MALAJKHAND NAGAR PALIKA PARISHAD

AUDIT REPORT 2019-20

AUDITOR:
PATIDAR & ASSOCIATES
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Stakeholders of MALAJKHAND NAGAR PALIKA PARISHAD

1. **Report on the Financial Statements**

We have audited the accompanying financial statements of MALAJKHAND 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.

a) Accounts prepared as per the Manual in lieu of accounting standards for local bodies as issued by Institute of Chartered Accountants of India.

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

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c) Non-maintenance or incomplete registers as prescribed under manual and mentioned at point 3 of annexure 2.
d) Non-availability of details related with 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'.

For Patidar & Associates
Chartered Accountants

Date: 29/09/2020
UDIN: 20418806AAAABP2035

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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 MALAJKHAND 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

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obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the ULB's internal financial controls system over financial reporting.

4. Meaning of Internal Financial Controls Over financial Reporting.

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

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

b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the ULB are being made only in accordance with authorizations of management and officers of the ULB; and

c) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the ULB's assets that could have a material effect on the financial statements.

5. Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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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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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.

For Patidar & Associates
Chartered Accountants

PATIDAR & ASSOCIATES FRN-012264C Chartered Accountants

Date: 29/09/2020

CA Neelesh Patidar
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Annexure '2'

The Annexure referred to in paragraph 6 of Our Report:

1. **Audit of Revenue**

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

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

2) He is also responsible to check the revenue receipts from the counter files of receipt book and verify that the money receipt is duly deposited in respective bank account.

   The counter foils or revenue receipts were 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.

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6) The auditor shall specifically mention in the report the revenue recovery against the quarterly and monthly targets any lapses in revenue recovery shall be a part of the report.

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 target.

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

In case of Water Tax-

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

Ward No.	Consumer Name	Outstanding Amount (Rs.)
14	Sonulal	4,540.00
20	Murat Singh Uikey	4,550.00
20	Sariff khan	4,400.00
24	Virendra Bisen	2,760.00
16	Armaan Beda	3,840.00
16	Dhanush Pate	2,760.00
	Total	**22,850.00**

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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Consumer Name	Total
Bhagwat Prasad Goswami	16,824.00
Arvind Horiya	23,700.00
Dropkishore Meravi	14,832.00
Gyan singh Dhurve	11,822.00
Santosh Katare	9,766.00
Vijay mudliyer	21,330.00

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.	Particular	Outstanding(Rs.)
1	Vijay Mudliyar	21,330.00
2	Arvind Toria	23,700.00
3	Gyan Singh Dhurve	11,822.00
4	Santosh Katare	9,766.00
5	Bhagvat Prasad Goswami	16,824.00
	Grand Total	**83,442.00**

7) The auditor shall verify the interest income from FDR's and verify that interest is duly and timely accounted for in cash book.
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.

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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.

2) He is also responsible for checking the entries in cash book and verifying them relevant vouchers.
We have verified the entries in cash book on test check basis which were supported by relevant vouchers/note sheets. However, considering the bulk quantum of entries and the weak internal control procedures, the discrepancies in the entries of cash book cannot be ruled out. Test checked vouchers revealed below mentioned instances.

   i. 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 deducted TDS @2.24% on all cases, irrespective of nature of payment.
   iii. 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 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.

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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 Choose an item. 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.

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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. Security Deposit Registers
    3. Stock Registers
    4. Register of Advances to Contractors
    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

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Bank Reconciliation is not provided to us by the ULB. We are unable to guide the ULB in preparation of the BRS as the necessary details were not made available to us. However ULB has provided the balance as on 31st March 2020 as per bank account & produced as follows:

S.No.	Bank Name	Bank Account No.	Closing Balance as per Pass book as on 31/03/2020	Type
1	State Bank of India Mehgoan	11629761052	47,49,720.95	Palika Nidhi
2	State Bank of India Mehgoan	1162961449	1,35,024.53	10 th finance comission
3	State Bank of India Mehgoan	11629783305	19,80,244.00	FDR sanchit nidhi
4	State Bank of India Mehgoan	11629783430	23,191.00	FDR sanchit nidhi
5	State Bank of India Mehgoan	11629783441	23,191.00	FDR sanchit nidhi
6	State Bank of India Mehgoan	11629783292	17,32,042.00	FDR sanchit nidhi
7	State Bank of India Mehgoan	11629783281	20,31,849.00	FDR sanchit nidhi
8	State Bank of India Mehgoan	11629760922	1,83,02,316.00	sanchit nidhi khata
9	State Bank of India Mehgoan	11629761369	2,17,747.00	seheri garibi upshaman kosh
10	State Bank of India Mehgoan	11629760944	68,219.00	Nagriya upshaman kosh
11	State Bank of India Mehgoan	33682246524	48,07,709.00	sansad Nidhi
12	State Bank of India Mehgoan	1162760478	23,517.51	janlkalyan mad
13	State Bank of India Mehgoan	11629760933	1,27,177.51	gandi basti
14	State Bank of India Mehgoan	11629761959	1,06,585.93	jev vivdha prabhadan
15	State Bank of India Mehgoan	11629760626	6,552.53	samudayik vikas samiti
16	State Bank of India Mehgoan	33789841827	31,94,469.74	UIDSSMT. Sadak phase 2
17	State Bank of India Mehgoan	30698769104	11,22,295.04	sarv sikhsa abhiyan
18	State Bank of India Mehgoan	32385886252		bhawan nirmaan upkr

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			66,179.20	
19	Sate Bank Of India Malajkhand	3242816777	27,881.00	mukhya mantri adhosarachana vikas
20	Sate Bank Of India Malajkhand	11290716610	3,49,56,761.49	palika nidhi
21	Sate Bank Of India Malajkhand	31643087185	15,327.00	
22	Sate Bank Of India Malajkhand	31654379505	2,25,107.00	adivaasi vikas yojna
23	Sate Bank Of India Malajkhand	11290716983	6,677.30	UIDSSMT JAL Averdhan
24	Central Madhya Pradesh Grahmin Bank Mehgaon	20020110100 01280	1,39,87,234.40	Palika Nidhi
25	Central Madhya Pradesh Grahmin Bank Mehgaon	20020113001 3698	19,62,972.50	Palika Nidhi
26	Central Madhya Pradesh Grahmin Bank Mehgaon	20020110100 01040	8,831.00	sahayak adhyapak
27	Central Madhya Pradesh Grahmin Bank Mehgaon	20020110300 16950	48,36,203.97	sauchalaya nirmaan
28	Central Madhya Pradesh Grahmin Bank Malajkhand	20018710300 0582	35,904.17	jankalyan kari yojna
29	Central Madhya Pradesh Grahmin Bank Malajkhand	20018711100 000100	52,31,315.00	nidhi
30	Union Bank of India Birkha	43290201000 5730	19,54,387.00	BRGF
31	Union Bank of India Birkha	43290201000 2743	5,515.00	Palika Nidhi
32	Union Bank of India Birkha	43290201000 5694	11,592.00	Palika Nidhi
33	Union Bank of India Birkha	43290201000 5695	53,365.00	jankalyan kari yojna
34	Jila Shehkari kendriya bank maryadit malajkhand	64901900982 4	9,12,106.00	Palika Nidhi
35	Axis Bank	91301002237 2503	23,69,600.00	Swacha bharat mission
36	Axis Bank	91701002020 1735	88,90,451.12	Palika Nidhi
37	Axis Bank	91702006205 2468	47,47,000.00	Swacha bharat mission
38	Axis Bank	91701006157 2803	1,65,83,891.00	banjar nadi katav retaining wall
39	Aadim jati seva sehakari samiti motor	605	21,280.00	Palika Nidhi
40	Indian Overseas Bank		18,54,274.00	Palika Nidhi

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41	Indian Overseas Bank	92101000009090	20,569.00	Palika Nidhi
42	Indian Overseas Bank	92101000008806	96,01,445.00	mukhya mantri adhosarachana vikas
43	Canara Bank	4118101003803	57,98,532.00	Palika Nidhi
		Total	**15,28,36,252.89**	

Bank Account wise details were not maintained in cashbook and hence we cannot comment on account wise closing cashbook balance. However the total cashbook balance stood at Rs. 9,85,07,419.23. In the absence of Bank Reconciliation the reason for difference cannot be commented upon.

Opening balance in current year cashbook stood at Rs. 8,73,01,516/- but closing balance as per previous year audit report was Rs. 8,63,20,288.27. No explanation was provided for this difference in opening and closing balance.

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. The same is provided 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.

