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**NAGAR PARISHAD SHAHPURA**


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**AUDIT REPORT 2019-20**

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**AUDITOR:**  
**NPJS & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

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Chief Municipal Officer  
Nagar Parishad, Shahpura



# **NPJS & ASSOCIATES**

CHARTERED ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Stakeholders of NAGAR PARISHAD SHAHPURA**

### **1. Report on the Financial Statements**


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

  
Chief Municipal Officer  
Nagar Parishad, Shahpura



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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 Accountannexed 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.

  
Chief Municipal Officer  
Nagar Palikahad, Shahpura





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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'.

Date: 25/11/2020

UDIN: 20421786AAAACR7325

  
Chief Municipal Officer  
Nagar Parishad, Shahpura

For NPJS & Associates  
Chartered Accountants  
F.R.No.  
019014C  
Jitendra Singh  
(Partner)  
MRN - 421786





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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 Accountannexed 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.

  
Chief Municipal Officer  
Nagar Parishad, Shahpura



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Annexure '1'

## Report on Internal Financial Controls over Financial Reporting

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

We have audited the internal financial controls over financial reporting of NAGAR PARISHAD SHAHPURA ("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

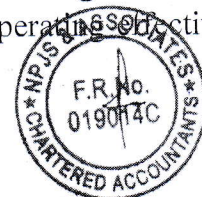
The ULB's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the ULB. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that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

  
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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.**

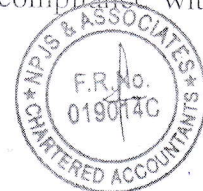
A ULB's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A ULB's internal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







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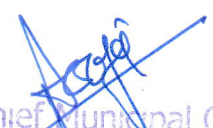
## 6. Qualified opinion

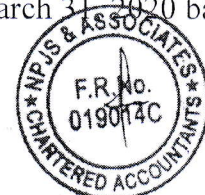
According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2020:

- 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.

  
Chief Municipal Officer  
Nagar Parishad, Shahpura





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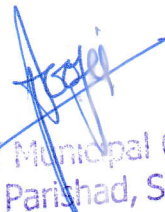
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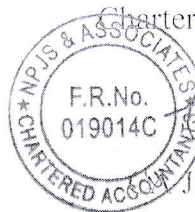
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We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2020 financial statements of the ULB, and these material weaknesses do not affect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

Date: 25/11/2020

  
Chief Municipal Officer  
Nagar Parishad, Shahpura

For NPJS & Associates  
Chartered Accountants



  
Jitendra Singh  
Partner

MRN - 421786



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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 except totalling mistake amounting to Rs. 32,48,249/- which were found in the cash book and taken into R&P.

However, the ULB has not taken grant amount in cashbook and hence same has also not been reflected into receipt & payment statement.

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

The counter foils or revenue receipts were 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.

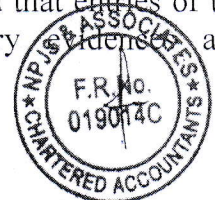
- 4) Delay beyond 2 working days shall be immediately brought to the notice of commissioner/CMO.

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 found some totalling mistakes; the same has been duly reflected in Receipt & Payment statement. 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.

  
Chief Municipal Officer  
Nagar Palikashad, Shahpura







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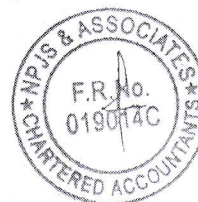
- 6) The auditor shall specifically mention in the report the revenue recovery against the quarterly and monthly targets any lapses in revenue recovery shall be a part of the report. No details with respect to quarterly and monthly targets set for the FY 2019-20 and the revenue recovery against such targets were made available to us. Hence, it was not possible for us to report the revenue recovery against the quarterly and monthly targets. ULB has not provided details relating to long outstanding of revenue sources like property tax, shop rent & water tax. Hence we cannot comment on the recovery procedures adopted for the same and closing outstanding balance.
- 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.  
FDR receipts were not provided to us for verification hence we cannot comment on the investment at lower 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 produced before us for verification except expenses under Other Payments Rs. 35,56,305/- for which no explanation were provided by the ULB. Also, in the absence of information relating to the utilisation of grant amount we cannot comment upon the expenditure under all the schemes.
- 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. In doing so, we found that signatures to authorise vouchers were missing in few cases.

