

INDEPENDENT AUDITOR'S REPORT

To the Stakeholders of NARSINGHGARH NAGAR PALIKA PARISHAD

1. **Report on the Financial Statements**

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

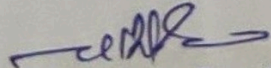
2. **Management's Responsibility for the Financial Statements**

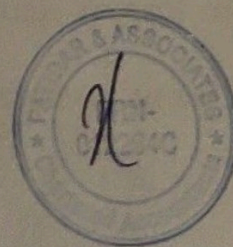
The ULB's Management is responsible for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the ULB in accordance with the provisions of Municipal Corporation Act, 1956 and accounting principles 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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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, 2020.

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.

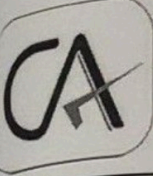
6. Emphasis of Matters

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.
- Non-maintenance or incomplete registers as prescribed under manual and mentioned at point 3 of annexure 2.

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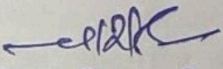
- d) Non-availability of details related with Tenders.
 - e) Non verification of EPF, TDS on GST and TDS-Income Tax deposited, as same has not been made available to us by the ULB.
- Our opinion is not modified in respect of these matters.

7. We further report that:

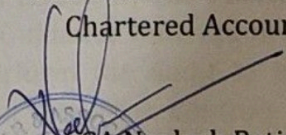
- a) We have sought and, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) Except for the possible effects 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: 25-09-2020

UDIN: 20418806AAAABK7920


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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 NARSINGHGARH NAGAR PALIKA PARISHAD ("the ULB") as of March 31, 2020 in conjunction with our audit of the financial statements of the ULB for the year ended on that date.

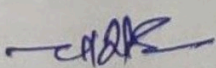
2. Management's Responsibility for Internal Financial Controls

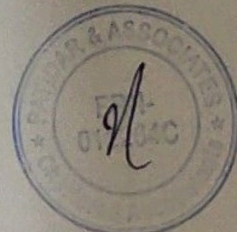
The ULB's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the ULB. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that 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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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.

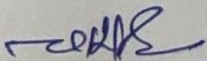
4. Meaning of Internal Financial Controls Over financial Reporting.

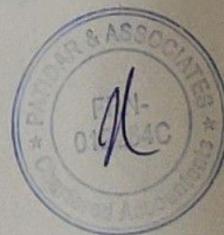
A ULB's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A ULB's internal 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.


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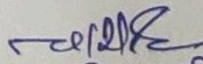
6. Qualified opinion

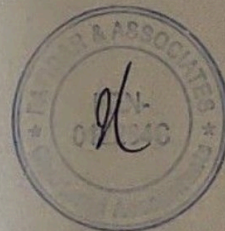
According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2020:

- 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, 2020 based on the criteria established by the ULB.


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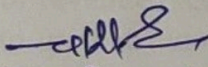


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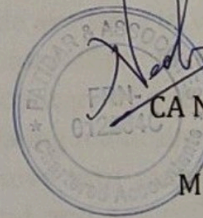
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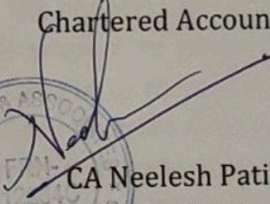
We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2020 financial statements of the ULB, and these material weaknesses do not affect our opinion on the financial statements of the ULB.

Date: 25-09-2020


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For Patidar & Associates
Chartered Accountants




CA Neelesh Patidar
Partner
MRN - 418806

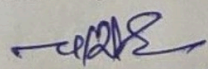


The Annexure referred to in paragraph 5 & 6 of Our Report:

Annexure '2'

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 not 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 such 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.
- 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.


