

CHAPTER-II

ACCOUNTING PROCEDURES AND FINANCIAL MANAGEMENT

According to the West Bengal Municipal Act, 1993 and Rules made thereunder, each ULB shall present the budget estimate before the Board of Councillors (BOC) for adoption after discussion. The annual financial statement and the balance sheet shall be placed before BOC within the prescribed time limit. The deficiencies in accounts, lack of control over finance, poor utilisation of development grants and weak internal controls noticed during audit are described in the succeeding paragraphs.

2.1 Budget Provisions

(a) Overall expenditure

Budget proposals are directly related to the aspirations of the people of the local area. It is therefore essential to take utmost care in preparing budget proposals giving due attention to the prioritized needs of the people. The savings in expenditure *vis-à-vis* the budget provisions noticed in audit indicates that there was absence of control over budget formulations rendering them unreliable. The overall budget provision for the year 2003-04, 2004-05 and 2005-06 and the expenditure there against of 30 municipalities as furnished by them are given below: (unit-wise position is detailed in Appendix 3A, 3B and 3C)

Year		Budget Provisions	Actual expenditure	Savings (-) Excess (+)	Percentage of overall utilisation
		(R u p e e s i n c r o r e)			
2003-04	Revenue	128.74	108.58	(-)20.16	84
	Capital	140.41	59.10	(-)81.31	42
2004-05	Revenue	146.87	114.58	(-)32.29	78
	Capital	123.56	56.83	(-)66.73	46
2005-06	Revenue	165.69	125.40	(-)40.28	76
	Capital	153.88	84.06	(-)69.82	55

(b) Shortfall in revenue expenditure

It was noticed in audit that most of the ULBs failed to ensure optimum utilization of revenue funds in any of the years during 2003-04 to 2005-06. Only 12 ULBs out of 30 could utilise more than 80 *per cent* of the respective provisions during the three years, whereas the shortfall for the remaining 18 ULBs ranged between 20 and 78 *per cent* during the same period. A number of ULBs have stated that shortfall had occurred in achieving financial targets due to less allotment of fund by the Government and non implementation of programmes. The reply regarding less allotment of fund by Government was not tenable as grants were released as per prevailing norms. Huge savings under revenue section in all the three years affected the quality of civic services being rendered to the people by the respective municipalities.

(c) Inadequacy in utilization of capital fund

The provisions under capital section for three¹ municipalities reflect continuous decrease during 2003-2006 periods. Five² municipalities could utilize only five *per cent* to 34 *per cent* of the available fund during the same period. The actual expenditure under capital section for creation of assets had decreased by four *per cent* from Rs 59.10 crore in 2003-04 to Rs 56.83 crore in 2004-05. Although it increased by 48 *per cent* to Rs 84.06 crore during 2005-06, yet there was a shortfall in utilisation of 45 *per cent* vis-à-vis the budget provisions.

A decrease in capital expenditure is considered undesirable as it adversely impacts the extension of social and economic infrastructure network and creation of assets by the municipalities.

(d) Excess of expenditure over grant

As per provisions of the municipal law, no payment out of Municipal Fund shall be made unless such expenditure is covered by a current budget

¹ Dainhat, Kalyani and Ramjibonpur

² Basirhat, Gobardanga, Jhargram, Nalhati and Old Malda

grant and a sufficient balance of such budget grant is available, notwithstanding any reduction or transfer thereof under the provisions of the Acts.

Test check of overall budget provisions and expenditure of 30 ULBs revealed that 10 municipalities exceeded the respective provisions during 2003-04 to 2005-06 as detailed below:

Revenue Section

Name of ULB	Year	Budget provision	Expenditure	Excess
		(R u p e e s i n l a k h)		
Dainhat	2004-05	75.00	96.21	21.21
Ramjibanpur	2003-04	28.82	28.91	0.09
	2004-05	33.85	35.72	1.87
	2005-06	38.79	39.98	1.19
South Dum Dum	2003-04	1067.12	1824.59	757.47
	2004-05	1283.47	2003.39	719.92
	2005-06	1813.18	1823.71	10.53
Bhadreswar	2005-06	632.73	636.72	3.99
Burdwan	2005-06	1360.89	1485.72	124.83
Kalyani	2005-06	555.23	558.51	3.28
Total		6889.08	8533.46	1644.38