Apart from above discrepancies we comment as follows:

  
Chief Municipal Officer  
Nagar Parishad, Shahpura





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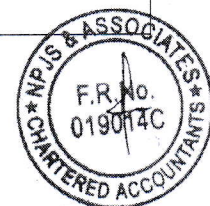
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- ULB has not provided details relating to deposit of TDS and periodic TDS return filings.
  - If not filed, there is a penal provision in delay of filing TDS return, which is amounted of Rs. 200 per day (maximum of TDS amount) under section 234E of the Income Tax Act 1961
  - Details relating to EPF were not provided. If same was not deposited than this will turn into huge non-compliance with respect to application of PF Act and might involve huge penalties under respective act.
- 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 of totalling amount was noticed in course of our verification except in the following cases:

Date	Amount (Rs.)	Remarks
20/01/2020	30,125/-	Totalling Mistake in payment side of cashbook
15/01/2020	10,28,168/-	Totalling Mistake in payment side of cashbook
04/01/2020	14/-	Totalling Mistake in payment side of cashbook
12/12/2019	16,18,493/-	Totalling Mistake in payment side of cashbook
23/10/2019	1,800/-	Totalling Mistake in payment side of cashbook
13/09/2019	31/-	Totalling Mistake in payment side of cashbook
08/04/2019	5,73,382/-	Totalling Mistake in payment side of cashbook

  
Chief Municipal Officer  
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- 4) He shall verify that the expenditure for a particular scheme is limited to the funds allocated for that particular scheme any over payment shall be brought to the notice of the Commissioner / CMO.

Grant registers were not provided for verification, which makes it difficult to verify overutilization of funds.

- 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.

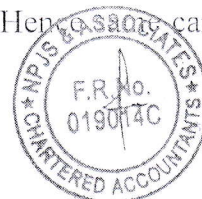
- 7) All the cases where appropriate sanctions have not been obtained shall be reported and the compliance of audit observation shall be ensured during the audit Non- compliance of audit paras shall be brought to the notice of Commissioner / CMO).

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, we cannot be commented upon.

  
Chief Municipal Officer  
Nagar Parishad, Shahpura







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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.

As per explanation given to us no staff advance / Temporary advance is pending against ULB.

### 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 by us, it was noticed by us that the ULB has not maintained Staff advances register, Fixed Asset register, Security Register, FDR Register, Grant Register etc 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.

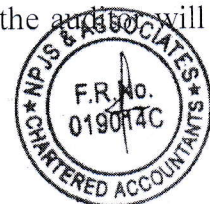
As stated in point no. 1 above, as the books stores are not provided for verification, so it was not possible for us to verify whether the same is maintained as per Accounting Rules applicable to the urban local Bodies.

- 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 mentioned above, advances to staff and other such register has not been maintained by the ULB. Hence same cannot be verified.

- 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

  
Chief Municipal Officer  
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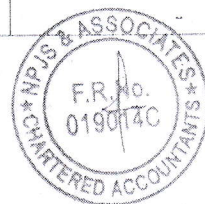
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Bank reconciliation statement (BRS) has not been prepared by ULB. We were unable to guide the ULB to prepare BRS in absence of requisite information of reconciliation differences. We strongly recommend ULB to prepare BRS at monthly & annual rest.

