

## CHAPTER-II

### ACCOUNTING PROCEDURES AND FINANCIAL MANAGEMENT

#### 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 2002-03, 2003-04 and 2004-05 and the expenditure there against of 61 municipalities and municipal corporations were as under: (unit-wise position is detailed in Appendix 2A, 2B and 2C).

(Rupees in crore)

Year		Budget Provisions	Actual expenditure	Savings (+) Excess (-)	Percentage of overall utilisation
2002-03	Revenue	199.09	154.17	44.92	77
	Capital	317.27	120.99	196.28	38
2003-04	Revenue	202.49	164.20	38.29	81
	Capital	317.63	131.51	186.12	41
2004-05	Revenue	222.15	170.97	51.18	77
	Capital	294.09	115.56	178.53	39

##### (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 2002-03 to 2004-05.

Only 32 ULBs out of 61 could utilise more than 80 *per cent* of the respective provisions during the three years, whereas the shortfall for the remaining 29 ULBs ranged between one and 91 *per cent* during the same period. None of the ULBs has furnished any reasons for shortfall in achieving financial targets. 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 55 ULBs reflect a decrease in 2004-05 over the previous year. Though the actual expenditure under capital section for creation of assets increased by 13 *per cent* from Rs.120.99 crore in 2002-03 to Rs.131.51 crore in 2003-04, it declined by 12 *per cent* to Rs. 115.56 crore during 2004-05.

A decrease in capital expenditure is considered undesirable as it adversely impacts the extension of social and economic infrastructure network and capital formation 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 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 61 ULBs revealed that 11 ULBs exceeded the respective provisions during 2002-03 to 2004-05 as detailed below:

**Revenue Section**

(Rupees in lakh)

<b>Name of ULB</b>	<b>Year</b>	<b>Budget provision</b>	<b>Expenditure</b>	<b>Excess</b>
Dainhat	2002-03	78.00	79.99	1.99
Ramjibanpur	2002-03	27.05	28.81	1.76
Ranaghat	2002-03	341.23	372.48	31.25
Taherpur	2002-03	43.38	47.28	3.90
Konnagar	2003-04	317.00	337.00	20.00
North Barrackpore	2003-04	286.24	446.38	160.14
Barrackpur	2004-05	403.16	410.43	7.27
Konnagar	2004-05	324.36	349.85	25.49
Ramjibanpore	2004-05	33.85	35.71	1.86
Ranaghat	2004-05	397.70	458.12	60.42

**Capital Section**

(Rupees in lakh)

<b>Name of ULB</b>	<b>Year</b>	<b>Budget provision</b>	<b>Expenditure</b>	<b>Excess</b>
Barrackpur	2002-03	255.75	334.65	78.90
Madhyamgram	2002-03	417.75	451.97	34.22
Konnagar	2003-04	12.10	70.02	57.92
Barrackpur	2004-05	408.50	459.29	50.79
Berhampore	2004-05	324.66	453.56	128.90
North Barrackpore	2004-05	173.30	233.09	59.79
Arambag	2004-05	93.10	117.78	24.68
Coochbehar	2004-05	313.80	367.63	53.83

The ULBs 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:

(Rupees in lakh)

Sl. No.	Name of ULB	Arrear in accounts	Expenditure
1	Bolpur	2002-03 and 2003-04	594.51
2	Kulti	2003-04	435.40
3	Islampur	2002-03	199.44
4	Bidhannagar	2003-04	NA
5	Howrah	1995-96 to 2000-01	NA
6	Jiaganj- Ajimganj	2003-04 and 2004-05	453.91
<b>Total</b>			<b>1683.26</b>

Due to non-preparation of annual accounts, expenditure of Rs.16.83 crore incurred during 2002-03 and 2003-04 by these local bodies could not be vouchsafed.

### **(b) Irregularities in Annual Accounts**

Test check of annual accounts of Chandannagar Municipal Corporation and New Barrackpore Municipality revealed that the figures shown under different heads of accounts for the years 2002-03 and 2003-04 were different from those in the relevant registers/records maintained for the purpose.

