o ongoing works and register of CWIP was not furnished to the audit. Hence, audit could not verify the facts and figures shown in this regard in the balance sheet.

D.11 Journal passed without authentication: Total 930 Journal vouchers (including rectification JVs) amounting to ₹11392.93 lakh were passed and incorporated in the Annual accounts of 2021-22 without approval of the appropriate authority and justifying primary documents.

D.12 Deficiencies/shortcomings in accounting software package 'Purohisab' and other irregularities:

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.

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

Municipality did not furnish any password register or copy of the resolution indicating the persons authorized by the BOC for posting the entries and passing the entries in the system leaving the total system unsecured.

In reply of the observations of D6-D10 the Municipality had accepted the general comments and noted for future guidance.

D.13 Establishment Expenses (Sch.: I -10): ₹ 1105.82 lakh
Pension Fund Contribution (2103003) ₹ 158.82 lakh
Pension (2103001) ₹ NIL

As per Government order, only ₹2378909.00 of the Basic Salary (i.e. 6% of ₹39648480.00) was to be contributed to the Pension Fund.

The above amount of ₹15881941.00 (nearly 40% of ₹39648480.00) as Pension Fund Contribution for current year which was adjustment entry (JV No. 694 dated 31.03.2022) of the entire pension of ₹15898519.00 paid to the pensioners during the year from the pension fund (code 3117001). This included ₹5782000.00 transferred (instead of Rs.158.82 lakh) from the Municipal Fund (code 4506107) to the Pension Fund Account (code 4506116) and paid pension from the Pension Fund Account. Moreover ₹9692431.00 was directly paid to pensioners from the Treasury Account (code 4506612 & 4506508).

Thus, this resulted in understatement of 'Expenditure' under the head 'Pension' with the corresponding overstatement of 'Expenditure' under the head 'Pension Fund Contribution'.

In reply, the Municipality accepted the audit observation and noted it for future guidance.

D.14 Grants, Contribution for Specific purposes (Sch.B-4): ₹ 3382.36 lakh

In terms of 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 included ₹2,70,492.00 i.r.o Integrated Housing and Slum Development Project (IHSDP). The Municipality should segregate the amount for integrated housing and for infrastructure development. Amount sanctioned for integrated housing should be shown as Deposit works (Schedule B-8).

In reply Municipality admitted the facts and stated that it is to be noted.

E. Effect of Audit Comments on Accounts.

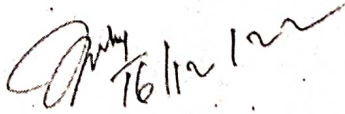
The net impact of the comments given in preceding paras is that the Liabilities as on 31st March, 2022 was understated by ₹6.24 lakh, Assets understated by ₹6.56 lakh and the Deficit was overstated by ₹ 0.32 lakh.

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

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

- (a) In so far as it relates to the Balance Sheet of the State of affairs of Arambagh Municipality as at 31 March, 2022 and
- (b) In so far as it relates to the Income and Expenditure for the year ended on that date.

Place: Kolkata
Date: .12.2022


Examiner of Local Accounts
West Bengal

Working Sheet on net impact on Accounts of Arambagh Municipality for 2021-22

(₹ in lakh)

Ref No	Liability		Asset		Deficit	
	U/S	O/S	U/S	O/S	U/S	O/S
A.1.1	6.88	0.64	5.90		0.34	
B.1.1			0.66			0.66
Total-	6.88	0.64	6.56	0.00	0.34	0.66

Liabilities understated by ₹ (6.88-0.64) lakh= ₹6.24 lakh

Assets understated by ₹ (6.56- 0.00) = ₹6.56 lakh

Deficit overstated by ₹(0.66-0.34) lakh= ₹0.32 lakh (total Deficit ₹15.96 lakh)

U/s- Understated

O/s- Overstated

ANNEXURE - 1

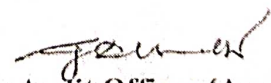
Audit comments on the information as asked under Sub rule of Rule 22 of the West Bengal Municipal (Financial & Accounting) Rules, 1999 as amended in January, 2007.

Sl. No	Item of information.	Remarks		
		(Amount in ₹)		
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 authorized by law.	Budget/ Revise Budget estimate	Actual Expenditure	Excess / shortfall
		1489841160.00	523889100.50	965952059.50
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 deviation was noticed during test check.		
3	Whether all transaction (income, expenditure, assets and liabilities) are correctly classified and stated in sufficient details?	Audit comment given in specific cases.		
4	Whether in respect of all bills for charges on accounts of all works and other expenditure proper certificates have been furnished in support of them and that no deviation has been made from the sanctioned plans and the estimate without other sanction of the competent authority?	No deviation was noticed during test check.		
5	Whether the amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order?	No deviation was noticed during 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?	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 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.	Dose not arise		
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?	Dose not arise		
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?	No deviation was noticed during test check.		

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?	Municipality replied that 'No such loan paid'. As per Schedule B-18 total closing balance of 'Loans, Advances and Deposits' was ₹3040121.00																								
13	Whether there exists an adequate internal control procedure for the purchase of store including components, plant and machinery, equipment and other assets?	Yes.																								
14	Whether proper procedure are in place to identify any unserviceable or damaged stores and whether provision for the loss in this respect, if any has been made in the accounts?	No.																								
15	Whether the Municipality is regular in depositing Provident fund dues and Professional Tax deducted with the appropriate authorities and if not, the extent of arrears?	Municipality replied that 'Yes'. As per Schedule B9 closing balance as on 31.03.22: P.F. payable (Contributory P.F.): ₹2074.00 Professional Tax: ₹480.00																								
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?	Municipality replied that 'Yes'. As per Schedule B9 closing balance as on 31.03.22: TDS from contractors ₹44081.00 GST from contractors- State: ₹11765.00 GST from contractors- Central: ₹11765.00																								
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?	No, as calculated below: (₹ in lakh) <table border="1"> <thead> <tr> <th>Head</th> <th>Amount</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Earmarked funds</td> <td>316.35</td> <td></td> </tr> <tr> <td>Unspent grant-</td> <td>3382.36</td> <td>3782.61</td> </tr> <tr> <td>Loan</td> <td>83.90</td> <td></td> </tr> <tr> <td>Current assets –</td> <td>1974.45</td> <td></td> </tr> <tr> <td>Current liabilities</td> <td></td> <td>2270.47</td> </tr> <tr> <td>Investment</td> <td>296.02</td> <td></td> </tr> <tr> <td>Excess of liability over cash strength</td> <td></td> <td>1512.14</td> </tr> </tbody> </table>	Head	Amount	Amount	Earmarked funds	316.35		Unspent grant-	3382.36	3782.61	Loan	83.90		Current assets –	1974.45		Current liabilities		2270.47	Investment	296.02		Excess of liability over cash strength		1512.14
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Place: Kolkata

Date: 16.12.2022


Senior Audit Officer (Accounts)
LAD/ AMG (II)