
NAGAR PARISHAD SATWAS

AUDIT REPORT 2019-20

AUDITOR:

NPJS & ASSOCIATES

CHARTERED ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

To the Stakeholders of NAGAR PARISHAD SATWAS

1. Report on the Financial Statements

We have audited the accompanying financial statements of NAGAR PARISHAD SATWAS ("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.

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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, apart from the effects of the matter described in the report attached below, we do not found any correlation between the receipt & payment account attached herewith and financial records provided to us by the ULB. Therefore the Receipt & Payment Account annexed to this report does not give true and fair view of financial transactions affected by ULB.

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.

10/03/2021

6. Emphasis of Matters

We draw attention to the following matters reported in Annexure - 2, annexed to this report.

- Accounts were not 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 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.
- Non-availability of details related with Tenders.
- Non verification of EPF, TDS on GST and TDS-Income Tax deposited, as same has not been made available to us by the ULB.
- A probe is going on for diversion of fund from PMAY to general fund chhungi account and its utilization.

Our opinion is modified in respect of these matters.

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7. We further report that:

- 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;
- 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.
- The Receipt & Payment Account dealt with by this Report are in agreement with the books of account.
- 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.
- 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.
- The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
- With respect to the adequacy of the internal financial controls over financial reporting of the ULB and the operating effectiveness of such controls, refer to our separate Report in 'Annexure I'.

Date: 09/03/2021

UDIN: 21421786AAAAAN6714

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For NPJS & Associates
Chartered Accountants

CA Jitendra Singh
(Partner)

MRN - 421786



Annexure 'I'

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 SATWAS("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, 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 for the

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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, 2020:

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- 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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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: 09/03/2021


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For NPJS & Associates
Chartered Accountants




CA Nitendra Singh
Partner
MRN - 421786



Annexure '2'

The Annexure referred to in paragraph 6 of Our Report:

1. Audit of Revenue

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

We have verified the revenue from revenue department's record & entered in the registers prepared by them and produced before us for verification. However in absence of cashbook we were unable to verify its entries.

- 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.

Documents for such verification were not provided by the ULB.

- 5) The entries in Cash book shall be verified.

Cashbook were not made available to us by the ULB. Hence were unable verify its the entries. 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. 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 outstanding from past several years, below mentioned are few cases.

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In case of Water Tax-

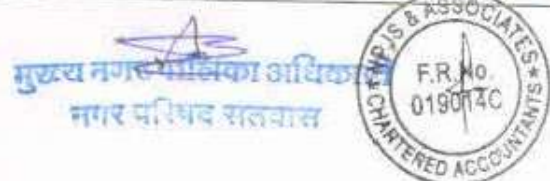
Water tax register is not maintained properly as it does not contain important details such as since when dues are pending, interest charged on pending dues, legal action initiated against such pending dues. List of few pendencies of taxes from long time has been listed below:

S.no.	Consumer Name	Outstanding Amount (Rs.)
1	Jagdish Champalal	3,600.00
2	Gita Bai Bhagirath	4,650.00
3	Shanti Bai Rambabu Darbaar	3,600.00
4	Banobi Shabeer kha	3,600.00
5	Sudama Chunnilal Yadav	3,600.00
6	Ashok Ratan lal Jaiswal	3,000.00
7	Samsher Babu kha	3,600.00
8	Basubai Kailash Jaat	3,320.00
9	Nasib Kha Babu kha	3,000.00
10	Babu Kha Jahangir Kha	4,350.00

In case of property tax

Property tax register is not maintained properly as it does not contain important details such as 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:

Ward No.	Consumer Name	Property Tax	Ward No.	Consumer Name	Samekit Kar
13	Rahees Abdul Khan	2,426.00	1.00	Kayum Imrat Kha	888
4	Chandu Lal Jaiswal	8,044.00	1.00	Samid Imrat Kha	1016
4	Kailash Chandra Hajarilal	4,894.00	1.00	Sudha Devi Omprakash	782
2	Mankha Chandkha	2,102.00	2.00	Yogesh Narmad Prasad	624
2	Dulchand Sitaram Nogja	7,416.00	9.00	Jagdish Shivprasad	624
6	Sanjay Ramchandra Malviya	12,164.00	9.00	Mustak Gafur kha	624
6	Habib Ali Ashel Ali	4,022.00	9.00	Gorelal Mangilal	624





