

NAGAR PARISHAD BETUL BAZAAR

AUDIT REPORT FOR THE
FINANCIAL YEAR 2020-21



AUDITORS

PATIDAR AND ASSOCIATES
CHARTERED ACCOUNTANTS



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INDEPENDENT AUDITOR'S REPORT

To the Stakeholders of NAGAR PARISHAD BETUL BAZAAR

1. Report on the Financial Statements

We have audited the accompanying financial statements of NAGAR PARISHAD BETUL BAZAAR ("the ULB"), which comprise the Receipt & Payment Account for the year then ended, and other explanatory information.

2. 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 Municipal Corporation Act, 1956 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.

3. 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 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.

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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.

4. 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

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the ULB;
- 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 of the ULB; and
- 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.

5. 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.

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6. 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, 2021:

- 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
- 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.
- 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. These could potentially result in material misstatements in the ULB's trade payables, consumption, inventory and expense account balances.
- 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, 2021 based on the criteria established by the ULB.

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Annexure '1'

Report on Internal Financial Controls over Financial Reporting

1. Report on the Internal Financial Controls of the ULB ("the ULB")

We have audited the internal financial controls over financial reporting of NAGAR PARISHAD BETUL BAZAAR ("the ULB") as of March 31, 2021 in conjunction with our audit of the financial statements of the ULB for the year ended on that date.

2. 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 Municipal Corporation Act, 1956 including the Municipal Accounting Manual and accounting principles generally accepted in India applicable to the Urban Local Bodies.

3. 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 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,

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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.

4. 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, 2021.

5. 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.

6. 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.
- Revenue department's records related to recovery of revenue taxes and other revenue dues has minor differences with accounting records maintained by accounting department.

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- c) Non-maintenance or incomplete registers as prescribed under manual and mentioned at point 3 of annexure 2.
- d) Non-availability of details related with closure of tenders.
- e) Non verification of EPF and EPS as same has not been made available to us by the ULB.

Our opinion is not modified in respect of these matters.

7. 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 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.
- g) 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'.

Date: 26/08/2021

UDIN: 21418806AAAACH7086

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For Patidar & Associates
Chartered Accountants

CA Neelesh Patidar
(Partner)
MRN - 418806



Annexure '1'

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1. Report on the Internal Financial Controls of the ULB ("the ULB")

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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 Municipal Corporation Act, 1956 including the Municipal Accounting Manual and accounting principles generally accepted in India applicable to the Urban Local Bodies.

3. 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 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,

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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.

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- 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 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.

5. 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.

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6. 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, 2021:

- 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. 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, 2021 based on the criteria established by the ULB.

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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, 2021 financial statements of the ULB, and these material weaknesses do not affect our opinion on the financial statements of the ULB.

Date: 26/08/2021

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For Patidar & Associates
Chartered Accountants

Neelesh Patidar

CA Neelesh Patidar
Partner
MRN - 418806



Annexure '2'

The Annexure referred to in paragraph 6 of Our Report:

1. Audit of Revenue

- 1) The auditor is responsible for audit of revenue from various sources.

We have verified the revenue from various sources which was recognized and entered in the books of account produced before us for verification.

- 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. The counter foils or revenue receipts were made available to us for verification. 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. 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.
Details are given in Annexure C attached to this report.

- 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.

We have verified the entries in cash book on test check basis and no major discrepancy was noticed by 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. It is generally recommended that entries of the cash book should be duly supported by necessary documentary evidences and authorizations.

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- 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.

ULB is not in practice of preparing quarterly or monthly targets of revenue recovery. However, an annual budget has been prepared by the ULB. There is a variation in budgeted amount and actual amount of revenue and expenditures.

During our verification of revenue registers we observed outstanding from past several years, below mentioned are few cases.