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4. Audit of FDR

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

S.NO.	BANK NAME	FDR NO.	PRINCIPAL AMOUNT
1	State Bank of India	12020501150	7,00,000.00
2	State Bank of India	150005011500	8,37,146.00
3	State Bank of India	150005011501	9,85,000.00
4	State Bank of India	11629783430	23,191.00
5	State Bank of India	11629753430	10,000.00
6	State Bank of India	11629783441	23,191.00

   FD Renewal details were not maintained properly and hence we cannot comment on renewals and closing balance as on 31st March 2020.

2) It shall be ensured that proper record of FDR's are maintained and renewals are timely done.
   Proper records of FDRs are maintained. Records of renewal are not properly maintained by the ULB. 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.
   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.

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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.

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 are provided in table below:-

S.No.	Grants	Opening Balance	Received	Utilized	Closing Balance
1	14 वित्त आयोग	5,33,63,397.00	1,76,24,000.00	4,38,50,845.00	2,71,36,552.00

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2	14 वित्त आयोग परफारमेंस ग्रान्ट	-	84,57,000.00	-	84,57,000.00
3	राज्य वित्त आयोग	25,82,567.00	35,99,000.00	61,81,567.00	-
4	सडक मरम्मत	-	22,62,000.00	22,62,000.00	-
5	मूलभूत सुविधा	-	7,89,600.00	7,89,600.00	-
6	विशेष निधि	1,50,00,000.00	-	-	1,50,00,000.00
7	मुद्रांक शुल्क	-	2,87,000.00	2,87,000.00	-
8	प्रधानमंत्री आवास योजना	12,23,39,572	4,55,40,000	10,96,25,774.3	5,82,53,797.7

As explained to us separate cash book for Pradhan Mantri Awas Yojna is maintained by the ULB. The balance of this cashbook is not considered in the opening and closing cashbook balances of the receipt payment statement prepared by the ULB.

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

S.No.	Grants	Received	As per UADD	Difference
1	14 वित्त आयोग	1,76,24,000.00	3,49,01,000.00	(1,72,77,000.00)
2	राज्य वित्त आयोग	35,99,000.00	41,77,000.00	(5,78,000.00)
3	सडक मरम्मत	22,62,000.00	24,12,000.00	(1,50,000.00)

2) He is responsible for audit of grants received from State Government and its utilization.
Verification had been conducted for the total grants received from the State/Central government. Details for the same are provided in table above.

3) He shall perform audit of loans provided for physical infrastructure and its utilization. During his audit the auditor shall specifically comment on the revenue mechanism i.e. whether the asset created out of the loan has generated the desired revenue or not. He shall also comment on the possible reasons for non-generation of revenue.
As per information provided by the ULB and according to our verification, ULB has accorded loan from HUDCO. The loan repayment has been timely made at each

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quarterly/annually (as applicable) rest. However, there was no document or information provided to verify whether the asset created out of the loan has generated the desired revenue or not. We cannot comment on the possible reasons for non generation of revenue.

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

S.No.	Financial Institution	Account No.	Closing Balance
1	HUDCO Loan	46831010018045	34,09,768.00

Loan repayment details:

Quarter	Total Payment
31-08-2019	1,91,048.00
30-11-2019	1,87,482.00
29-02-2020	1,84,961.00

