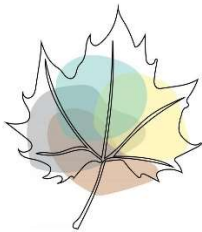
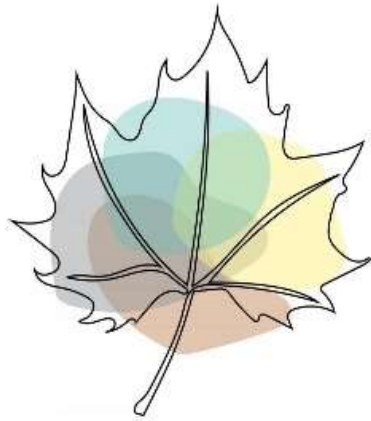


NAGAR PARISHAD MALAJHKHAND

AUDIT REPORT FOR THE FINANCIAL YEAR 2021-22



PATIDAR AND ASSOCIATES
CHARTERED ACCOUNTANTS



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INDEPENDENT AUDITOR'S REPORT

To the Stakeholders of NAGAR PARISHAD MALAJHKHAND

1. Report on the Financial Statements

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

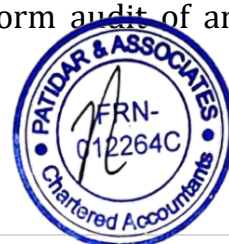
2. Management's Responsibility for the Financial Statements

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.





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, 2022.

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.

- a) Accounts prepared as per the Manual in lieu of accounting standards for local bodies as issued by Institute of Chartered Accountants of India.
- b) ULB maintains financial data on single entry system, where in, reliance is made on cashbook and related documents prepared during the year.





- c) Revenue department's records related to recovery of revenue taxes and other revenue dues has differences with accounting records maintained by accounting department.
 - d) Non-maintenance or incomplete registers as prescribed under manual and mentioned at point 3 of annexure 2.
 - e) Details relating to utilisation of grant amount during the year were not prepared.
- 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: 30/09/2022

UDIN: 22418806BEICBK8369

For Patidar & Associates
Chartered Accountants



CA Neelesh Patidar
(Partner)
MRN - 418806



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 MALAJHKHAND ("the ULB") as of March 31, 2022 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,





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

- 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.





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, 2022:

- 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, 2022 based on the criteria established by the ULB.





PATIDAR & ASSOCIATES

CHARTERED ACCOUNTANTS

+91-9893958116
capatidar.associates@gmail.com

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, 2022 financial statements of the ULB, and these material weaknesses do not affect our opinion on the financial statements of the ULB.

Date: 30/09/2022

For Patidar & Associates
Chartered Accountants

Neelesh Patidar
Partner
MRN - 418806



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.

We have verified the revenue from various sources which was recognized and entered in the books of account produced before us for verification except for the amount shown under the head "Other Grant" & "Other income" in the receipt and 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. 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. ULB also collects revenue directly into its bank account through online methods. 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. We found that the cashbook has been totalled and closed with erasable ink, i.e. pencil. This might lead to circumstances to alter the balances at later dates. Generally the cashbook should be closed under strict authorization. Also 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 recommended that entries of the cash book should be duly supported by necessary documentary evidences and authorizations.

- 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.

During our verification of revenue registers we observed huge 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, 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.	Consumer Name	Outstanding amt	Current	Total	Connection no.
23	Takle ji Malawi	-	720.00	720.00	8462987150
23	Kantilal	-	720.00	720.00	9009926286
23	Santosh yadav	-	720.00	720.00	7694957323
23	Rensingh	720.00	720.00	1,440.00	9009184131

ULB explained the interest and penalties were charged at the time of recovery.

In case of property tax

Property tax register is not maintained properly as it does not contain important details such as 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 23	Name of property holder	Outstanding due	Current due	Due since
57	Govind ram	1,319.00	-	-
79	Narendra rana	553.00	523.00	2020-21
129	Mohpat singh	75.00	1,575.00	2000-01
131	Savitri bai	75.00	675.00	2012-13
202	Bejan Bai	455.00	432.00	2020-21
241	Adim jaati Sewa Sehkari Samiti	2,147.00	8,104.00	2017-18





- 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.