In case of Water Tax-

Water tax register is not maintained properly as it does not contain important details such as outstanding balance, since when dues are pending, interest charged on pending dues, legal action initiated against such pending dues. List of few pendency's of taxes from long time has been listed below:

Ward No.	Name	Outstanding
Shivaji ward	Mangal Prasad	2,250.00
Shivaji ward	Shyam Kishore	2,250.00
Ganesh ward	Jugal Kishore	3,750.00
Ganesh ward	Salkira verma	3,000.00
Kailash ward	Satish chandra	8,550.00
Subhash ward	Mohanlal	11,400.00
Subhash ward	Umrav	7,350.00
Azad ward	Kashiprasad	10,744.00
Total		49,294.00

In case of property tax

Property tax dues were recovered through lok adalat after the end of the financial year. Hence, there were no major outstanding amounts.

In case of Shop Rent

In case of shop rent registers also few relevant details were missing, such as Year since outstanding, Interest charged and pending legal actions long time pendency's. List of few long time pending cases were listed below:

ID	Name	Old Due	Current	Total(Rs.)
23306	Rishi Kumar	14,526.00	9,540.00	24,066.00
23286	Shyam Rao	6,806.00	5,823.00	12,629.00

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23285	Ragvendra	6,000.00	500.00	6,500.00
23304	Narendra Singh	7,932.00	661.00	8,593.00
	Grand Total	35,264.00	16,524.00	51,788.00

- 7) The auditor shall verify the interest income from FDR's and verify that interest is duly and timely accounted for in cash book.
As explained to us by the ULB, it does not maintain any FDR during the year. Hence, we cannot comment on the interest income from FDR's.
- 8) The case where, the investments are made on lesser interest rates shall be brought to the notice of the Commissioner/CMO.
As explained to us by the ULB, it does not maintain any FDR during the year. Hence, we cannot comment on the interest income from FDR's.

2. Audit of Expenditure:

- 1) The auditor is responsible for audit of expenditure under all the schemes.
We have verified the expenditure under various heads which was recognized and entered in the books of account produced before us for verification except payments under heads "Other Payments" Rs. 10,32,442.61, "Consolidated amount" Rs. 86,640/- and "Amount transfer" Rs. 17,70,138/- for which ULB has not provided any explanation.
- 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. Test checked vouchers revealed that TDS is deducted in the case of payment to contractors only. Other than that no TDS was deducted on any payment for renting of machinery, professional fess etc.
- 3) He should also check monthly balance of the cash book and guide the accountant to rectify errors, if any.
No issue of any difference in test check totalling amount was noticed in course of our verification.

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- 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 accorded by competent authority and shall be limited to the administrative and financial limits of the sanctioning authority.

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. There were no specific hierarchy of sanctions and approvals followed by the ULB. All the expenses are duly approved by the CMO and accounts department itself.

- 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 not provided to us by the ULB. Hence same cannot be commented upon.



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 other than employees have been fully recovered.

Details regarding temporary advances were not provided to us by the ULB and hence we cannot comment on 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 all the required books of accounts as prescribed under MP MAM such as Security Deposit Registers, Advance Registers, Loan Registers, Register of Advances to Contractors, & Register of Retention Money.

- 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 books stores were provided us for verification. ULB maintains proper register related to stores. As per the records there were no significant stock available at year end.

- 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, no specific condition related to advances are placed. Hence, it is not possible for us to verify the cases of timely recovery of advances, if any.



- 4) Bank reconciliation statement (BRS) shall be 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

Bank Reconciliation is provided to us by the ULB. The balance as on 31st March 2021 between cashbook total and bank total as follows:

S.No.	Bank Name	Bank Account No.	Closing Balance as per Cash book as on 31/03/2021	Closing Balance as per Pass book as on 31/03/2021
1	UBI	2232	26,28,920.55	26,28,920.55
2	UBI	23025	15,48,728.92	15,48,728.92
3	SBI	1856	1,62,96,916.84	1,62,96,916.96
4	UBI	93408	10,49,701.41	10,49,701.40
5	UBI	9742	27,88,313.79	27,88,311.79
6	UBI	9743	23,54,923.84	23,54,923.83
7	UBI	89180	26,09,676.88	26,09,676.88
8	Canara Bank	7691	2,10,49,426.00	2,10,49,424.00
TOTAL			5,03,26,608.23	5,03,26,604.33

Statements for some bank accounts were not available as on 31st March 2021 but before this date like UBI-93408 till 08/01/2021 and UBI-9742 till 25/02/2021. Accounts department explained to us that there were no transactions till the end of the F.Y. and hence statements were available till the last transaction date only.