However bank statements for some accounts were provided to us for the purpose of our verification and balance verification is provided as below:

S.No.	Bank Name	Bank Account No.	Closing Balances as per Cash book 31-3-2020	Closing Balance as per Pass book as on 31/03/2020
1	Central Bank of India	1895800181	1,10,238.00	1,10,238.30
2	Jila Sahakari Kendriya Bank Maryaditt	657010049823	5,689.00	5,571.00
3	Central Bank of India	3287106316	1,11,831.00	1,15,689.00
4	Central Bank of India	3446100064	1,23,607.00	1,28,002.00
5	Punjab National Bank	6897000100022852		1,76,789.80
6	MP Gramin Bank	203811030001053	10,51,594.00	9,55,584.67
7	Allahabad Bank	21564288228	-	1,75,020.00
8	Allahabad Bank	21564274054	-	9,50,226.00
9	Allahabad Bank	21564230210	-	4,52,138.00
10	Allahabad Bank	50441441907	-	14,52,403.00
11	Allahabad Bank	50273134305	27,816.00	69,223.00
12	Allahabad Bank	50226917734	1,51,192.00	1,56,569.00
13	Allahabad Bank	21564184080	17,87,443.00	18,46,384.00
14	Allahabad Bank	50111239123	2,66,442.00	2,15,376.00
15	Allahabad Bank	21564184159	-	1,77,213.50
16	State Bank of India**	10798334076**	1,75,45,048.27	
17	State Bank of India	10798335536	-	9,19,422.22
18	State Bank of India	30089179355	-	5,99,311.00
19	State Bank of India	10798335547	-	24,533.46
20	State Bank of India	30991954295		5,14,909.00
21	State Bank of India	30172239630	63,04,337.50	63,03,688.50
22	State Bank of India	36527961947	-	22,03,712.00
23	-*	9397*	5,80,807.00	-
24	-*	6430*	1,26,876.00	-
25	-*	2252*	71,689.00	-
26	-*	5805*	2,000.00	-
27	-*	8367*	24,71,581.00	-

Chief Municipal Officer  
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	<b>TOTAL</b>	<b>3,07,36,190.77</b>	<b>1,75,52,003.45</b>
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\*Bank statements not made available by the ULB and hence balance could not be verified.

\*\*Bank statement till Oct 2019 was made available and hence closing balance as on 31st March 20 could not be verified.

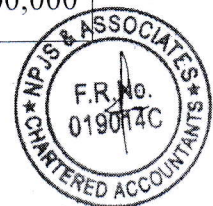
- 5) He shall be responsible for verifying the entries in the Grant register. The receipts and payment of grants shall be duly verified from the entries in cash book.  
Grant register was not provided to us for verification so we cannot verify receipt and utilisation of grants with cash book. Also cashbook does not contain information for receipt of grant amount. This results into improper closing balance at year end.
- 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.  
No separate records were provided for project funds and hence it is not possible for us to reconcile the same. Also grant register was not provided, so accuracy of balance with bank accounts cannot be verified.

#### 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:-

FDR No.	Date of FDR	Term	Closer Date	Amount
50484915883	22/04/2019	155 DAYS	28/08/2019	25,00,000
50484915719	22/04/2019	155 DAYS	28/08/2019	25,00,000
50484915276	22/04/2019	155 DAYS	28/08/2019	25,00,000
50484915185	22/04/2019	155 DAYS	28/08/2019	25,00,000
50484915050	22/04/2019	155 DAYS	03/09/2019	25,00,000

*[Signature]*  
Chief Municipal Officer  
Nagar Parishad, Shahpura







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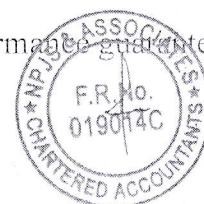
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50489814931	22/04/2019	155 DAYS	03/09/2019	25,00,000
50489814782	22/04/2019	155 DAYS	03/09/2019	25,00,000
50484912059	22/04/2019	155 DAYS	03/09/2019	25,00,000

- 2) It shall be ensured that proper record of FDR's are maintained and renewals are timely done.  
FDR details were provided to us by the ULB but the receipts were not made available to cross verify the same. Hence we cannot confirm the timely renewals of the same.
- 3) The case where FDR'S / TDR are kept at low rate of interest than the prevailing rate shall be immediately brought to the notice of Commissioner/ CMO.  
As relevant document were not provided to us by ULB for verification, we cannot comment on the same.
- 4) Interest earned on FDR/TDR Shall be verified from entries in the cash book.  
It has been observed that no entries related to interest earned on FDR/TDR has been done in the cash book.

