

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. 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 a meeting of the BOC. 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

As per West Bengal Municipal (Finance And Accounting) Rules, 1999, the departmental heads of a municipality under the direction of the Member-in-Charge in the Chairman-in-Council shall prepare their estimated receipts and expenditure of the following year in consultation with Borough Committee or the Ward Committee and report the same to the Chairman through the Executive Officer/ Finance Officer/ the Secretary within 10 January each year. The Accounts Department shall considering the departmental requirement and having regard to the provable financial resources prepare the Draft Annual Budget Estimates. The Chairman with the help of the Executive Officer/ Finance Officer/ the Secretary finalise the draft Annual Budget Estimate and place the same to the Chairman-in-Council within 21 February each year. The draft Annual Budget Estimate after consideration by the Chairman-in-Council shall be place before BOC meeting specially convened for the purpose within 10 March each year. The BOC shall after discussion adopt the said budget estimate with or without modification within two weeks of its placement.

According to Section 82 of the West Bengal Municipal Act, 1993 no deficit shall be shown in the budget estimate. The savings in expenditure *vis-à-vis* the budget provisions noticed in audit indicates absence of a definite work plan rendering them unrealistic. The overall budget provision for the year 2004-05, 2005-06 and 2006-07 and the expenditure there against of 126 ULBs had been asked for in audit, of which, 27 ULBs furnished information as given below: (unit-wise position is detailed in **Appendix 2A, 2B and 2C**)

(Rupees in crore)

Year		Budget Provisions	Actual expenditure	Savings (-) Excess (+)
2004-05	Revenue	133.78	115.11	(-)18.67
	Capital	77.97	42.17	(-)35.80
2005-06	Revenue	153.75	132.84	(-)20.91
	Capital	85.47	52.30	(-)33.17
2006-07	Revenue	163.13	136.91	(-)26.22
	Capital	87.15	43.88	(-)43.27

It was seen that 17, 21 and 19 numbers of ULBs could utilise revenue budget and 7, 9 and 4 numbers of ULBs could utilise capital budget upto 80 *per cent* and more in 2004-05, 2005-06 and 2006-07 respectively.

(b) 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 27 ULBs revealed that 11 municipalities exceeded the respective provisions during 2004-05 to 2006-07 as detailed below:

Revenue Section

(Rupees in lakh)

Name of ULB	Year	Budget provision	Expenditure	Excess
Barrackpore	2004-05	403.16	410.43	7.27
	2005-06	461.51	478.58	17.07
	2006-07	468.69	479.59	10.90
Chandernagar	2004-05	1311.63	1316.17	4.54
Pujali	2005-06	279.89	283.55	3.66
Mahestala	2005-06	528.80	552.44	23.64
Ramjibanpur	2004-05	29.89	35.71	5.82
	2005-06	36.63	39.98	3.35
	2006-07	39.29	44.10	4.81
Ranaghat	2004-05	397.70	458.12	60.42
	2005-06	432.81	470.15	37.34
	2006-07	530.86	548.81	17.95
Serampore	2004-05	662.41	648.26	21.85
	2005-06	723.17	816.47	93.30
Total				311.92

Capital Section

(Rupees in lakh)

Name of ULB	Year	Budget provision	Expenditure	Excess
Barrackpore	2004-05	408.50	459.29	50.79
	2005-06	377.50	395.97	18.47
	2006-07	319.75	389.49	69.74
Guskara	2004-05	356.64	639.55	282.91
Kalna	2005-06	1.00	2.85	1.85
Kanchrapara	2005-06	6.06	8.57	2.51
Mahestala	2004-05	373.21	516.32	143.11
	2005-06	499.00	560.23	61.23
Ranaghat	2006-07	4.00	4.37	0.37
Serampore	2004-05	48.22	51.16	2.94
Sonamukhi	2004-05	21.60	25.21	3.61
Total				637.53

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

(c) Inadequacy in utilization of capital fund

Eight⁶ ULBs neither made any provision for capital expenditure during 2004-07 nor expended any amount for the same. The actual expenditure under capital section for creation of assets had increased to 12 *per cent* (Rs 52.30 crore) during 2005-06 from 48 *per cent* (Rs 42.17 crore) during 2004-05 but decreased by 16 *per cent* from Rs 52.30 crore in 2005-06 to Rs 43.88 crore in 2006-07. There was an average shortfall in actual capital expenditure of 51 *per cent* vis-a-vis budget provision.

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.

