

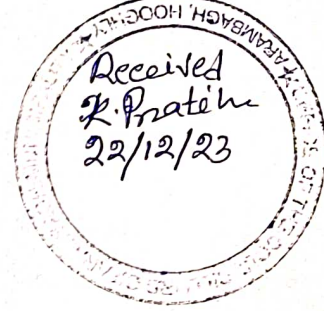


भारतीय लेखा एवं लेखापरीक्षा विभाग  
कार्यालय महालेखाकार (लेखापरीक्षा-I), पश्चिमबंगाल  
स्थानीय लेखापरीक्षा विभाग  
INDIAN AUDIT AND ACCOUNTS DEPARTMENT  
Office of the Principal Accountant General  
(Audit-I), West Bengal  
Local Audit Department

562

संख्या/No.: ULB LAD Wing/2023-2024/DIS-1336058/3249  
दिनांक/Dated: 19.12.2023

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



Sub: Audit Report on Annual Financial Statement for the year 2022-23

Sir,

I am forwarding the Audit Report and detailed comments on the AFS for the year 2022-23 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,

*[Handwritten Signature]*

Examiner of Local Accounts  
West Bengal

Encl: As stated.

*ATC see*

**AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF ARAMBAGH  
MUNICIPALITY FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2023**

We have audited the Balance Sheet of the Arambagh Municipality as at 31<sup>st</sup> March, 2023 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 adhered 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**

**1. Reference Number: OBS-839206**

- i) Grants, Contributions for Specific Purpose (Sch.B-4): Rs 1764.38 lakh  
Somobyathi Grant: Rs (-) 1.46 lakh**

Above negative (debit) balance of Rs.146276.00 under 'Somobyathi Grants(Code-3202013)' was arrived due to showing excess utilization of the above amount over the available grant balance by way of excess recognition of Income under 'Grants for any other purposes (1601017)' by Rs.146276.00. As the amount had not received, it should be considered as receivable.

This wrong accounting treatment resulted in understatement of Grants Contribution for Specific Purposes (Sch B-4) with corresponding understatement of "Sundry Debtors (Receivables) by Rs 1.46 lakh.

In reply the Municipality stated that excess utilization of the grant and negative grant balance in the AFS was due to shortage of fund and expended from own source. When the grants would be received, the negative balance of grant would be nullified by crediting the same.

The reply is not tenable as the grants was not received it should be treated as receivable.

**2. Reference Number: OBS-839206**

- ii) Other liability (sundry creditors) : Rs 425.81 lakh  
Gratuity Payable (Code no 3501106): Rs.93.71 lakh**

As per Accounting Manual for ULBs (Para 3.2.1.(c) of Part 2) Gratuity shall be calculated upon retirement of the employee and will be due then.

As per statement furnished by the Municipality on the basis of Gratuity Register, a sum of Rs Rs.10044363.00 being the Gratuity payable to the retired/death employees as on 31.03.2023 whereas as per accounts the Gratuity payable as on 31.03.2023 was shown as Rs.9371361.00. Balance of Rs.6,73,002.00 (Rs 10044363-Rs 9371361) towards payable Gratuity in respect of Pratap Hori retired on 31.12.2023 was not account for as other liability under Gratuity payable.

Non-accounting of the above resulted in understatement of 'Other liabilities (Sundry Creditors)' by Rs.6.73 lakh with the corresponding understatement of 'Expenditure' and 'Deficit' by Rs.6.73 lakh.

In reply the authority stated that the gratuity for all employees whose PPO is received on or before 31st march has made provision.

The reply is not tenable as the reply is not convincing as per accounting manual.

**3. Reference Number: OBS-839312**  
**Other liabilities (Sundry Creditors) (Sch B-9) Rs 1046.39 lakh**

Above did not include Rs. 158.01 lakh being the amount payable for revenue expenditure (electricity charges) incurred up to the year 2022-23. The above bill was outstanding as of March 2023 and the bill was available in the Municipality. However, in the Notes to accounts it was stated that due to non-availability of proper information the above figure is not included in the other liabilities in Schedule-B9.

