

CHAPTER-II

ACCOUNTING PROCEDURES AND FINANCIAL MANAGEMENT

According to the West Bengal Municipal Act, 1993 and Rules made thereunder, each Urban Local Body (ULB) shall present the budget estimate before the Board of Councillors (BOC) for adoption after discussion. Within six months of the close of a year, a financial statement consisting of the Balance Sheet, Income and Expenditure Account, Receipts and Payments Account and Fund Flow Statement shall be prepared in the form and manner prescribed, and presented before the BOC. The succeeding paragraphs bring out the deficiencies in accounts noticed during audit of 49 ULBs taken up during the period July 2007 to May 2008.

2.1 Budget Provisions

As per the West Bengal Municipal (Finance and Accounts) Rules, 1999 the departmental heads of the Municipality under the direction of the Member-in-Charge shall prepare their estimated receipts and expenditure in consultation of the Borough Committees or the Ward Committees and report the same to the Chairman. The Accounts Department shall in consideration of the departmental requirement and probable resources prepare the Draft Annual Budget Estimates which shall be finalized by the Chairman with the help of the officers without any budget deficit. After necessary consideration by the Chairman-in-Council, the said draft Annual Budget Estimate shall be placed before the Board of Councillors at a meeting specially convened for the purpose as provided under Section 82 of the West Bengal Municipal Act, 1993.

2.1.1 Failure to incur the budgeted expenditure

In 27 ULBs there were persistent savings in expenditure *vis-à-vis* the budget provisions over the last three years, indicating unrealistic estimates and absence of definite work plans. The overall budget provision and the expenditure of these ULBs for the years 2005-06, 2006-07 and 2007-08 are given in the following table, while the unit-wise position is detailed in Appendix 2A, 2B and 2C.

| Year | | Budget Provisions | Actual expenditure | Savings (-) Excess (+) | Percentage deviation |
|---------|---------|-------------------|--------------------|---------------------------|----------------------|
| | | (Rupees in crore) | | | |
| 2005-06 | Revenue | 965.32 | 875.62 | (-)89.70 | (-) 9.29 |
| | Capital | 330.65 | 235.51 | (-)95.14 | (-) 28.77 |
| 2006-07 | Revenue | 1157.30 | 1108.65 | (-)48.65 | (-) 4.20 |
| | Capital | 429.09 | 218.25 | (-)210.84 | (-) 49.14 |
| 2007-08 | Revenue | 1329.47 | 1041.18 | (-)288.29 | (-) 21.68 |
| | Capital | 685.26 | 482.16 | (-)203.10 | (-) 29.64 |

It would be seen from the Appendix 2A, 2B and 2C that there were substantial savings in both the revenue (3 to 69 *per cent*) and the capital heads (2 to 98 *per cent*).

2.1.2 Excess of expenditure over budget estimates

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 grant and sufficient balance of such budget grant is available.

Test check of budget provisions and expenditure revealed that 12 municipalities incurred expenditure more than the budgeted provisions under various heads of account during 2005-06 to 2007-08 as detailed below:

| (Rupees in lakh) | | | | |
|------------------|---------|-------------------|-------------|--------|
| Name of ULB | Year | Budget provision* | Expenditure | Excess |
| Burdwan | 2006-07 | 54.50 (7) | 78.73 | 24.23 |
| | 2007-08 | 253.70 (4) | 389.77 | 170.46 |
| Englishbazar | 2005-06 | 44.46 (8) | 59.48 | 15.02 |
| | 2006-07 | 32.09 (8) | 49.63 | 18.54 |
| Alipurduar | 2005-06 | 19.02 (2) | 21.02 | 2.00 |
| | 2006-07 | 10.00 (3) | 12.76 | 2.76 |
| Garulia | 2006-07 | 47.87 (5) | 89.32 | 41.45 |
| Taki | 2006-07 | 42.20 (7) | 86.68 | 39.48 |
| Baranagar | 2005-06 | 7.00 (3) | 208.73 | 201.73 |
| | 2006-07 | 82.00 (3) | 272.27 | 190.27 |
| New Barrackpore | 2006-07 | 186.15 (4) | 239.25 | 53.10 |
| Panihat | 2005-06 | 429.46 (13) | 726.57 | 297.11 |
| | 2006-07 | 316.57 (10) | 396.47 | 79.90 |
| Egra | 2005-06 | 25.74 (15) | 45.90 | 20.16 |
| | 2006-07 | 22.80 (13) | 33.22 | 10.42 |
| Midnapur | 2006-07 | 111.09 (19) | 155.95 | 44.86 |
| | 2007-08 | 242.22 (16) | 355.99 | 113.77 |
| Panskura | 2006-07 | 8.10 (7) | 9.97 | 1.87 |
| Dhulian | 2006-07 | 51.00 (5) | 70.32 | 19.32 |
| | 2007-08 | 118.09 (7) | 125.10 | 7.01 |

*Number of heads of accounts are given in bracket.

