

Code No.	Description of Item	Schedule No	Current Year		Previous Year	
			Amount	Amount	Amount	Amount
SOURCES OF FUNDS						
Reserves and Surplus						
310	MUNICIPAL (GENERAL) FUND	B-1	0.00		0.00	
311	EARMARKED FUNDS	B-2	19758782.00		18889629.00	
312	RESERVES	B-3	81194249.47		71038007.18	
				100953031.47		89927636.18
Grants, Contribution for Specific purposes						
320	GRANTS ,CONTRIBUTIONS FOR SPECIFIC PURPOSES	B-4	110631643.02		98501622.77	
				110631643.02		98501622.77
Loans						
330	SECURED LOANS	B-5	0.00		0.00	
331	UNSECURED LOANS	B-6	0.00		0.00	
				0.00		0.00
TOTAL				211584674.49		188429258.95

APPLICATION OF FUNDS

Fixed Assets

Gross Block						
410	FIXED ASSETS	B-11	236103471.87		203681402.87	
Less: Accumulated Depreciation						
411	ACCUMULATED DEPRECIATION	B-11	131114312.37		110424830.07	
	Net Block		104989159.50		93256572.80	

Code No.	Description of Item	Schedule No	Current Year		Previous Year	
			Amount	Amount	Amount	Amount
412	CAPITAL WORK-IN-PROGRESS	B-11	0.00		0.00	
	Investments			104989159.50		93256572.80
420	INVESTMENTS-GENERAL FUND	B-12	979649.00		4324868.00	
421	INVESTMENTS-OTHER FUND	B-13	16001554.00		12780729.00	
	Working Capital			16981203.00		17105597.00
	Current assets, loans & advances					
430	STOCK-IN-HAND	B-14	458740.25		280065.25	
431	SUNDRY DEBTORS (RECEIVABLES)	B-15	28101003.50		27074391.72	
432	ACCUM. PROVISIONS AGAINST DEBTORS (RECEIVABLES)	B-15	0.00		0.00	
440	PRE-PAID EXPENSES	B-16	0.00		0.00	
450	CASH AND BANK BALANCE	B-17	104375531.62		94372732.17	
460	LOANS, ADVANCES AND DEPOSITS	B-18	6590737.60		5613288.60	
461	ACCUM. PROVISIONS AGAINST LOANS, ADVANCES & DEPOSITS	B-18	0.00		0.00	
	Less: Current Liabilities & Provisions					
340	DEPOSITS RECEIVED	B-7	5588949.54		3959012.54	
341	DEPOSITS WORKS	B-8	3925606.00		3447947.00	
350	OTHER LIABILITIES (SUNDRY CREDITORS)	B-9	67260463.40		57533731.60	
360	PROVISIONS	B-10	0.00		0.00	
	Other Assets			62750994.03		62399786.60

Code No.	Description of Item	Schedule No	Current Year		Previous Year	
			Amount	Amount	Amount	Amount
470	OTHER ASSETS	B-19	0.00		0.00	
	Misc. Expenditure (to the extent not written off)			0.00		0.00
480	MISCELLANEOUS EXPENDITURE TO BE WRITTEN OFF	B-20	26863317.96		15667302.55	
				26863317.96		15667302.55
TOTAL				211584674.49		188429258.95


Executive Officer,
Kharagpur Municipality


Chairman,
Kharagpur Municipality

Form 88 [Vide Rules 239 & 260]
Name of Urban Local Body : KHARAGPUR Municipality
INCOME AND EXPENDITURE STATEMENT FOR THE YEAR 2009-2010