Non accounting of the above resulted in understatement of Sundry Creditors (Other Liability) with the corresponding understatement of 'expenditure' thereby understatement of 'Deficit' to the extent of Rs.158.01 lakh.

In reply the authority stated that the govt directly paid the electricity bill and no information provided to the ULB.

The reply is not tenable as the Grants release order in the respect of electricity payment regularly sent to ULB and available in the respective govt website and demand bill of WBSEDCL for the Municipality in each month is available in the ULB.

**A.2 APPLICATION OF FUNDS**

No comments.

**B. INCOME AND EXPENDITURE ACCOUNTS**

No Comment.

**C. RECEIPT & PAYMENTS ACCOUNTS**

No comments.

**D. GENERAL COMMENTS**

**1. Reference Number: OBS-839338**  
**i) Other Liabilities (Sch.B-9): Rs 425.81 lakh**

Above included negative balances of Rs.112013.00 in respect of payables against TDS from contractors (Rs.71581.00) and GST from contractors (Rs.34392.00)/ Suppliers (Rs.6040.00). Reasons for such negative balance was not clarified to audit.

In reply, the Municipal authority admitted the facts and assured to correct the same in due course.

**ii) Receivable for Property Tax (code 43110) (Sch.B-15):Rs 377.64 lakh**

In contravention to the provision of para 3.1.4 (d) of the Accounting Manual for Urban Local Bodies (Part 2) the Municipality did not prepare age-wise analysis of receivables of Property Tax (Rs.3774170.00).

In reply, the Municipal authority admitted the facts and assured to correct the same in due course. It was also stated that age-wise analysis was not prepared since the amount of arrear receivable could not be ascertained due to non-maintenance of demand register.

**iii) Physical Verification of Store/Fixed Asset not conducted**

The Municipality did not conduct physical verification of assets and store. No physical verification report in this regard was furnished to audit.

In reply, the Municipal authority admitted the facts and assured to correct the same in due course.

**iv) Journal passed without authentication:**

Several Journal vouchers were passed during the year but relevant primary documents justifying those journal vouchers were not furnished. Moreover, rectification vouchers were passed without any authorization of higher authority as required under rule 18 of the West Bengal (Finance and Accounting) Rules, 1999 (amended). Thus, the propriety in drawing the adjustment vouchers could not be ascertained in audit.

In reply, the Municipal authority admitted the facts and assured to correct the same in due course.

**v) Irregularities in vouchers:**

Computer generated voucher numbers were not linked with the manual vouchers. As a result, vouching could not be linked with the Cash book.

In reply, the Municipal authority admitted the facts and assured to correct the same in due course.

**vi) Deficiencies/shortcomings in accounting software package 'Purohisab' and other irregularities**

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

In reply, the Municipal authority admitted the facts and assured to correct the same in due course.

**vii) Primary documents**

In contravention to the Accounting Manual for ULB (part-5: Forms & Formats), the Municipality did not maintain/ furnish various mandatory records including Summary Statement of Bills raised (N-128), Abstract of Demand and Collection Register ( Form N 13), Register of Dishonored Cheque and Drafts (N-103), Summary statement of remission and refunds (N-115), Register of Advertisement Tax (N-28), Register of Disbursement of Cash Drawn on cheques in favour of Chairman (N-82), Register of Bill for payment (N-79), Deposit Work Register (N-143), Register of Immovable property (N-118), Register of movable property (N-119 ) etc. As a result, the figures as depicted in the annual accounts could not be properly verified in audit.

In reply, the Municipal authority admitted the facts and assured to correct the same in due course.

**viii) Grants, Contribution for Specific purposes (Sch.B-4): Rs.1764.38 lakh  
IHSDP (code 3201016) : Rs.69.19 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 utilizations and no further treatment, as a capital receipt shall be required.