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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कार्यालय नगर पालिका परिषद् मलांजखण्ड, जिला-बालाघाट (म.प्र.)			
प्राप्ति एवं भुगतान 2019-20			
प्राप्ति	राशि	भुगतान	राशि
प्रारंभिक शेष	**8,73,01,516.00**		
सम्पत्तिकर	1,37,92,082.00	कर्मचारी आयकर	1,76,850.00
अधिभार	10,524.00	नियमित वेतन	2,78,74,792.00
सामेकितकर	7,47,100.00	बीमा प्रिमीयम राशि	15,34,980.88
नगरीय विकास उपकर	29,74,012.00	सामान्य भविष्य निधि/अंश/अग्रिम	31,17,956.00
शिक्षा उपकर	15,36,869.00	परिभाषित पेंशन	22,40,384.00
भवन निर्माण अनुज्ञा	58,010.00	हमारा दफ्तर/हमारा घर	9,450.00
विविध आय (पानी टेंकर किराया)	2,32,200.00	कर्मचारी संघ शुल्क	98,010.00
कांजीहौस किराया	1,96,944.00	बैंक शुल्क	65,823.82
प्रतिलिपि आवेदन	5,89,347.00	स्थाईकर्मी वेतन	53,16,792.00
शॉपिंग कम्पलेक्स किराया	3,99,227.00	दैनिक वेतन भोगी वेतन	1,10,98,858.00
माहसिक जलकर की राशि	11,24,410.00	प्राथमिक शाला मजदूरी	3,74,072.36
गुमठी किराया	1,19,183.00	वाहन मजदुरी	12,18,191.00
लायसेंस शुल्क	28,240.00	मूलभूत मजदूरी	31,42,773.36
दुकान किराया	2,001.00	स्वच्छता मजदूरी	14,76,667.00
स्वच्छ भारत मिशन अनुदान	30,08,000.00	वृक्षरोपण मजदूरी	1,23,728.00
राज्य वित्त आयोग अनुदान	15,90,000.00	स्टेशनरी मुद्रण	3,08,283.90
सड़क मरम्मत अनुदान	3,31,000.00	कम्प्युटर क्रय	23,35,079.00
मूलभुत सुविधा अनदान	75,59,000.00	टेली फोन ट्रांनकॉल	5,22,303.08
प्रधानमंत्री खनिज कल्याण अनुदान	57,94,000.00	औजार उपकर	14,92,357.00
निर्यातकर अनुदान	22,77,000.00	स्वच्छता सामाग्री क्रय	45,17,850.52
चुंगी क्षतिपुर्ती अनुदान	5,25,18,142.00	स्वच्छता मरम्मत	86,366.00
मु.मं.अधों.ऋण सड़क फेस-2	2,40,00,000.00	कचरा सग्रंहण	44,46,136.00
विधायक निधि/संासद निधि	46,89,900.00	कचरा वाहन क्रय	33,55,750.00
दिनदयाल अं.यो.अनुदान	10,00,000.00	विधान सभा निर्वाचन	94,047.00

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सर्व शिक्षा अभियान अनुदान	2,22,000.00	कंसलटेंटी कार्य फीस	29,42,593.72
अन्य अनुदान	7,14,04,473.00	सी.ए.फीस	1,60,500.00
विविध आय	4,25,151.00	प्रतिमा क्रय/विकास	4,71,938.90
बाजार अमानत राशि	3,25,000.00	वाहन बीमा पंजीयन	3,34,675.72
नल कलेक्शन अमानत राशि	5,250.00	अमानत खाता	1,45,000.00
अमानत राशि	17,92,000.00	स्वगत सत्कार समारोह	8,12,806.00
बैठकी बाजार निलामी	14,52,500.00	परिषद् मानदेय	5,75,300.00
मवेशी बाजार निलामी	6,65,000.00	विज्ञापन प्रकाशन	12,89,540.14
दुकान निलामी किस्त	48,000.00	प्रधानमंत्री खनीज कल्याण योजना	24,57,625.00
मवेशी बाजार फ्रिस	4,00,000.00	हैड पंप स्टोर केयर रूम निर्माण	23,460.00
नल कलेक्शन शुल्क	350.00	जलप्रदाय मरम्मत	4,19,246.00
फायर बिग्रेड किराया	14,500.00	जल प्रदाय सामग्री क्रय	1,18,381.00
तालाब लीज	10,453.00	सुरक्षा निधि	4,56,802.00
अर्थ दण्ड की रशि	45,717.00	प्राथमिक शाला निर्माण	19,30,439.90
ब्याज राशि	46,72,088.64	वर्दी क्रय	2,34,063.00
रुचि लॉज किराया	43,056.00	डाक टिकट क्रय	4,001.18
सेप्टिंग टेंक शुल्क	18,850.00	ट्रेक्टर वाहन क्रय	38,01,204.00
बैंक भवन किराया	9,274.00	स्व वाहन क्रय	14,26,824.00
शव वाहन किराया	9,346.00	जलप्रदाय लाईन विस्तार	6,68,241.00
रसीद बुक विक्रय	4,970.00	पी.ओ.एल. क्रय	43,14,866.00
यात्रीकर	35,000.00	डी.आर.आर. पी.ओ.एल.क्रय	96,304.18
बैंक शुल्क	526.00	भू-भाटक शुल्क	5,766.00
कन्सलटेंटी पंजीयन फीस	1,500.00	लोक सभा निर्वाचन	10,63,036.18
विद्युत खपत शॉपिंग काम्पलेक्स	1,40,854.00	स्वच्छता सर्वेक्षण	14,21,064.36
गावा कान्हा रिसोर्ट	3,20,000.00	अन्य मरम्मत	3,44,760.00
		रेनवाटर हार्वेटिंग	11,22,682.00
		मोक्षधाम सेट निर्माण	17,26,916.00
		पंप हाउस निर्माण	84,466.00
		पंप हाउस मरम्मत	81,428.00