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No details with respect to quarterly and monthly targets set for the FY 2019-20 and the revenue recovery against such targets were made available to us. Hence, it was not possible for us to report the revenue recovery against the quarterly and monthly targ

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

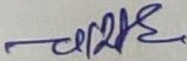
In case of Water Tax-

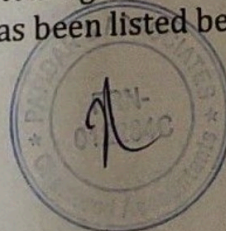
The register does not contain important details such as outstanding balance, since when dues are pending, interest charged on pending dues, legal action initiated against such pending dues. List of few pendencies of taxes from long time has been listed below::

S.no.	Ward no.	Name	Amount o/s including interest
1	5	Mohammad Khan	6387
22	5	Imam Khan	23064
17	5	Jagannath	25668
19	5	Babulal	24732
44	5	Balwant Singh	18565
2	6	Syed Sajjid Ali	27021
9	6	Anwar ali	26181
31	6	Ilahi Baksh	25057
52	6	Rajiya Bano	24743
21	7	Chhote lal	16206
26	7	Om prakash	19135
44	7	Motilal	21219
65	7	Chandrashekhar	21914
26	7	Bhagwan das	25672
35	7	Mohd. Haneef	24716
53	7	Gopilal	24634

In case of property tax

Property 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 pendencies of taxes from long time has been listed below:


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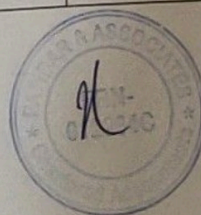


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H.no.	Regist er s.no.	Name	Year since outstandi ng	Opening outstandi ng amount	Taxes due for the year 2019-20				Total outstandi ng
					Samek it Kar	Propert y tax	Urban Developme nt cess	Educatio n Cess	
219	5	Gajodhar	1994-95	13411	150	500	167	167	14395
221	5	Bhawri Bai	1997-98	3150	150	500	167	167	3300
229	5	Shyam Lal	2004-05	6300	150	445	148	148	7191
233/2	5	Shyam Lal	1991-92	8042	150	267	89	89	12207
235	5	Jaganaath	1991-92	3048	150	267	89	89	4098
238	5	Manohar Lal	1998-99	9705	150	579	193	193	17510
4	5	Yusuf Khan	1991-92	3048	150	84	28	28	5078
12-Jan	5	Hakeem Khan	1991-92	3955	150	389	130	130	9548
38	5	Pradeep Kr.	1998-99	7336	150	156	52	52	10206
41	5	Badri Lal	2013-14	4769	150	134	45	45	7387
42/1	5	Shyam Lal	2013-14	7856	150	1210	302	302	11784
47	5	Shiv Prasad	1997-98	9903	150	603	201	201	12213
25	6	Majjid Anjuman	1997-98	11632	150	577	0	0	12359
26	6	Sahid Khan	1997-98	5705	150	386	129	129	11263
38	6	Hamdin Bai	2013-14	4626	150	373	124	124	5397
89	6	Pratap Singh	2013-14	5754	150	485	162	162	6713
109/1	6	Shumans hu Nisha	2013-14	7140	150	624	208	208	8330
134/1	6	Indra Narayan	1991-92	18377	150	703	234	234	19698
32/4/ 1	6	Rama Acharya	2013-14	18006	150	1901	475	475	21007
36/1	6	Hari Shankar	2005-06	9265	150	480	160	160	10215

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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 pendencies. List of few long time pending cases were listed below.

S.no.	Name	Amount	GST	Interest	Total Amount o/s including interest	
5	Ram Prasad Sen	8965	828	0	9793	
12	Mani Bai	39458	1008	0	40466	
14	Manipal Singh	34820	Nil	0	34820	
16	Narendra Kumar	40722	744	0	41466	
44	Ram Swarup	49610	1488	0	51098	
45	Aasha Devi	67589	1488	0	69077	
130	SDO BSNL	405216	17088	97686	519990	
6	Sardar bai	30912	0	0	30912	No GST charged on these rentals
24	Jagannath	36860	0	12495	49355	
25	Shahid Khan	29535	0	9291	38826	
33	Chote Singh	35177	0	11415	46592	
36	Rajesh Kumar	38327	0	12791	51118	
47	Paratp Singh	36427	0	11960	48387	
49	Badrilal	35627	0	11610	47237	
42	Ismile Khan	34777	0	11239	46016	
1	Saddique Mohd	12384	1688	774	14846	
19	Sobhag Singh	24850	1488	0	26338	
28	Alkesh Gupta	24341	744	0	25085	
31	Sunil Kumar	23615	744	0	24359	
41	Rajya Parivahan Nigam	59468	0	14868	74336	
53	Smt. Kirti Chavar	37533	744	0	38277	
68	Prahlad Singh	46637	744	0	47381	
71	Kapil Kumar	67137	1488	22459	91084	
44	Kamal Bhandari	41304	0	12765	54069	
59	Manager Marketing (co operative society)	112200	0	24544	136744	