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5	Rajesh Laxmi Naraya Solanki	5,372.00	9.00	Nrmada Prasad Jageshwar	770
5	Shiv Narayan Ghasiram Solanki	5372	11	Ayub Gafur kha	624
5	Krishna Bai Sanajy Soni	5064	-	-	-

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	Total(Rs.)
1	Kapil Santosh Jaat	18,000.00
2	Kawar Hameed Kha	22,700.00
3	Kamlesh Gangvishan Joshi	25,400.00
4	Dr. Sanjay Hukum singh Yadav	19,440.00
5	Tulsi ram Ghasiram Yadav	26,640.00
6	Kailash patel badoda	24,119.00
7	Jitendra Ashok Verma	24,119.00
8	Ramdin Laxman Satwas	28,110.00
9	Kamni Dinesh Joshi	27,600.00
10	Ravishankar Bhwani Singh	13,716.00
Grand Total		2,29,844.00

- 7) The auditor shall verify the interest income from FDR's and verify that interest is duly and timely accounted for in cash book.
Details related to FD's were not provided by the ULB and hence we cannot verify that interest is duly and timely accounted for in cash book.
- 8) The case where, the investments are made on lesser interest rates shall be brought to the notice of the Commissioner/CMO.
Details related to FD's were not provided by the ULB and hence we cannot verify case where, the investments are made on lesser interest rates.

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 on test check basis with the vouchers produced before us for

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verification. However in absence of cashbook the entries related to expenditure could not be confirmed.

- 2) He is also responsible for checking the entries in cash book and verifying them relevant vouchers.

In absence of cashbook the entries related to expenditure could not be confirmed. Test checked vouchers revealed below mentioned instances.

V.no.	Name of the party	Purpose	Amount	Remarks
199	Agarwal & Associates	Accounting invoice	50,000	No TDS deducted
21	Lakhan Bansal & Co.	Audit bill	41,300	No TDS deducted
187	Amit Joshi	Contract for flex printing	35,020	No TDS deducted
187	Amit Joshi	Contract for flex printing	48,950	No TDS deducted
-	Agarwal computers	Website Design	98,500	No TDS deducted, No Voucher no.
-	Om sai ram Construction	Water work related purchase	4,52,367	No Signature of president No Voucher no.
-	Hari Om stationary	Stationary purchase	22,794	No Signature of president No Voucher no.
232	-	Water pump repair	57,010	No TDS deducted
226	-	Water pump repair	64,890	No TDS deducted
264	Shubham Jain	Payment to civil eng. For Map design	1,99,500	No TDS deducted

No invoices/bills attached with the vouchers made during the month

86	-	Jal pradye	Invoice Rs 8,900/- Paid Rs 19,302/-	Payment made twice for the same voucher
69	-	-	2,001	Voucher not available for these V.no. entered in cash register
70	-	-	25,000	Voucher not available for these V.no. entered in cash register
30	-	-	19,502	Voucher not available for these V.no. entered in cash register
33	-	-	10,93,175	Voucher not available for these V.no. entered in cash register

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36	-	-	4,00,000	Voucher not available for these V.no. entered in cash register
37	-	-	7,000	Voucher not available for these V.no. entered in cash register
43	-	-	20,502	Voucher not available for these V.no. entered in cash register
55	-	-	5,363	Voucher not available for these V.no. entered in cash register
59	-	-	6,350	Voucher not available for these V.no. entered in cash register
60	-	-	6,500	Voucher not available for these V.no. entered in cash register
63	-	-	8,001	Voucher not available for these V.no. entered in cash register
65	-	-	1,31,474	Voucher not available for these V.no. entered in cash register
66	-	-	73,789	Voucher not available for these V.no. entered in cash register
69	-	-	2,001	Voucher not available for these V.no. entered in cash register
70	-	-	25,000	Voucher not available for these V.no. entered in cash register
71	-	-	31,500	Voucher not available for these V.no. entered in cash register

- i. 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.