Capital Section

Name of ULB	Year	Budget provision	Expenditure	Excess
		(R u p e e s i n l a k h)		
Kandi	2003-04	112.75	123.45	10.70
	2005-06	124.20	127.41	3.21
Bhadreswar	2004-05	193.19	252.83	59.64
North Barrackpore	2004-05	203.45	205.68	2.23
	2005-06	211.80	251.36	39.56
Dainhat	2005-06	32.71	78.67	45.96
Kalyani	2005-06	293.63	367.49	73.86
Mekhliganj	2005-06	70.90	75.90	5.00
South Dum Dum	2005-06	1124.00	1153.01	29.01
Titagarh	2005-06	369.00	371.99	2.99
Total		2735.63	3007.79	272.16

The municipalities neither furnished any reasons for incurring such excess expenditure over provisions nor initiated any action to regularize the excess over grant.

2.2 Annual Accounts

(a) Non-preparation of Annual Financial Statement

During audit it was seen that the following ULBs did not prepare Annual Financial Statement for the period as detailed below:

Sl. No.	Name of ULB	Arrear in accounts	Receipts	Expenditure
			(Rupees in crore)	
1.	Bankura	2002-03	6.24	6.99
2.	Dhupguri	2001-02 to 2004-05	3.27	2.79
3.	Habra	2003-04 and 2004-05	NA	NA
4.	Tufanganj	2002-03 to 2004-05	3.85	4.68
5.	Baranagar	1987-88 to 2004-05	NA	NA
6.	Rishra	2002-03 to 2004-05	27.14	19.86
7.	Mal	2002-03 to 2004-05	4.15	5.54
8.	Krishnanagar	2002-03 to 2004-05	29.56	24.85
9.	Nalhati	2001-02 to 2005-06	NA	NA
10.	Titagarh	2003-04 and 2004-05	NA	NA
11.	Mirik	2003-04	1.37	1.67
12.	Naihati	2003-04 to 2005-06	48.19	46.66
13.	Purulia	2002-03 to 2004-05	NA	NA
14.	Dinhata	2002-03 to 2004-05	9.35	9.03
15.	Murshidabad	2002-03 to 2004-05	5.45	6.53
16.	Jalpaiguri	2002-03 to 2004-05	22.86	23.33
17.	Baduria	2005-06	3.40	3.59
18.	Budge Budge	2004-05 and 2005-06	20.98	20.18
19.	Mekhliganj	2003-04 to 2004-05	1.72	1.85
20.	Siliguri	2004-05	35.97	33.88
21.	Arambagh	2004-05 to 2005-06	8.45	7.28
22.	Baruipur	2004-05	2.35	2.78
Total			234.30	221.49

Due to non-preparation of annual accounts, receipt of Rs. 234.30 crore and expenditure of Rs. 221.49 crore incurred during 2001-02 and 2005-06 by these local bodies could not be vouchsafed.

(b) Irregularities in Annual Accounts

Test check of annual accounts of Kanchrapara municipality revealed that opening balance was not reflected in the annual accounts.

Panihati, Dainhat, Bally and North Barrackpore municipalities did not incorporate transaction of Rs 536.22 lakh (2002-05), Rs 66.31 lakh (2002-05), Rs 54.03 lakh (2004-05) and Rs 46.78 lakh (2002-05) respectively in their annual accounts for the period 2002-03 to 2004-06. Similarly, the closing balance of Rs (-)3.33 lakh of nine subsidiary cash books and Rs 10.08 lakh of eleven bank accounts were not included in the annual accounts for the year 2004-05 and 2005-06 by Champdani and Bishnupur municipalities respectively.

These discrepancies raised doubts about the presentation of true and fair view of annual transactions by the respective ULBs.

2.3 Balance Sheet

(a) Non-preparation of Balance Sheet

Each ULB is required to prepare annually a balance sheet of assets and liabilities in the prescribed form, which is to be placed before the Board of Councillors.