Taki, Islampur, Garulia and Bishnupur municipalities did not reflect opening or closing balance in annual accounts. Further the fund position in the accounts for 2003-04 of Islampur Municipality could not be ascertained due to non preparation of annual accounts for 2002-03.

Investment of an amount of Rs.11.66 lakh was not reflected in the annual accounts for the year 2003-04 by the Barrackpore Municipality.

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 the balance sheets for the year upto 2003-04 were not prepared by any ULB except for nine municipalities<sup>1</sup> and Kolkata Municipal Corporation. Therefore, financial status of the remaining 116 local bodies could not be verified. Besides stake holders in these bodies were deprived of the status of their investments.

#### **(b) Deficiencies noticed in Balance Sheet of four municipalities**

- ❖ North Dum Dum Municipality incorporated Rs.5.97 crore in the Balance Sheet under assets towards fixed deposit against actual deposit of Rs. 6.21 crore as on 31 March 2004. This has resulted in understatement of assets by Rs. 0.24 crore.
- ❖ North Dum Dum Municipality has not made provision for liability towards water charges amounting to Rs. 3.35 crore as on 31 March 2004. This has resulted in understatement of liability by Rs. 3.35 crore.
- ❖ Contai Municipality has not provided liability for Rs.30.46 lakh towards deposits accumulated as on 31 March 2004 on account of taxes deducted at source.

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<sup>1</sup> Baduria, Bansberia, Burdwan, Chandannagar, Contai, Halisahar, Kmarhati, North Dum Dum, Uluberia.

- ❖ Uluberia Municipality exhibited outstanding receivables of Rs.64.37 lakh in the balance sheet as on 31 March 2004 against actual outstanding amount of Rs.64.57 lakh. This has resulted in understatement of current assets by Rs.0.20 lakh.
- ❖ Uluberia Municipality depicted Rs.44.68 crore in the balance sheet as on 31 March 2004 under net assets against actual net assets of Rs.44.83 crore. This has resulted in under statement of net assets by Rs 15 lakh.
- ❖ Bansberia Municipality did not charge depreciation on the assets valued at Rs.51.79 crore in the balance sheet as on 31 March 2003 which has resulted in overstatement of assets.
- ❖ No provision was made in the balance sheet for interest liability of Rs.89.99 lakh on loan as on March 2003 by Bansberia Municipality. This has resulted in understatement of liability by Rs.89.99 lakh.

**(c) Deficiencies in the Balance Sheet of Kolkata Municipal Corporation (KMC) for the year ending 31 March 2004**

The deficiencies noticed during test check of the balance sheet of the KMC for the year ending 31 March 2004 have been issued separately. The important points are mentioned below:

**Liabilities**

- ❖ KMC raised a loan of Rs. 6 crore without following the appropriate procedure as laid down in Section 134 of the KMC, Act 1980. It had also not ensured /identified the qualifying assets, to confirm the intended utilization of loan fund. The expenditure towards payment of interest was partially debited to Revenue account resulting in understatement of assets.
- ❖ A liability for a sum of Rs.6.91 crore towards principal of loan taken from Government and other statutory bodies was incorporated in the Balance Sheet as on 31 March 2004. However, no provision has been made for liability on account of the interest accrued thereon. Non-provision for the interest accrued on the loan resulted in understatement of liability, which could not be quantified due to non-maintenance of respective loan ledgers and non-availability of detailed information.

❖ After adjustment of Rs.1.15 crore during 1984-85 to 2003-04, the accumulated water charges of KMC upto February 2004 payable to Kolkata Metropolitan Water and Sanitation Authority (KMWSA) stood at Rs. 355.90 crore. The said amount had neither been paid nor shown as liability as on 31 March 2004. Non-provision of the said outstanding dues has resulted in understatement of current liability by Rs.355.90 crore.

❖ As on 31 March 2004, an amount of Rs.31.91crore being partial recovery of rate bills lying under miscellaneous deposits was credited to the Income and Expenditure Account instead of adjustment against receivables. The entire amount of demands of the related rate bills had already been accounted for as income and got reflected under receivables in the respective years. However crediting the above deposits to Income and Expenditure Account overstated the surplus over expenditure and consequently the Municipal Fund.

