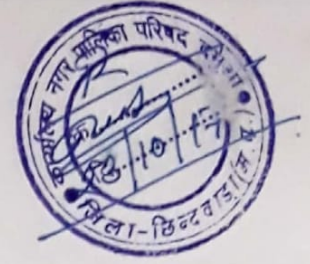


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AUDIT REPORT

OF

**NAGAR PALIKA, DAMUA
DIST. CHHINDWARA (M.P.)
FY-2016-17**



By

SPJV & Company

Chartered Accountants

HO- 8, SBI Colony, Near Chetak Bedge ,

MP Nagar Zone 2 Bhopal 462001 (MP)

Branch :- 2633/A Azad Nagar Ranjhi Jabalpur

Visit us at www.spjvco.com

NAGAR PALIKA PARISHAD, DAMUA
DISTT. CHHINDWARA
Receipts & Payment A/c
For the year ended 31st March 2017

Receipts	Amount(in Rs.)	Amount(in Rs.)	Payments	Amount(in Rs.)	Amount(in Rs.)
Opening Balance			By, Expenses of Nagar Palika Parishad		
Balance as per Cash Book		148,426,508.00	Payal Parivahan Exp	308,410.00	
			Printing & Stationary	425,741.00	
			Cleaning Expenses	235,230.00	
			Electricity Expenses	6,019,290.00	
			Advertisement Expenses	374,580.00	
			Function Expenses	645,814.00	
			Vehicle Repairing & Maint	186,952.00	
			Bank Charges	24,150.00	
			Salary & Wages	18,037,907.00	
			Telephone Expenses	23,287.00	
			Other Expenses	365,241.00	76,646,667.00
Revenue of Nagar Parishad					
Jaikar	426,150.00				
Samekit Kar	521,100.00				
Property Tax	382,724.00				
Shop Rent	25,510.00				
Education Cess	142,894.00				
Town Development cess	142,826.00	1,641,204.00			
Grant Received			By, Fixed Expenses		
Udssmt Yojna	38,673,000.00		PWD	134,754,885.00	
Other Grants	115,802.00		Pump House	325,400.00	
Bus Stand Nirman	5,000,000.00		Tractor Trolley Purchases	68,446.00	
Saachalaya Nirman	6,528,000.00		Computer	87,000.00	135,235,731.00
Vidhayak Nidhi	171,000.00				
Chungi Chatipurti	26,822,132.00				
Payal Parivahan	325,752.00				
Rajya Vitt Ayog	3,782,000.00				
Mulbhut Suvidha	8,346,000.00				
Sadak Nirman	1,680,000.00				
14 va vitt	12,861,000.00				
Swachhta Abhiyan	1,000,000.00				
Sansad Nidhi	96,432.00				
Janshri Bima	20,400.00				
CM adhosanrachna	6,000,000.00	111,421,518.00			
Other Receipts			By, Closing Balance		
Tender & other Fees	6,982,167.00		Balance as per Cash Book		106,752,636.00
SD/EMD Received					
Bank Interest	163,632.00				
Bank Charges Reversal		7,145,799.00			
** TOTAL **		268,635,029.00	** TOTAL **		268,635,029.00

Cmo
NAGAR PALIKA PARISHAD DAMUA

TE :- 29/08/2017
ACE :- Chhindwara

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जिला-छिन्दवाड़ा (म.प्र.)



Revised Abstract Sheet for reporting on Audit Paras for Financial Year 2016-17

Name of ULB: Damua

Name of Auditor: SPJV & Co.

Sr. No.	Parameters	Description	Observation in Brief	Suggestions
1	Audit of Revenue			
	Revenue Tax Collections	Receipts in Rs.		
		Year 2015-16	Year 2016-17	% of Growth
(i)	Property Tax	1073413	488905	(0.5445)
(ii)	Integrated Tax	749200	688050	(0.0816)
(iii)	Town Development Cess	179966	177206	(0.0153)
(iv)	Education Cess	179966	177274	(0.0150)
	Total	2182545	1531435	(0.2983)
	Non Revenue Tax Collections			
(i)	Building/ Complex Rent	68508	30030	(0.5617)
(ii)	Water Charges	1144630	985550	(0.1381)
(iii)	Other Misc. Taxes	35572	21672	(0.3908)
(iv)	Market Collections	439000	487000	0.1093
	Total	1687710	1525252	(0.0963)
	Grant total	3870255	3056687	(0.2102)

CMO
Damua Nagar Palika
मुख्य नगर पालिका अधिकारी
नगर पालिका परिषद् दमूआ
जिला-खिन्सावा (म.प्र.)



Revised Abstract Sheet for reporting on Audit Paras for Financial Year 2016-17

Name of ULB: Damua

Name of Auditor: SPJV & Co.