Code No	Item/Head of Account	Schedule No	Previous Year Amount (Rs.)	Current Year Amount (Rs.)
1	2	3	4	5
INCOME				
110	TAX REVENUE ITEMS	I-1	12444105.13	12662638.00
120	ASSIGNED REVENUES AND COMPENSATIONS	I-2	0.00	10905000.00
130	RENTAL INCOME FROM MUNICIPAL PROPERTIES	I-3	482690.00	302467.00
140	FEES AND USER CHARGES	I-4	6354073.50	7187275.75
150	SALE AND HIRE CHARGES	I-5	445507.00	614349.75
160	REVENUE GRANTS, CONTRIBUTIONS AND SUBSIDIES	I-6	62683203.06	76297682.71
170	INCOME FROM INVESTMENTS	I-7	469145.00	459929.25
171	INTEREST EARNED	I-8	338946.72	456182.08
180	OTHER INCOME	I-9	2538813.00	5017604.65
A	Total - INCOME		85756483.41	113903129.19
EXPENDITURE				
210	ESTABLISHMENT EXPENSES	I-10	40368472.60	64071393.05
220	ADMINISTRATIVE EXPENSES	I-11	2144784.00	2479358.00
230	OPERATION AND MAINTENANCE	I-12	33728010.49	33091116.00
240	INTEREST AND FINANCE CHARGES	I-13	44568.55	39964.00
250	PROGRAMME EXPENSES	I-14	298769.00	53242.00
270	PROVISIONS AND WRITE OFFS	I-16	308425.25	0.00
271	MISCELLANEOUS EXPENSES	I-17	94050.00	0.00
272	DEPRECI	I-0	18411181.88	20689482.30
280	PRIOR PERIOD	I-0	367169.00	0.00
B	Total - EXPENDITURE		95765430.77	120424555.35


Executive Officer,
Kharagpur Municipality

Form 88 [Vide Rules 239 & 260]
Name of Urban Local Body : KHARAGPUR Municipality
INCOME AND EXPENDITURE STATEMENT FOR THE YEAR 2009-2010

Code No	Item/Head of Account	Schedule No	Previous Year Amount (Rs.)	Current Year Amount (Rs.)
1	2	3	4	5
A-B	Gross surplus/(deficit) of income over expenditure		10008947.36	6521426.16
			DEFICIT	DEFICIT


Executive Officer,
Kharagpur Municipality


Chairman,
Kharagpur Municipality



TO
LOCAL
ACCOUNTS
DEPARTMENT
20/11/14

Phone: 2337-8896 / 4272 / 4710

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E-mail: examlawb@cal3.vsnl.net.in

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

No. SS-III/ A/cs Kharagpur M(09-10)/14-15/ 32-68(UB)

Dated: 21/11/2014

To
The Chairman,
Kharagpur Municipality,
P.O- Kharagpur,
Dist- Paschim Medinipur
Pin-721 301

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

Sir,

I am forwarding the Audit Reports and detailed comments on the AFS for the year 2009-10 under section 87 of West Bengal Municipal Act 1993 as amended till date and annexure containing specified information as per Sub-Rule 2 of Rule 22 of West Bengal Municipal Finance and Accounting Rules 1999 as amended in January 2007. I draw your kind attention to Section 88 of the Act ibid to place the Audit Report to the Chairman-in-Council to take remedial measures and report to the Director of Local Bodies with intimation to this office.

Yours faithfully

NB 20/11/14
Examiner of Local Accounts
West Bengal

Enclosure: As stated above

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

We have audited the Balance Sheet of the Kharagpur Municipality as at 31 March, 2010 along with Income & Expenditure Account and Receipts & Payments Account for the year ended on that date under section 86 of the West Bengal Municipal Act, 1993 as amended till date. Preparation of these financial statements is the responsibility of the Kharagpur 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 Kharagpur 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 Source of Fund (Liabilities)

A.1.1 Earmarked Fund (Sch B-2)

A.1.1.1 Provident Fund ₹ 153,52 lakh

Against the net Provident Fund liability of ₹ 1,08,86,701(including accrued interest upto 2008-09) as depicted in the 'Abstract of Ledger balance of P.F as on 31.03.2010 an amount of ₹1,53,52,172 was exhibited in the accounts.

This resulted in overstatement of 'Provident Fund' with the corresponding understatement of 'Municipal Fund' to the extent of ₹ 44.65 lakh.

Municipal authority admitted the observation and stated in their reply that the step to reconcile the balance had been taken.

A.1.2 Current Liabilities & Provision

A.1.2.1 Other Liabilities (Sundry Creditors) (Sch B-9) ₹ 672.60 lakh

(a) Above did not include ₹ 19,36,593.00 being the Gratuity payable to the retired/death employees as on 31.03.2010.

Non-accounting of the above resulted in understatement of 'Other liabilities' with the corresponding understatement of 'Expenditure' and 'Deficit' to the extent of ₹ 19.37 lakh.

