कार्यालय नगरपालिका परिषद् मलांजखण्ड

जिला–बालाघाट (म.प्र.)

फोन नं. 07637–257060 e-mail – cmomalajkhand@mpurban.gov.in

क्रमांक / 41 / लेखा शाखा / न.पा.प. / 2024 मलांजखण्ड, दिनांक : 9/01/2025

प्रति,

आयुक्त महोदय,
संचालनालय, नगरीय प्रशासन एवं विकास,
भोपाल (म.प्र.)।

विषय: वित्तीय वर्ष 2023–24 के नगरीय निकायों के लेखाओं की संपरीक्षा चार्टर्ड आकउंटेंट के द्वारा कराये जाने के संबंध में।

संदर्भः संचालनालय नगरीय प्रशासन एवं विकास म.प्र. भोपाल का पत्र क./ऑडिट/लेखा शा. –4(क)/265/7827, भोपाल, दिनांक 24.04.2024।

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महोदय,

विषयांतर्गत संदर्भित पत्र के माध्यम से निकाय के वित्तीय वर्ष 2023–24 के वित्तीय लेखों का संपरीक्षित कार्य (ऑडिट रिपोर्ट) सी.ए. चार्टर्ड एकाउटेंट फर्म से कराया जाकर संपरीक्षित कार्य (ऑडिट रिपोर्ट) की हार्ड कॉपी पत्र के साथ संलग्न कर सादर प्रेषित है।

संलग्नः उपरोक्तानुसार.

मुख्य नगर पालिका अधिकारी
नगर पालिका परिषद् मलांजखण्ड
जिला – बालाघाट

पृ.क्रमांक / 41/A / लेखा शाखा / न.पा.प. / 2024 मलांजखण्ड, दिनांक : 9/01/2025

प्रतिलिपि :–

1. संयुक्त संचालक महोदय, नगरीय प्रशासन एवं विकास जबलपुर संभाग जबलपुर, म.प्र. की ओर उपरोक्तानुसार सादर सूचनार्थ प्रेषित।

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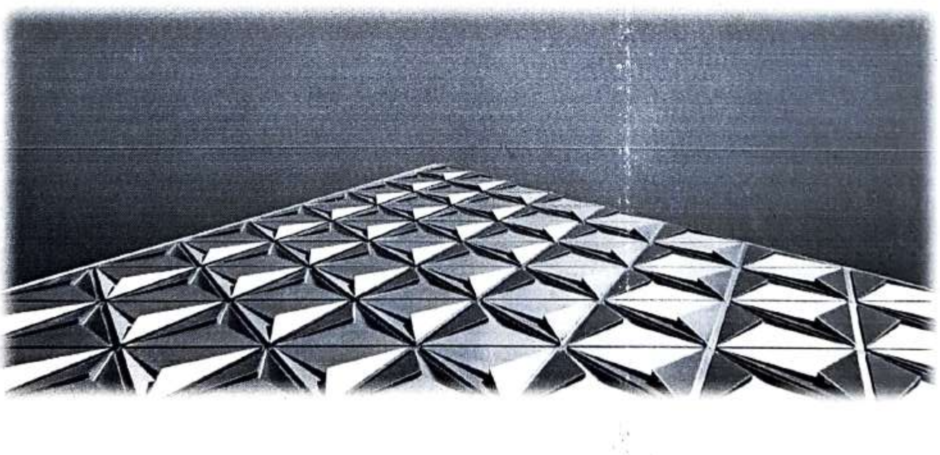
जिला बालाघाट

AUDIT REPORT

NAGAR PALIKA PARISHAD MALAJHKHAND
DISTRICT BALAGHAT

FINANCIAL YEAR 2023-24



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INDEPENDENT AUDITOR'S REPORT