2.2 Annual Accounts

(a) Non-preparation of Budget and Receipt and Payment Account

During audit it was seen that the following municipalities did not prepare Receipt and Payment Accounts for the period as detailed below:

(Rupees in crore)

Sl. No.	Name of ULB	Arrear in accounts	Receipt	Expenditure
1.	Raiganj	2005-06	7.39	7.62
2.	Purulia	2005-06 to 2006-07	14.68	14.05
3.	Kandi	2006-07	3.86	3.08
4.	Krishnanagar	2005-07	NA	NA
5.	Bongaon	2006-07	8.31	7.77
6.	Jiaganj-Azimganj	2005-07	NA	NA
7.	Bolpur	2004-05 to 2006-07	13.94	11.58
Total			48.18	44.10

However, Raiganj, Purulia, Kandi and Bongaon municipalities prepared budget estimates but the remaining ULBs did not prepare any budget estimate during the above mentioned period.

⁶ Balurghat, Bhatpara, Chandernagar, Haldibari, Hooghly-Chinsurah, Kalna, Ramjibanpur and Sainthia.

Due to non-preparation of annual accounts, receipt of Rs 48.18 crore and expenditure of Rs 44.10 crore during 2004-07 by these local bodies could not be vouchsafed.

(b) Deficiencies in Receipt and Payment Account

(i) Test check of annual accounts of Garulia Municipality for the period from 2004-05 to 2005-06 revealed that opening balance was not reflected in the annual accounts.

(ii) Khardah Municipality deposited receipt of Rs 0.82 lakh into the bank account on 29 March 2006 without it being posted in the books of account which resulted in understatement of revenue. Moreover, the receipt of Rs 8.99 lakh and the expenditure of Rs 8.59 lakh under National Old Age Pension Scheme was not taken into account while preparing annual accounts. The transfer of Rs 5.77 lakh to the bank account of Swarna Jayanti Sahari Rojgar Yojana was treated as expenditure which resulted in understatement of closing balance of the grant.

(iii) The Bank balance as per Cash Book and actual Bank balance should be reconciled periodically to reflect correctness of liquidity position but this was not done in 18 municipalities in 2005-06 and 2006-07. The concerned municipalities had shown a Cash Book balance of Rs 54.92 crore against actual Bank/Treasury balance of Rs 71.82 crore (**Appendix-3**). The differences need immediate investigation and early reconciliation by the respective ULBs.

2.3 Preparation of Double entry system of Accounts

(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 that none of the municipalities audited submitted 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 2006

The deficiencies noticed during test check of the balance sheet of the KMC for the year ending 31 March 2006 have been issued separately. The important points noticed are mentioned below:

Liabilities

❖ Provident Fund is not regulated by any separate trust having a separate legal entity as per regulation framed under the KMC Act. The entire amount of employees' contribution and employer's contribution are being managed/ invested/ reinvested by the KMC management as per accounts and records maintained by the Provident Fund Cell. The deficit of Rs 14.46 crore as on 31 March 2006 has to be borne by KMC but only Rs 9.95 crore was charged in the accounts upto 31 March 2005. The balance amount of Rs 4.51 crore has not been charged in the Income and Expenditure Account for the year 2005-06 resulting in overstatement of Excess of Income over Expenditure as well as Municipal Fund by Rs 4.51 crore with corresponding understatement of current liability on account of Provident Fund.

❖ Out of the Miscellaneous Deposits of Rs 308.02 crore, Rs 36.96 crore had been irregularly written back to income in the accounts for 2003-04 under prior period adjustment. Only a sum of Rs 31.81 crore was reversed in the accounts for 2004-05 in compliance with earlier audit observation leaving a balance amount of Rs 5.15 crore. Non reversal of the balance amount resulted in understatement of Miscellaneous Deposit with corresponding overstatement of Excess of Income over Expenditure and Municipal Fund by Rs 5.15 crore. KMC admitted the fact and agreed to adjust the same in the accounts for 2006-07.

Assets

❖ The Capital work-in-progress of Rs 106.25 crore under schedule 13 C and expenditure of Rs 45.77 crore on general infrastructure improvement not yet capitalized under schedule 14 included an amount of Rs 32.86 crore shown as work-in-progress for more than 10 years without any progress and physical verification with regard to their status. These no longer justify consideration as work-in-progress and need to be written off. Thus inclusion of the said amount

resulted in overstatement of assets as well as surplus revenue and Municipal Fund by Rs 32.86 crore. KMC admitted the fact and agreed to adjust the same in the accounts for 2006-07.