Municipal authority stated in their replies that the liability was not considered as the gratuity was not settled during the year 2009-10. However, the reply is not tenable because as per Accounting Manual for ULBs, Gratuity shall be calculated upon retirement of the employees and will be due then.

b) Above included ₹ 62,07,536.00 being the electricity bill amount which had already been paid during the current year (2009-10).The payment was made by wrongly debiting the 'Grants(IHSDP)' instead of 'Other liabilities(Expenses payable)

Wrong accounting of the above resulted in overstatement of 'Other liabilities(Sundry Creditors)' with the corresponding understatement of 'Grants, Contribution for specific purpose' to the extent of ₹ 62.08 lakh.

Municipal authority admitted the observation and stated in their reply that the necessary rectification would be made in the next year accounts.

A.2 Application of Fund (Assets)

A.2.1 Capital Work in progress (Sch B-11) ₹ 00

Above did not include ₹ 87,72,652.00 being the cost of ongoing works during the period 2009-10 related to the construction of Road & Pavement and Drain. The capital cost of the above ongoing works was wrongly debited to the 'Grant (IHSDP)' instead of 'Capital Work in Progress'.

Wrong accounting treatment of the above resulted in understatement of 'Capital Work in Progress' with the corresponding understatement of 'Grants, Contribution for specific purpose' to the extent of ₹ 87.73 lakh.

Municipal authority admitted the observation and stated in their reply that the necessary rectification would be made in the next year accounts.

A.2.2 Investment other fund (Sch B-13) ₹ 160.02 lakh

Above included ₹ 3,64,705.00 being the deduction of PF subscription of March 2010 from the employees which was actually deposited in April 2010. Therefore, against the actual Treasury balance as on 31.03.2010 amounting to ₹1,12,30,239, an amount of ₹ 1,15,94,944 was wrongly shown in the accounts as 'Investment'.

This resulted in overstatement of 'Investment Other Fund' with the corresponding under statement of 'Cash and Bank Balance' to the extent of ₹ 3.65 lakh.

Municipal authority admitted the observation.

A.2.3 Current Assets, loans& advances

A.2.3.1. Stock in hand (Sch B-12) ₹ 4.59 lakh

(a) Above did not include ₹ 39,307.00 being the value of closing stock in respect of Sanitary and Conservancy store. The discrepancies of closing stock were identified between the balance of stock Register (₹ 1,62,852.00) and the balance shown in the Accounts (₹ 1,23,545.00) . It required physical verification and reconciliation.

Pending action of review and reconciliation, the 'Stock in hand' was understated with the corresponding overstatement of 'Expenditure (operation & maintenance)' to the extent of ₹ 0.39 lakh.

Municipal authority admitted the observation and stated in their reply that the necessary rectification would be made in the next year accounts.

(b) Discrepancies of ₹ 2,15,729.00 between the Stock Register (₹ 66,150.75) and the Accounts (₹ 2,81,879.75) were also observed in the closing stock of Electricity store. It also required detail physical verification and reconciliation.

Pending action of review and reconciliation, the 'Stock in hand' was overstated with the corresponding understatement of 'Expenditure (operation & maintenance)' to the extent of ₹ 2.16 lakh.

Municipal authority admitted the observation and stated in their reply that the necessary rectification would be made in the next year accounts

A.2.3.2 Sundry Debtors (Receivable) Sch B-15 ₹ 281.01 lakh

(a) Above did not include ₹ 8,48,699.00 being the accrued interest for the year 2009-10 on the P.F balance deposited in the Treasury.

Non-accounting of the above resulted in understatement of 'Sundry Debtors' with the corresponding understatement of 'Provident Fund' to the extent of ₹ 8.49 lakh.

Municipal authority stated in their reply that interest for the year 2009-10 shown in the year 2010-11 as demand for the current year was not ascertainable. The reply is not tenable in the accrual basis of account.

(b) Above did not include ₹ 97,900.00 being the outstanding rent as on 31.03.2010 (22 months for 33 no of stalls & 23 months for 11 no of stalls @ ₹ 100 per month) receivable from the stall holder of Atulmoni Market Complex.

Non-accounting of the above resulted in understatement of 'Sundry Debtors' with the corresponding understatement of 'Income/ prior period income' and overstatement of 'Deficit' to the extent of ₹ 0.98 lakh.

Municipal authority admitted the error/ omission.

A.2.3.3 Loans, Advances and Deposits Sch B-18 ₹ 65.91 lakh

(a) Above included ₹ 37,57,228.00 being the refundable PF loan(advance) allowed to the employees. The PF advances were deducted from the individual PF account and Treasury balance was also reduced to that extent. As such both liability and asset got reduced/ adjusted against each transaction.