## 5. Audit of Tenders / Bids

- 1) The auditor is responsible for audit of all tenders / bids invited by the ULB.  
Documents of tender/ bid were not provided for the purpose of verification and hence we cannot comment on the same.
- 2) He shall check whether competitive tendering procedures are followed for all bids.  
As explained to us requisite procedures for tendering have been followed by the ULB. E tendering has been done for any procurement / allotments of Rs. 1,00,000/- or more. For value less than 1,00,000/- procurement / allotments are done based on quotations.
- 3) He shall verify the receipts of tender fee / bid processing fee / performance guarantee both during the construction and maintenance period.  
Tender Fees / bid processing fees were recorded in cash book in the month in which it is received. No security registers were provided to verify receipt / release of performance guarantee.
- 4) The bank guarantees, if received in lieu of bid processing fee / performance guarantee shall be verified from the issuing banks.



Chief Financial Officer  
Parashad Shahpura



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No such bank guarantees were produced before us for verification.

- 5) The conditions of BG shall also be verified; any BG with any such condition which is against the interests of the ULB shall be verified and brought to the notice of Commissioner/CMO.

No such bank guarantees were produced before us for verification. Therefore, it is not possible for us to comment on the conditions of BG.

- 6) The cases of extension of BG shall be brought to the notice of Commissioner / CMO. Proper guidance to extend the BG'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.

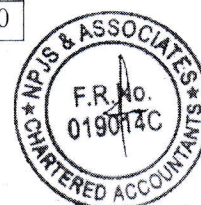
## 6. Audit of Grants and Loans

- 1) The auditor is responsible for audit of grants given by Central Government and its utilization.

As mentioned in Point No.3 Grant Register were not maintained by the ULB and also no details regarding opening or closing balances of the grant heads provided to us. Hence we cannot comment on the utilisation of grant and balance at the end of the year. However grant amount from UADD records were provided which have been produced below:

S.No.	Grants	Received
1	Sadak Maramat	13,49,000.00
2	Vadijye Kar Par Adhibar	55,95,000.00
3	Rajya vitt ayog Anudaan	35,15,000.00
4	Mudrank Shulk	1,02,850.00
5	Chungik shatipurti	1,63,95,985.00
6	Yatrikar	2,50,000.00
7	Vishesh Nidhi	30,00,000.00
8	Niryatkar	1,02,65,000.00
9	14th VittAyog General Basic Grant	66,26,000.00

  
Chief Municipal Officer  
Nagar Parishad, Shahpura







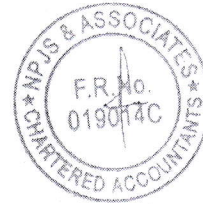
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- 2) He is responsible for audit of grants received from State Government and its utilization. Grant register is not maintained by the ULB. Therefore we cannot verify the Grants received from state government with the grant register and ensuring its proper utilization.
- 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 ULB no loan is outstanding during financial year 2019-20 and also no transaction related to loan receipt or repayment has been identified in cash book.
- 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.

  
Chief Municipal Officer  
Nagar Paliksha, Shahpura





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**Nagar Parishad Shahpura, District Jabalpur**