We have verified the expenditure under various heads which was recognized and entered in the books of account produced before us for verification on test check basis.

- 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 below mentioned instances.

- i. ULB have not provided challans or returns for payment of TDS on GST, on IT and EPF to the Government. However ULB has explained that same had been duly deposited on or before the due date. Non-compliance of tax provision attract statutory penalty.
- ii. Deducted @2.24% which is not correct as per the applicable law.

- 3) He should also check monthly balance of the cash book and guide the accountant to rectify errors, if any.

During the year, ULB has brought forward opening balance in the cashbook which is in variance with the previous year closing balance. ULB has explained that in the current year opening balance, they took the balance held in FDR of Rs. 3,69,38,389/- and also took the bank account difference for the account ending





SBI 1052 amounting to Rs. 1,84,36,895.67/-. We suggested the accounts department the correct method to incorporate the changes.

- 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. ULB follows the hierarchy of sanctions and approvals depending upon 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 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.

As explained by the ULB they do not have any temporary advances of other than employee during the year 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 Fixed Asset Registers, Security Deposit Registers, Stores Register, Investment Registers, Register of Earnest Money Deposits 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.

As stated in point no. 1 above, as the books stores are not provided for verification, so it was not possible for us to verify whether the same is maintained as per Accounting Rules applicable to the urban local Bodies.

- 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 to employees during the year. 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 not provided to us by the ULB. The balance as on 31st March 2022 bank accounts as follows:

S.No.	Bank Name	Bank Account No.	Closing Balance as per Pass book as on 31/03/2022
1	SBI	11629761052	29,17,359.95
2	SBI	11629760922	14,16,493.22
3	SBI	11290716610	2,23,98,963.19
4	Axis Bank	372503	31.00
5	Axis Bank	201735	2,42,402.46
6	Axis Bank	52468	-
7	Axis Bank	72803	96,855.00
8	Canara Bank	3803	43,70,690.00
9	Axis Bank	96743	1,621.00
10	Axis Bank	72984	2,38,02,274.00
11	Madhya Pradesh Gramin Bank	5822	4,08,316.15
12	Madhya Pradesh Gramin Bank	1047	-
13	Madhya Pradesh Gramin Bank	1282	1,90,01,092.00
14	Union Bank of India	5694	5,54,207.95
TOTAL			7,52,10,305.92

The balance as per cashbook at year end stood at Rs. 11,21,65,154.10 which includes balance of FDR. Since ULB does not provide all the relevant information hence we were unable to guide them to prepare BRS.

- 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 records were made available to us. We were unable to verify the receipt and payment out of grant fund. 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 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 provided 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./AC No.	PRINCIPLE VALUE	ROI	MATURITY VALUE
1	SBI	3220	3,00,11,201.00	3.00%	3,68,92,007.00
2	SBI	3441	15,044.00	8.75%	23,191.00
3	SBI	3430	15,044.00	8.75%	23,191.00

- 2) It shall be ensured that proper record of FDR's are maintained and renewals are timely done.
ULB keep FDR records in physical copy form in separate file. However the renewal details were not provided to verify the timely 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 by the ULB the investments are made at best available competitive rates. However no instances were found to substantiate ULB's effort to explore alternative investment options.
- 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 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.
- 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 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 records are as follows:

S.No.	Grants	Opening Balance	Received	Utilized
-------	--------	-----------------	----------	----------





1	Stamp Duty		91,36,690.00	-
2	State Finance Commission	-	52,87,796.00	52,89,607.00
3	Road Development	-	57,70,000.00	58,38,106.00
4	15th Finance	29,99,272.00	1,80,85,000.00	1,58,09,121.00
5	Mulbhoot	-	84,84,000.00	85,46,539.00
6	Chhungikshatipurti	-	5,34,06,850.00	-
7	Yatrikar	-	23,00,000.00	-
8	Niryat Kar	-	1,51,17,000.00	-

Other than above grants certain grants were found receipt and payment statement such as:

HCL (Covid -19 prevention)	9,00,000.00
CM Adhosanrachna PH-3	3,00,000.00
Deen Dayal Antoday	1,95,000.00
Other Grant	39,95,398.00

- 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 HUDCO. The loan repayment has been timely made at each quarterly/annually (as applicable) rest. However, 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.