- 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 made available to us for verification. We found entries related to receipt of grants only. Expenses were not updated till the date of audit, hence verification of payments was not done from the entries in cash book. A summarised statement of grants maintained by the ULB has been provided to us and same has been provided in the point 6(1) of this report.
- 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 related to constructed assets was maintained by the ULB and provided to us for verification. Such register contains details related to asset completed during the year. There was no separate register to carry forward the completed asset.



- 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.
As explained to us by the ULB, it does not maintain any FDR during the year.
Hence, we cannot comment on the FDR's.
- 2) It shall be ensured that proper record of FDR's are maintained and renewals are timely done.
As explained to us by the ULB, it does not maintain any FDR during the year. Hence, we cannot comment on the FDR's and its renewals.
- 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.
As explained to us by the ULB, it does not maintain any FDR during the year.
Hence, we cannot comment on the interest income from FDR's.
- 4) Interest earned on FDR/TDR Shall be verified from entries in the cash book.
As explained to us by the ULB, it does not maintain any FDR during the year.
Hence, we cannot comment on the entries in the cashbook.

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 for all bids.
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 for all bids.

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- 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 ICMO.
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 auditor.
No contract closure documents were made available to us for verification.

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 and utilised as per accounting records are as follows:

S.No.	Grants	Opening Balance	Received	Utilized	Closing Balance
1	Chungikshati purti	-	97,53,897.00	97,53,897.00	-
2	Mulbhoot	-	25,15,000.00	25,15,000.00	-
3	Rajy Vitt Aayog	-	24,88,000.00	24,88,000.00	-
4	Sadak Marammat	-	11,85,000.00	2,37,660.00	9,47,340.00



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5	Yatri kar	-	4,04,000.00	4,04,000.00	-
6	15th Vitt Aayog	-	95,21,000.00	-	95,21,000.00
7	Swacchta hetu	-	3,00,000.00	-	3,00,000.00
	Total	-	2,61,66,897.00	1,53,98,557.00	1,07,68,340.00

However, we have noticed difference in grant amount between UADD records and accounting records as follows:

Grants	Received	Received	Difference UADD & Accounting records
Chungikshati purti	97,53,897.00	93,72,000.00	3,81,897.00
Sadak Marammat	11,85,000.00	11,55,000.00	30,000.00
Yatri kar	4,04,000.00	3,79,000.00	25,000.00

- 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 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.

As per information provided by the ULB and according to our verification, ULB has accorded loan from financial institution. The loan repayment has been directly made by the UADD and thence here was no document available with ULB for the repayment. Also, there was 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.

- 4) The auditor shall specifically point out any diversion of funds from capital receipts/ grants/ bans to revenue expenditure.

As per the information made available to us, and as per our verification, instances of diversion of funds from one grant account to another have not been noticed. However, due to inherent limitation of internal controls over financial reporting possibilities of fund diversion cannot be ruled out completely.

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Other Audit Observations

1. Non recovery of taxes

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 2021 a sum of Rs 9.78 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)

Sl. No	Type of Tax	Due amount recoverable on 01/04/2020	Received From Previous Dues	Un-Recovered Due for More than a Year	Current Due	Current Received	Total Recovery	Un-Recovered due of Current Year	Total un-recovered amount
1	Sampatti Kar	5.10	3.70	1.40	5.90	4.30	8.00	1.59	2.99
2	Samekit Kar	3.07	2.25	0.83	2.29	1.62	3.86	0.67	1.50
3	Nagar Vikas Upkar	0.59	0.42	0.18	1.16	0.86	1.28	0.30	0.48
4	Siksha Upkar	0.78	0.56	0.22	0.98	0.73	1.29	0.24	0.46
5	Shop/Property Rent	1.00	0.86	0.14	1.86	1.46	2.32	0.40	0.54
6	Water Tax	5.02	3.69	1.33	8.01	6.02	9.71	2.00	3.33
7	Bhu-Bhaatak	0.20	0.14	0.06	0.15	0.11	0.24	0.04	0.10
8	House rent	0.00	0.00	0.00	1.33	0.95	0.95	0.39	0.39
9	Tehh Bajar	0.00	0.00	0.00	1.30	1.30	1.30	0.00	0.00
10	Other Charges	0.00	0.00	0.00	0.56	0.56	0.56	0.00	0.00
	Total	15.75	11.61	4.15	23.55	17.91	29.52	5.63	9.78
Total Un-Recovered amount									9.78