Above included Rs.6949179.45 i.r.o Integrated Housing and Slum Development Project (IHSDP). The Municipality should segregate the amount for integrated housing & for infrastructure development and amount related to deposit work should be shown in Schedule B-8.

In reply, the Municipal authority admitted the facts and assured to correct the same in due course.

**2. Reference Number: OBS-839435  
Fees and User Charges (Sch: I-4): Rs. 408.14 lakh  
House Connection for Water (1404006): 10.19 lakh**

As per source document (viz. Ledger of water connection fees) of the Municipality, in the FY 2022-23 collection i.r.o above head was Rs.997,041.00. However, from FA package the amount was found as Rs. 1,019,550.00 which caused a difference of Rs. 22,509.00. The reasons for this difference was not clarified to audit.

In reply, the Municipality had admitted the observation and stated that the differences would be reconciled very soon from concerned department.

**3. Reference Number: OBS-840898  
CWIP(Sch. B-11): 123.71 Lakh**

The Municipality did not prepare 'Summary statement of status on CWIP in Form 141 (rule 175A) for which the amount of Capital Work in Progress (CWIP) as shown in accounts could not be verified. However, in reply to the Audit requisition the Engineering Section had submitted the position of ongoing works as on 31<sup>st</sup> March, 2023 in a statement. From this statement it was noticed that there was a difference amounting to Rs. 830.29 lakh between the Statement of Engineering Section (Rs. 406.79 lakh) to that shown in the Balance Sheet (Sch.B-11) (Rs. 1237.07 lakh). The reason for this difference was not clarified to audit.

In reply, the Municipal authority admitted the facts and assured to correct the same in due course. A detailed list of CWIP also attached with the reply.

4. **Reference Number: OBS-840952**  
**Loans, Advances and Deposits (Sch. B-18) Rs. 25.82 lakh**  
**Miscellaneous Loan / Advance (4601006): Rs. 11.81 lakh**

Para 23.6 of Chapter 23 of National Municipal Accounts Manual states that the Accounts department shall review recoverability status of all Loans to Others on periodical basis and provisioning or write off needs to determine i.r.o Loans and Advances.

On scrutiny of submission of the Municipality against requisition it was observed that considerable amount of advances remained outstanding for a period above three years and beyond fifteen years. Age wise details of outstanding amounts are given below-

Period	Amount (In Rs.)
3-5 years	529,090.00
5-10 years	346,864.00
10-15 years	74,000.00
15 years and above	84,799.00

However, the Municipality had not made any review of recoverability of above advances and no effort was found on record towards the provisioning or write off.

In reply, the Municipality had admitted the observation and assured that corrective action would be taken soon.

5. **Reference Number: OBS-841032**  
**Unsecured Loans (Sch. B-6) Rs. 83.90 lakh**  
**Loans from State Government (3312001): Rs. 83.90 lakh**

Chapter 18 of the National Municipal Accounts Manual enumerates the Accounting procedures for repayment of loan and payment of interest accrued thereof i.r.o loans received by the Urban Local Body.

On scrutiny of Purohisab it was observed that the Municipality bears an outstanding loan liability amounting Rs.8,389,906.00 from the State Government since long. From the FA package, audit could trace that same outstanding amount continues since the FY 2013-14. Besides some repayment, the loan had been carried forward since Opening Balance Sheet was introduced in the Municipality i.e in the FY 2010-11.

The Municipality did not submit any basic record in this regard. As a result, terms of repayment of loan and payment of interest was not known. Hence, audit could not ascertain the amount of loan repayment to be charged to the Sinking/ Municipal Fund and amount of interest payment to be charged to the current period's Income and Expenditure Statement.

In reply the Municipality had admitted the facts and stated that corrective would be taken.