The municipalities did not furnish any reasons for incurring excess expenditure nor did they initiate any action to regularize the excess over the budget estimate. Five ULBs incurred the expenditure of Rs.3.70 crore without making any provision in the Budget estimate during 2006-08 as detailed below:

| Name of ULB | Year | Amount (Rupees in lakh) | Purpose |
|-------------|---------|----------------------------|-------------------|
| Baranagar | 2005-07 | 141.54 | Drainage |
| | | 22.08 | Ferry |
| | | 5.80 | Welfare |
| Burdwan | 2006-07 | 2.68 | Commission agent |
| | | 2.39 | Labour for stores |
| | | 145.90 | Land |
| | 2007-08 | 8.44 | EFC |
| | | 12.48 | NSDP |
| | | 8.44 | BMSPP |
| | | 5.02 | HUDCO |

| | | | |
|----------------|---------|---------------|---------------|
| Dhulian | 2006-07 | 2.04 | Pump house |
| | | 2.79 | Pipelines |
| Garulia | 2006-07 | 1.63 | SJSRY |
| | | 6.69 | Water logging |
| New Barrackpur | 2006-07 | 2.15 | NSDP |
| Total | | 370.07 | |

Mirik Municipality did not prepare any budget estimate for the year 2005-06 but spent Rs.62.05 lakh during that year.

2.2 Arrears in preparation of Annual Accounts

The ULBs were to switch over to accrual accounting system from 2006-07 (ULBs in Kolkata Metropolitan Area) and 2007-08 (other ULBs). As of 31 March 2008, only 2 out of 40 ULBs in the KMA area had submitted their 2006-07 accounts while none of the 85 ULBs in the non-KMA areas had submitted even the opening balance sheets as on 1 April 2007.

| | ULBs in KMA | Other ULBs |
|-------------------------------------|--------------------------------------|--|
| Opening Balance Sheet received | 11 ¹ (as on 1 April 2006) | Nil |
| Subsequent annual accounts received | 2 ² (2006-07) | Nil |
| Accounts/Opening Balance Sheet due | 38 (2006-07) | 85 Opening Balance Sheets (as on 1.4.2007) |

2.3 Deficiencies in Accounts

2.3.1 Non-preparation of Receipt and Payment Account

Apart from not preparing opening balance sheet as per amended West Bengal Municipal (Finance and Accounting) Rules, 1999, the following municipalities had not prepared even the Receipt and Payment Accounts for the periods detailed below:

| Sl.No. | Name of ULB | Arrear in accounts |
|--------|-------------|--------------------|
| 1. | Baruipur | 2006-07 |
| 2. | Kulti | 2006-07 |
| 3. | Mursidabad | 2004-05 to 2006-07 |
| 4. | Baranagar | 2005-07 |

2.3.2 Deficiencies in Receipt and Payment Account

In the accounts of Burdwan Municipality for the year 2007-08, the financial transactions of a medical unit under IPP VIII were not incorporated, thus excluded receipt and expenditure of Rs.90.65 lakh and Rs.1.11 crore respectively.

In six other municipalities the Bank balance as per Cash Book and actual Bank balance was not reconciled periodically as detailed below:

¹ Bansberia, Baranagar, Barasat, Barrackpore, Baruipur, Kamarhati, Konnagar, Madhyamgram, New Barrackpore, Pujali and South Dum Dum.