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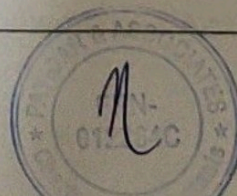


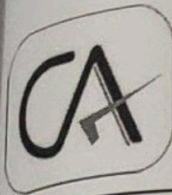
- 7) The auditor shall verify the interest income from FDR's and verify that interest is duly and timely accounted for in cash book.
We have verified the interest income from FDR's and noticed that interest income is not recognised in books of accounts on accrual basis. The same is recorded at the time 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. However on verification of Receipt & Payments with vouchers and cashbook we were unable to find records for payments entered under head difference amount (अंतर राशि) and other payments (अन्य व्यय) in Receipt & Payment.
- 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.

Date	Name	Amount	Remarks
16-08-2019	Multiple bills	63595	An amount is found to be added in vouchers in name of TDS, details of which was not provided by ULB. Also vouchers do not contain details of any statutory deductions.
19-09-2019	548	376000	EPF deducted and deposited in FDR
16-09-2010	540	296767	An amount is found to be added in vouchers in name of TDS, details of which was not provided by ULB. Also vouchers do not contain details of any statutory deductions.
23-03-2020	1185	2901	An amount is found to be added in vouchers in name of TDS, details of which was not provided by ULB. Also vouchers do not contain details of any statutory deductions.





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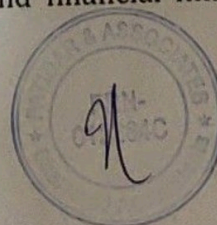
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26-03-2020	1191	40000	Voucher does not supporting documents of payment to Sanjay Ashok
26-03-2020	1192	29946	An amount is found to be added in vouchers in name of TDS, details of which was not provided by ULB. Also vouchers do not contain details of any statutory deductions.

- i. In the case of payment under construction contracts, running bills or demand for part payment were not presented by the concerned contractor. This unable us to verify whether contractor is registered under GST or not and rate at which TDS should be deducted.
 - ii. ULB have not provided challans or returns for payment of TDS on GST 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.
- 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 interest check totalling amount was noticed in course of our verification.
- 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.
No such instance has been noticed during the course of our verification.
- 5) He shall also verify that the expenditure is accordance with the guideline, directives, acts and rules issue by Government of India/ State Government.
In absence of availability of guidelines, directives, acts and rules issued by Government of India/ State Government, 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. However, in absence of information/ written document with respect to administrative and financial limits of the sanctioning

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authority, it was not possible for us to verify whether the expenditure incurred and sanctioned by authority were within their limits or not.

- 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 (UCS). 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.

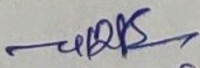
We are unable to verify the details of capitalization of expenditure since there is neither any proof available nor completion of work from respective department. There is no cross check mechanism exist to ensure the completion of project except payment of final bill. It is suggested that a proper internal control system should be framed to identify the fixed asset and its recognition in fixed asset register and books of account of the ULB.

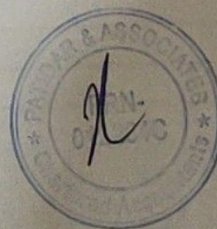
- 9) He shall verify that all temporary advances have been fully recovered.
Details regarding temporary advances were not provided to us by the ULB and hence we cannot comment on the same.

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.
Following records were not provided to us:

1. Fixed Asset Registers
2. Stock Registers
3. Advance Registers
4. Register of Advances to Contractors


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5. Register of Earnest Money Deposits

- 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 are timely recovered according to the condition of advance. All the case of non-recovery shall be specifically mentioned in audit report.

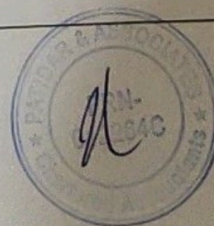
As per the information and explanation provided to us by the management of the ULB, no specific condition related to advances are placed. Hence, it is not possible for us to verify the cases of timely recovery of advances, if any.