Receipt and Payment  
31st March 2020

Receipts	Amount (Rs.)	Payment	Amount (Rs.)
Opening Balance	10,73,53,886.67	PMAY	6,47,96,371.00
Sampatti Kar Bakaya	2,36,775.00	Salary	1,81,89,588.00
Sampatti Kar Current	3,07,991.00	GPF	13,20,008.00
Samekit Kar Bakaya	1,28,539.00	Pension	81,084.00
Samekit Kar Current	58,278.00	Muster	1,11,11,418.00
Siksha Upkar Bakaya	11,877.00	Defined Pension Contribution	13,81,147.00
Siksha Upkar Current	25,837.00	Salary-Arrear	1,89,606.00
Vikas Upkar Bakaya	59,110.00	Loan Deduction	2,42,939.00
Vikas Upkar Current	46,019.00	Electricity Bill	24,11,986.00
Jalkar Bakaya	1,37,430.00	Income Tax	2,40,151.00
Jalkar Current	1,32,890.00	GST	7,92,834.00
Jalkar Surcharge	19,030.00	TDS Return Filing Charges	24,000.00
Bazaar Fee	91,920.00	Councilor Honorarium	1,82,000.00
Shop Rent	41,050.00	Diesel	13,74,295.00
Shop Establishment fee	660.00	Dead Cattle Transportation	4,26,336.00
Certificates	10,102.00	Repair & Maintenance	16,62,430.00
Tanker Water supply	15,900.00	Computer Repair	1,13,470.00
Other	28,980.00	Photo Copy Machine purchase	97,999.00
Licensing	2,020.00	Printing & Stationary	2,53,943.00
Conversion fee	1,416.00	Flex	9,335.00
New Water connection	500.00	Advertisement	11,764.00
Fitting Charges	600.00	Fire Brigade Maintenance	1,11,478.00
Application fee	1,140.00	Election Work	1,10,275.00
Fire Brigade Fee	100.00	Water Supply	3,36,073.00
Marriage Registration	390.00	Other	1,84,528.00
Town Hall Rent	15,000.00	Others Payments	35,56,305.00
License-Application fee	1,490.00	E tendering	60,000.00
Security Deposit	1,200.00	GL code payments	25,000.00

  
Chief Municipal Officer  
Nagar Parishad, Shahpura





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Building Fee	780.00	CC Road Construction	86,35,395.00
Sadak Marammat	17,938.00	Refreshments	1,36,600.00
Tap Connection	820.00	Amount Transferred	5,00,000.00
Registration Fee	2,310.00	Construction expenses	17,82,215.00
Penalty	650.00	Tent Arrangement	1,08,554.00
Ration Card	80.00	Tree Cutting	26,000.00
Individual Toilet	47,600.00	Vehicle Rental	27,640.00
Amount Reversed-salary	3,73,56,356.00	Vehicle Insurance	1,58,811.00
Amount Transferred	1,65,42,371.00	Battery Purchase	39,500.00
PMAY	5,73,60,000.00	CA Audit Fee	35,400.00
Totaling Difference	792.60	Coal Bill	29,29,098.00
Totaling Mistake	32,48,249.00	Chemical purchase	31,03,088.00
		Sanitation Work	7,59,157.00
		Water Supply Expenses	1,68,862.00
		Construction Material Purchase	6,74,172.00
		Cement Bench Construction	98,943.00
		Electricity Item	5,33,253.00
		Construction work	16,05,215.00
		Motor Pump Purchase	68,600.00
		LED	1,49,196.00
		Pump House Expenses	33,516.00
		Vacuum Pipe	87,980.00
		Internet Connection	9,671.00
		DSC	9,700.00
		DPR	5,70,163.00
		National Festival	1,28,713.00
		Agricultural Tools	2,40,341.00
		Tree Plantation	1,20,781.00
		National Festival Advance	23,153.00
		Travelling Expenses	26,488.00
		Flex	9,335.00
		Bid Publication	43,120.00
		Photography Charges	4,580.00
		Painting Expenses	40,805.00
		Toilet Construction	4,80,806.00
		Swacch Bharat Mission	2,27,280.00
		Drainage Construction	11,12,023.00

*[Signature]*  
Chief Municipal Officer  
Nagar Parishad, Shahpura



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		Registration Charges	56,020.00
		Deduction	30,000.00
		Honorarium	78,000.00
		Lighting Arrangement	7,45,335.00
		<b>Closing Balance</b>	<b>8,84,04,205.27</b>
<b>Total</b>	<b>22,33,18,077.27</b>	<b>Total</b>	<b>22,33,18,077.27</b>

Chief Accounts Officer

Chief Municipal Officer, Shahpura,  
District- Jabalpur





# NPJS & ASSOCIATES

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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 59.95 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

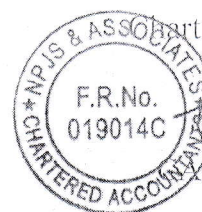
(Amount in Lakhs)