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		हैण्ड पंप खनन्	74,780.00
		हैंड पंप मरम्मत सामाग्री क्रय	10,39,883.54
		वृक्षारोपण पौधे क्रय	81,364.00
		प्याउ मजदूरी	5,66,820.00
		हर्वल पार्क मजदूरी	15,75,812.00
		हाका गेंग मजदूरी	3,13,760.00
		गावा कान्हा रिसोर्ट मजदूरी	6,25,301.00
		वाहन किराया	8,21,960.90
		मजदूर कल्याण अनुग्रह राशि	10,00,000.00
		नगरीय विकास उपकर 40 प्रतिशत	10,73,805.00
		मुख्यमंत्री अधोसंरचना विकास	50,54,572.00
		मुख्यमंत्री अधो.फेस 2	1,35,31,820.00
		मुख्यमंत्री हडको ऋण किस्त	7,57,087.54
		समाचार पत्र-पत्रिकायें	3,800.00
		विघुत सामाग्री क्रय	54,58,466.00
		विघुत खपत एच.सी.एल	2,54,171.00
		विघुत खपत एम.पी.बी.ई.	37,49,110.00
		यात्रा भत्ता	43,670.00
		ग्रीष्म कालीन जलपरिवहन मजदूरी	7,11,955.00
		ग्रीष्म कालीन जलपरिवहन ट्रेक्टर किराया	10,76,444.00
		जे.सी.बी. किराया	2,34,931.00
		स्वाच्छता ट्रेक्टर किराया	9,33,547.44
		रजिस्ट्री विधि सर्वे	70,387.00
		वाहन मरम्मत	12,24,245.00
		बाजार अमानत	2,55,000.00
		टंकी निर्माण	56,982.00
		समर्सिबल पंप क्रय	3,38,209.00
		समर्सिबल पंप मरम्मत	71,897.00
		झाडी सफाई	3,86,914.00
		कच्ची नाली खुदाई	1,84,864.00
		मंच निर्माण	1,93,904.00
		स्टॉप डेम्प काजवेय निर्माण	89,820.00
		आर.सी.सी. नाली निर्माण	4,94,779.00
		मूत्रालय निर्माण	3,50,832.00
		नाली निर्माण	17,33,922.00
		नाली मरम्मत	2,07,124.00

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		मुरुमीकरण	99,152.00
		समतलीकरण	3,94,558.00
		विविध व्यय	16,68,783.72
		नाला बधांन	12,01,496.00
		टेंकर निर्माण	5,51,860.00
		यू.आई.डी.एस.एस.एम.टी. सडक फेस2	26,44,562.00
		कुंआ जगत मरम्मत	13,658.00
		डी.आर.आर.मरम्मत	67,492.00
		भवन मरम्मत	7,82,888.00
		सी.सी.रोड मरम्मत	4,37,990.00
		विधयक निधि (आगंनबाड़ी भवन निर्माण)	3,97,824.00
		डब्ल्यू.बी.एम. सडक निर्माण	10,04,660.00
		शेड निर्माण	42,348.00
		सी.सी.रोड निर्माण	47,23,167.00
		रेम्प निर्माण	44,902.00
		प्लेटफार्म निर्माण	95,808.00
		प्लेटफार्म मरम्मत	1,21,927.00
		सामुदायिक भवन निर्माण	53,36,018.00
		टायर ट्यूब क्रय	3,29,529.54
		ट्यूबवेल खनन्	76,707.00
		फायर मरम्मत	49,827.00
		तालाब मरम्मत	89,990.00
		ई.पी.एफ. राशि	44,12,883.00
		अधिवक्ता शुल्क	37,36,381.00
		डॉ.अम्बेडकर तिराह विकास	19,572.00
		अन्तर की राशि	2.36
		जल प्रदाय पाईप लाईन विस्तार	2,89,289.00
		साज सज्जा	53,442.00
		पाईप फिक्सिंग	4,34,749.00
		आनंद उत्सव	3,500.00
		मुख्यमंत्री कन्यादान योजना	31,751.00
		शोल्डर फिलिंग	3,94,686.00
		बाउड्रीवॉल मरम्मत	2,77,211.00
		एन.यू.एल.एम.अनुदान	10,00,000.00
		सड़क मरम्मत	45,41,116.00
		नगरीय विकास उपकर	2,50,000.00