As a result, 'Loans, advances & deposit' was overstated with the corresponding overstatement of 'Municipal Fund' to the extent of ₹ 37.57 lakh.

Municipal authority admitted the observation.

(b) Above did not include ₹ 33,45,789.00 being the unadjusted advances made to the suppliers for supply the Cement, Rod etc, during the year 2009-10. The payment was wrongly debited to the IHSDP grant instead of 'Advance'.

This resulted in understatement of 'Loans, Advances & Deposits' with the corresponding understatement of 'Grants, Contribution for specific purpose' to the extent of ₹ 33.46 lakh.

Municipal authority admitted the observation and assured to make necessary rectification in the next accounts.

C RECEIPT AND PAYMENT ACCOUNTS

No comments.

D. General Observations

D.1 The age-wise analysis of Property Tax receivable was not maintained as per accounting principle laid in Accounting Manual for ULB. Hence the periodicity of receivable could not be ascertained.

D.2 Journal Vouchers

As per 'Purohisab' accounting software package, 962 no. of Journal Vouchers were passed while preparation of Annual Accounts for the year 2009-2010, without any authorization of the Higher authority and justifying primary documents.

D.3 Narration in most of the voucher was insufficient. Not even that, narration was absent in few vouchers also. As a result, details and purpose of payment /journal entries could not be ascertained in audit.

D.4 The cash book did not incorporate the receipts and payments under IHSDP grants through individual transactions as and when occurred. Such receipts and payments were maintained in a separate subsidiary cash book and the total transaction as a whole for the year was incorporated in the cash book of the Municipality. This was in violation of accounting principle in double entry system.

E Effect of Audit Comments on Accounts

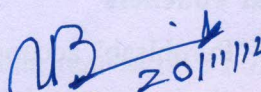
The net impact of the comments given in preceding paras is that the liabilities as on 31st March, 2010 were understated by ₹ 111.48 lakh, assets understated by ₹ 91.32 lakh and the Deficit of Income over Expenditure were understated by ₹ 20.16 lakh.

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

- (a) In so far as it relates to the Balance Sheet of the State of affairs of the Kharagpur Municipality as at 31 March, 2010 and
- (b) In so far as it relates to the Income and Expenditure for the year ended on that date.

Place: Kolkata
Date: .11.2014


Examiner of Local Accounts
West Bengal

Working Sheet on Net impact on Accounts of Kharagpur Municipality for 2009-2010

(₹ in Lakh)

Ref No	Liabilities		Assets		Deficit	
	U/S	O/S	U/S	O/S	U/S	O/S
A.1.1.1	44.65	44.65				
A.1.2.1(a)	19.37				19.37	
A.1.2.1(b)	62.08	62.08				
A.2.1	87.73		87.73			
A.2.2.			3.65	3.65		
A.2.3.1(a)			0.39			0.39
A.2.3.1(b)				2.16	2.16	
A.2.3.2(a)	8.49		8.49			
A.2.3.2(b)			0.98			0.98
A.2.3.3(a)		37.57		37.57		
A.2.3.3(b)	33.46		33.46			
Total	255.78	144.30	134.70	43.38	21.53	1.37

Liability understated by ₹ (255.78-144.30) lakh = ₹ 111.48 lakh

Asset understated by ₹ (134.70-43.38) lakh = ₹ 91.32 lakh

Deficit of income over expenditure understated by ₹ (21.53-1.37) lakh = ₹ 20.16 lakh

U/S – Understatement

O/S - Overstatement

Annexure – I

Audit comments on the information as asked under Sub Rule sub-rule (2) (1) (d) of Rule 22 of the West Bengal Municipal (Finance & 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.
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.	Yes
3.	Whether all transaction (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?	No deviation made as per test check.
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?	Asset Register and Land Register were not maintained.
8.	Whether physical verification has been conducted at reasonable intervals in respect of stores?	No physical verification of store was done.
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 done.
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 was 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 in the preceding year. If there is any deviation in the basis of valuation, the effect of such deviation, if materials, should be reported?	Audit comment given separately.

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 was 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?	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		
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 found during test check.		
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)		
		Head	Amount	Amount
		Earmarked funds	197.59	
		Unspent grant-	1106.32	
		Loan	0.00	1303.91
		Current assets - Current liabilities	627.51	
		Investment	169.81	797.32
		Excess of liability over cash strength		506.59

Place: Kolkata
Date: .11.2014

WB 20/11/14
Examiner of Local Accounts
West Bengal