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	SampattiKar	30.56	12.93	17.63	11.16	7.52	3.64	21.27
2	SamekitKar	12.74	0.00	12.74	2.67	1.21	1.45	14.19
3	Jalkar	25.50	11.00	14.50	8.05	3.75	4.30	18.80
4	Bhawanbhumi kiraya	1.03	0.71	0.32	0.40	0.30	0.10	0.42
5	Shikshaupkar	0.55	0.23	0.32	0.23	0.12	0.11	0.43
6	Bazaar fees	0.00	0.00	0.00	1.64	1.64	0.00	0.00
7	VikasUpkar	6.92	2.96	3.96	1.78	0.89	0.88	4.84
	<b>Total</b>	<b>77.29</b>	<b>27.82</b>	<b>49.47</b>	<b>25.92</b>	<b>15.44</b>	<b>10.48</b>	<b>59.95</b>
	<b>Total Un-Recovered amount</b>							<b>59.95</b>

Date: 25/11/2020

*[Signature]*  
Chief Municipal Officer  
Nagar Parishad, Shahpura

For NPJS & Associates



*[Signature]*  
Jitendra Singh  
Partner

MRN - 421786

# Reporting on Audit Paras for Financial Year 2019-20

Name of ULB:

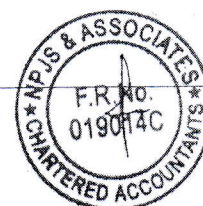
Shahpura Nagar Parishad

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	NA.
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 were not made available by the ULB.
7	Verify whether any diversion of funds from capital receipt /grants /Loans to revenue expenditure and from one scheme /project to another.		Observations related to diversion of funds has been pointed out in point no. 6 (iv) of annexure 2 of report attached	
8	a) Percentage of revenue expenditure (Establishment, salary, Operation & Maintenance) with	1026.62%  (4,82,98,972 / 47,04,671) x 100		

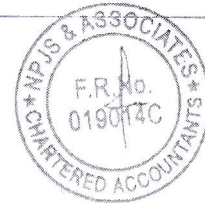
15/10/20  
**Chief Municipal Officer**  
Nagar Parishad, Shahpura





	respect to revenue receipts (Tax & Non Tax).			
	b) Percentage of Capital expenditure wrt Total expenditure	11.29% $(1,52,37,817 / 13,49,13,872) \times 100$		
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.

*[Signature]*  
 Chief Municipal Officer  
 Nagar Palika, Shahpura

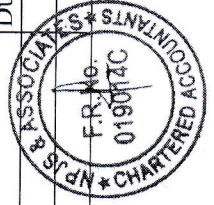


Name of ULB

Shahpura Nagar Parishad  
NPJS & AssociatesAnnexure C  
(in lakhs)

Name of Auditor

(in lakhs)							
S.no.	Parameters	Description		% of growth	Observation in brief		Suggestions
	Audit of Revenue	Receipt in (Rs.)			Collection % w.r.t. to total dues	Collection grading & observations	
	Rajaswa Kar wasooli	2018-19	2019-20				
1	Sampatti Kar	9.72	20.45	110.40	49.01% 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	1.31	1.22	-7.42	7.89% 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	Jalkar	2.40	14.75	515.70	43.97% Below Average	Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.
4	Bhawan bhumi kiraya	1.20	1.01	-16.10	70.50% Good	Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.
	Total	14.63	37.42				
	<u>Gair-Rajaswa wasooli</u>						
5	Shiksha upkar	0.11	0.35	211.92	44.94% Below Average	Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.
6	Bazaar fees	0.93	1.64	74.99	100.00% Very good	Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.
7	Vikas Upkar	0.71	3.85	441.68	44.34% Below Average	Need to improve collection efforts of previous years dues.	ULB should impose strict penalties and legal actions to improve past Due collections.
	Total	1.76	5.84				
	Grand Total	16.39	43.26				



*(Signature)*  
Chief Municipal Officer  
Nagar Parishad, Shahpura