Unspent funds received from the State Government for various services / purposes are to be refunded to the Government. KMC, instead of refunding unspent funds of Rs.5.05 crore to the Government, debited the Miscellaneous Deposits by the same amount with corresponding credit to the Income and Expenditure Account as prior period adjustment as of 31 March 2004. This adjustment without specific approval of the Government resulted in understatement of liabilities with corresponding overstatement of surplus over expenditure and consequently the Municipal Fund by Rs.5.05 crore.

#### **Assets**

❖ Fixed asset of Rs.489.44 crore as on 31 March 2004 included expenditure of Rs.5.55 crore on Commercial Projects under ‘Capital Work in Progress’ and Rs.18.52 crore on Projects under Slum Development under ‘General Infrastructure Improvement Not Yet Capitalized’. KMC could not, however, locate and identify these assets that remained incomplete or abandoned, resulting in overstatement of assets by Rs.24.07 crore with corresponding overstatement of the Municipal Fund.

Further, due to non-maintenance of the asset register for the entire asset valued at Rs.489.44 crore and lack of physical verification, the status of the fixed assets could not be ascertained by audit.

❖ A sum of Rs.64.58 crore has been shown as receivable from the State Government during 2003-04 under Local Fund Account towards untied grant-in-aid as per the formula of the State Finance Commission. However, the State Government informed that it had not released any fund under State Finance Commission to any local body during the year 2002-03 and 2003-04. Hence, inclusion of the said amount resulted in an overstatement of the Local Fund Account under asset by Rs.64.58 crore with a corresponding overstatement of Local Fund Account under liability as on 31 March 2004.

#### **Loans and Advances**

❖ Rs.437.60 crore represents the outstanding Loans and Advances as on 31 March 2004 which included Rs.333.89 crore lying unadjusted for over three 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 2004.

#### **(d) Other deficiencies in the Accounts of KMC**

❖ The cash and bank balance of Rs.174.58 crore as on 31 March 2004 discloses an unreconciled difference of Rs.35.92 crore arising out of 32 unreconciled bank accounts and Rs.10.42 crore representing unrealized amount of cheques for the periods 1990-91 to 2002-03 dishonoured by banks. Non reconciliation of the cash balance has resulted in its overstatement by Rs. 35.92 crore, underlining the need for resolution of the issue.

❖ Receivables of Rs. 1309.46 crore as on 31 March 2004 included Property Tax and Service Charge of Rs.1150.43 crore in respect of Kolkata proper and Tollygunge (partially). However, the outstanding property tax in respect of Tollygunge (partially) and three added areas (Jadavpur, Behala and

Garden Reach) have not been incorporated under receivables. The non-inclusion of property tax of these areas understated the receivables and consequently the Municipal Fund to that extent.

❖ KMC has continued to show Rs.74.26 crore as receivables under ‘Dues from Government and Other Institutions’ as on 31 March 2004 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 2004.

#### **(e) Internal Audit of KMC**

Sections 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. However, the Chief Municipal Auditor did not comply with the statutory provisions of the said Act. The State Government acknowledged that the provision of Section 157 of KMC Act, 1980, had fallen into disuse and informed that KMC had assured that the system would be followed in future.

#### **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 2002-03 and 2003-04 was as under:

(Rupees in crore)

No. of ULBs	Year	Opening balance	Receipts	Total	Utilisation	Percentage of utilization	Remarks
8	2002-03	23.36	10.63	33.99	11.20	33	Institution wise details given in appendices 3 and 4
60	2003-04	106.64	74.29	180.93	99.3	55	

Test check of records of 68 ULBs revealed that 8 ULBs could utilize only 33 *per cent* of the available fund in 2002-03 and 60 ULBs utilized only 55 *per cent* of available funds in 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 Loss of Government grant**

Bansberia and Nabadwip municipalities failed to avail Government grant of Rs.8.14 lakh and Rs. 36.78 lakh respectively during the period from 1999-2000 to 2002-03 which resulted in short receipt of fund during the subsequent years. Thus, non utilization of Government grant of Rs. 44.92 lakh, not only deprived the public of the intended benefits but also resulted in loss to the ULBs in the shape of grants.