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		जी.एस.टी	17,24,501.00
		कामगार उत्थान उपकर	6,26,888.08
		टेकेदार आयकर	22,25,185.00
		रायल्टी	9,08,169.00
		शौचालय निर्माण	61,29,304.00
		अंतिम शेष	**9,85,07,419.00**
योगः-	**29,39,44,566**	योगः-	**29,39,44,566**

मुख्य नगर पालिका अधिकारी
नगर पालिका परिषद, मलाजखंड

मुख्य लेखा अधिकारी

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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 Rs 14.10 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	3.70	1.53	2.17	137.89	136.27	1.62	3.79
2	Samekit Kar	8.94	3.94	5.00	6.64	3.39	3.25	8.25
3	Nagriya Vikas Upkar	1.17	0.56	0.61	29.67	29.15	0.51	1.12
4	Shiksha upkar	0.89	0.45	0.43	15.26	14.87	0.39	0.82
5	Adhibhaar	0.06	0.06	0.00	0.18	0.08	0.11	0.11
	Total	**14.75**	**6.54**	**8.22**	**189.64**	**183.76**	**5.88**	**14.10**
	Total Un-Recovered amount							**14.10**

For Patidar & Associates
Chartered Accountants

FRN-012264C

Date: 29-09-2020

CA Neelesh Patidar
Partner
MRN – 418806

Name of ULB Malajkhand Nagar Palika Parishad

Name of Auditor Patidar & Associates

Annexure C

Amount in Lakhs

S.no.	Parameters	Description		% of growth	Observation in brief					Suggestions
	Audit of Revenue	**Receipt in (Rs.)**								
	Rajaswa Kar wasooli	**2018-19**	**2019-20**							
1	Sampatti Kar	137.23	137.80	0.41	Collection % w.r.t. total dues is	97.32%	which is	Very good	. Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.
2	Samekit Kar	6.50	7.33	12.81	Collection % w.r.t. total dues is	47.04%	which is	Below Average	. Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.
3	Nagriya Vikas Upkar	25.07	29.71	18.52	Collection % w.r.t. total dues is	96.35%	which is	Very good	. Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.
4	Shiksha upkar	19.55	15.33	-21.60	Collection % w.r.t. total dues is	94.91%	which is	Very good	. Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.
	Total	**188.34**	**190.16**							
	Gair-Rajaswa wasooli									
5	Adhibhaar	7.38	0.13	-98.22	Collection % w.r.t. total dues is	54.95%	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	**7.38**	**0.13**							
	Grand Total	**195.72**	**190.29**							

PATIDAR & ASSOCIATES • FRN-012264C • Chartered Accountants

Reporting on Audit Paras for Financial Year 2019-20

Name of ULB: **Malajkhand Nagar Palika Parishad**
Name of Auditor: **Patidar & Associates, Chartered Accountants**

S. no.	Parameters	Description	Observation in brief	Suggestions
2	Audit of Expenditure:	Verification of Expenditures are as per guidelines, directives, and rules under all schemes and entries of expenditures in cash book, Diversion of Funds, financial propriety of expenditures, scheme project wise utilisation certificate.	Observations were listed in brief in point no. 2 of annexure 2 of audit report attached	Vouchers should be adequately supported with proper documents. TDS should be correctly deducted and deposited on time.
3	Audit of Book keeping	Verification of books of accounts and stores are maintained as per accounting rules, advance register and check timely recovery, Bank reconciliation statement, grant register, fixed asset register	Observations were listed in brief in point no. 3 of annexure 2 of audit report attached	Required books of accounts as prescribed under MP MAM Should be maintained
4	Audit of FDR/TDR	Verify fixed deposits and term deposits and their maintenance	Observations were listed in brief in point no. 4 of annexure 2 of audit report attached	Renewal details should be properly maintained by the ULB
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 expenditur	356.99% (10,60,34,445.7 / 2,97,02,133.64) x		

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	e (Establishment, salary, Operation & Maintenance) with respect to revenue receipts (Tax & Non Tax).	100		
	b) Percentage of Capital expenditure w.r.t. Total expenditure.	27.57% (5,38,83,412/19,54,37,147) x 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 Monthly & Annual BRS.

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