It was noticed in audit that none of the 65 ULBs prepared balance sheets for the year upto 2005-06. As a result, the position of assets and liabilities of the ULBs could not be verified.

(b) Deficiencies in the Balance Sheet of Kolkata Municipal Corporation (KMC) for the year ending 31 March 2005

The deficiencies noticed during test check of the balance sheet of the KMC for the year ending 31 March 2005 have been issued separately. The important points noticed are mentioned below:

Liabilities

❖ An amount of Rs 48.99 lakh invested out of Pension Fund stood at Rs 77.21 lakh at the end of March 2005. There was bank balance of Rs 4.29 crore under the Pension Fund as of 31 March 2005. The bank balance of Pension Fund and the investment thereof aggregating Rs 5.06 crore was kept outside the annual account of KMC which resulted in understatement of liability by Rs 5.06 crore with corresponding understatement of investment by Rs 77.21 lakh and cash at bank by Rs 4.29 crore.

❖ The subscription towards Provident Fund is deducted at source from the employees and the entire amount is paid to the Provident Fund Cell which is responsible for maintaining the Fund. The Receipt and Payment Account for the year 2004-05 indicates that an amount of Rs 36.17 crore was deducted at source and there was an unpaid liability of Rs 145.61 crore as of 31 March 2004. Only Rs 42.50 crore was paid to the Provident Fund Cell leaving a current liability aggregating Rs 139.28 crore at the end of March 2005. However, the balance of un-disbursed fund lying with the Provident Fund Cell, interest earned and interest payable were not furnished to Audit. The total liability towards subscribers was also not reflected in the annual accounts. As a result, the extent of understatement of liability on account of Provident Fund could not be ascertained.

❖ Rupees 47.82 crore represents liability on account of Interest Accrued on Calcutta Urban Development Project III (CUDP-III) loan as on 31 March 2005, which includes Rs 18.31 crore representing provision for interest for the year 2004-05. As per the adopted policy, KMC was to make provision for interest of Rs 2.77 crore at the rate 12.5 *per cent* on CUDP-III loan for the year 2004-05 as against Rs 18.31 crore. This has resulted in overstatement of liability by Rs 15.54 crore with corresponding under statement of Municipal Fund as well as Excess of Income over Expenditure for the year ended 31 March 2005.

❖ The funds received earlier from State Government for various purposes/ services which were adjusted wrongly in the accounts for 2003-04 by debiting Miscellaneous Deposits with corresponding credit to the Income and

Expenditure Account by the same amount as prior period adjustment without specific approval/ sanction of the Government. This has resulted in understatement of liabilities with corresponding over statement of Municipal Fund by Rs.5.15 crore as of 31 March 2005.

❖ The accumulated water charges of KMC upto March 2005 amounting to Rs 409.62 crore payable to Kolkata Metropolitan Water and Sanitation Authority (KMWSA) had neither been paid nor the amount has been shown as liability as on 31 March 2005. The non-provision of the said outstanding dues has resulted in understatement of current liability by Rs 409.62 crore including liabilities of Rs 53.72 crore for 2004-05 with corresponding overstatement of excess of income over expenditure for 2004-05 by Rs 53.72 crore and overall overstatement of Municipal Fund to the extent of Rs 409.62 crore as on 31 March 2005.

❖ An amount of Rs 20.10 lakh pertaining to Mayor's Relief Fund has not been incorporated in Other Liabilities of Rs 274.70 crore. This resulted in understatement of Other Liabilities by Rs 20.10 lakh with corresponding understatement of investment as of 31 March 2005.

Assets

❖ The works valued at Rs 25.29 crore were completed and commissioned within 31 March 2005. But neither were the works capitalized nor the depreciation of Rs 0.58 crore was charged to Income and Expenditure for 2004-05. This resulted in understatement of Net Block by Rs 24.71 crore and overstatement of excess of income over expenditure as well as Municipal Fund by Rs 0.58 crore with corresponding overstatement of Capital Work in Progress by Rs 25.29 crore as on 31 March 2005.