For Patidar & Associates
Chartered Accountants

Date: 26/08/2021

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CA Neelesh Patidar
Partner
MRN - 418806



Reporting on Audit Paras for Financial Year 2020-21

Name of ULB: NAGAR PARISHAD BETUL BAZAAR
Name of Auditor: **Patidar & 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	Vouchers should be adequately supported with proper documents. TDS should be correctly deducted and deposited on time.
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 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 of audit report attached	NA.
5	Audit of Tenders and Bids	Verify Tenders/Bids invited by ULB and	Observations were listed in brief in	Procedure for Tenders opening





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		competitive tendering procedures followed	point no. 5 of annexure 2 of audit report attached	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	Grant register should be updated and balanced regularly with its Utilization Certificate.
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	a) Percentage of revenue expenditure (Establishment, salary, Operation & Maintenance) with respect to revenue receipts (Tax & Non Tax).	226.40% $(1,91,51,592.61 / 84,59,364) \times 100$		
	b) Percentage of Capital expenditure w.r.t Total expenditure.	25.83% $(66,68,487 / 2,58,20,079.61) \times 100$		
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	ULB should impose strict action to collect such amount or make necessary adjustment after prior approval of

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			attached.	relevant authority.
10	Whether bank reconciliation statements is being regularly prepared		BRS prepared by the ULB	NA

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Annexure C

Name of ULB: Betul Nagar Parishad
Name of Auditor: Patidar & Associates, Chartered Accountants

Name of Auditor		Patidar & Associates, Chartered Accountants									
S.no.	Parameters	Description		% of growth	Observation in brief			Suggestions			
	Audit of Revenue	Receipt in (Rs.)									
	Rajaswa Kar wasooli	2019-20	2020-21								
1	Sampatti Kar	4.82	8.00	65.97	Collection % w.r.t. total dues is	72.77%	which is Good	Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.		
2	Samekit Kar	1.85	3.86	108.81	Collection % w.r.t. total dues is	72.07%	which is Good	Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.		
3	Nagar Vikas Upkar	1.17	1.28	9.50	Collection % w.r.t. total dues is	72.94%	which is Good	Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.		
4	Siksha Upkar	0.74	1.29	74.49	Collection % w.r.t. total dues is	73.60%	which is Good	Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.		
	Total	8.58	14.44								
	Gair-Rajaswa wasooli										
5	Shop/Property Rent	1.36	2.32	70.36	Collection % w.r.t. total dues is	81.14%	which is Good	Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.		
6	Water Tax	5.39	9.71	80.17	Collection % w.r.t. total dues is	74.49%	which is Good	Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.		
7	Other Charges	7.40	3.06	-58.70	Collection % w.r.t. total dues is	100.00%	which is Very good	Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.		
	Total	14.15	15.08								
	Grand Total	22.73	29.52								

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NAGAR PALIKA PARISHAD BETUL BAZAR
Receipts & Payments Accounts 2020-21