To the Stakeholders of NAGAR PALIKA PARISHAD MALAJHKHAND

Report on the Financial Statements	We have audited the accompanying financial statements of NAGAR PALIKA PARISHAD MALAJHKHAND ("the ULB"), which comprise the Receipt & Payment Account for the year then ended, and other explanatory information.
Management's Responsibility for the Financial Statements	The ULB's Management is responsible for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the ULB in accordance with the provisions of Madhya Pradesh Municipalities act 1961 and accounting principles generally accepted in India, including the Municipal Accounting Manual ("the Manual") and Accounting Standards applicable to the Urban Local Bodies. This responsibility also includes maintenance of adequate accounting records in accordance with the Municipal Accounting Manual for safeguarding of the assets of the ULB and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error . However, in this case ULB is not in practice of maintaining balance sheet & Income and expenditure account, so receipt and payment account shall be considered as final statement on which we express our opinion.
Auditor's Responsibility	Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the Municipal Accounting Manual, the accounting and auditing standards and matters which are required to be included in the audit report as per the letter issued by

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	Directorate, Urban Administration & Development, M.P., Bhopal in this regard. The Commissioner/CMO has not directed us to perform audit of any other section in his office in addition to the above scope. We conducted our audit in accordance with the Standards on Auditing issued by Institute of Chartered Accountants of India. Those Standards requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the ULB's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the ULB's officers, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.
Qualified Opinion	In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the report attached below, the Receipt & Payment Account annexed to this report give true and fair view of financial transactions affected by ULB and recorded these transactions in cash book for the financial year ending as on 31st March, 2024

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Basis for Qualified Opinion	The details which form the basis of qualified opinion are reported in the Annexure 1 and Annexure 2 annexed to this report.
Emphasis of Matters	We draw attention to the following matters reported in Annexure - 2, annexed to this report. Accounts prepared as per the Manual in lieu of accounting standards for local bodies as issued by Institute of Chartered Accountants of India. Non-verification of special & other grant fund utilisation and balances as the necessary records were not made available. Non-maintenance or incomplete registers as prescribed under manual and mentioned at point 3 of annexure 2. Non verification statutory liabilities and employee related liabilities and its payment, as same has not been made available to us by the ULB.
We further report that:	a) We have sought and, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit; b) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion proper books of account as required by Municipal Accounting Manual have been kept by the ULB so far as appears from our examination of those books. c) The Receipt & Payment Account deal with by this Report are in agreement with the books of account. d) Except for the matter described in the Basis for Qualified Opinion paragraph above, the Receipt & Payment Account comply with the Municipal Accounting Manual and Accounting Standards applicable to the Urban Local Bodies. e) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the

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	functioning of the ULB. f) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above. With respect to the adequacy of the internal financial controls over financial reporting of the ULB and the operating effectiveness of such controls, refer to our separate Report in 'Annexure 1'.

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Annexure '1'

Report on Internal Financial Controls over Financial Reporting

Report on the Internal Financial Controls of the ULB ("the ULB")	We have audited the internal financial controls over financial reporting of NAGAR PALIKA PARISHAD MALAJHKHAND ("the ULB") as of March 31, 2024 in conjunction with our audit of the financial statements of the ULB for the year ended on that date.
Management's Responsibility for Internal Financial Controls	The ULB's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the ULB. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to ULB's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required in accordance with the Madhya Pradesh Municipalities Act, 1961 including the Municipal Accounting Manual and accounting principles generally accepted in India applicable to the Urban Local Bodies.
Auditors' Responsibility	Our responsibility is to express an opinion on the ULB's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the Guidance Note") and the Standards on Auditing, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively

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	in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the ULB's internal financial controls system over financial reporting.
Meaning of Internal Financial Controls Over financial Reporting	A ULB's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A ULB's internal financial control over financial reporting includes those policies and procedures that a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the ULB; b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the ULB are being made only in accordance with authorizations of management and officers

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	of the ULB; and c) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the ULB's assets that could have a material effect on the financial statements.
Inherent Limitations of Internal Financial Controls Over Financial Reporting	Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.
Qualified opinion	According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2024: a) The ULB did not have an appropriate internal financial control system over financial reporting since the internal controls adopted by the ULB did not adequately consider risk assessment, which is one of the essential components of internal control, with regard to the potential for fraud when performing risk assessment b) The ULB did not have an appropriate internal control system for tax and user charges collection, tax demand evaluation, which could potentially result in the ULB recognizing revenue without establishing reasonable certainty of ultimate collection. c) The ULB did not have an appropriate internal control system for inventory with regard to receipts, issue for production and physical verification. Further, the internal control system for identification and allocation of overheads to inventory was also not adequate.