❖ The asset under 'Capital Work in Progress' amounting to Rs 283.14 crore included an expenditure of Rs 5.55 crore on Commercial Projects. KMC could not locate and identify the assets so created and ensure if they were completed or abandoned. As a result the asset remained overstated by Rs 5.55 crore with corresponding overstatement of the Municipal Fund as on 31 March 2005.

❖ The “Expenditure on general infrastructure improvement not yet capitalized” of Rs 45.76 crore comprises Rs 27.24 crore towards CUDP III – Projects under Construction and Rs 18.52 crore towards Projects under Slum Development. The Corporation could not locate and identify the assets and continued to reflect the amount of Rs 18.52 crore towards Projects under Slum Development resulting in overstatement of assets by Rs 18.52 crore with corresponding overstatement of the Municipal Fund.

Further, due to non-maintenance of the asset register for the entire assets valued at Rs 666.75 crore and non-conduct of physical verification, the status of the fixed assets could not be verified by audit.

❖ The net shortage of stocks valued at Rs.0.38 crore noticed and recorded during physical verification was not adjusted and the book value of Rs.6.61 crore was taken into account. As a result, inventories under the current assets are overstated by Rs.0.38 crore with a corresponding overstatement of excess of Income over Expenditure as well as the Municipal Fund for the year ended 31 March 2005.

Loans and Advances

❖ Rs 441.74 crore represents the outstanding Loans and Advances as on 31 March 2005 which included Rs 318.23 crore lying unadjusted / unrecovered for over five years and as such was doubtful of recovery. Hence, requisite provision was to be made in the accounts against the irrecoverable advances. Thus, non-provision against irrecoverable advances pending their final adjustment, substantially overstated the assets with corresponding overstatement of Municipal Fund as on 31 March 2005.

(c) Other deficiencies in the Accounts of KMC

❖ The cash and bank balance of Rs 195.71 crore as on 31 March 2005 disclosed an unreconciled difference of Rs 31.19 crore arising out of 45 unreconciled bank accounts and Rs 10.42 crore which includes five bank accounts involving Rs 3 lakh remaining unverified due to non-production of bank statements and unrealised amount of cheques valuing Rs 19.79 crore dishonoured by banks since 1942. Non reconciliation of the cash balance has resulted in its overstatement by Rs 31.19 crore, underlining the need for resolution of the issue.

- ❖ Income of Rs 387.57 crore from Property Taxes includes Rs 336.48 crore for Kolkata proper and three added areas. Records in support of demand for Kolkata proper and partially for three added areas were produced to audit. Scrutiny revealed that against demand of Rs 286.91 crore, income was shown as Rs 320.90 crore resulting in overstatement of income by Rs 33.99 crore with corresponding overstatement of Municipal Fund as on 31 March 2005.
- ❖ KMC has continued to show Rs 74.26 crore as receivables under 'Dues from Government and Other Institutions' as on 31 March 2005 for executing schemes/works on behalf of various grantors. In the absence of the commitment or acceptance of the grantors in support of the expenditure of Rs 74.26 crore, the claim for reimbursement of the amount is not valid as receivables. As a result there remains an overstatement of receivables by Rs 74.26 crore with corresponding overstatement of Municipal Fund as on 31 March 2005.
- ❖ Rs 85.16 lakh under receivables represents excess Profession Tax remitted during 1997-98 to 2002-03. The claim for refund to the extent of Rs 40.34 lakh became time barred and the amount is yet to be written off from the accounts. As a result, the receivables have been overstated by Rs 40.34 lakh with corresponding overstatement of Municipal Fund as on 31 March 2005.

2.4 Poor utilization of developmental grants

Grants and assistance released to the ULBs for execution of specific projects / schemes are required to be utilized in the respective year. The position of utilization of developmental grants during the year 2004-05 was as under:

No. of ULBs	Year	Opening balance	Receipts	Total	Utilisation	Percentage of utilization	Remarks
		(R u p e e s i n c r o r e)					
55	2004-05	73.69	71.53	144.72	65.96	46	ULB wise details given in Appendix -4

Test check of records of 55 ULBs revealed that only 46 *per cent* of the available fund was utilized in 2004-05. Twenty five³ ULBs failed to utilize the funds allotted till 2003-04. The poor absorption capacity of funds by the ULBs was mainly due to non-execution of schemes, delay in execution and delay in receipt of funds. This, in turn, deprived the targeted beneficiaries of the intended benefits.