Details of loan repayment, as provided by the ULB to us, are provided here below:

Quarter	Interest Payment by ULB	Principal Payment by ULB	Total Payment
1	94,000.00	79,215.00	1,73,216.00
2	94,000.00	69,506.00	1,63,505.00
3	94,000.00	66,466.00	1,60,466.00
4	94,000.00	63,478.00	1,57,478.00





	3,76,000.00	2,78,665.00	6,54,665.00
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Above loan was utilised for CM adhosanrachna scheme.

- 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.



**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 Palika Parishad as of 31 March 2022 a sum of Rs 16.27 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 01/04/2021	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	2.38	1.71	0.67	141.95	136.63	138.34	5.32	5.99
2	Samekit Kar	7.17	2.10	5.07	7.14	4.53	6.63	2.61	7.68
3	Nagar Vikas Upkar	0.79	0.43	0.37	29.20	28.00	28.43	1.20	1.57
4	Siksha Upkar	0.60	0.29	0.32	15.59	14.83	15.11	0.76	1.08
5	Shop Rent	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	Water Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Other Tax	0.11	0.15	-0.04	0.00	0.00	0.15	0.00	-0.04
	Total	11.05	4.66	6.39	193.88	184.00	188.66	9.88	16.27
	Total Un-Recovered amount								16.27

For Patidar & Associates

Chartered Accountants

Neelesh Patidar
Partner
MRN - 418806

Date: 30/09/2022

**Reporting on Audit Paras for Financial Year 2021-22****Name of ULB:** NAGAR PARISHAD MALAJHKHAND**Name of Auditor:** **Patidar & Associates, Chartered Accountants**

<u>S. no.</u>	<u>Parameters</u>	<u>Description</u>	<u>Observation in brief</u>	<u>Suggestions</u>
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. Statutory & employee related dues should be 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	ULB should keep renewal details of all the FDR's.
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	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).	$\frac{13,82,48,736.00}{2,36,86,993.00} = 583.65\%$		
	b) Percentage of Capital expenditure wrt Total expenditure.	$\frac{2,72,70,393.00}{16,55,19,129.00} = 16.48\%$		
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





PATIDAR & ASSOCIATES

CHARTERED ACCOUNTANTS

+91-9893958116
capatidar.associates@gmail.com


10	Whether bank reconciliation statements is being regularly prepared		BRS not prepared by the ULB	ULB should prepare reconciliation statement to reflect the differences in balances between cashbook and bank accounts.
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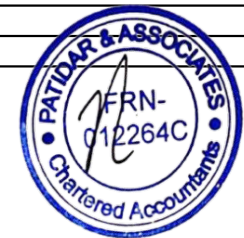


Name of ULB
Name of Auditor

Malajkhand Nagar Parishad
Patidar & Associates

Annexure C
Amt in Lakhs

S.no.	Parameters	Description		% of growth	Observation in brief					Suggestions
	Audit of Revenue	Receipt in (Rs.)								
	Rajaswa Kar wasooli	2020-21	2021-22							
1	Sampatti Kar	140.78	138.34	-1.73	Collection % w.r.t. total dues is	95.85%	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.
2	Samekit Kar	7.78	6.63	-14.82	Collection % w.r.t. total dues is	46.32%	which is	Below Average	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	28.93	28.43	-1.73	Collection % w.r.t. total dues is	94.78%	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.
4	Siksha Upkar	15.37	15.11	-1.67	Collection % w.r.t. total dues is	93.35%	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	192.86	188.51							
	Gair-Rajaswa wasooli									
5	Shop Rent	6.73	0.00	NA	Collection % w.r.t. total dues is	133.14%	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.
6	Water Tax	21.36	0.00	NA	Collection % w.r.t. total dues is	92.06%	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	40.22	0.15							
	Grand Total	233.08	188.66							