❖ The opening balance of inventory for the year 2005-06 was taken as Rs 9.36 crore against the closing balance of Rs 6.62 crore of the audited Balance Sheet as on 31 March 2005. This excess valuation of Rs 2.74 crore has resulted in overstatement of Excess of Income over Expenditure as well as Municipal Fund by Rs 2.74 crore. KMC admitted the fact and agreed to settle and adjust the same in the accounts for 2006-07.

❖ Receivables – General Government dues include Rs 20.23 crore and Rs 41.85 crore towards License and Tax on Profession, Trades and Callings as on 31 March 2006 which remained stagnant for over 4 years since 2001-02. The Corporation did not produce any document in support of the said receivables rendering them doubtful. Thus, non adjustment of such irrecoverable dues resulted in overstatement of Receivables, Excess of Income over Expenditure as well as Municipal Fund to the extent of Rs 62.08 crore.

❖ Loans and Advance of Rs 345.31 crore have remained stagnant for over five years. The amount not being recoverable, as revealed in the relevant Notes to the Accounts is required to be written off in the Income and Expenditure Account. Thus, non writing off the amount resulted in overstatement of Loans and Advances, Excess of Income over Expenditure and Municipal Fund by Rs 345.31 crore.

❖ KMC has continued to show Rs 74.26 crore as receivables under ‘Dues from Government and Other Institutions’ as on 31 March 2006 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 2006.

❖ Rs 85.16 lakh being shown receivable as excess Profession Tax deposited during 1997-98 to 2002-03 with the Tax authority is yet to be written off in spite of comments issued in this regard through the Audit Reports on the Financial Statements for 2003-04 and 2004-05. Since the amount was never

formally claimed from the Tax authority, the amount is not eligible for refund and, therefore, should have been written off. Non-writing off the amount resulted in overstatement of above Receivable head, Excess of Income over Expenditure and Municipal Fund to the extent of Rs 85.16 lakh.

❖ Deferred Income of Rs 1.63 crore was not arrived at as per Accounting Standard 12 and disclosed policy under 'Fixed Assets'. It was to be in proportion to the depreciation charged in respect of creation of depreciable assets out of Earmarked Fund. This led to understatement of the above income by Rs 1.38 crore resulting in the understatement of Excess of Income over Expenditure and Municipal Fund by the same amount.

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 2005-07 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)					
68	2005-06	100.35	190.78	291.13	173.23	60	ULB wise details given in Appendix 4 & 5
24	2006-07	35.28	56.42	91.70	42.95	47	

Test check of records revealed that only 60 *per cent* and 47 *per cent* of the available funds were utilized in 2005-06 and 2006-07 respectively. Only eight out of 68 ULBs in 2005-06 and one out of 24 ULBs in 2006-07 could utilise more than 80 *per cent* of available funds. The poor absorption capacity of funds by the ULBs was mainly due to non-execution of specific works and receipt of funds at the fag end of the financial year. This, in turn, deprived the targeted beneficiaries of the intended benefits.

2.5 **Diversion of fund**

During the period from 2002-03 to 2006-07 ten ULBs diverted Rs 1.31 crore which were sanctioned for specific purposes. This defeated the very purpose of the grants besides depriving the beneficiaries of their intended benefits. The details are shown in **Appendix -6**.

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, Garulia and Contai municipalities had obtained loan of Rs 18.55 lakh and Rs 47.34 lakh respectively during 2004-06 without prior approval of the State Government.

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 19 municipalities did not repay any loan and interest accrued thereon resulting in accumulation of liability as detailed below:

(Rupees in lakh)					
Name of ULB	Year of loan	Source of loan	Amount of loan	Liability	As of
Baidyabati	Loan taken upto 2000-01	Eighth Plan & CUDP-III	187.77	577.61	March 2007
Garulia	2004-06	Private parties.	18.55	Not computed	March 2006
North Dum Dum	NA	Eighth Plan & CUDP-III	293.35	1194.38	March 2007
Santipur	1992-93 & September 2002	Bank IDSMT	30.00	21.34	March 2007
Chandernagar	NA	Bank	40.00	49.82	March 2006
Birnagar	NA	Not available	67.54	74.75	March 2006