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	These could potentially result in material misstatements in the ULB's trade payables, consumption, inventory and expense account balances. d)The ULB did not have an appropriate internal control system for fixed asset with regard to purchase, construction, transfer and physical verification. Further, the internal control system for identification and allocation of overheads to fixed asset was also not adequate. These could potentially result in material misstatements in the ULB's grants, payable to contractors, tax and other statutory dues, fixed assets, capital work in process and accumulated depreciation account balances.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the ULB's annual or interim financial statements will not be prevented or detected on a timely basis. In our opinion, because of the effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the ULB has not maintained adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were not operating effectively as of March 31, 2024 based on the criteria established by the ULB. We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2024 financial statements of the ULB, and these material weaknesses do not affect our opinion on the financial statements of the ULB.

For NPJS & Associates
Chartered Accountants

NPJS & ASSOCIATES CHARTERED ACCOUNTANTS F.R.No. 019014C

Date: 30/09/2024
UDIN: 24441867BKDBUC8177

CA Lalit Patidar
Partner
MRN – 441867

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Annexure '2'

The Annexure referred to in paragraph 5 & 6 of Our Report:

1. **Audit of Revenue**

1)	The auditor is responsible for audit of revenue from various sources.	Revenue is recognised in the cashbook & summarised in the Receipt and payment statement prepared by the ULB. However, in the absence of grant register the grant and assigned revenues could not be verified. We have noticed there were no bifurcation in revenue receipts for current year and previous recovery & amount under refund and other receipts could not be commented upon as the ULB does not provided details of its nature. Difference in contra transfer was also not explained as reflecting in the receipt & payment statement.
2)	He is also responsible to check the revenue receipts from the counter files of receipt book and verify that the money receipt is duly deposited in respective bank account.	It was informed to us that the revenue/tax collector/officer directly deposits the amount collected with main cashier at the cash counter, who in turn deposit this amount directly to the bank account. The counter foils or revenue receipts were made available to us for verification. A register is being maintained by revenue/tax collector/officer from which collected amount move into cashier cash book. A detailed statement containing outstanding demand and tax collected during the year was provided to us by the concerned department duly certified by the concerned officer.
3)	Percentage of revenue collection increase or decrease in various heads in property tax, samekitkar, shikshaupkar, nagriyavikasupkar, and other tax compared to previous year shall be part of report.	See Annexure C attached to this report.

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4)	Delay beyond 2 working days shall be immediately brought to the notice of commissioner/CMO.	No such instances were noticed during the test check of entries conducted by us except the circumstances like public holidays, government or local holidays etc.
5)	The entries in Cash book shall be verified	Entries in the cashbook were verified on sampling basis with the vouchers and other records as provided to us. However, due to quantum of transactions and inherent limitation of audit we cannot provide our absolute assurance on the entries of the cash book.
6)	The auditor shall specifically mention in the report the revenue recovery against the quarterly and monthly targets any lapses in revenue recovery shall be a part of the report.	Recovery of revenue against the quarterly and monthly targets were not made available to us. Hence, lapses in revenue recovery could not be commented. Registers of revenue were verified and it was noticed that these registers were not certified by the person in charge of the revenue department or ULB. The list of some major outstanding were provided to us as produced below: **<u>In case of Water Tax-</u>** Few pendency's of taxes from long time has been listed below: Name | Ward | Period | Due amount Shanti Bai goyal | 4 | 2018-19 to 2023-24 | 5,210.00 Mahendra Avadhiya | 4 | 2017-18 to 2023-24 | 4,790.00 It was explained that no interest/penalty was levied on delayed water charges. **<u>In case of property tax</u>** Name | Ward | Period | Due amount Yadunandan Temre | 4 | 2019-20 to 2023-24 | 6,688.00 Kamal Raja | 23 | 1994-95 to 2023-24 | 9,373.00 Interest @ 4% were charged in outstanding dues.