**Revised abstract sheet for reporting on audit paras
2021-22**

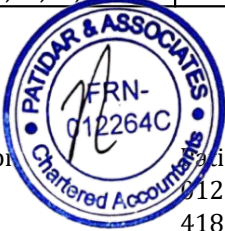
Income & Expenditure Information

S.no.	Division	District	ULB name	ULB type
1	2	3	4	5
1	Jabalpur	Balaghat	Malajkhand	Palika Parishad

Revenue receipts						
Property Tax	Other tax revenue	Fees & user charges	Revenue from municipal property	Assigned revenue	Revenue grants, Contribution & Subsidies	Other Income
6	7	8	9	10	11	12
1,38,44,770.00	73,00,444.00	3,30,546.00	22,11,233.00	7,99,60,540.00	-	41,26,609.74

Capital receipts				Total Receipts
Capital receipts	Central Finance Commission receipts	State Finance Commission receipts	Other Grants	
13	14	15	16	17
-	1,80,85,000.00	52,87,796.00	1,96,44,398.00	15,07,91,336.74

Revenue Expenditure							Total Expenditure
Establishment Expenditure	Administrative Expenditure	Operation & Maintenance	Interest & Finance Charges	Other Expenses	Loan repayment (Principle)	Other Capital Expenditure	
18	19	20	21	22	23	24	25
1,14,95,403.00	6,33,18,318.00	6,34,35,015.00	3,76,000.00	49,13,149.00	2,78,665.00	2,72,70,393.00	17,10,86,943.00

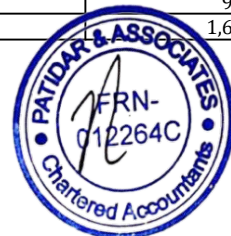

 Auditor
 FRN: 012264C
 MRN: 418806

Nagar Palika Parishad Malajkhand (Balaghat M.P)

Receipt & Payment Statement

FY 2021-22

Receipt	Amount	Payment	Amount
Opening Balance (as per current year cashbook)	13,24,60,760.36	Administrative expenses	
		Salary	3,22,62,316.00
Revenue		Insurance Premium	12,58,946.00
Property Tax	1,38,44,770.00	General Provident Fund	21,93,499.00
Adhibhar	7,462.00	Paribhashit Pension	24,19,234.00
Samekit Kar	6,12,626.00	Other	8,360.00
Development Tax	29,85,429.00	TDS-Employee	2,45,500.00
Education Cess	15,43,449.00	Wages- Daily Labour	1,51,61,073.00
Septic Tank Shulk	1,48,900.00	Wages- Primary School	2,27,938.00
Jalkar	15,77,028.00	Wages- Revenue Deptt	4,37,709.00
Litter And Debris Collection	2,13,500.00	Wages- Vehicle	5,00,373.00
Penalty	2,12,050.00	Wages- Mulbhoot	32,24,758.00
		Wages- Sanitation	5,68,708.00
Rentals		Wages- Hawkers	17,765.00
Tanker Rent	1,80,600.00	Employee Provident Fund	47,92,139.00
Gumti Rent	82,754.00		
Shopping Complex Rent	1,33,589.00	Establishment expenses	
Pond Lease	11,995.00	Telephone Expenses	2,41,672.00
Lift Rent	13,500.00	Uniform expenses	2,48,675.00
Fire Brigade Rent	5,000.00	Postage Ticket work	2,000.00
Gawa Kanha Resort	7,14,956.00	Computer repairing	6,33,889.00
Rent From Market	1,00,000.00	Consultancy Fee	30,23,630.00
Rent From Shop	8,80,339.00	Stationary	3,09,107.00
Community Hall Rent	88,500.00	C.A fees	1,94,000.00
		Vehicle Insurance Premium	3,81,374.00
Fees		Advocate fee	7,92,800.00
Mutation Fees	5,400.00	GST	13,78,659.00
Construction permission	2,950.00	Kamgaar Uthan Upkar	3,59,780.00
Certified Copy	1,48,627.00	TDS- Contractor	24,63,876.00
Kanji House	1,28,350.00	Royalty	6,88,123.00
License fees	33,219.00	Advertisment	7,77,818.00
Tap Connection charges	4,000.00		
Mobile Toilet	8,000.00	Operation & Maintenance	
		Covid 19 prevention	27,37,728.00
Grants		Computer material purchases	3,08,310.00
Mudrank Shulk	91,36,690.00	Sanitation Bulk purchase	43,28,682.00
HCL (Covid -19 prevention)	9,00,000.00	Water dept. bulk purchase	5,29,523.00
15th Finance Grant	1,80,85,000.00	P.O.L bulk purchase	46,58,869.00
State Finance Grant	52,87,796.00	P.O.L bulk purchase-Sanitation	2,70,322.00
Sadak Marmmat Grant	57,70,000.00	D.R.R P.O.L bulk purchases	3,40,934.00
Mulbhoot Suvidha	84,84,000.00	Hand pump repairing tools	42,44,534.00
Export tax	1,51,17,000.00	Tree plantation work	11,174.00
Yatri Kar	23,00,000.00	Electrical fitting bulk purchases	28,78,922.00
Compensation-Octroi	5,34,06,850.00	Tyre Tube Purchases	20,110.00
CM Adhosanrachna PH-3	3,00,000.00	Sign Board purchases	4,72,637.00
Deen Dayal Antoday	1,95,000.00	Swachta vehicle repairing	28,550.00
Other Grant	39,95,398.00	Water supply repairing	10,981.00
		Pump house repairing	11,611.00
Other Receipts		Vehicle repairing	14,07,152.00
Security deposit	61,500.00	Sumbersible Pump repair	1,43,129.00
Interest received	22,56,515.74	D.R.R. repairing	26,836.00
Tap Connection SD	8,080.00	Garbage collection	1,17,98,654.00
Security deposit	31,200.00	Garbage disposal	25,41,760.00
Sale of scrap	15,800.00	Tools Purchases	7,85,203.00
Electricity recovery	1,39,132.00	Swachta servakshan	10,53,978.00
Other Income	16,14,382.00	Rain water harvesting	10,000.00
		Vehicle rent	10,06,504.00
		JCB rent	94,802.00
		Swachta Tractor Rent	94,802.00
		Electricity expenses- HCL	1,60,856.00