² Bally and Serampur.

| Sl. No. | Name of the Municipality | As of | Balance as per Cash Book | Bank balance as per Bank/Treasury | Difference |
|--------------|--------------------------|------------|--------------------------|-----------------------------------|----------------|
| | | | (Rupees in crore) | | |
| 1. | Baruipur | March 2007 | 1.75 | 1.51 | (+)0.24 |
| 2. | Mursidabad | March 2007 | 2.58 | 2.64 | (-)0.06 |
| 3. | Garulia | March 2007 | (-)0.55 | 0.90 | (-)1.45 |
| 4. | Titagarh | March 2007 | 1.68 | 2.01 | (-)0.33 |
| 5. | Berhampore | March 2007 | 3.28 | 2.20 | (+)1.08 |
| 6. | Gayespur | March 2008 | 5.08 | 6.83 | (-)1.75 |
| Total | | | 13.82 | 16.09 | (-)2.27 |

Thus, against the Cash Book balance of Rs.13.82 crore, the actual Bank/Treasury balance was Rs.16.09 crore. The reasons for variation could not be detected by audit due to non-furnishing the details of remittance, payments and bank scroll. The differences need immediate reconciliation by the respective ULBs.

2.4 Deficiencies in the Balance Sheet of Kolkata Municipal Corporation (KMC) for the year ending 31 March 2007

The KMC had submitted two annual accounts in double entry system as on 31 March 2008 viz. that of Kolkata Municipal Corporation and Kolkata Environment Improvement Project – a project division of KMC. Following important deficiencies in these annual accounts (year ending 31 March 2007) were noticed:

2.4.1 The assets did not include 6 packages of Slum Improvement Project, with a Gross Block of Rs.16 crore, which were completed and put to use during the period from January 2005 to November 2006 but were not transferred to KMC by KEIP. This resulted in understatement of Gross Block by Rs.16 crore, with corresponding overstatement of KEIP Advance by Rs.16.00 crore. Further, non-charging of depreciation on the said assets resulted in overstatement of surplus as well as Municipal Fund by Rs.1.62 crore.

2.4.2 The assets did not include the cost of the Office Building of KEIP valued at Rs.12.54 crore which led to under-statement of the Gross block of KMC as on 31 March 2007 by Rs.12.54 crore with corresponding overstatement of KEIP Advance. Further, due to non-charging of depreciation of Rs.0.84 crore (December 2003 to March 2007), the Excess of Income over Expenditure was overstated with corresponding overstatement of Municipal Fund.

2.4.3 Assets valuing Rs.32.86 crore were being shown as in progress for 10-17 years' without conducting any physical verification. This resulted in overstatement of Assets under Capital Work in Progress and Expenditure on General Infrastructure Improvement not yet capitalized as well as Municipal Fund by Rs.32.86 crore. KMC admitted (March 2008) the fact and assured that action would be taken after proper identification of the said projects, but no adjustment was done.

2.4.4 Receivables of Rs.20.23 crore on account of Licence fees and Rs.41.85 crore on account of Tax on Profession, Trades & Callings had remained unchanged for over 5 years (since 2001-02). The Corporation did not produce any document in support of the said receivables rendering them irrecoverable. Non-adjustment of the same resulted in overstatement of Receivables and the Municipal fund to the extent of Rs 62.08 crore.

2.4.5 KMC has continued to show Rs.74.26 crore towards Dues from Government and other Institutions for executing schemes/works on behalf of various grantors. In absence of the commitment or acceptance of the debtors/grantors in support of the expenditure (Rs.5.55 crore since 1990-91; Rs. 18.52 crore since 1996-97 and Rs.8.79 crore since 1997-98), the claim for reimbursement of the amount is not valid as receivables. As a result the Receivables remains overstated with corresponding overstatement of Municipal Fund by Rs.74.26 crore.

2.4.6 Loans & Advance of Rs.330.71 crore remained unchanged for over six years. The amount being irrecoverable as revealed in the Notes and Schedules to the Accounts, is required to be written off in the Income & Expenditure Account. Thus Loans & Advances, and Municipal Fund had been overstated by Rs.330.71 crore.

2.4.7 Accumulated Advances of Rs.14.60 crore remained unchanged for more than five years and the management continued to attach the same note to the accounts stating that they had initiated the process for write-off but no write-off had been effected till March 2007. This resulted in overstatement of Advances and Municipal Fund to the extent of Rs.14.60 crore.