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		In case of Shop Rent **Name** / **Ward** / **Period** / **Due amount** Vijay Mudliyar / 18 / 2022-23 to Mar 2023-24 / 27,255.00 Gulafsa Khan / 6 / 2020-21 to Mar 2023-24 / 20,388.00 Interest levied @ 6.25% on late deposit of rent.
7)	The auditor shall verify the interest income from FDR's and verify that interest is duly and timely accounted for in cash book.	We have verified the interest income from FDR's and noticed that interest income is not recognised in books of accounts on accrual basis. The same is recorded at the time of FDR maturity.
8)	The case where, the investments are made on lesser interest rates shall be brought to the notice of the Commissioner/CMO.	All FDR's have been verified as provided to us & were in the possession of ULB. Detail of the same is provided in sub point 3 of point 4.

2. Audit of Expenditure:

1)	The auditor is responsible for audit of expenditure under all the schemes.	Expenditure under various heads which were recognized in the cashbook & summarised in the receipt & payment statement prepared by the ULB were verified on test check basis. The receipts and payment statement contains rectification entries related to opening balances. In previous year the closing balance of R&P was arrived after adjusting closing balance of cashbook and the amount was shown as Miscellaneous receipts. Hence, to rectify the difference the opposite entry in the payment side was taken. In the absence of grant register we cannot verify the payment entries related to scheme/grant fund shown under the head Revenue Grants, Contribution and Subsidies in the receipt & payment statement.

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2)	He is also responsible for checking the entries in cash book and verifying them relevant vouchers.	We have verified the entries in cash book on test check basis which were supported by relevant vouchers/note sheets. However, considering the bulk quantum of entries and the weak internal control procedures, the discrepancies in the entries of cash book cannot be ruled out.
3)	He should also check monthly balance of the cash book and guide the accountant to rectify errors, if any.	Issues relating to monthly balance of the cashbook were not noticed during the course of our test check basis verification except the rectification as mentioned in sub point 1 above.
4)	He shall verify that the expenditure for a particular scheme is limited to the funds allocated for that particular scheme any over payment shall be brought to the notice of the Commissioner / CMO.	Details relating to deviation of expenditure, if any, of particular scheme is specified at sub point 4 of point 6.
5)	He shall also verify that the expenditure is accordance with the guideline, directives, acts and rules issue by Government of India/ State Government.	As explained to us, ULB follows the necessary guidelines, directives, acts and rules issued by Government of India and State Government. However, ULB didn't provided such directives with written confirmation and hence it was not possible for us to verify the expenditures in accordance with such guidelines etc.
6)	During the audit financial propriety shall also be checked. All the expenditure shall be supported by financial and administrative sanctions	We have verified the expenditure on test check basis and it was found that such expenditure were duly supported by financial and administrative sanctions accorded by competent authority. ULB follows the hierarchy of sanctions and approvals depending upon

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	accorded by competent authority and shall be limited to the administrative and financial limits of the sanctioning authority.	the nature of the transactions and financial limits.
7)	All the cases where appropriate sanctions have not been obtained shall be reported and the compliance of audit observation shall be ensured during the audit. Non- compliance of audit paras shall be brought to the notice of Commissioner / CMO.	No such instances were noticed during the test check of such entries conducted by us.
8)	The auditor shall be responsible for verification of scheme wise/ project wise Utilization Certificate (UC's). UC's shall be tallied with the Receipt & Payment Account and creation of Fixed Asset.	Utilization certificates of various schemes for verification of scheme wise / project wise Utilization Certificate (UCS) were provided to us by the ULB. We are unable to verify the details of capitalization of expenditure since there is neither any proof available nor completion of work from respective department. There is no cross check mechanism exist to ensure the completion of project except payment of final bill. It is suggested that a proper internal control system should be framed to identify the fixed asset and its recognition in fixed asset register and books of account of the ULB.
9)	He shall verify that all temporary advances of	As per the explanation made to us by the ULB there were no temporary advances made during the year.

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	other than employees have been fully recovered.	Hence we could not comment over the same.