- 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 not provided to us by the ULB. In absences of information relating to reconciliation differences and bank account wise closing of cashbook we are unable to guide ULB in preparation of BRS. However during the course of our audit we are able to extract closing balance details of cashbook and bank balance and the same is produced below:

Bank Name & Account no.	Closing balance
SBI-1795	743.24
SBI-	8,164.00
SBI-3168	70,065.00
SBI-8583	-
SBI-4738	9,905.00
Corporation Bank	1,35,291.00
SBI-1517	330.00
SBI-8572	-
Vijay Bank-526	50,01,538.00
Madhya Pradesh Gramin Bank-1001	9,544.00
Total	52,35,580.24

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Cash book was not closed bank account wise and hence it is difficult to reconcile the same with closing bank account balances. The Cash Book closing stood at Rs. 2,25,08,620/-

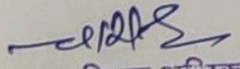
Statements for some bank accounts were not available as on 31st March 2020 but before this date. Accounts department explained to us that there were no transactions till the end of the F.Y. and hence statements were available till the last transaction date only. The details for such statements are produced below:

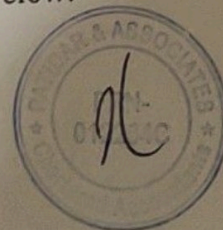
Bank Name & Account no.	Closing balance (statement as provided to us)
BOI-10204	8,06,066.83
BOI-554	2,39,092.00
Canara Bank-1135	41,607.00
BOI-338	1,13,814.00
SBI-2878	-
SBI-1046	1,046.00

- 5) He shall be responsible for verifying the entries in the Grant register. The receipts and payment of grants shall be duly verified from the entries in cash book. Grant registers were not made available to us. Hence verification of the same cannot be done from the entries in cash book. However summarised statement of grants maintained by the ULB has been provided to us which was in consonance with cashbook and produced at 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. Separate cash book were not made available to us for verification. So cannot comment on that.

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:-


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A/c No.	Bank	Rate of Interest	Period	Amount	Maturity
39237608182	SBI	5%	3 Months 26/03/20-26/06/20	3000000	3037500
38286998135	SBI	6.80%	1 year 27/09/19-27/02/20	150000	160463
38707271773	SBI	6.60%	3 year 22/08/19-22/08/22	2000000	2433989
36560390506	SBI	6.50%	Not updated Since 20/05/17	2700000	-

2) It shall be ensured that proper record of FDR's are maintained and renewals are timely done.

Proper records of FDRs are maintained.

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. Investments are made by the ULB at competitive rate. No instance found where FDR's are kept at low rate of interest than the prevailing rate.

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.

No tender related documents were provided, so we can comment on procedures of tenders / bids.

2) He shall check whether competitive tendering procedures are followed for all bids.

No tender related documents were provided, so we can comment on whether competitive tendering procedures were followed for all bids or not.

3) He shall verify the receipts of tender fee / bid processing fee / performance guarantee both during the construction and maintenance period. No tender related documents were provided, so we cannot verify the receipts of tender fee / bid processing fee / performance guarantee both during the construction and maintenance period.

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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 for the same is provided in table below:-

S.No.	Grants	Opening Balance	Received	Utilized	Closing Balance
1	Sadak Marammat	-	19.81	-	19.81
2	Mulbhoot	-	100.73	-	100.73
3	Rajy Vitt Aayog	-	37.39	-	37.39
4	Mudrank Shulk	-	2.82	-	2.82
5	Niryat Kar	-	5.84	-	5.84
6	14th Vitt Aayog	-	207.80	-	207.80
7	PM Awas yojna	-	307.00	-	307.00
	Total	-	681.39	-	681.39

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8	Chungi shati purti	-	432.53552	-	
9	Yatri kar	-	24.13	-	

Details regarding opening and utilisation were not provided by the ULB. Hence we cannot comment on utilisation of the grant amount and consequently could not provide our opinion on closing balances.

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

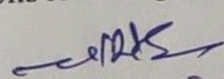
S.No.	Grants	Received	UADD records	Differences
1	Sadak Marammat	19.81	21.62	-1.81
2	Mulbhoot	100.73	95.46	5.27
4	Mudrank Shulk	2.82	4.11	-1.29
5	Niryat Kar	5.84	5.86	-0.02
6	14th Vitt Aayog	207.80	207.48	0.32
	Total	681.39	371.92	

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 and other banking institutions. 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.