2.5 Poor utilization of developmental grants

Grants and assistance released to the ULBs for execution of specific projects are required to be utilized in the respective year. It was observed that 14 ULBs had utilised only 48-53 percent of the grants available during 2006-08, as shown below:

| Year | Opening balance | Receipts | Total | Utilisation | Percentage of utilization | Remarks |
|-------------------------------|-----------------|----------|---------|-------------|---------------------------|---|
| (R u p e e s i n c r o r e) | | | | | | |
| 2006-07 | 530.55 | 894.48 | 1425.02 | 758.80 | 53 | ULB wise details given in Appendix 3 |
| 2007-08 | 666.23 | 1436.52 | 2102.74 | 1000.01 | 48 | |

These developmental grants were given for improvement of road, drain, supply of drinking water, construction of office building etc. and the failure of the ULBs to utilize even half of the amounts indicated that developmental expenditure needed to be planned and monitored more effectively so that the intended benefits reach the needy people.

2.6 Diversion of funds

During the period from 2004-05 to 2006-07 six out of 48 ULBs diverted Rs.79.33 lakh sanctioned for specific purposes. This defeated the very purpose of the grants and deprived the beneficiaries of intended benefits, as shown below:

| Sl No. | Name of the ULB | Purpose of the grant | Expended for | Amount (Rupees in lakh) |
|--------------|-----------------|--|--|-------------------------|
| 1. | Basirhat | MPLAD | Staff salary | 2.33 |
| 2. | Baruipur | Repairing works of roads damaged in flood 2005 | Construction of drain, guard wall, retaining wall, pavement. | 3.41 |
| 3. | Mursidabad | BMS, EGP, Water supply and SJSRY | Purchase of electrical goods, repair of car, staff salary, office stationary, wages, payment of ex-gratia and festival advance during August 2005 to October 2006. | 15.64 |
| 4. | Jalpaiguri | NSDP | Roads, departmental work bill during 2004-06. | 3.96 |
| 5. | Dhupguri | IDSMT | Construction of roads and drains in different wards | 48.57 |
| 6. | Suri | SJSRY | Purchase of galvanized iron pipelines, electrical goods, conservancy material, tractor hire charges, pension, etc. | 5.42 |
| Total | | | | 79.33 |

Thus, due to unauthorized utilization of funds for administrative, maintenance and works not specified under the schemes, the intended objectives could not be achieved.

2.7 Loan taken without approval of the Government

As per Section 72(1) of the West Bengal Municipal Act, 1993, a ULB requires prior permission of the State Government to obtain loan. However, the Garulia Municipality took loan of Rs.23.36 lakh during 2006-07 without the approval of the State Government. The loan was also not backed by any resolution of the Board of Councilors.

2.8 Increasing indebtedness

Fifteen out of 48 ULBs did not repay the loan and interest accrued thereon resulting in accumulation of liability as detailed below:

| Name of ULB | Year of loan | Source of loan | Amount of loan | Liability | As of |
|-------------|--------------|----------------|------------------|-----------|------------|
| | | | (Rupees in lakh) | | |
| Durgapur | NA | LIC, Bank | NA | 1325.05 | March 2007 |
| Mursidabad | NA | NA | NA | 2.53 | March 2007 |

| | | | | | |
|-------------------|--------------------|--------------------------------|--------|--------------|------------|
| Chandernagore | NA | NA | NA | 40.00 | March 2007 |
| Mirik | NA | Central Govt. | NA | 5.43 | March 2007 |
| Asansol | 1980-81 to 1992-93 | LIC | 231.00 | 342.78 | March 2007 |
| Basirhat | 1983-84 to 1994-95 | Government and LIC | 93.22 | Not computed | March 2007 |
| Englishbazar | 2004-05 | Uttarbanga Unnayan Parishad | 34.91 | 5.36 | March 2007 |
| Coochbehar | NA | Bank and other institution | NA | 301.99 | March 2007 |
| Siliguri | NA | Bank | NA | 87.90 | March 2007 |
| Egra | 2004-05 | Bank | 12.00 | 17.37 | March 2007 |
| Berhampore | 2004-06 | Other institution | NA | 56.44 | March 2007 |
| Naihati | NA | Bank | NA | 3.41 | March 2007 |
| North Barrackpore | 1997-98 to 2000-01 | CUDP-III & Eight Plan projects | 495.18 | 987.29 | March 2008 |
| Midnapur | NA | NA | NA | 130.10 | March 2008 |
| Gayespur | 1984-85 to 1993-94 | CUDP-III | 65.23 | 292.58 | March 2008 |

According to the Act sinking funds were to be created for each loan for debt servicing. Non compliance to the Act led to indefinite liability creating additional burden on revenue fund of the ULBs.