Chandannagar Municipal Corporation failed to utilise the government grants/loans received between 1995 and 2002 for construction/ upgradation of shelter under VAMBAY (Rs. 16.00 lakh) and construction of Women's Hostel (Rs. 2.89 lakh). As a result, the entire grant/loan of Rs. 18.89 lakh had to be surrendered.

### **2.6 Diversion of fund**

Funds aggregating Rs.23.28 crore sanctioned for specific purposes were diverted by municipalities of Sainthia (Rs. 17.46 lakh), Suri (Rs.54.42 lakh) Chandannagar (Rs.41.28 lakh), Kaliaganj (Rs.0.78 lakh), Raniganj (Rs. 9.75 lakh), Cooch Behar (Rs.96.81 lakh) and Konnagar (Rs.12.26 lakh) during 2000-01 to 2004-05. This action of the ULBs defeated the very purpose of the grants besides depriving the beneficiaries from intended benefits of the grants sanctioned for specific purposes.

### **2.7 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, Contai and Berhampore Municipalities had obtained loan of Rs.47.34 lakh and Rs.30.00 lakh during 2003-04 and 2004-05 without prior permission of the State Government.

## **2.8 Increasing liability towards loan**

Integrated Development of Small and Medium Towns (IDSMT) scheme is financed by grants and loans. The principal and interest are payable from revenue to be earned from the projects executed under the scheme.

Eight ULBs obtained loan of Rs.4.11 crore during the period from 1983-84 to 1998-99 to be paid back after the moratorium period of five years. During scrutiny it was noticed that the ULBs did not repay any loan and the interest accrued thereon. The outstanding liability by the end of 2003-04 amounted to Rs.7.06 crore as detailed below:

(Rupees in lakh)

<b>Name of ULB</b>	<b>Year of loan</b>	<b>Amount of loan</b>	<b>Liability as of 31 March 04</b>
Birnagar	1995-1999	28.95	67.53
Nabadwip	1994-1999	39.54	70.73
Tamluk	1992-98	76.00	190.81
Arambag	1987-97	46.00	102.33
Islampur	1993-98	90.00	51.14
Raniganj	1987-96	40.00	66.15
Kalna	NA	41.50	88.81
Balurghat	1983-89	48.64	68.53
<b>Total</b>		<b>410.63</b>	<b>706.03</b>

Similarly, under Calcutta Urban Development Programme III Gayeshpur Municipality obtained a loan of Rs.65.22 lakh from Kolkata Metropolitan Development Authority during the year 1984-85 to 1993-94. Due to non payment of principal and interest, the Municipality accrued a liability of Rs.214.81 lakh as on November 2004.

Increasing liabilities of ULBs towards interest on loan amount would adversely affect the maintenance of civic services.

### **2.9 Non-recovery of loan**

Kaliaganj Municipality disbursed (1996) a loan of Rs. 15.00 lakh to the beneficiaries for upgradation of their shelters. As against this only a sum of Rs. 1.91 lakh could be recovered as of 31 March 2005.

Another sum of Rs. 26.16 lakh was paid as loan between 1990-91 and 2001-02 under Nehru Rozgar Yojana, but recovery details were not on record.

### **2.10 Loss of fund due to theft/ defalcation/ misappropriation**

Cases of theft/ defalcation/ misappropriation of funds were noticed in the following ULBs during the period from 1995-96 to 2004-05 as detailed below:

<b>Sl. No.</b>	<b>Name of ULB</b>	<b>Year</b>	<b>Particulars</b>	<b>Amount (Rupees in lakh)</b>
1.	Bansberia	1995-96	Theft	1.26
2.	Taki	2002-03	Burglary	0.44
3	Uluberia	2002-04	Misappropriation	2.25
4	Kalimpong	2004-05	Non-deposit	0.85
5	Haldia	2002-04	Non-deposit	0.20 <sup>2</sup>
6	Suri	2002-05	Non-deposit	10.44
7	Alipurduar	2002-05	Robbery	0.25
<b>Total</b>				<b>15.71</b>

Of these, Haldia and Uluberia municipalities did not lodge any first information report (FIR) till the date of audit.