2.5 Diversion of fund

During the period from 2001-02 to 2005-06 ten⁴ municipalities diverted Rs 2.67 crore which were sanctioned for specific purposes. This defeated the very purpose of the grants besides depriving the beneficiaries of their intended benefits.

2.6 Loan taken without approval of the Government

As per Section 72(1) of the West Bengal Municipal Act, 1993, a ULB may with the prior permission of the State Government obtain loan from any public financial institution or any nationalized bank or such other lending institute as the State Government may approve in this behalf. The State Government may, if it considers so necessary, stand as the guarantor for payment.

This is subject to such financial norms in the matter of debt servicing, including creation of a sinking fund, as prescribed by the Government under the provisions of Acts and Rules.

In contravention of the above provisions, Nalhati Municipality had obtained loan of Rs 9.30 lakh during 2005-06 for the purpose of purchase of land for construction of market complex without prior permission of the State Government.

³ BudgeBudge, Champdani, Maheshtala, Nabadwip, Panskura, Ramjibanpur, Siliguri, Sonamukhi, South Dum Dum, Titagarh, Asansol, Bally, Bishnupur, Dhupguri, Gobardanga, Hoogly-Chinsurah, Jangipur, Jhalda, Kanchrapara, Kharar, Mekhliganj, Nalhati, Old Malda, Rajarhat-Gopalpur, Tufanganj

⁴ Dhupguri:Rs 1.00 lakh, Bankura:Rs 109.82 lakh, Nalhati:Rs 28.12 lakh, North Barrackpore:Rs 4.46 lakh, Kandi:Rs 1.11 lakh, Baduria:Rs 13.38 lakh, Mirik:Rs 6.90 lakh, Dinhata:Rs 44.14 lakh, Mekhliganj:Rs 18.25 lakh, Gobardanga:Rs 40.27 lakh

2.7 Increasing liability towards loan

Municipalities obtain loan from financial institutions or nationalized banks or other such lending institutions for implementation of various schemes / programmes. The principal and interest are payable according to the terms and conditions of the respective loan agreement.

During scrutiny in audit it was noticed that 12 municipalities did not repay any loan and interest accrued thereon resulting in accumulation of liability as detailed below:

Name of ULB	Year of loan	Amount of loan	Liability	As of
		(Rupees in lakh)		
Egra	2004-05	13.05	14.75	31 March 2005
Panihati	NA	291.36	1208.67	31 March 2005
English Bazar	1993-94	159.48	330.27	31 March 2005
Madhyamgram	Upto 2000-01	98.25	208.63	31 March 2005
Hoogly-Chinsurah	Before and after 1997-98	436.17	990.71	31 March 2005
Nabadwip	NA	39.54	80.38	31 March 2006
Bansberia	Before and after 1997-98	302.68	629.45	NA
Mekhliganj	2004-05	12.00	13.28	31 March 2005
Arambagh	NA	46.00	111.93	31 March 2006
Jangipur	July 1992 to February 1997	28.00	82.81	31 March 2006
Islampur	NA	8.00	15.52	31 March 2006
Tamluk	1992-93 to 03-04	80.24	207.35	31 March 2006
Total		1514.77	3893.75	

Increasing liabilities on account of unpaid loans adversely impacts the financial stability of the ULBs. This in turn constricted their capacity to raise market loans and develop infrastructural facilities for the rate payers.

2.8 Liability towards outstanding water charges

Khardah Municipality receives potable water at a cost of Rs 3.00 per kiloliter from Kolkata Metropolitan Development Authority for supply within municipal area. Test check revealed that the Municipality did not make payment of water charges of Rs 2.23 lakh as of March 2005 due to non finalisation of actual quantity of water supplied even after a lapse of two years.