Sr. No.	Parameters	Description	Observation in Brief	Suggestions
2	Audit of Expenditure	Nagar Parishad has not maintained Scheme wise/ Project wise expenses.	1. Utilization Certificates not maintained. 2. Penalty were not levied on late work by contractor.	UC's should be prepared for all fund expended out of the respective fund.
3	Audit of Book Keeping	Overall Book keeping is not satisfactory.	Many Loose papers were found in the files during the audit.	ULB is required to get its accounting staff trained.
4	Audit of FDR	FDR Register has not been maintained.	FDR Register was not found maintained during our Audit.	FDR Register is required to be maintained for better presentation and timely renewals.
5	Audit of Tenders/ Bids	Tenders allotted on quotation/ limited tender basis are not made available before us for verification therefore we are unable to give our opinion on the same.	During our Audit, the concerned authority relating to Tenders/ Bids were not available for the queries we observed.	The Municipal should provide a concerned authority during the audit for proper response.
6	Audit of Grants & Loans	ULB has not prepared any utilization certificate. Grant Register was also not properly updated.	UC's were not provided to us during the Audit. Grant Register was not maintained.	Grant should be utilized in proper way.
7	Incidences relating to diversion of funds from Capital receipts/ Grants/ Loans to Revenue Nature Expenditure and from one scheme/ project to another	Diversion of funds from one scheme to another	Cases of diversion of were not found during our Audit.	Project/ Scheme wise Cash Books should be maintained to identify the diversion cases.

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नगर पालिका परिषद दमूआ
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SPJV & Co.

Chartered accountants

Head Office :- 8, FIRST FLOOR, SBI COLONY,
NEAR CHETAK BEDGE, MP NAGAR ZONE 2
BHOPAL 462011 (M.P.)

Branch:- 2633/a Azad Nagar Ranjhi Jabalpur(M.P.)

Ph No: 0755-2551473



AUDITOR'S REPORT

To,

The CMO

NAGAR PALIKA, DAMUA

Damua Dist CHHINDWARA (M.P.)

We have audited the Books of accounts and relevant records of **DAMUA** Nagar Palika for the FY 2016-17 provided by Directorate, Urban Administration & Development Department of MP vide letter no 1295/2016-17/CA/2017 dated 08.05.2017 The scope of work provided to us that required Audit under various heads i.e. Audit of Revenue, Audit of Book Keeping, Audit of Expenditure, Audit of FDR, Audit of Tenders/Bills & Audit of Grants and Loans with our comments on specific points.

The Institution follows Cash System of Accounting, The above Institution is in process of preparation of books of accounts accordance with DEABAS which is not yet prepared by ULB for the FY 2016-17, therefore results in not prepared Annual financial statement i.e. Receipt & Payment Account, Income & Expenditure Account & Balance Sheet.

Management's Responsibility for the maintenance of records

The Management of Municipal corporation is responsible to maintained records as per the MP Municipal act 1961, and also required to maintained their accounting policies, procedure and books of accounts & records as per Madhya Pradesh Municipal accounting manual, This responsibility also includes maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the corporation and for preventing and detecting frauds and other irregularities.

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Ph No: 0755-2551473



Auditor's Responsibility

Our responsibility is to express an opinion on scope of work annexed herewith based on our audit. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures. An audit also includes assessing the accounting principles used and significant estimates made by management, We have conducted our audit in accordance with the Auditing standards generally accepted in 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 was established and maintained.

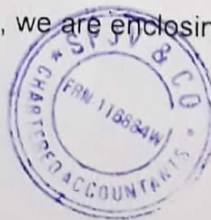
An Audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Receipts and Payments Account. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the Receipts and Payments Account, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institution's preparation and fair presentation of the Receipts and Payments Account in order to design audit procedure that are appropriate in circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Institution's Internal Control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management as well as evaluating the overall presentation of the Receipts and Payments Account. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion. Test check methods have been applied in areas in areas where ever the same has been considered appropriate.

Inherent Limitations of Internal Financial Controls

Because of the inherent limitations of internal financial controls, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected.

Further, on the basis of the accounts and records maintained and produced before us and information & explanations given, we are enclosing herewith our Report on

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नगर पालिका परिषद दमुआ
जिला-छिन्दवाड़ा (म.प्र.)



SPJV & Co.
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observation/ comments/ discrepancies/ inconsistencies in the prescribed formats
and notes thereon.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Receipts and Payments Account give a true and fair view in conformity with the accounting principles generally accepted in India, read with significant accounting policies, of the Receipts and Payments of the Institution for the year ended on that date, subject to the observations, notes and comments appended, specifically that:

- The receipt and payment account is not provided by the Nagar Palika Parishad; the bank account balances as per cash book and as per bank statement are significantly. It is informed to me that the differences between bank balances as per bank statement and as per cash book includes various differences pertaining to the earlier years, therefore, it is not possible to prepare bank reconciliation statements and exactly reconcile the above differences instantly; and
- The above ULB does not keep its accounts on double entry system of accounting therefore, there are no Balances Sheet and Income & Expenditure Account.
- We are not provided with the Income & Expenditure Account, Balance Sheet and Bank Reconciliation Statements by the Municipal Corporation So, we are unable to comment on it.
- We report the following observations/comments/discrepancies/inconsistencies; if any:

FOR SPJV & CO
Chartered Accountants



CA. Tarun Parwani
M.No :- 410412

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नगर पालिका परिषद दमुआ
जिला-छिन्दवाड़ा (म.प्र.)