The follow up action if any taken for fixing responsibility and recovery by the respective ULBs was not furnished to audit.

### **2.11 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 employees 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, thirteen municipalities incurred a total expenditure of Rs.7.62 crore towards salary of employees and maintenance of primary schools during the period 1992-93 to 2004-05 as shown below:

Sl.No.	Name of ULB	Year	No. of schools	Amount (Rupees in lakh)
1	Bansberia	1992-93 to 2002-03	5	198.75
2	Dum Dum	1992 to 2004	-	75.00
3	Baidyabati	2002-03 to 2003-04	8	49.91
4	Durgapur	2002-03 to 2003-04	5	26.22
5	Chandannagar	2003-04	14	10.91
6	Bhadreswar	2002-03, 2003-04	5	74.77
7	Konnanagar	2000-01 to 2003-04	4	34.81
8	Rampurhat	2002-03, 2003-04	-	14.18

9	Jangipur	2002-03 to 2004-05	33	105.85
10	Kalimpong	2002-03 to 2004-05	1	10.22
11	Budge Budge	2003-04	11	64.45
12	Kamarhati	1992-93 to 2004-05	2	68.36
13	Raniganj	2002-03 to 2004-05	5	28.79
<b>Total</b>				<b>762.22</b>

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.

## **2.12 Non recovery / payment of electricity charges**

(a) Seven ULBs<sup>2</sup> paid Rs.24.98 lakh towards electricity charges in respect of staff quarters, shops, stalls etc. but failed to realize the same from the allottees till the close of the year 2003-04. 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 rebate and also avoid payment of surcharge /penalty. Test check of records revealed that ten ULBs<sup>3</sup> did not pay electricity charges towards pumps, streets, market light etc. amounting to Rs.8.95 crore pertaining to the period March 2000 to March 2005. Delayed payment created increasing additional burden on account of surcharge. Thus, negligence in making timely payment by ULBs resulted in avoidable drainage of municipal fund.

<sup>2</sup> Alipurduar Rs.1.18 lakh, Bally Rs.2.31 lakh, Katwa Rs. 2.63 lakh, Kharagpur Rs.2.80 lakh, Nabadwip Rs.2.15 lakh, Tamluk Rs.1.50 lakh, Uttarpara-Kotrang Rs.12.41 lakh.

<sup>3</sup> Arambagh Rs.31.76 lakh, Asansole Municipal Corporation Rs. 142.52 lakh, Baidyabati Rs.202.51 lakh, Berhampur Rs.217.78 lakh, Bidhannagar Rs.148.82 lakh, Bolpur Rs.41.87 lakh, Cooch Behar Rs. 79.68 lakh, Islampur Rs.19.34 lakh, Kalimpong Rs.8.92 lakh, Konnanagar Rs.1.85 lakh.

(c) Similarly, Bidhannagar, Cooch Behar and Kharagpur municipalities could not avail rebate of Rs.3.42 lakh, Rs.2.55 lakh and Rs.3.38 lakh respectively due to delay in payment of electricity bills. On the other hand, Baidyabati Municipality incurred a liability of Rs.42.81 lakh towards surcharge due to non payment of electricity bills. The mismanagement of payments thus led to loss of Rs.52.16 lakh creating an additional burden on the respective municipal funds.

### **2.13 Non adjustment of advances**

Advances aggregating to Rs.19.31 crore granted by 56 ULBs to employees, suppliers and contractors for various purposes between the periods 1955 and 2004-05 are yet to be adjusted.

Laxity in adjustment of advances over the years has resulted in blocking of institutional funds for indefinite periods (Appendix 5).

### **2.14 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.2.06 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.

### **2.15 Non maintenance of Pension Fund**

Contai Municipality did not maintain ‘Pension and Gratuity Fund’. As a result they could not pay retirement benefits of Rs. 34.96 lakh to the retired employees as on 31 March 2004.