2.9 Temporary misappropriation

Test check of records of records of Champdani Municipality revealed that Rs 0.44 lakh collected towards hire charge of ambulance was not credited to Municipal Fund resulting in temporary misappropriation of funds. No responsibility has so far been fixed by the Municipality.

2.10 Unwarranted expenditure

As per Sections 64(2)(a) and 64(2)(b) of the West Bengal Municipal Act, 1993, the municipality has discretionary power in establishing and maintaining pre-primary schools such as *balwadis* and crèches and also promoting civic education, adult education, social education and non formal education, etc. Further in terms of the notification issued by the Government of West Bengal in April 1992, all primary schools under the municipalities stood transferred to the District Primary School Council (DPSC) together with their lands, buildings and other properties. All teachers and other staff shall be deemed to be employed by DPSC with effect from 15 April 1992.

Despite the above arrangement for taking over liabilities of primary schools, nine municipalities incurred a total expenditure of Rs 10.58 crore towards salary of employees and maintenance of primary schools during the period 1992-2006 as shown below:

Sl.No.	Name of ULB	Year of expenditure	No. of schools	Amount (Rupees in lakh)
1.	Baranagar	2002-05	NA	57.88
2.	Rishra	2002-05	5	103.56

3.	Asansol	2004-05	2	14.96
4.	Budge Budge	2004-06	NA	124.88
5.	Hoogly Chinsurah	1998-05	2	43.51
6.	Naihati	2002-06	3	79.80
7.	Bansberia	2003-06	5	68.32
8.	Burdwan	1992-2006	9	500.67
9.	Bhadreswar	2004-06	NA	64.27
Total				1057.85

As maintenance of primary schools does not fall even under the discretionary powers of a ULB, continuing their funding adversely impact the provisions for maintenance of other civic services.

2.11 Non recovery / payment of electricity charges

(a) Five municipalities⁵ paid Rs 56.38 lakh towards electricity charges for the period 1995 to 2006 in respect of staff quarters, shops, stalls, etc. but failed to realise the same from the allottees till the close of the year 2005-06. This has resulted in blocking of fund to that extent and rendered undue benefit to the occupants by the ULBs.

(b) It is essential to make payment of electricity charges within the due date so as to avail of rebate and also avoid payment of surcharge /penalty. Test check of records revealed that nine municipalities⁶ did not pay electricity charges towards pumps, street lights, market light etc. amounting to Rs 14.99 crore pertaining to the period November 2003 to February 2006. Thus, delay in making payment by the ULBs created additional burden on account of surcharge/ penalty resulting in avoidable liabilities on municipal fund.

(c) Similarly, Habra and Kulti municipalities and Siliguri Municipal Corporation could not avail rebate of Rs 1.47 lakh, Rs 2.19 lakh and

⁵ Panihati Rs 44.40 lakh, Basirhat Rs 2.37 lakh, Baruipur Rs 0.08 lakh, Tamluk Rs 6.67 lakh, Bhadreswar Rs 2.86 lakh

⁶ Basirhat Rs 44.98 lakh, Asansol Rs 306.62 lakh, Krishnanagar Rs 390.00 lakh, Jhalda Rs 19.12 lakh, English Bazar Rs 210.40 lakh, Hooghly Chinsurah Rs 249.39 lakh, Naihati Rs 182.00 lakh, Ashoknagar-Kalyangarh Rs 16.22 lakh, Tamluk Rs 80.65 lakh

Rs 3.40 lakh respectively due to delay in payment of electricity bills which led to avoidable loss of Rs 7.06 lakh.

2.12 Non adjustment of advances

Advances aggregating Rs 13.54 crore granted by 47 ULBs to employees, suppliers and contractors for various purposes remain unadjusted till March 2006 (Appendix -5).

This is indicative of weak internal control mechanisms to follow up of regular adjustment of advances resulting in blocking of institutional funds.