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No issue of any difference in test 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 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.

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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/completed the very crucial records such as Cashbook, Grant Registers, FDR register, Fixed Asset Registers, Security Deposit Registers, Stock Registers, Loan Registers, Investment Registers 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 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

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Details of few bank statements were provided to us by the ULB. Balances of such accounts as on year end reconciles with balance of cashbook as explained by the ULB but no evidences corroborating the same were made available to us. Bank Reconciliation is not provided to us by the ULB. Moreover information relating to reconciliation differences were not made available to us hence we were unable to guide the ULB in preparation of BRS. We suggest the ULB to prepare periodical BRS.

Few balances were provided to us which are produced as below:

S.No	Bank Name	Bank A/c No.	Closing Balance as per Cash book as on 31/03/2020	Closing Balance as per Pass book as on 31/03/2020	Difference
1	SBI	1601	18,68,474.00	18,68,474.00	-
2	BOI	1355	-	1,29,392.00	(1,29,392.00)
3	BOI	8145	-	40,23,243.00	(40,23,243.00)
4	Jila Sehkari	2491	14,73,885.00	14,73,885.00	-
TOTAL			33,42,359.00	74,94,994.00	(41,52,635.00)

- 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.
- 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.
Details relating to FD's were not provided to us and hence we were unable to verify the same.

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- 2) It shall be ensured that proper record of FDR's are maintained and renewals are timely done.
Details relating to FD's were not provided to us. Hence, we cannot comment on timely renewals were made or not.
- 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.
Details relating to FD's were not provided to us. Hence, we cannot comment on where FDR'S / TDR 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.
Details relating to FD's and cashbook were not provided to us hence we cannot comment on the same.

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.
- 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.

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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.

Grant registers were not updated and does not contains opening balances. However grant records of UADD shows receipt of following grants by the ULB:

S.No.	Grants	Received
1	Sadak Marammat	9,42,000.00
2	Mulbhoot Suvidha	30,84,000.00
3	State Finance	29,53,000.00
4	Mudrank Shulk	4,73,000.00
5	Chhungikshatiputri	1,54,10,898.00
6	Yatrikar	5,82,000.00
7	Vishesh Nidhi	2,50,00,000.00
8	14th Finance	1,02,20,000.00

Receipt & Payment account carries grant at consolidated amount hence we cannot verify the individual grant amounts.

2) He is responsible for audit of grants received from State Government and its utilization. Details of total grant have been provided as above in absence of bifurcated details.

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.

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Quarterly details and loan statement were not provided instead annual details and balances provided as follows:

Opening outstanding balance	9,30,5000.00
Repayment	19,77,356.00
Closing outstanding balance	73,27,644.00

The above details are provided by the ULB from their records and hence in the absence of loan statement from bank we cannot verify or comment on the actual outstanding of the balances as per bank.

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

As the records related to receipts & expenditure of grants were not provided to us we cannot comment upon instances of diversion of funds from one grant account to another.. However, due to inherent limitation of internal controls over financial reporting possibilities of fund diversion cannot be ruled out completely. Also a probe is in process against the concerned officers of the ULB for diversion of fund of Rs. 50 Lakhs approx. from PMAY to general fund chhungi account.