2.9 Liability towards outstanding water charges

Baranagar and Panihati municipalities do not have adequate water works to cater to the need of general public. They procure water from Kolkata Metropolitan Development Authority. However, they had not paid water charges amounting to Rs.10.53 crore and Rs.7.24 crore respectively upto March 2007. No reasons for non payment were furnished by the municipalities.

Howrah Municipal Corporation had been supplying potable water to Bally Municipality since May 1986. An amount of Rs.6.62 crore was outstanding from Bally Municipality as of March 2006 despite Howrah Municipal Corporation raising the bills regularly.

2.10 Loss of fund due to theft, defalcation, misappropriation etc.

Cases of theft, defalcation and misappropriation of funds were noticed in the following ULBs as detailed below:

| Name of ULB | Period | Particulars | Amount (Rupees in lakh) |
|--------------|---------|--|----------------------------|
| Mursidabad | 2005-07 | Non-deposit of miscellaneous receipts | 0.32 |
| Mal | 2006-07 | Non-deposit of collection money from the Receipt book Nos. 44 and 45 | 0.25 |
| Rishra | 2006-07 | Non-deposit of collected water charges | 0.01 |
| Total | | | 0.58 |

In terms of Rule 26 of the West Bengal Municipal (Finance and Accounting) Rules, 1999 in case of loss of money by embezzlement, theft, or otherwise, the Chairman or the Vice-Chairman or the Executive Officer or the Secretary should lodge a first information report (FIR) in the local police station, and promptly report the matters to the Chairman-in-Council. When the matter has been fully enquired into, he shall submit a complete report showing the total sum of money lost, the manner in which it was lost, and the steps taken to recover the amount and the punishment imposed on the offenders, if any. It was observed that only Mal Municipality had lodged FIR in July 2007. The other municipalities did not take any action as provided under the Rules. No responsibility for these lapses had been fixed by the respective ULBs.

2.11 Unwarranted expenditure

In terms of a notification dated 15 April 1992 by the Government of West Bengal, all primary schools under the municipalities stood transferred to the District Primary School Council (DPSC) together with their lands, buildings and other properties and all teachers and staff were deemed to be employed by DPSC from that date.

Despite the above arrangement, 14 ULBs had incurred a total expenditure of Rs.5.59 crore towards salary of employees and maintenance of primary schools during the period 1992-2008 as shown below:

| Name of ULB | Year | No. of schools | Amount (Rupees in lakh) |
|--------------|------------------|----------------|----------------------------|
| Durgapur | 2006-07 | 2 | 12.38 |
| Suri | 2005-07 | NA | 7.54 |
| Jhalda | 2005-07 | 5 | 23.89 |
| Kamarhati | 2005-07 | 1 | 9.16 |
| Englishbazar | 1992-07 | 3 | 153.90 |
| Garulia | 4/2006 to 1/2008 | 6 | 31.92 |
| Baranagar | 2005-07 | 6 | 45.47 |
| Panihati | 2003-07 | 1 | 5.96 |
| Berhampore | 2005-07 | 5 | 96.35 |
| Naihati | 2006-07 | 3 | 15.32 |
| Rishra | 2005-07 | 5 | 52.00 |
| Burdwan | 2007-08 | 9 | 53.03 |
| Bhatpara | 1992-2007 | 1 | 32.25 |
| Dum Dum | 2006-08 | 1 | 20.25 |
| Total | | | 559.42 |

The Government had reimbursed Rs.20.79 lakh, Rs.1.06 crore and Rs.22.58 lakh to Jhalda, Englishbazar and Bhatpara municipalities against their expenditure of Rs.23.89 lakh, Rs.1.54 crore and Rs.32.25 lakh respectively. Except Durgapur Municipal Corporation, no ULB had taken up the matter with the Government for handing over the schools. Thus, the ULBs were incurring expenditure which should have been used for providing municipal services to the people.

2.12 Non-recovery/ non-payment/ delay in payment of electricity charges

Panihati and Tamluk municipalities paid Rs.20.39 lakh and Rs.11.53 lakh respectively during 2000-2008 for electricity charges in respect of municipal staff quarters but did not recover the same from the occupants till the close of the year 2007-08. Serampur Municipality failed to recover electricity charges amounting to Rs.0.52 lakh for the period from April 2005 to March 2008 from the lease holder of the burning *ghat*.