2.13 Loss of interest on Provident Fund

Provident Fund subscription collected by deductions from salary is required to be credited to the fund account at the treasury within 15 days of the next month to avoid loss of interest payable to the subscribers. However, it was noticed that 13 ULBs did not remit Provident Fund money into the fund account in the treasury within the stipulated time in spite of regular deduction from salaries. Such delay ranging from one month to 21 years in crediting of Provident Fund money resulted in loss of interest on Provident Fund account to the tune of Rs. 4.22 crore accrued during the intervening period, thereby creating an additional burden on the ULBs (Appendix 6) as the same was not payable by the Government.

Bankura, Kanchrapara and Bally municipalities did not deposit Rs.39.02 lakh Rs.61.73 lakh and Rs.136.19 lakh respectively pertaining to the periods from April 1987 to March 2005 to Provident Fund Account maintained in the treasury. Due to improper maintenance of records the loss towards interest could not be ascertained.

2.14 Non maintenance of Pension Fund

In terms of Para (k) of the Government Circular dated 5 May 1982, all local bodies are to create a special fund for the purpose of payment of pension and gratuity.

Rishra, Jhalda and Mekhliganj municipalities did not maintain ‘Pension and Gratuity Fund’ to ensure timely payment of retirement benefits to their employees.

Although, Bankura Municipality created a separate ‘Pension and Gratuity Fund’ in February 1999 for this purpose but the same remained inoperative. During 2002-05, the Municipality paid Rs 1.73 crore towards pension and gratuity from the General Fund. This adverse impact on the General Fund would affect the quality of services being rendered to the people by the Municipality.

2.15 Irregular expenditure

Eleven municipalities⁷ incurred irregular expenditure of Rs 6.91 crore under various heads of account either without any provision or against less provision. Furthermore, although expenditure towards purchase exceeding rupees five lakh requires approval of the State Government, Basirhat Municipality purchased land valuing Rs 7.54 lakh without obtaining approval of the competent authority.

2.16 Bank reconciliation statement not prepared

The Bank balance as per Cash Book and actual Bank balance should be reconciled periodically but this provision was not adhered to by 25 ULBs in 2004-05 and 2005-06. Out of these, six municipalities did not close the Cash Book. The remaining 19 ULBs had shown a Cash Book balance of Rs.70.40 crore against actual Bank/Treasury balance of Rs.62.24 crore (Appendix-7).

2.17 Non remittance of Government dues / other dues

As per provisions, tax deducted at source shall be credited to the Government account in the succeeding month. It was, however, seen that six

⁷ Ranaghat: Rs 222.38 lakh, Champdani: Rs 60.58 lakh, Rishra: Rs 62.04 lakh, Madhyamgram: Rs 158.20 lakh, Panskura: Rs 5.50 lakh, Taki: Rs 0.43 lakh, Jhargram: Rs 13.92 lakh, Dhuliyani: Rs 14.30 lakh, Bishnupur: Rs 10.24 lakh, Rajarhat Gopalpur: Rs 32.20 lakh and Burdwan: Rs 111.00 lakh

ULBs failed to deposit the Income Tax (IT), Sales Tax (ST) and Professional Tax (PT) deducted at source amounting to Rs 29.10 lakh as of March 2006.

Sl. No.	Name of ULB	Nature of dues	Amount (Rupees in lakh)
1.	Bankura	Professional Tax	7.28
2.	Kandi	Sales Tax	1.80
3.	Diamond Harbour	Sales Tax (1.28) & Income Tax (1.31)	2.59
4.	Purulia	Sales Tax (5.13) & Income Tax (5.39)	10.52
5.	Bishnupur	Sales Tax (0.46) & Income Tax (2.69)	3.15
6.	Bhadreswar	Sales Tax (1.88) & Income Tax (1.88)	3.76
Total			29.10

The delay in deposit of government revenues attracts interest and penalty on the non-remitted amount entailing additional financial burden on those municipalities.

2.18 Creation of unwarranted liability

Bankura Municipality deducted Rs 42.47 lakh from the salary of employees towards Life Insurance Premium during May 2004 to December 2005. The deducted amount has not been transferred to the insurance company till the date of audit. This unpaid amount would accrue additional interest for the period of delay besides penal interest, if any, which would have to be borne by the Municipality. No responsibility has been fixed for such liability on the Municipality and making good the resultant loss.