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Nagar Parishad Satwas, Distt Dewas

Receipts and Payment

1st Apr 2019 to 31st Mar 2020

RECEIPTS	AMOUNT	PAYMENTS	AMOUNT
Opening Balances		Current Liabilities	
Bank Accounts	22,57,667.00	Duties & Taxes	25,452.36
Current Liabilities		Fixed Assets	
Duties & Taxes	9,466.00	CC Road	26,66,310.08
Indirect Income		CC TV system	13,400.00
Shop rent	35,397.00	Computer A	66,005.00
14th Finance Commission	60,93,000.00	Nala nirman	8,44,075.00
Bank Transfer	50,00,000.00	Indirect Incomes	
Cheque return	19,49,908.00	Totaling Mistake in	3,40,658.00
Chungi Kar	64,69,742.00	Indirect Expenses	
Colony Development	25,000.00	Tanker R&M	5,501.18
Consolidated Grants	5,39,04,404.00	Adhosarochana T/F	50,00,000.00
Correction for receipts	1,680.00	Advertisement Expenses	3,16,980.98
Education Cess	1,436.00	Bank charges	95.00
Fee Application	330.00	BOI Transfer	37,00,000.00
Fee copy of Certificate/Extract	1,440.00	Buliding Community	1,31,474.00
Intrest Saving Bank A/C	2,60,452.00	Bulk Purchases Sanitation/conservancy	7,69,187.00
Licence Fee Other Bhavan Anu	1,000.00	CM Adhosochna	14,00,916.00
Market Rent	3,667.00	Computer stationary & Consumable	1,58,260.90
Marriage Registration	800.00	Electricity Expenses	41,95,623.36
Misc Income	6,37,202.18	GPF Expenses	8,500.00
Mutation Charge Application	9,700.00	Hire charges vehicle	3,22,654.72
Other Fee	15,421.00	HUDCO loan	2,15,623.36
Other Tax	3,898.00	Jalsmagri	53,47,659.60
Receivable Porperty Tax 2018-19	67,767.00	JCB rent	2,42,102.00
Receivable Porperty Tax O/s	2,59,340.00	Legal Fees	7,17,408.72
Receivable samekit kar	1,14,997.00	Misc Expenses	49,97,064.00
Receivable samekit kar O/s	4,86,170.00	Other expense	29,720.00
Receivable shop rent O/s	85,817.00	Packing	12,300.00
Receivable Urban development cess	1,656.00	Prashad GAN manday	98,520.00
Receivable Urban development cess O/s	3,152.00	Petrol Deisel own vehicle	38,94,077.00
Receivable water tax	1,00,026.00	Printing & Stationary	1,52,705.62
Receivable education cess O/s	3,379.00	Programme Expense	4,66,448.26
Receivable Water tax O/s	41,230.00	Rent Expenses OTHERS	39,403.36
Sambal yojana receipts	4,00,000.00	R&M building sanitation & SWM	89,000.00
Sanchit Nidhi	14,73,885.00	R&M fire tender	7,501.18
Tender money	27,502.00	R&M metalled road	1,60,198.00
Totaling mistake in	350.00	R&M Moter pump	1,88,892.72
User Charges toilet	14,514.00	R&M other structures	49,01,151.00
Vetan Kotora	1,03,602.00	R&M Tractors	94,000.00
Water Tax	1,71,535.00	R&M Vehicles	2,92,387.36

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Yatri karr	81,000.00	Salary	1,37,98,995.76
Indirect Expenses		Sambal yojana payment	8,05,007.08
Tanker R&M	1,240.00	Swatch bharat abhiyan	2,22,440.00
Misc Expenses	1,29,000.00	Telephone Expense	20,449.18
Sambal yojana Payment	15,000.00	UISDT yojana	1,60,00,000.00
Water Tanker	2,110.00	Velding Expense	8,051.00
		Vidhut Samagri	19,502.00
		Water Bore well/tubewell	1,92,012.80
		Water expense	35,63,808.88
		Water Tanker	3,81,000.00
		Closing balance	
		Bank A/c	33,42,359.72
Total	8,02,64,882.18	Total	8,02,64,882.18