3. Audit of Book Keeping

1)	The auditor is responsible for audit of the books of accounts as well as stores.	As per the information and explanation provided to us by the management of the ULB and on perusal of books of accounts, it was noticed by us that the ULB has not maintained Fixed Asset Registers, Security Deposit Registers, Investment Registers, Register of Retention Money, Register of Settlement of Contractor / Supplier Bills as prescribed under MP-MAM
2)	He shall verify that all the books of accounts and stores are maintained as per Accounting Rules applicable to the Urban local Bodies. Any discrepancies shall be brought to the notices of Commissioner / CMO.	The stock register was maintained but stock value at year end was not maintained but only quantity was recorded. Also, the registers were not duly certified by the person in charge of the ULB.
3)	The auditor shall verify advance register and see that all the advance to employees are timely recovered according to the condition of advance. All the case of non-recovery shall be specifically mentioned in audit report.	As per the information and explanation provided to us by the management of the ULB, there were no advances during the year. Hence, we cannot comment over the cases of timely recovery of advances, if any.
4)	Bank reconciliation statement (BRS) shall be	Bank Reconciliation statement for the bank accounts having closing differences with cashbook balance as at

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	verified from the records of ULB and the bank concerned. If bank reconciliation Statement are not prepared the auditor will help in the preparation of BRS's	year end is provided to us by the ULB and attached with this report.
5)	He shall be responsible for verifying the entries in the Grant register. The receipts and payment of grants shall be duly verified from the entries in cash book.	Grant registers were not made available to us. Hence verification of the same cannot be done from the entries in cash book.
6)	The auditor shall verify the fixed assets register from other records and discrepancies shall be brought to the notices of Commissioner / CMO.	Fixed asset registers were not provided to us for verification. Therefore we are not able to verify the same and comment upon whether it is complete and correctly balanced.
7)	The auditor shall reconcile the account of receipt and payment especially for project funds.	ULB does not maintain separate cash books for different schemes and projects and hence we cannot comment on reconciliation with Receipt & Payment.

4) Audit of FDR

1)	The auditor is responsible for audit of all fixed deposits and term deposits.	We have verified fixed deposits maintained by the ULB and provided to us for verification, the detail regarding the same is tabled below:-

S.NO.	BANK NAME	FDR NO.	VALUE	ROI
1	SBI	43220	3,68,92,007.00	3.00%
2	SBI	3441	23,191.00	8.75%
3	SBI	3430	23,191.00	8.75%

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		Register of FDR were not provided for verification. The acknowledgements were made available, but renewals of FDR were not found and hence we cannot comment over renewal.
2)	It shall be ensured that proper record of FDR's are maintained and renewals are timely done.	Records of FDRs in form of acknowledgment are maintained. In absence of FDR registers timely renewals could not be commented upon.
3)	The case where FDR'S / TDR are kept at low rate of interest than the prevailing rate shall be immediately brought to the notice of Commissioner/ CMO.	Latest renewal details were not made available hence it was not possible to comment whether the FDR are kept at prevailing interest rates or not.
4)	Interest earned on FDR/TDR Shall be verified from entries in the cash book.	Interests on FDRs' are booked on receipt basis, as on the maturity and realization of invested amount is recorded in the cash book.

5) Audit of Tenders / Bids

1)	The auditor is responsible for audit of all tenders / bids invited by the ULB.	Tender related documents were provided to us on test check basis. On verification of produced documents we can conclude that procedure of tendering was followed by the ULB. Bid were invited online where the tender amount exceeding Rs. One Lakh and for value less than one lakh, manual bids were asked.
2)	He shall check whether competitive tendering procedures are followed	Tender related documents were provided to us on sampling basis, and except few minor irregularities we found them complete and appropriate. Competitive tendering procedures were followed

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	for all bids.	for all bids.
3)	He shall verify the receipts of tender fee / bid processing fee / performance guarantee both during the construction and maintenance period.	Tender related documents were provided on test check basis, and we have verified the receipts of tender fee / bid processing fee / performance guarantee etc. No major irregularities were found during our verification in the produced documents.
4)	The bank guarantees, if received in lieu of bid processing fee / performance guarantee shall be verified from the issuing banks	No such bank guarantees were produced before us for verification.
5)	The conditions of BG shall also be verified; any BG with any such condition which is against the interests of the ULB shall be verified and brought to the notice of Commissioner /CMO.	No such bank guarantees were produced before us for verification. Therefore, it is not possible for us to comment on the conditions of BG.
6)	The cases of extension of BG shall be brought to the notice of Commissioner / CMO. Proper guidance to extend the BC's shall also be given to ULB	No such bank guarantees were produced before us for verification. Therefore, it is not possible for us to comment on the conditions/extensions of BG.
7)	The contract closure shall also be verified by the	No contract closure documents were made available to us for verification.

