

Audit Report on the Accounts Kolkata Environmental Improvement Project (KEIP) of Kolkata Municipal Corporation (KMC) for the year ended 31 March 2008

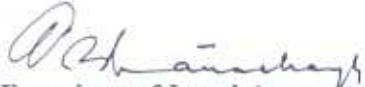
We have audited the Balance Sheet of Kolkata Environmental Improvement Project (KEIP) of Kolkata Municipal Corporation (KMC) as at 31 March 2008 along the Receipt & Payment Account for the year ended 31 March 2008 under section 160 and 161 of the KMC Act, 1980.

2. These financial statements are the responsibility of the KEIP Management. Our responsibility is to express an opinion on these financial statements based on our audit.
3. We have conducted our audit in accordance with the Auditing Standards generally accepted in India. These standards require that we plan and perform audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as reflecting overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.
4. Based on our audit, we report that:
 - (i) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - (ii) In our opinion, proper books of accounts and other relevant records have been maintained by the KEIP in so far as it appears from our examination of such books,
 - (iii) We further report that –
 - 1) Value of Land of 548.05 cottahs on which construction was made as per resettlement package was not taken into account since the price is yet to be determined by the KMDA.
 - 2) Completed (June 2007) flats allotted to the beneficiaries but the value Rs 12.82 crores was not transferred to KMC.

- 3) The project cost was burdened with Rs 0.30 crores being the cost of advertisement for invitation of tender for canal work which was not in the purview of the KEIP activities.
- (iv) Subject to our observations in the preceding paragraphs, we report that the Balance Sheet dealt with by this report is in agreement with the books of accounts.
- (v) In our opinion and to the best of our information and according to the explanations given to us the said financial statements read with the Accounting Policies and Notes on Accounts and subject to the significant comments stated above as well as other comments detailed in the annexure give a true and fair view in conformity with the accounting principles generally accepted in India in so far as it relates to the Balance Sheet of the state of affairs of the KEIP of KMC as at 31 March 2008.

Encl: Annexures

Place: Kolkata
Date: 05.09.2008


Examiner of Local Accounts
West Bengal

Detail Audit Comments on the Annual Accounts of Kolkata Environmental Improvement Project for the year ending 31st March, 2008.

Comments on Accounts:

1. Balance Sheet

1.1 Assets:-

1.1.1 Procurement of assets

Land: Rs 3.12 crore

The above does not include Rs 47.89 crore being the cost of 548.05 cottahs of land procured and utilized by KEIP through KMDA for the purpose of Resettlement packages for affected families. The building/flats were already constructed and booked. The Land value of Rs 47.89 crore as claimed by the KMDA has not been taken into account since the amount is under negotiation. The Land value as fixed asset and corresponding liability to the extent of Rs 47.89 crore should have been disclosed in the Note to Accounts.

1.1.2 Capital Work in Progress

a) Civil Works.

Resettlement: 20.27 crore

The above includes cost of 8 packages (RS1A, RS1B, RS1C, RSA1, RSA2, RSA3, SII5, SII5A) to the tune of Rs 12.82 crore undertaken for construction/procurement of flats for resettlement of households affected due to Canal Rehabilitation works which were completed and handed over to the affected families within June 2007. But the packages were still shown as work in progress in the Balance Sheet as on 31st March 2008 instead of transferring them to KMC. This is not correct since KEIP has to transfer all completed assets to KMC.

Management replied (29.07.2008) that the flats were not the property of the KMC. On the contrary it emerges from the records that the flats constructed/procured under above Resettlement packages were handed over to the affected families on 99 years non-saleable lease. Therefore the assets belong to KMC only and not to the allottees.

b) Others: Rs 107.10 crore

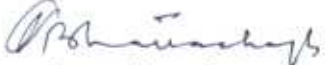
The above includes Rs 1.56 crore being expenses relating to advertisement out of which Rs 0.30 crore was incurred as cost of advertisement relating to invitation of

tenders for canal works. Since canal work was entirely being done by the Irrigation & Water Ways Department, Government of West Bengal and does not fall within the purview of KEIP, the expenses on such cost of advertisement on the above work should not have been charged on the assets being created by the KEIP on behalf of KMC. Inclusion of advertisement expenses of Rs 0.30 crore relating to canal works resulted in overstatement of Capital work in Progress by the same amount. The amount should have been claimed from the State Government and booked accordingly.

The department has noted the matter for future guidance.