Chief Municipal Accountant

Chief Municipal Officer, Nagar Parishad Satwas, Distt. Dewas

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Other Audit Observations

1. Non recovery of taxes

Urban Local Bodies (ULB) earns revenue from their own resources through taxes, rent, fees, issue of licenses etc. In test check of Nagar Parishad as of 31 March 2020 a sum of Rs 46.26 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 01/04/2019	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
1	Sampatti Kar	6.03	3.29	2.74	8.50	1.89	6.61	9.35
2	Samakit Kar	4.03	1.03	3.00	4.43	0.67	3.76	6.76
3	Nagriya Vikas Upkar	1.00	0.09	0.91	0.82	0.31	0.51	1.42
4	Shiksha upkar	1.05	0.19	0.86	0.85	0.25	0.60	1.46
5	Shop rent	8.26	3.02	5.24	5.00	0.43	4.57	9.81
6	Jal Upbhokta Prabhar	12.00	1.60	10.40	8.00	0.94	7.06	17.46
7	Tehh Bajar	0.00	0.00	0.00	3.12	3.12	0.00	0.00
	Total	32.37	9.22	23.15	30.72	7.61	23.11	46.26
	Total Un-Recovered amount							46.26

2. ULB has provided Receipts & Payment account which has been prepared by the chartered accountant firm. However workings and evidences relating to the receipts and payments were not made available to us. Therefore in expressing our opinion with respect to the financials of the ULB we place our reliance on such receipts & payment account. We suggest the users of such financials to use them with caution.

Date: 09/03/2021

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For NPJS & Associates

Chartered Accountants



CA Jitendra Singh

Partner

MRN - 421786

Name of ULB: Satwas Nagar Parishad
Name of Auditor: NPJS & Associates

Annexure C

S.no.		Parameters	Description		% of growth		Observation in brief		Suggestions
		Audit of Revenue	Receipt in (Rs.)						
		Rajawra Kar wasool	2018-19	2019-20					
1		Sampatti Kar	28.76	5.18	-81.99	Collections w.r.t. total dues of current year is around 35.65% 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.	
2		Samekit Kar	5.20	1.70	-67.10	Collections w.r.t. total dues of current year is around 20.99% which is not upto the mark	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	0.31	0.40	30.56	Collections w.r.t. total dues of current year is around 21.98% which is not upto the mark	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	1.23	0.44	-64.13	Collections w.r.t. total dues of current year is around 23.16% which is not upto the mark	Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.	
Total			35.49	7.72					
Gair-Rajawra wasool									
5		Shop rent	4.64	3.45	-25.66	Collections w.r.t. total dues of current year is around 26.02% which is not upto the mark	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	6.25	2.54	-59.37	Collections w.r.t. total dues of current year is around 12.70% which is not upto the mark	Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.	
7		Tehh Bajar	9.54	3.12	-67.31	Collections w.r.t. total dues of current year is around 100.00% which is Very good	Need to improve collection efforts of previous years dues.	Previous year dues were not outstanding.	
Total			20.44	9.11					
Grand Total			55.92	16.83					



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Reporting on Audit Paras for Financial Year 2019-20

Name of ULB: Satwas Nagar Parishad

Name of Auditor: NPJS & 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. TDS should be correctly deducted and deposited on time.
3	Audit of Book keeping	Verification of books of accounts and stores are maintained as per accounting rules, advance register and check timely recovery, Bank reconciliation statement, grant register, fixed asset register	Observations were listed in brief in point no. 3 of annexure 2 of audit report attached	Required books of accounts as prescribed under MP MAM Should be maintained
4	Audit of FDR/TDR	Verify fixed deposits and term deposits and their maintenance	Observations were listed in brief in point no. 4 of annexure 2 of audit report attached	FD registers should be updated timely with each renewals.
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	27.86% (3,96,10,154 /1,10,35,437) x 100		

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	e (Establishment, salary, Operation & Maintenance) with respect to revenue receipts (Tax & Non Tax).			
	b) Percentage of Capital expenditure wrt Total expenditure.	19.87% $(98,24,710 / 4,94,34,865) \times 100$		
9	Whether all the temporary advances have been fully recovered or not.		Cases of outstanding advances have been outlined in point no. 3 (3) of report 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 prepared by the ULB	ULB should prepare BRS periodically to reconcile the differences, if any.

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