Uluberia	NA	CUDP-III, Eighth Plan & KVIB.	450.97	1051.93	March 2006
Barasat	NA	Eight Plan CUDP-III and HUDCO.	4.92	Not computed	March 2006
Gayespur	1984-85 to 1993-94	CMDA under CUDP-III	65.23	181.89	March 2006
Chakdah		State and Central	20.36	Not computed	March 2006
Asansol	1980-81 to 1992-93	LIC	231.00	310.59	March 2006
North Barrackpore	1997-98 to 2000-01	CUDP-III and Eighth Plan	495.18	875.92	March 2006
Barrackpore	NA	CUDP-III	154.06	Not computed	March 2006
Dubrajpur	NA	Not available	5.00	6.43	March 2006
Kanchrapara	NA	State	109.58	109.58	March 2006
Ashokenagar-Kalyangarh	NA	Not available	18.18	22.35	March 2007
Dainhat	NA	Bank	7.65	7.95	March 2007
Hooghly-Chinsurah	NA	Not available	980.71	1199.17	March 2007
Contai	2003-04 to 2005-06	HUDCO & Bank	147.34	139.40	March 2007

Increasing liabilities on account of unpaid loans adversely impacts the financial stability of the ULBs and their capacity to raise market loans.

2.8 Liability towards outstanding water charges

Serampore, Konnagar and Uttarpara-Kotrang municipalities did not pay water charges amounting to Rs 29.65 crore to Kolkata Metropolitan Water and Sanitation Authority for consumption of water upto April 2007. Similarly, Bolpur Municipality did not pay water charges of Rs 61.23 lakh to Public Health Engineering Department (PHED) during April 2003 to November 2006. No reasons were furnished / recorded for non payment of unpaid water charges by the above municipalities.

2.9 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 2004-07 as detailed below:

(Rupees in lakh)			
Name of ULB	Year	Particulars	Amount
Kharagpur	2004-06	Non-deposit of miscellaneous receipt	0.47
Kalna	2005-07	i)Non-deposit of Rs 1.46 lakh collected by Ex-cashier	3.11

		ii)Non-deposit of Rs 1.23 lakh of Valmiki Ambedkar Malin Basti Abas Yojana collected by cashier iii)Non-deposit of Rs 0.15 lakh kept in the personal custody of the cashier at the time of retirement iv)Non-deposit of lease money of Rs 0.27 lakh	
Uttarpara-Kotrang	2004-06	Non-deposit of miscellaneous receipt	0.83
Total			4.41

In terms of Rule 26 of the West Bengal Municipal (Finance and Accounting) Rules, 1999 whenever loss of money by embezzlement, theft, or otherwise is discovered, the Chairman or the Vice-Chairman or the Executive Officer or the Secretary shall lodge a first information report in the local police station, and the fact shall be promptly reported by him to the Chairman-in-Council. When the matter has been fully enquired into, he shall submit to those authorities a further and 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 there be any. Uttarpara-Kotrang Municipality issued a show cause to the concerned employee. But the other municipalities did not take any action according to the rule.

No responsibility has so far been fixed by the respective ULBs.

2.10 Unwarranted expenditure

In terms of the notification No. 352 Edn (P) dated 15 April 1992 issued 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 other staff shall be deemed to be employed by DPSC from that date.

Despite the above arrangement for taking over liabilities of primary schools, twelve ULBs incurred a total expenditure of Rs 4.37 crore towards salary of employees and maintenance of primary schools during the period 1992-2007 as shown below:

(Rupees in lakh)			
Name of ULB	Year	No. of schools	Amount
Rampurhat	2004-06	2	8.87
Garulia	2004-06	5	8.88
Kalna	1994-2007	1	5.72
Old Malda	1995-2007	3	72.52
Dum Dum	2004-06	1	16.69
Asansol	2005-06	2	15.82
Raniganj	2005-06	5	4.02
Durgapur	1992-06	5	130.67
Baidyabati	2004-07	8	84.76
Konnagar	2004-07	1	21.23
South Dum Dum	2003-06	3	42.49
Balurghat	2005-07	2	25.74
Total			437.41

The Government reimbursed Rs 90.72 lakh, Rs 74.92 lakh and Rs 73.15 lakh to Durgapur M C, Asansol M C and Baidyabati Municipality against their expenditure of Rs 1.31 crore (1992-2006), Rs 1.09 crore (1999-2006) and Rs 84.76 lakh (2004-2007) respectively. Except Durgapur Municipal Corporation, no ULB took up the matter with the Government for handing over those schools. Thus, instead of handing over the schools to the DPSC, the ULBs are incurring expenditure which should have been used for providing services to the local people.

The matter was similar mentioned under para 2.11 and 2.10 in the Reports of the Examiner of Local Accounts on Urban Local Bodies for the year ending 31 March 2005 and 2006 respectively.

2.11 Non recovery / payment of electricity charges

(a) Five municipalities⁷ paid Rs 38.58 lakh towards electricity charges for the period 2003 to 2007 in respect of staff quarters, shops, stalls, markets etc. but did not realise the same from the allottees till the close of the year 2006-07.