Place: Kolkata

Date: 05.09.2008


Examiner of Local Accounts
West Bengal

KOLKATA ENVIRONMENTAL IMPROVEMENT PROJECT

206, A.J.C Bose Road, Kolkata 700 017

Balance sheet as on 31st March'2008

LIABILITIES		As on 31st March'2008	
	Schedule No	Rs	Rs
1 Contribution			
a. Kolkata Municipal Corporation			
As per last account		481746068	
Add: During the year		<u>278977494</u>	760723562
b. Government of West Bengal			
As per last account		647385467	
Add: During the year		<u>300000000</u>	947385467
c. Government of India - Vambay			
As per last account		0	
Add: During the year		<u>19484000</u>	19484000
d. Government of West Bengal - BSUP			
As per last account		0	
Add: During the year		<u>5527000</u>	5527000
e. Government of India - BSUP			
As per last account		0	
Add: During the year		<u>13819000</u>	13819000
2 Grant			
Government of West Bengal			
As per last account		463684975	
Add: During the year		<u>350515854</u>	814200829
3 Grant (Supplementary)			
Government of West Bengal			
As per last account		0	
Add: During the year		<u>67042752</u>	67042752
4 Loan			
Government of West Bengal			
As per last account		1081933937	
Add: During the year		<u>817872325</u>	
		<u>1899806262</u>	
Interest Accrued on loan		<u>348541143</u>	2248347405
5 Loan (Supplementary)			
Government of West Bengal			
As per last account		0	
Add: During the year		<u>156432421</u>	
		<u>156432421</u>	
Interest Accrued on loan(Supplementary)		<u>7761653</u>	164194074
6 Current Liabilities			
Bills Payable	1	21630811	
Retention Money	2	114312023	
Statutory dues			
Income Tax		10010230	
Works Contract Tax		10143913	
Taxes and Recovery of Statutory dues		89773	
Earnest Money & Security deposit held		<u>98311</u>	<u>156285061</u>
			<u>5197009149</u>
ASSETS			
1 Procurement of Assets	3		
Land		31235686	
Office Equipments and furniture & fixtures		<u>36968939</u>	68204625
2 Fixed Assets transfer to KMC			
a. Equipments	4		
Sewerage & Drainage		6976248	
Solid waste management		<u>224386847</u>	231363095

b. Civil works	4		
Sewerage & Drainage		61190181	
Slum Improvement works		<u>310176912</u>	371367093
c. Office Building	4		125364144
3 Capital work in Progress			
a Civil works	5		
Sewerage & Drainage		1886454158	
Beautification of lakes and waterbodies		0	
Slum Improvement works		64818531	
Resettlement	5	<u>202690481</u>	2153963170
b Others	5	1070990951	1070990951
4 Current assets			
Cash at bank		453302816	
Cheques in hand			
4 Advances	6	<u>722453255</u>	<u>1175756071</u>
			<u>5197009149</u>

Significant Accounting Policies and Notes
to Accounts

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a. Paliashi
Dy. MF&A(P) 13/06/08

Divy
Dy. Municipal Commissioner
(Finance) 13/06/08

[Signature]
Project Director 13/6/08

Basis of Accounting

The primary basis of accounting has been taken as Accrual and recognition of expenses at the time of passing of the bills regardless of when the related cash flows take place. Receipts in the form of grants, loan and contribution are recognized on cash basis. Counter-part funding is being recognized in the books of Kolkata Municipal Corporation.

Fixed Assets

Assets acquired by way of purchase or constructions are valued at their cost of acquisition or cost of construction, which includes the capitalised interest and all other allocated expenses incurred during construction period. All assets are treated as Capital Work in Progress in accordance with the accounting policies followed by the Kolkata Municipal Corporation in respect of expenditure on projects.

Employee Benefits

Employee benefits including pensions and related superannuation benefits are accounted for on cash basis.

Provisions

Provisions has been made for all liabilities pertaining to the financial year, which have been approved for payment by the 31st of March 2008

NOTES ON ACCOUNTS

1. Kolkata Environmental Improvement Project – The Kolkata Municipal Corporation is the Executing Agency for the Kolkata Environmental Improvement Project which is being funded by Asian Development Bank under Loan Agreement No. 1813-IND and Supplementary Agreement 2293-IND. The Project Management Unit of Kolkata Municipal Corporation has been set up to implement the Project.

All assets created under KEIP will be transferred to the Kolkata Municipal Corporation on completion. The Depreciation on Assets and corresponding income from Grants will be recognized in the books of account of The Kolkata Municipal Corporation.

2. Contingent Liabilities

Estimated amount of running contracts remaining to be executed on Capital Account Rs. 670 crore.

3. Land Acquisition

For resettlement purpose, the unit sent proposal for acquisition of three(3) plots of land through Govt. of West Bengal, Municipal Affairs Dept. at Purba Putiary (0.94 acre), Shampa Mirzanagar (2.57acre) and Purba Barisha(1.145 acre). Municipal Affairs Dept. provided an advance of Rs. 1,59,82,954 being 80% of the estimated Land Acquisition compensation for above three plots of land.

Acquisition proceedings for the land at Purba Barisha has been set aside by the Hon'ble High court on the basis of writ petition no. 6342 (W)/2004.

We have got possession of remaining two land on 13-3-2005 & 26-3-2004 of Purba Putiary & Shampa Mirzanagar respectively.

Communications have been made with Land Acquisition Collector for adjustment of these amounts.

The entire amount has been booked under "land" with a credit to State Govt. Contribution. After getting proper adjustment intimation necessary adjustment will be made in books of accounts.

4. Administrative Expenses Capitalised during the year:

The amount shown as Capital Work in Progress under Others represents the amount of Expenditure related to the Project. The same will be allocated or attributed to the construction or acquisition of any particular asset at the time of capitalization to Fixed Assets. During the year certain completed assets transferred to KMC which includes a portion of administrative cost and Interest upto 31st March'2008. Establishment cost, consultancy charge, other administrative costs and interest during construction period are apportioned to completed contract packages(assets transferred to KMC) in the ratio of the value of the respective contract packages to total cost of contract package (actuals and estimated) as on the date of accounting for such transfer. The date of transfer will be at the end of the fiscal year.

However equipments transferred to KMC has been transferred at cost only without including any portion of these allocated cost.

a. Paikrashi
Dy CMFA(P) 13/06/08

Dinmoy 13/06/08
Dy. Municipal Commissioner
(Finance)

[Signature] 13/6/08
Project Director