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	auditor.	

6) Audit of Grants and Loans

1)	The auditor is responsible for audit of grants given by Central Government and its utilization.	Verification had been conducted for the grants received from the Central/state government. Details of grant receipt as per accounting records are as follows: **Grants** — **Received** 15th Finance commission — 1,82,75,497.00 State Finance Commission — 1,35,04,346.00 Grants for Road Development — 57,41,763.00 Grant GoMp Mulbhoot — 84,43,764.00 Other Grants — 1,89,31,968.00 Special Fund — 20,75,000.00 Grant register were not provided by the ULB for verification and hence we cannot comment over utilisation and closing balance of the grants at year end. However, the utilisation certificates for some grant funds were provided and the whole fund were utilised during the year as per these utilisation certificates.
2)	He is responsible for audit of grants received from State Government and its utilization.	Verification had been conducted for the total grants received from the State/Central government. Details for the same are provided in table above
3)	He shall perform audit of loans provided for physical infrastructure and its utilization. During his audit the auditor shall specifically comment on the revenue mechanism i.e. whether	Loan statement provided for loan taken and outstanding during the year. The loan from HUDCO was repaid during the year as shown below. However, another loan from BOI outstanding but ULB has no information about its repayment as the amount is directly deducted from the Octroi compensation payable to ULB. Hence, we cannot comment over such

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<table>
<tr><td></td><td>the asset created out of the loan has generated the desired revenue or not. He shall also comment on the possible reasons for non-generation of revenue.</td><td>loan. There were no document or information provided to verify whether the asset created out of the loan has generated the desired revenue or not. We cannot comment on the possible reasons for non-generation of revenue.

Details of loan repayment from HUDCO, as provided by the ULB to us, is produced here below:

<table>
<tr><th>Quarter</th><th>Interest Payment by ULB</th><th>Principal Payment by ULB</th><th>Total Payment</th></tr>
<tr><td>1</td><td>52,986.00</td><td>94,000.00</td><td>1,46,986.00</td></tr>
<tr><td>2</td><td>49,961.00</td><td>94,000.00</td><td>1,43,961.00</td></tr>
<tr><td>3</td><td>47,177.00</td><td>94,000.00</td><td>1,41,177.00</td></tr>
<tr><td>4</td><td>44,949.00</td><td>94,000.00</td><td>1,38,949.00</td></tr>
</table>
Above loan was utilised for CM adhosanrachna scheme.</td></tr>
<tr><td>4)</td><td>The auditor shall specifically point out any diversion of funds from capital receipts/ grants/ bans to revenue expenditure.</td><td>The grant register were not made available by the ULB for verification of fund movement. Hence, we cannot comment over diversion of funds from capital receipts/grant to revenue expenditure. As per the utilisation certificates provided for various grants, the funds were utilised during the year itself under the specified expenditures.</td></tr>
</table>

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Other Audit Observations:

Urban Local Bodies (ULB) earns revenue from their own resources through taxes, rent, fees, issue of licenses etc. In test check of Nagar Parishad as of 31 March 2024 a sum of Rs 88.40 lakhs (as shown in Table Below) plus Interest & Penalties were outstanding against the taxpayers, although the ULBs had powers under section 165 of Madhya Pradesh Municipalities Act, 1961 to approach a Magistrate to seek orders for recovery by distress and sale of any movable property of attachment and sale of immovable property belonging to defaulters, however they had not invoked these power to recover the outstanding taxes. Failure to invoke its powers resulted in non-recovery of outstanding taxes and resource crunch, leading to hindrance in development works.