6. **Reference Number: OBS-841095**  
**Difference in the amount of Market Rent:**

On scrutiny of documents related to revenue realization (own receipts) in respect to Rental Income from Municipal Properties it was noticed that the amount of Current demand of market rent as furnished by the Collection Department of the Municipality was Rs.15,46,438.00. But in the Income & Expenditure Statement Schedule I-3 (Rental Income from Municipal Properties (1301001) the amount of market rent was Rs.32,28,616.00. Thus, there exists a difference amounting to Rs.16,82,178.00 (Rs. 32,28,616.00 - Rs. 15,46,438.00). The Municipality did not specify the reason for such difference.

In reply the Municipal Authority noted the audit observation for future guidance and stated that it would be rectified in due course.

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


The net impact of the comments given in preceding paras is that the Liabilities as on 31<sup>st</sup> March, 2023 was understated by Rs.166.20 lakh, Assets understated by Rs.1.46 lakh and the Deficit understated by Rs.164.74 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, **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 Arambagh Municipality as at 31 March, 2023 and
- (b) In so far as it relates to the Income and Expenditure for the year ended on that date.

Place: Kolkata  
Date: .12.2023

  
Examiner of Local Accounts  
West Bengal



**Working Sheet on net impact on Accounts of Arambagh Municipality for 2022-23**

(Rs. in lakh)

Ref No	Liability		Asset		Deficit	
	U/S	O/S	U/S	O/S	U/S	O/S
A.1.1	1.46		1.46			
A.1.2.1	6.73				6.73	
A.1.2.2	158.01				158.01	
<b>Total-</b>	<b>166.20</b>	<b>0.00</b>	<b>1.46</b>	<b>0.00</b>	<b>164.74</b>	<b>0.00</b>

Liabilities understated by Rs. (166.20 – 0.00) lakh= Rs.166.20 lakh (total liability Rs.8069.37 lakh)

Assets understated by Rs. (1.46 – 0.00) = Rs. 1.46 lakh (total assets Rs.8069.37 lakh)

Deficit understated by Rs. (164.74 – 0.00) lakh= Rs. 164.74 lakh (total deficit Rs.31.30 lakh)

U/s- Understated

O/s- Overstated

*Handwritten signature*

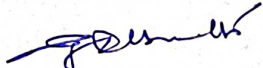
**ANNEXURE – 1**

**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 Rs.)		
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
		137,28,98,140.00	59,32,75,888.47	77,96,22,251.23
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?	Audit comment given in specific cases.		
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 Rs.25,81,639.00																					
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 procedure is not adequate. It needs to be strengthened with proper coordination between Accounts Section and other Departments of the Municipality.																					
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?	Yes. Professional tax payable as per Schedule B-9 Rs.2730.00																					
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?	Yes. Audit comment given in specific cases																					
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: <b>(Rs. in lakh)</b> <table border="1"> <thead> <tr> <th>Head</th> <th>Amount</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Earmarked funds</td> <td>321.19</td> <td rowspan="2">2169.47</td> </tr> <tr> <td>Unspent grant-</td> <td>1764.38</td> </tr> <tr> <td>Loan</td> <td>83.90</td> <td rowspan="3">905.92</td> </tr> <tr> <td>Current assets –</td> <td>607.11</td> </tr> <tr> <td>Current liabilities</td> <td></td> </tr> <tr> <td>Investment</td> <td>298.81</td> <td></td> </tr> <tr> <td><b>Excess of liability over cash strength</b></td> <td></td> <td><b>1263.55</b></td> </tr> </tbody> </table>	Head	Amount	Amount	Earmarked funds	321.19	2169.47	Unspent grant-	1764.38	Loan	83.90	905.92	Current assets –	607.11	Current liabilities		Investment	298.81		<b>Excess of liability over cash strength</b>		<b>1263.55</b>
Head	Amount	Amount																					
Earmarked funds	321.19	2169.47																					
Unspent grant-	1764.38																						
Loan	83.90	905.92																					
Current assets –	607.11																						
Current liabilities																							
Investment	298.81																						
<b>Excess of liability over cash strength</b>		<b>1263.55</b>																					

Place: Kolkata  
Date: .12.2023

  
Senior Audit Officer / LAD