Bolpur Municipality did not maintain 'Pension and Gratuity Fund' to ensure retirement benefits to its employees.

Though, Burdwan Municipality created a separate 'Pension and Gratuity Fund' and also opened bank account in December 1988 for this purpose, it did not make any contribution to the fund. Hence, the fund stood defunct since 1988. The retirement benefits were being paid to the employees from the municipal fund. During 2002-03 alone, the Municipality paid Rs.1.39 crore towards pension and gratuity from Municipal Fund. This has resulted in undue burden on Municipal Fund and also affected development works.

#### **2.16 Bank reconciliation statement not prepared**

Difference of cash balance of Rs.9.98 crore between Cash Book and Bank at the close of the year (2002-03: Rs.0.07 crore and 2003-04: Rs.9.91 crore) was not reconciled by 19 ULBs. Due to non-reconciliation of cash balance, possibility of theft, defalcation and misappropriation of funds could not be ruled out. The authenticity of cash balance of Rs.40.60 crore appearing in cash books of 19 ULBs also remained doubtful in absence of reconciliation with bank statement (Appendix-7).

#### **2.17 Non remittance of Government dues / other dues**

As per provision tax deducted at source shall be credited to the Government account in the succeeding month. It was, however, seen that Contai and Gangarampur municipalities failed to deposit the Income Tax (IT), Sales Tax (ST) and Professional Tax (PT) deducted at source during the period 1986-87 to 2004-05 for an amount of Rs. 34.81lakh<sup>4</sup> The delay in deposit of government revenues attracts penalty and interest on the non-remitted amount. Negligence in timely deposit of taxes into government account would entail additional financial burden on those municipalities.

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<sup>4</sup> Contai: IT Rs. 12.46 lakh, ST Rs. 11.61, PT Rs. 6.38 lakh and Gangarampur: Rs.4.36 lakh.

### **2.18 Creation of unwarranted liability and litigation**

The employees of Baidyabati Municipality were granted loan by Baidyabati Seoraphuly Bank Limited on the guarantee of the Municipality during November 1999 to June 2003. Though the Municipality recovered Rs.53.07 lakh from the salary of employees towards repayment of loan, an amount of Rs.1.50 lakh only was remitted to the bank in August 2003. The balance recovery of Rs.51.57 lakh has not been credited to the bank till the date of audit. The Municipality stated that the amount was spent for payment of salaries of the employees. 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 unquantifiable liability on the Municipality and making good the resultant loss.

### **2.19 Non availability of records**

Sixteen 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, demand and collection registers, last year balance sheet, records on loans, investments, remission of taxes and granting exemption of property tax etc.) to audit despite being requisitioned by audit. In the absence of such records, transactions to the tune of Rs.21.72 crore<sup>5</sup> and correctness of accounts of Rampurhat Municipality (Rs.69.69 lakh) and Chandannagar Municipal Corporation (Rs.6.97 crore) could not be audited and vouchsafed.

### **2.20 Deficiencies in maintenance of records**

The irregularities in maintenance of records as noticed in most of the ULBs are summarized below:

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

- i. Particulars of transaction were not recorded in the Cash Book.

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<sup>5</sup> Baidyabati: Rs.31.70 lakh, Bally: Rs.834.06 lakh, Barrackpore: Rs.351.25 lakh, Biashnupur: Rs.28.50 lakh, Chandannagar: Rs.90.63 lakh, Durgapur: Rs.7.95 lakh, Garulia: Rs.53.33 lakh, Memari:0.91 lakh, Nabadwip: Rs.2.40 lakh, Naihati: Rs.88.58 lakh, New Barrackpore: Rs.3.23 lakh, Rajpur-Sonarapur: Rs.13.60 lakh, Suri: Rs.150.24 lakh, Uluberia: Rs.515.86 lakh.

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

**(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 and Provident Fund Ledger Abstract were not being maintained by most of the ULBs.

**2.21 Internal Audit**

The State Government may by rules provide for internal audit of the day to day accounts of a municipality in such a manner as it thinks fit. However, no arrangement has been made in respect of 53 ULBs for internal audit of their day-to-day accounts.