Non Recovery of dues *(Amount in Lakhs)*

Revenue Head	Previous year's recoverable as on 01/04/2023	Received From Previous Dues	Un-Recovered Due for More than a Year	Current Year Demand	Current Year's Recovery	Un-Recovered due of Current Year	Total Recovery	Total un-recovered amount
Sampatti Kar	7.58	0.66	6.92	140.19	137.33	2.86	137.99	9.78
Samekit Kar	7.16	1.90	5.26	7.25	3.34	3.91	5.24	9.18
Nagar Vikas Upkar	1.44	0.21	1.23	30.45	29.45	1.00	29.66	2.24
Siksha Upkar	0.99	0.21	0.78	15.98	15.14	0.84	15.35	1.62
Shop Rent	5.87	0.32	5.55	13.79	7.82	5.97	8.14	11.52
Water Tax	16.15	5.25	10.90	19.57	7.8	11.74	13.08	22.64
Thos apshisht	12.50	5.00	7.50	27.79	11.87	15.92	16.87	23.42
Total	**51.69**	**13.54**	**38.15**	**255.03**	**212.78**	**42.25**	**226.32**	**80.40**
			Total Un-Recovered amount					**80.40**

The demand and recovery figures were taken out of wasooli patrak of the revenue department of the ULB. There are variation in the opening balance of current year and closing balance of previous year wasooli patrak. Also, the recovery against outstanding amount was not recorded in wasooli patrak and in the cashbook.

For NPJS & Associates
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CA Amit Patidar
Partner
MRN – 441867

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Reporting on Audit Paras for Financial Year 2023-24

NAGAR PALIKA PARISHAD MALAJHKHAND

Auditor: NPJS & Associates, Chartered Accountants

S. no.	Parameters	Description	Observation in brief	Suggestions
2	Audit of Expenditure	Verification of Expenditures are as per guidelines, directives, and rules under all schemes and entries of expenditures in cash book, Diversion of Funds, financial propriety of expenditures, scheme project wise utilisation certificate.	Observations were listed in brief in point no. 2 of annexure 2 of audit report attached	Register of grants should be prepared in reconciliation with the utilisation of grant fund. Guidelines, directives, and rules under all schemes should be documented for ready reference.
3	Audit of Book keeping	Verification of books of accounts and stores are maintained as per accounting rules, advance register and check timely recovery, Bank reconciliation statement, grant register, fixed asset register	Observations were listed in brief in point no. 3 of annexure 2 of audit report attached	Required books of accounts such as fixed asset register, security deposit register, investment register, grant register etc as prescribed under MP MAM Should be maintained
4	Audit of FDR/TDR	Verify fixed deposits and term deposits and their maintenance	Observations were listed in brief in point no. 4 of annexure 2	Register of FDR/TDS should be maintained there by recording

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			of audit report attached	renewal details.
5	Audit of Tenders and Bids	Verify Tenders/Bids invited by ULB and competitive tendering procedures followed	Observations were listed in brief in point no. 5 of annexure 2 of audit report attached	Procedure for Tenders opening and Performance review should be carefully monitored.
6	Audit of Grants & Loans	Verification of Grant received from Government and its utilisation	Observations were listed in brief in point no. 6 of annexure 2 of audit report attached	Records for utilisation of loan funds should be prepared and maintained by the ULB.
7	Verify whether any diversion of funds from capital receipt /grants /Loans to revenue expenditure and from one scheme /project to another.	Observations related to diversion of funds has been pointed out in point no. 6 (iv) of annexure 2 of report attached		
8	Percentage of revenue expenditure (Establishment, salary, Operation&	13,11,07,106.00 / 9,71,88,210.00 134.90%		

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	Maintenance) with respect to revenue receipts (Tax & Non Tax).			
	Percentage of Capital expenditure wrt Total expenditure.	2,18,17,457.00 / 15,29,24,563.00 14.27%		
9	Whether all the temporary advances have been fully recovered or not.		Cases of outstanding advances have been outlined in point no. 3 (3) of report attached.	NA
10	Whether bank reconciliation statements is being regularly prepared		BRS prepared by the ULB	NA

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