		Electricity expenses- MPEB	69,48,615.00
		Misc. expenses	20,93,406.00
		Solid waste management	64,04,283.00
		Water pipe line	30,779.00
		Pipe Fitting charges	3,45,615.00
		Sanitation expenses	16,08,715.00
		Muram Dalwayi karya	3,61,972.00
		Community Hall Repairing	74,282.00
		Other Repairing	4,78,288.00
		Cilvert Repairing	9,94,534.00
		Drainage repair	89,252.00
		Building repair	9,46,911.00
		Road Repairing	30,81,800.00
		Capital expenses	
		Computer Purchase	4,81,063.00
		Hearse vehicle	3,56,705.00
		Inverter battery purchases	4,25,425.00
		Summersible Pump Purchases	3,37,417.00
		Statue purchases	22,11,044.00
		Boundry wall-Mokshdham	24,46,035.00
		Guest house construction	44,30,729.00
		Pump house construction	1,74,958.00
		Harvesting-construction	10,000.00
		Stage-Construction	13,04,288.00
		Other-Construction	93,468.00
		Drainage-Construction	4,05,094.00
		Culvert construction	7,54,584.00
		Boundary wall construction	7,65,866.00
		WBM- Road Construction	1,84,337.00
		Building Construction	11,40,605.00
		Shed Construction	9,84,951.00
		C.C. Road Construction	86,52,039.00
		Platform construction	87,863.00
		Park beautification	8,15,110.00
		Anganwadi Construction	4,41,849.00
		Toilet Construction	5,85,305.00
		Other Construction	1,81,658.00
		Other payment	
		Security deposit	38,65,671.00
		Programme expenses	1,17,478.00
		CM asangathit mazdoor kalyan yojna	2,85,000.00
		HUDCO Loan	6,54,665.00
		Sambal Yojan	6,45,000.00
		Closing Balance (as per current year cashbook)	11,21,65,154.10
Total	28,32,52,097.10	Total	28,32,52,097.10

Chief Municipal Officer
Nagar Palika Parishad Malajhkhand

Accounts Officer
Nagar Palika Parishad Malajhkhand