Seven³ municipalities, though adequate funds were available did not pay electricity charges amounting to Rs.10.54 crore during 2003-08, which created avoidable additional burden on account of surcharge/penalty. Similarly, the delay in payment of electricity bills led to avoidable expenditure of Rs.10.36 lakh by Basirhat (Rs.0.27 lakh), Kamarhati (Rs.0.92 lakh), Coochbehar (Rs.6.49 lakh), Garulia (Rs.0.62 lakh), Bidhannagar (Rs.0.88 lakh) and Dhuliyani (Rs.1.18 lakh) municipalities during 2003-07.

2.13 Non adjustment of advances

In terms of Rule 189 of the West Bengal Municipal (Finance & Accounting) Rules, 1999, different accounts in the advance ledger shall be balanced quarterly and signed by the Executive Officer, Finance Officer or any other authorized officer, who shall also satisfy himself that steps are being taken to recover or adjust the advances outstanding for more than three months.

It was observed that advances aggregating Rs.16.47 crore granted by 20 ULBs to Chairmen, Councillors, employees, suppliers, contractors and government organisations for various purposes remained unadjusted till March 2007/March 2008 (**Appendix - 4**). In Basirhat, Dubrajpur, Englishbazar, Mursidabad, Naihati, Taki and Titagarh municipalities, advances were outstanding for one to 48 years. This is indicative of weak internal control mechanism to follow up regular adjustment of advances resulting in blocking of institutional funds.

2.14 Loss of interest on Provident Fund

Provident Fund subscriptions are required to be credited to the fund account at the treasury within 15 days of the next month to avoid loss of interest to the subscribers. It was noticed that 11 out of 48 ULBs did not remit the Provident Fund subscriptions into the fund account in the treasury within the stipulated time in spite of regular deduction from salaries. Such delays, ranging from one month to 10 years, resulted in loss of interest of Rs. 4.82 crore accrued during the intervening period, thereby creating an additional burden on the ULBs (**Appendix - 5**) as the same was not payable by the Government.

³ Basirhat (Rs 77.04 lakh), Kulti (Rs 71.30 lakh), Coochbehar (Rs 1.14 crore), Garulia (Rs 244.56 lakh), Rishra (Rs 30.00 lakh), Tamluk (Rs 1.14 crore) and Serampur (Rs 4.03 crore).

Berhampore, Dum Dum, Garulia, Jalpaiguri and Rishra municipalities did not deposit Rs.2.03 lakh, Rs.17.34 lakh, Rs.55.23 lakh, Rs.65.59 lakh and Rs.1.32 crore respectively for the periods from 1983-84 to 2006-07, to the Provident Fund account maintained in the treasury. This created a liability of Rs.7.55 crore on these ULBs towards the PF Account. Due to improper maintenance of records the liability in respect of Berhampore Municipality towards interest could not be ascertained.

2.15 High maintenance cost on revenue generating assets

Six ULBs maintained various properties like auditorium, municipal markets, marriage hall, municipal *abasan* (housing complex), ferry *ghat*, etc. with the aim to generate revenue. Scrutiny revealed that the expenditure incurred on maintenance of these assets was significantly higher compared to the income earned as shown below:

| Name of the ULB | Nature of assets | Period | Income from the asset | Expenditure on maintenance | Loss |
|-----------------|---------------------------|----------------------------|-----------------------|----------------------------|---------------|
| | | | (Rupees in lakh) | | |
| Durgapur | Auditorium | October 2004 to March 2007 | 15.94 | 30.46 | 14.52 |
| Basirhat | 4 Municipal Markets | 1997-2007 | 8.85 | 14.05 | 5.20 |
| Asansol | Rabindra Bhavan | 2001-07 | 20.80 | 82.25 | 61.45 |
| Coochbehar | 4 Municipal <i>Abasan</i> | 2004-07 | 35.51 | 50.74 | 15.23 |
| Baranagar | Ferry ghat | 2005-07 | 14.65 | 35.44 | 20.79 |
| Howrah | Sarat Sadan | 2005-07 | 38.84 | 146.63 | 107.79 |
| Total | | | 134.59 | 359.57 | 224.98 |

The ULBs did not review the income streams of these assets to ensure that revenues cover at least the maintenance expenditure so that the resources of the ULBs are available for developmental and other projects.