2.19 Non availability of records

Nineteen ULBs did not produce various records (utilization certificates, vouchers, bills, estimates, measurement books, work registers, stock registers, tender paper, quotation, money receipts of lease premium, consumption records of stores, counterfoil of receipts and dispensaries within municipal area, demand and collection registers, receipt books, balance sheet of previous year, records

on loans, investments, remission of taxes and granting exemption of property tax, transfer of fund etc.) despite requisition by Audit. In the absence of such records, transactions to the tune of Rs 11.66 crore⁸ could not be audited and vouchsafed.

2.20 Deficiencies in maintenance of records

During test check, following irregularities were noticed in maintenance of records in ULBs:

(a) Deficiencies in maintenance of cash book / stock register

- i) Entries in the Cash Book were not authenticated by the competent authority.
- ii) Daily cash balance was not verified and certified.
- iii) Transactions were not entered in the Cash Book on the date of occurrence.
- iv) Particulars of transaction were not recorded in the Cash Book.
- v) Correction and alteration in Cash Book were made without authentication of competent authority.
- vi) There was irregularity in maintenance of stock register.
- vii) Physical verification of stock was not done.
- viii) Improper maintenance of stock of receipt book.

(b) Non- maintenance of basic records

The prescribed basic records viz. Demand and Collection Register, Work Register, Stock Register, Appropriation Register, Investment Register, Loan Register, Un-paid Bill Register, Bill Register, Self Cheque Register, Deposit Ledger, Asset Register, Cashier's Cash Book, Advance Ledger and Provident Fund Ledger Abstract were not being maintained by the ULBs test checked.

⁸ Maheshkala: Rs 730.83 lakh, Tarakeswar: Rs 8.63 lakh, Tufanganj: Rs 0.05 lakh, Baranagar: Rs 147.01 lakh, Champdani: Rs 2.36 lakh, Rishra: Rs 8.08 lakh, Asansol M.C.: Rs 51.60 lakh, Mal: Rs 8.72 lakh, English Bazar: Rs 7.39 lakh, North Barrackpore: Rs 2.82 lakh, Mirik: Rs 1.43 lakh, Titagarh: Rs 0.09 lakh, Siliguri: Rs 80.67 lakh, Jalpaiguri: Rs 6.05 lakh, Islampur: Rs 21.51 lakh, Kulti: Rs 0.25 lakh, Bally: Rs 76.60 lakh, Tamluk: Rs 11.20 lakh, Bhadreswar: Rs 0.28 lakh.

2.21 Internal Audit

In terms of Section 91 of the West Bengal Municipal Act, 1993 the State Government may by rules provide for internal audit of the day-to-day accounts of a Municipality in such manner as it thinks fit.

Rule 24 of the West Bengal Municipal (Finance and Accounting) Rules, 1999 stipulates that the Chairman-in-Council (CIC) of the Municipality shall cause a checking of accounts of the Municipal Fund, at least once in every month. In course of such checking, the officer authorized in this behalf shall identify the errors, irregularities and illegalities, if any, in the matter of maintenance of accounts and make notes of the same. The CIC shall also cause the preparation of a report on checking of accounts of the Municipal Funds for every quarter which shall be placed before the Municipal Accounts Committee and the Director of Local Bodies, for examination and report.

Test check of records of 69 ULBs revealed that none of the ULBs had made arrangements to appoint / authorize any officer to conduct internal audit of their accounts.

Furthermore, Section 156 and 157 of the KMC Act, 1980 provide that the Chief Municipal Auditor shall conduct internal audit of the accounts of the Corporation and shall report thereon highlighting the material impropriety or irregularity noticed. KMC appointed three chartered accountant firms in March 2006 in spite of having 22 functionaries under the Chief Municipal Auditor's establishment. Internal Audit Reports for the period from March 2006 to August 2006 have been submitted in October 2006. The follow up action there against as required under Section 157(4) of the KMC Act, 1980 has not been intimated (March 2007).

Replies from the concerned ULBs / Government are awaited.