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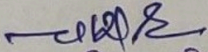
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Detail of closing balance of loan as per loan statement provided by the ULB is provided below:

S.N o.	Financial Institution	Account No.	Object of Loan	Closing balance as per bank statement
1	Bank of India	900265410000010	Peyjal Yojna	Rs. 14,77,16,272.00
2	HUDCO	-	-	Rs. 24,23,753

- 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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नगर पालिका परिषद् नरसिंहगढ़ जिला राजगढ़ (म. प्र.)

वार्षिक प्राप्ति एवं भुगतान पत्रक वर्ष (2019-20)

प्राप्ति		राशि	भुगतान		राशि
प्रारंभिक शेष		5,05,38,470.00			
सम्पत्तिकर	हाल	4,10,601.00	सामान्य प्रशासन		1,40,11,459.00
	बकाया	19,87,356.00	लेखा विनियमित कर्मचारि वेतन		96,947.00
समेकितकर	हाल	2,35,800.00	एरियर		15,09,018.00
	बकाया	11,81,392.00	स्टेशनरी		1,58,081.00
दुकान किराया	हाल	7,94,898.00	वाहन किराया		4,77,082.00
	बकाया	12,67,812.00	बधाई सन्देश		2,43,800.00
	अधिभार	6,69,297.00	निविदा विज्ञप्ति प्रकाशन		1,64,710.00
भूमि किराया	हाल	10,52,201.00	नामांतरण इस्तेहार		37,730.00
	बकाया	3,80,804.00	संचित निधि		8,17,055.00
	अधिभार	1,38,890.00	फोटो कॉपी		2,897.00
नगरीय विकास उपकर	हाल	1,40,419.00	अन्य व्यय		4,92,599.00
	बकाया	4,45,511.00	बैंक प्रभार		1,18,761.00
शिक्षा उपकर	हाल	1,26,080.00	राजस्व		28,09,913.00
	बकाया	3,68,390.00	लोक निर्माण		35,423.00
जलकर	हाल	15,72,999.00	जी पि एफ़		10,01,901.00
	बकाया	26,67,313.00	पार्क		1,87,537.00
	अधिभार	3,40,915.00	विधुत		67,38,929.00
नामांतरण शुल्क		5,81,226.00	बाल मंदिर		2,14,812.00
आवेदन शुल्क		28,952.00	जल प्रदाय		1,60,72,297.00

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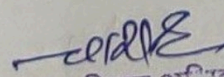


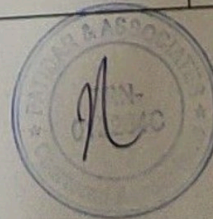


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प्रतिलिपि शुल्क	962.00	सेमिटेशन		1,03,02,025.00
राशन कार्ड	1,450.00	सड़क सफाई		1,56,81,731.00
मजदूर पंजीयन शुल्क	745.00	उत्सव		3,95,272.00
सामुदायिक भवन किराया	1,42,000.00	परिभाषित पेंशन अंशदान		18,70,866.00
सामुदायिक भवन सफाई शुल्क	18,250.00	मेला		1,21,997.00
नल कनेक्शन कटिंग	15,750.00	वाचनालय		31,641.00
नल कनेक्शन विछेद	2,86,270.00	जे सी बी मरम्मत साधारण		1,37,170.00
भवन निर्माण अनुमति	5,28,926.00	फायर अस्थाई		16,207.00
प्रमाण शुल्क	31,035.00	फायर वाहन मरम्मत संधारण		11,750.00
बज्जार बैठक	3,11,160.00	निर्माण कार्य		1,05,44,563.00
पशु पंजीयन	3,38,970.00	मरम्मत		29,85,883.00
लाइसेंस शुल्क	13,500.00	अन्य व्यय		78,500.00
नीलामी	32,500.00	विधायक निधि		8,04,826.00
निर्यात कर	4,41,000.00	मुख्या मंत्री योजनाए		
दुकान नीलामी	5,54,000.00	अनुग्रह अनुदान	8,00,000.00	
IDSMT दुकान नीलामी	2,00,000.00	शहरी पेयजल योजना	3,02,13,508.00	
बाल मंदिर	400.00	शहरी अधोसंरचना	21,18,861.00	
जुर्माना	31,650.00	कन्यादान	2,46,000.00	
बैंक ब्याज	19,17,428.00	स्वच्छता मिशन	3,46,644.00	3,37,25,013.00
जे सी बी किराया	1,400.00	अग्रिम/ निकाय लोन		6,32,218.00