2.16 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 Suri Municipality failed to deposit the Income Tax and Sales Tax deducted (April 2006 to February 2007) at source amounting to Rs 0.46 lakh as of March 2007. Similarly Coochbehar Municipality deducted subscription/loan of Employees Cooperative Societies of Rs.42.29 lakh from the salary bills from October 2001 to September 2006 but the same was not remitted in time, attracting penalty of Rs.19.93 lakh that had become payable to the Society.

2.17 Deficiencies in maintenance of cash book / stock register

The following deficiencies were noted in 24⁴ULBs test checked.

- i) Entries in the Cash Book were not authenticated by the competent authority.
- ii) Pages of the cash book were left blank.
- iii) Daily cash balance was not verified and certified.
- iv) Transactions were not entered in the Cash Book on the date of occurrence.
- v) Correction, alteration and overwriting in Cash Book were made without authentication of competent authority.
- vi) Bills were passed without necessary pay order by the authority.
- vii) Indents and issue of receipt books were not regularly accounted for.
- viii) All receipts and issues were not entered in the stock register.
- ix) Physical verification of stock was not done.

2.18 Non-maintenance of basic records

The prescribed basic records viz. Work Register, Stock Register, Investment Register, Loan Register, Un-paid Bill Register, Self Cheque Register, Deposit Ledger, Asset Register, Register of Tool and Plants, Register of Civil Suits, Demand and Collection Register of different revenue and Advance Ledger were not being maintained by 33 ULBs⁵ test checked.

2.19 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 accounts of a Municipality in such manner as it thinks proper.

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.

It was noticed that 43 ULBs did not conduct any internal audit during 2005-08. The Chief Municipal Auditor of Kolkata Municipal Corporation conducted some transaction audit during 2006-07 with the help of outside agencies. Dhupguri, New Barrackpore, North Barrackpore, Panihati and Pujali municipalities initiated steps to conduct internal audit of their accounts.

⁴ Alipurduar, Bhatpara, Baranagar, Basirhat, Coopers' Camp, Dhulian, Dhupguri, Egra, Garulia, Jalpaiguri, Jhalda, Mal, Mathabhanga, Midnapur, Mirik, Mursidabad, New Barrackpore, North Barrackpore, Panihati, Panskura, Rajarhat-Gopalpur, Rishra, Titagarh, Tufanganj.

⁵ Asansol, Alipurduar, Bhatpara, Baranagar, Basirhat, Bidhannagar, Burdwan, Chandernagore, Coochbehar, Coopers' Camp, Dhupguri, Dum Dum, Durgapur, Egra, Garulia, Jalpaiguri, Jhalda, Jhargram, Kamarhati, Kulti, Midnapur, Mursidabad, Naihati, New Barrackpore, North Barrackpore, Panihati, Panskura, Pujali, Rajarhat-Gopalpur, Serampur, Taki, Tamluk, Tufanganj.

2.20 Conclusion

Preparation of budget proposals and financial accounting were found to be defective and not in accordance with the West Bengal Municipal Act, 1993 and other Municipal Corporation Acts. There was lack of budgetary control and absence of reliable budget formulation. Although the ULBs dealt with substantial sums, a full fledged accounts wing with skilled staff continued to be lacking in most of the ULBs to ensure proper budget preparation and accuracy in accounts. Most of the ULBs failed to present accounts in time. Loss of interest on provident fund, increasing liability on unpaid loan, unwarranted expenditure, non adjustment of huge advances, irregular maintenance of cash book and non reconciliation of bank book indicated inadequate internal control and monitoring to ensure proper accounting of substantial public funds spent by the ULBs. Non preparation of balance sheet was indicative of lack of transparency of assets and liabilities in the management of public funds besides non implementation of the provisions of Acts.

2.21 Recommendations

- Strengthening management information system for oversight of the BOC and other statutory committees;
- Preparation of budget taking inputs from Ward Committee and constituent department and targets thereagainst;
- Maintenance of a comprehensive data base for all tax payers, licensees, tenants for watching issue of demand in time and prompt collection of revenues; identification of parking and advertisement spaces;
- Accountability of expenditure and internal check system; and
- Flawless material accounting and strict regular accounting of cash collection.