⁷ Kharagpur: Rs 1.18 lakh, Kalna: Rs 5.25 lakh, Rajpur-Sonarapur: Rs 5.74 lakh, Konnagar (Rs 15.89 lakh) and Uttara-Kotrang: Rs 10.52 lakh.

This has resulted in undue benefit to the occupants by the ULBs without any efforts being made for recovery of the charges.

(b) It is essential to make payment of electricity charges within the due date so as to avail the rebate and also avoid payment of surcharge /penalty. Test check of records revealed that six municipalities⁸ did not pay electricity charges towards pumps, street lights, market light etc. amounting to Rs 13.84 crore during 2004-06. Thus, delay in making timely payment by ULBs created avoidable additional burden on account of surcharge/penalty.

(c) Similarly, Garulia municipality could not avail rebate of Rs 0.49 lakh due to delay in payment of electricity bills which led to avoidable expenditure of Rs 0.49 lakh.

2.12 Non adjustment of advances

Advances aggregating Rs 16.74 crore granted by 34 ULBs to employees, suppliers and contractors for various purposes remain unadjusted till March 2006/March 2007 (**Appendix - 7**).

This is indicative of weak internal control mechanisms to follow up 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 15 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 22 years in crediting of Provident Fund money resulted in loss of interest on Provident Fund account to the tune of Rs. 1.57 crore accrued during the intervening period, thereby creating an additional burden on the ULBs (**Appendix - 8**) as the same was not payable by the Government.

⁸ Dum Dum (Rs 128.74 lakh), Ranaghat (Rs 62.63 lakh), Asansol M C (Rs 736.35 lakh), North Barrackpore (Rs 4.77 lakh), Garulia (Rs 142.84 lakh) and Serampore (Rs 308.93 lakh).

Dum Dum, Chakdah, Kanchrapara and Krishnanagar municipalities did not deposit Rs 10.81 lakh, Rs 10.24 lakh, Rs 61.73 lakh and Rs 62.04 lakh respectively pertaining to the periods from 1985-86 to 2006-07 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 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 Purulia and Contai municipalities failed to deposit the Income Tax (IT), Sales Tax (ST) and Professional Tax (PT) deducted at source amounting to Rs 49.48 lakh as of March 2006. Kanchrapara Municipality did not deposit Water Cess of Rs 1.72 lakh pertaining to the period 2002-04 to the West Bengal Pollution Control Board till November 2006.

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

A similar case of non-remittance of Government dues (Income Tax) involving additional payment towards interest and penalty was mentioned under Para 7.2 of the Report of the Examiner of Local Accounts on Urban Local Bodies for the year ending 31 March 2004.

2.15 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 in 57 ULBs

- 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) Correction and alteration in Cash Book were made without authentication of competent authority.
- v) All receipts and issues were not entered in the stock register.

- vi) Physical verification of stock was not done.
- vii) Indents and issue of receipt books were not regularly accounted for.
- viii) Vouchers were not numbered serially and not pasted in the Guard file.

(b) Non- maintenance of basic records in 46 ULBs⁹

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 and Advance Ledger were not being maintained.

2.16 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 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.

Test check of records of 54 ULBs revealed that the ULBs and the Government did not make any arrangements to conduct internal audit of the accounts of those ULBs.

Further, 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

⁹ Bolpur, Kalyani, Balurghat, Konnagar, Kandi, Ghatal, Diamond Harbour, Habra, Ramjibanpur, Bongaon, Champdani, Tarakeswar, Old Malda, Joynagar-Mozilpur, Kalna, Bhatpara, Halisahar, North Dum Dum, Baidyabati, Guskara, Haldibari, South Dum Dum, Krishnanagar, Bally, Purulia, Jiaganj-Azinganj, Barasat, Memari, Pujali, Birnagar, Chandrakona, Chandernagar, Raiganj, Santipur, Taherpur, Durgapur, Dum Dum, Garulia, Ranaghat, Mahestala, Serampur, Raniganj, Contai, Raghunathpur, North Barrackpore and New Barrackpore.

irregularity noticed. Due to non-furnishing of the report of Internal Audit on the accounts of the Corporation for the year 2005-06 it could not be ascertained whether internal control is commensurate with the size and volume of transactions of KMC. In reply, KMC stated (January 2008) that the Report of the Chief Municipal Auditor on the accounts for the years 2004-06 was vetted by the Municipal Commissioner on 5 December 2007 and printed Report would be sent to Examiner of Local Accounts, West Bengal on completion of statutory formalities.