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Phone : 2337-8896 / 4272 / 4710

Fax : (033) 2321-8355

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 Midnapore M/(07-08)/13-14/1176(TB)

Dated: 25/07.2013

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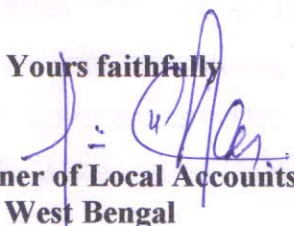
To
The Chairman,
Midnapore Municipality
Midnapore

Subject: Audit Report on Annual Financial Statements (AFS) for the year 2007-08

Sir,

I am forwarding the Audit Report and detailed comments on the AFS for the year 2007-08 under section 87 of West Bengal Municipal Act 1993 as amended till date and Annexure containing specified information as per Sub-Rule 2 of Rule 22 of West Bengal Municipal Finance and Accounting Rules 1999 as amended in January 2007. I draw your kind attention to Section 88 of the Act ibid to place the Audit Report to the Chairman-in-Council to take remedial measures and report to the Director of Local Bodies with intimation to this office.

Yours faithfully


Examiner of Local Accounts
West Bengal

Enclosures: As stated above

**AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF MIDNAPORE
MUNICIPALITY FOR THE YEAR ENDED 31st MARCH, 2008**

We have audited the Balance Sheet of the Midnapore Municipality as at 31 March, 2008 along with Income & Expenditure Account and Receipt & Payment Account for the year ended on that date under section 86 of the West Bengal Municipal Act, 1993 as amended till date. The Balance Sheet has been drawn up based on the opening balance as on 01-04-2007 approved and adopted by the Board of Councilors (BOC) of the Midnapore Municipality. As the Opening Balance Sheet has not been audited by us, we do not express any opinion thereon. Preparation of these financial statements is the responsibility of the Midnapore 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 Midnapore Municipality as required under Accounting Manual for Urban Local

Bodies (Part – 5 : Forms & Formats) in so far as it appears from our examination of such books and subject to the observations made below.

Management adhered to appropriate internal controls [Comments as per Sub-rule (2) (1) (d) of the Rule 22 of West Bengal Municipal (Finance & Accounting) Rules, 1999 (Amends) is enclosed (Annexure – 1)]

iv. We further report that-

A. Balance Sheet

A.1 Liabilities

A.1.1 Earmarked Fund (Sch B-2)

Provident Fund – ₹ 268.016 lakh

A) Above did not include ₹19,18,894/- being the interest for the year 2007-08 on the Provident Fund of the employees deposited in Treasury Provident Fund Account as already allotted by the State Government on 06.01.2009.

Non-accounting of the above resulted in understatement of 'Provident Fund' with the corresponding understatement of ' Sundry Debtors – Receivable from State Govt. ' to the extent of ₹19.19 lakh.

Municipal authority admitted the audit observation and stated that the required rectification/adjustment would be made in the Balance Sheet for the year 2008-09.

B) Above did not include ₹ 34,624.21/- being the accrued interest on non-deposited Provident fund subscription for the year 2007-08. The interest should be shown as expenditure in the Income & Expenditure Statement.

Non-accounting of the above resulted in understatement of ' Provident Fund' with the corresponding understatement of 'Expenditure' as well as overstatement of 'Gross surplus of income over expenditure' to the extent of ₹ 0.35 lakh.

Municipal authority while admitting the above observation stated that the required rectification/adjustment would be made in the Balance Sheet for the year 2008-09.

A.1.2 Grants, Contribution for Specific Purpose (Sch B-4) ₹ 2209.57 lakh

Above include ₹(-) 316081.00/- being the debit balance of HUDCO Grant (code 3203002) as on 31.03.2008. The debit balance indicated excess Capital expenditure incurred over the grant received and the same was also transferred to 'Grant against Fixed Assets' under 'Reserve'.

Wrong accounting of the above resulted in understatement of 'Grants Contribution for Specific Purposes' with the corresponding overstatement of 'Reserve' by ₹ 3.16 lakh.

Municipal authority, in their reply, stated that the required rectification/adjustment would be made in the Balance Sheet for the year 2008-09.

A.1.3 Unsecured Loans (Sch B-6) ₹143.40 lakh

Above did not include ₹5,54,434/- being the accrued interest for the period from 01.04.07 to 31.03.08 on the loan of ₹47.42 lakh taken from the Government Accrued interest (₹ 95.98 lakh) on the above loan up to 31.03.2007 was taken into account in the Opening Balance Sheet (01.04.2007)

Non-accounting of interest for the period 2007-08 resulted in understatement of liability (Unsecured loan) by ₹5.54 lakh with the corresponding understatement of expenditure as well as overstatement of 'Gross surplus of income over expenditure' to the same extent.

Municipal authority admitted the above observation and stated that the required rectification would be made in the Balance Sheet for the year 2008-09.

A.2 Assets

A.2.1 Loan, Advance and Deposit (Sch B-18) ₹938.195 lakh

Above included ₹44, 19,950/- being the Provident Fund loan advance of employees as on 31.03.2008. Since, the Provident Fund is the deposit of the employee and the Municipal authority is only the custodian of the same, the loan of the employee from their own deposit should not be shown as 'Loan' in the Accounts of Municipality, rather the Provident Fund liability of the Municipality should be reduced to the extent of the loan amount.

Improper accounting of the Provident Fund loan resulted in overstatement of 'Loan, Advances and Deposit' with the corresponding overstatement of ' Provident Fund' to the extent of ₹44.20 lakh.

Municipal authority admitted the audit observation and stated that required rectification would be made in the Balance Sheet for the year 2008-09.

A.2.2 Cash & Bank Balance (Sche B-17) ₹1106.61 lakh

Above included ₹17603.80 being the Pension Fund balance, deposited at Bank of India, as on 31.03.2008. The deposits against earmarked fund are not the current assets as the same will not be utilized for other purpose. Therefore, it should be shown under 'Investment' instead of 'Cash & Bank balance'.

Improper exhibition of the above resulted in overstatement of 'Cash & Bank Balance' with the corresponding understatement of 'Investment' to the extent of ₹0.18 lakh.