RECEIPT	AMOUNT (Rs.)	PAYMENT	AMOUNT (Rs.)
OPENING BALANCE		Establishment Expenses	
Cash and Bank Balances	4,45,00,066.61	Salary General Administration	44,71,103.00
		Salary Revenue Department	8,63,902.00
		Salary Pwd	5,64,863.00
Revenue Receipts		Salary Health Department	2,58,439.00
Siksha Kar Current	47,664.00	Salary Cleaning Department	14,49,685.00
Siksha Kar Arrears	60,891.00	Cleaning Muster Worker	22,54,816.00
Sampatti Kar Current	4,08,988.00	Muster Water Supply	24,87,678.00
Sampatti Kar Arrears	3,17,222.00	GPF Deposit	5,88,000.00
Samekit Kar Current	1,41,120.00	Professional Tax	32,000.00
Samekit Kar Arrears	1,21,040.00		
Nagriye Vikas Upkar Current	1,00,541.00		
Nagriye Vikas Upkar Arrears	69,654.00		
Jalkar Current	5,07,561.00	Administrative Expenses	
Jalkar Arrears	2,79,380.00	Office Electricity Bill	31,577.00
		Photo Copy	10,406.00
		Stationery	72,256.00
Other Receipts		Soap, Basket, Lime Purchase	57,707.00
Over Water	1,19,238.00	Advertising Expenses	59,734.00
Tax Overdue	51,184.00	Welcome Ceremony	79,410.00
Market Dues	1,36,400.00	Telephone Bill	39,175.00
S.N Navenekaran Fees	450.00		
Application Fees	12.00		
Building Permit Fee	900.00		
Ration Card Fees	980.00	Operation and Maintenance Expenses	
Tap Connection Fees	74,415.00	Tubewell Electricity Bill	24,80,858.00
Copying Fee	2,640.00	Street Light Electricity Bill	8,49,225.00
Certificate Fees	1,560.00	Pwd Material Purchase	1,46,287.00
Transfer Fee	74,400.00	Electricity Material Purchase	1,80,939.00
Late Fee	6,200.00	Health Material Purchase	7,62,792.00
Open Land Platform Fee	1,12,407.00	Petrol/Diesel Expenses	3,78,298.00
Water Tanker	13,500.00		
Tender Form	4,600.00	Capital Expenditures	
Development Fees	41,363.00	Toilet Construction	46,20,115.00
Rti Fees	857.00	Tractor Tanker Bill Of Materials	12,300.00
Basic Amenities	25,15,000.00	Tractor Trolley Repair	28,024.00
Road Repair	11,85,000.00	Water Supply Matreial	98,147.00
Stamp Duty	2,81,000.00	Fire Vehicle	3,240.00
Record Fees	50.00	CC Road Construction	8,11,027.00
Mask Selling Fees	2,200.00	CC Nali Construction	9,91,894.00
Registration Form Fees	2,250.00	Water Supply Repair Work	1,03,740.00
Mud Pump Fees	13,070.00		
Copy Fee	18.00	Others	
Marriage Lawn Cleaning Fee	1,000.00	Others payments	10,32,442.61
Tap Repairing Fees	7,100.00	Sambal Yojna	1,30,000.00
Penalty Fee	5,300.00	SD return	7,000.00
Others	14,681.00	Consolidated amount	86,640.00
Labor Cess	12,064.00	Amount transfer	17,70,138.00
Compost Manure Sale Amount	4,000.00		
User Charges	74,940.00		
Junk Sale	13,489.00		
School Samekit	1,99,500.00		
Advance return	20,000.00		
Municipal Function	50,000.00		
Rental Receipts			
Shop Rent Current	1,43,327.00		
House Rent	11,900.00		
Land Lease Rent Outstanding	19,769.00		
Land Lease Rent Current	5,187.00		
Shop Rent Outstanding	75,259.00		



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Interest Receipts			
Other Interest Received	11,696.00		
Interest Received	10,96,397.00		
Grant & Contribution			
15 Finance Commission	95,21,000.00		
Octroi Compensation	97,53,897.00		
MPLAD	1,19,000.00		
State Finance Commission	24,88,000.00		
Amount Transfer	17,70,138.00		
Yatrikar	4,04,000.00		
CM Adhoshanrachna	7,00,000.00		
Swachhta Mission	3,00,000.00		
Sambal Yojna	1,25,000.00		
Total	7,81,40,465.61	CLOSING BALANCE	
		Cash and Bank Balances	5,03,26,608.00
		Total	7,81,40,465.61

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Accounts Officer
Nagar Palika Parishad Betul Bazaar
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