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तालाब लीज	28,280.00	शुलभ शौचालय	4,24,452.00
भेला	13,700.00	प्रधान मंत्री आवास निर्माण	1,36,95,000.00
यात्री कर	24,13,000.00	बैंक ब्याज	9,10,729.00
बुगीक्षतिपूर्ति	4,32,53,552.00	अमानत वापसी	2,43,955.00
अमानत	31,26,320.00	भविष्य निधि संगठन	3,58,66,075.00
मूल भूत	1,11,07,370.00	वृत्तिकर	14,352.00
सड़क मरम्मत	20,11,000.00	हुडको लोन वापसी	5,20,205.00
राज्य वित्त आयोग	27,05,000.00	लोन वापसी जयपुर लोन	2,76,580.00
14 व वित्त आयोग	2,07,48,000.00	निर्वाचन व्यय	44,134.00
विधायक निधि	1,00,000.00	अन्वेषित सहायता	50,000.00
आंतरिक विकास	15,459.00	जल शक्ति अभियान	3,29,950.00
बाह्य विकास	1,27,163.00	ट्रांसफर राशि	6,80,677.00
होर्डिंग किराया	20,100.00	जी एस टी	34,612.00
मुद्रांक शुल्क	5,48,000.00	अंतर राशि	30,000.00
अन्य आय	2,65,151.00	अवकाश राशि	23,575.00
अन्य अनुदान	7,600.00	मूलभूत	13,92,000.00
कर्मकर मंडल शुल्क	27,880.00	संयोजन	90,29,224.00
नवीन शौचालय शुल्क	600.00	अन्य व्यय	22,28,690.00
नक्शा नवीन	6,000.00		
स्थल निरक्षण शुल्क	19,450.00		
पटा प्रीमियम शुल्क	5,000.00		
प्रधान मंत्री आवास	3,07,00,000.00		
लोन जमा निकाय	1,98,85,260.00		

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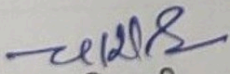


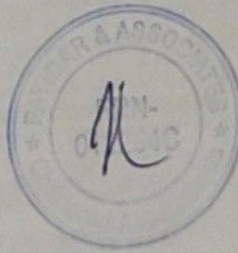


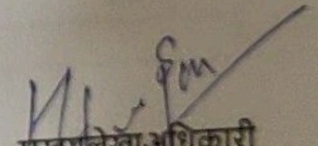
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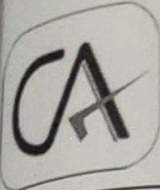
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श्रीवंश समिति अनुदान	20,000.00			
अम विभाग	16,00,000.00			
विधुत चार्ज	8,470.00			
बैंक ट्रांसफर	5,82,459.00			
वेतन अंतर राशि	86,317.00			
बस स्टैंड संचालन	3,49,500.00			
परिवार कल्याण	97,600.00			
भवन किराया	8,600.00			
समूह बिमा	4,130.00			
नगर पालिका निधि	3,67,760.00			
इ पि एफ़	7,78,000.00			
		अंतिम शेष		2,25,08,620.00
योग	21,08,33,443.00	योग		21,08,33,443.00


मुख्यनगरपालिका अधिकारी
नगरपालिकापरिषद, नरसिंहगढ़
मुख्य नगर पालिका अधिकारी
नगर पालिका परिषद, नरसिंहगढ़




मुख्यलेखा अधिकारी
लेखापाल
नगर पालिका परिषद नरसिंहगढ़



PATIDAR & ASSOCIATES
CHARTERED ACCOUNTANTS

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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 Palika Parishad as of 31 March 2020 a sum of Rs267.38 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)

Type of Tax	Due amount recoverable on 01/04/2019	Received From Previous Dues	Un-Recovered Due for More than a Year	Current Due	Current Received	Un-Recovered due of Current Year	Total un-recovered amount
Sampatti Kar	71.33	18.31	53.01	10.80	4.10	6.70	59.72
Samekit Kar	65.50	12.21	53.30	9.08	2.35	6.72	60.02
Nagriya Vikas Upkar	25.35	4.37	20.98	6.23	1.27	4.96	25.94
Shiksha upkar	14.89	3.69	11.20	6.23	1.27	4.96	16.16
Bhawan/Bhumi Kiraya	13.95	4.77	9.18	2.07	1.68	0.39	9.58
Jal Upbhokta Prabhar	90.90	29.72	61.18	27.92	15.10	12.81	73.99
Shop rent	27.99	18.05	9.94	12.12	7.68	4.44	14.38
Anugya Shulk	0.00	0.00	0.00	7.00	6.57	0.43	0.43
Other Tax	0.00	0.00	0.00	50.00	42.84	7.16	7.16
Total	309.91	91.12	218.79	131.45	82.86	48.59	267.38
Total Un-Recovered amount							267.38

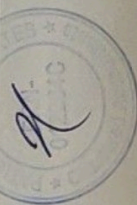
मुख्य नगर पालिका अधिकारी
नगर पालिका परिषद, नरसिंहगढ़

For Patidar & Associates
Chartered Accountants

Date: 25-09-2020

CA Neelesh Patidar
Partner
MRN - 418806

S.no.	Parameters	Description	% of growth	Observation in brief	Suggestions
	Audit of Revenue	Receipt in (Rs.)			
	Rajawar Kar wasooli	2018-19	2019-20		
1	Sampatti Kar	11.43	22.41	Collections w.r.t. total dues is around 27.92% which is average. 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	12.13	14.56	Collections w.r.t. total dues is around 19.52% which is quite average. Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.
3	Nagriya Vikas Upkar	4.30	5.63	Collections w.r.t. total dues is around 17.84% which is quite average. Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.
4	Shiksha upkar	2.74	4.96	Collections w.r.t. total dues is around 23.47% which is average. Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.
	Total	30.60	47.56		
	Gair-Rajawar wasooli				
5	Bhawan/Bhumi Kiraya	1.46	6.45	Collections w.r.t. total dues is around 40% 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	Jal Upbhokta Prabhar	27.31	44.82	Collections w.r.t. total dues is around 37.73% which is average. Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.
7	Shop rent	15.64	25.74	Collections w.r.t. total dues is around 64.16% 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.
8	Anugya Shulk	2.90	6.57	Collections w.r.t. total dues is around 93.87% which is very good.	ULB should impose strict penalties and legal actions to improve current due collection in next year.
9	Other Tax	31.95	42.84	Collections w.r.t. total dues is around 85.68% which is very good.	ULB should impose strict penalties and legal actions to improve current due collection in next year.
	Total	79.26	126.42		
	Grand Total	109.86	173.98		



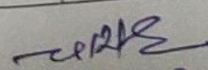
मुख्य नगर पालिका अधिकारी
नगर पालिका कार्यालय, नरसिंहगढ़

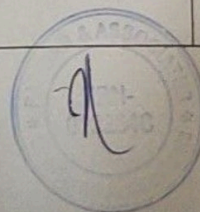
Reporting on Audit Paras for Financial Year 2019-20

Name of ULB:
Name of Auditor:

Narsingharh Nagar Parishad
Patidar & Associates, Chartered Accountants

<u>Parameters</u>	<u>Description</u>	<u>Observation in brief</u>	<u>Suggestions</u>
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.
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	Outstanding FDR's details during the year are provided in prescribed annexure.
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	


मुख्य नगर पालिका अधिकारी
नगर पालिका परिषद, नरसिंहगढ़



a) Percentage of revenue expenditure (Establishment, salary, Operation & Maintenance) with respect to revenue receipts (Tax & Non Tax).	441.39% $(8,77,55,110 / 1,98,81,602) \times 100$		
b) Percentage of Capital expenditure wrt Total expenditure.	30.55% $(5,75,41,146 / 18,83,24,823) \times 100$		
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.	ULB should impose strict action to collect such amount or make necessary adjustment after prior approval of relevant authority.
10 Whether bank reconciliation statements is being regularly prepared		BRS not provided.	ULB should prepare BRS to reconcile cashbook balance with bank balance.

मुख्य नगर पालिका अधिकारी
नगर पालिका कार्यालय, नरसिंहपुर