Date: 05/09/2017
Place :- Jabalpur

AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying books of accounts of

NAGAR PALIKA, DAMUA
DIST. CHHINDWARA (M.P.)

, accordance with scope of work provided by Directorate, Urban Administration & Development Department of MP vide letter no. .The Institution follows Cash System Accounting. The above Institution is in process of preparation of books of accounts accordance with DEABAS which is not yet prepared by ULB for the F.Y. 2016-17, therefore results in not prepared Annual financial statement i.e. Receipt & Payment Account, Income & Expenditure Account & Balance Sheet. The observations on the scope of audit work prescribed and other notes, comments and explanatory information etc. are attached herewith.

Section-I: Audit Observations, Objections & Reservations.

Section-II: Bank Account Numbers & Balances.

मुख्य नगर पालिका अधिकारी
नगर पालिका परिषद दमुआ
जिला-छिन्दवाड़ा (म.प्र.)



Section - I of Audit Report

We report the following Observations, Objections or Reservations from our Audit:
The Following were reviewed and reported under the scope of Audit report:-

PART – I	Audit of Revenue	
PART – II	Audit of Expenditure	
PART – III	Audit of Book Keeping	
PART – IV	Audit of FDR	
PART – V	Audit of Tenders/Bids	
PART – VI	Audit of Grants/Loans	
PART – VII	Other Observations & Suggestions	



मुख्य नगर पालिका अधिकारी
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जिला-प्रिन्सियाहा (म.प्र.)

PART I – AUDIT OF REVENUE

1. (i) **Audit Checklist of Revenue:** - The Auditor is responsible for audit of revenue from various sources.

Audit Observation: We have verified the revenue generated during the financial year 2016-17 by the Municipal Damua.

1. (ii) **Audit Checklist of Revenue:** -The auditor is also responsible to check the revenue receipts from the counterfoils of receipt books and verify that the money received is duly deposited in the respective bank account.

Audit Observation:-We have checked the revenue receipts from the counterfoils of receipt books and found correct. And we also verified that it is duly deposited in respective bank accounts and 5% of Total Collection of revenue is deposited in Sanchit Nidhi Account.

1. (iii) **Audit Checklist of Revenue:** - Delay beyond 2 working days shall immediately bring to the notice of Commissioner/CMO.

Audit Observation: -The revenue received/collected is duly handed over to the concerned authority and deposited in respective bank accounts within time except in the following cases where discrepancies were found:-

(a) **Property Tax:-**

S.No.	Date as per Receipt Book	Date as per Cash book & Chest Book	Date of Deposit in Bank	Amount	Delay	Receipt Book No. / Receipt No.
1.	19/09/2016	22/09/2016	22/09/2016	150	4	94/ 9404
2.	16/07/2016	26/07/2016	26/07/2016	125	11	99/9906

(b) **Integrated Tax:-**

S.No.	Date as per Receipt Book	Date as per Cash book & Chest Book	Date of Deposit in Bank	Amount	Delay	Receipt Book No. / Receipt No.
1.	16/07/2016	26/07/2016	26/07/2016	150	11	99/9906

(c) **Town Development Cess:-**



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S.No.	Date as per Receipt Book	Date as per Cash book & Chest Book	Date of Deposit in Bank	Amount	Delay	Receipt Book No. / Receipt No.
1.	16/07/2016	26/07/2016	26/07/2016	42	11	99/9906

(d) Education Cess:-

S.No.	Date as per Receipt Book	Date as per Cash book & Chest Book	Date of Deposit in Bank	Amount	Delay	Receipt Book No. / Receipt No.
1.	16/07/2016	26/07/2016	26/07/2016	42	11	99/9906

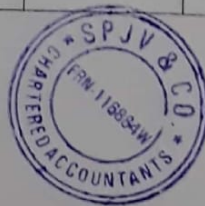
1. (iv) Audit Checklist of Revenue: - The entries in Cash Book shall be verified.

Audit Observation: Chest Book and Cash Book were duly verified by the CMO Sir, but not verified by the accountant in various pages.

1. (v) Audit Checklist of Revenue: - The auditor shall specifically mention in the report, the revenue recovery against the quarterly and monthly targets. Any lapses in the revenue recovery shall be a part of the report.

Audit Observation: The Revenue recovery against the yearly targets are as follows:-

Items	Current Year					Old Arrears				
	Opening Balance	Target	%	Recovery Amount	%	Opening Balance	Target	%	Recovery Amount	%
Property Tax	957180.00	957180.00	100%	106181.00	11.09%	1721698.00	1721698.00	100%	382724.00	22.22%
Land Tax	916130.00	916130.00	100%	166950.00	18.22%	3564330.00	3564330.00	100%	521100.00	14.61%
Household Tax	227114.00	227114.00	100%	34380.00	15.13%	851036.00	851036.00	100%	142826.00	16.78%
Professional Tax	227114.00	227114.00	100%	34380.00	15.13%	851036.00	851036.00	100%	142894.00	16.79%
Water Tax	1201800.00	1201800.00	100%	560400.00	46.63%	1630410.00	1630410.00	100%	426150.00	26.13%
Rent	35328.00	35328.00	100%	4520.00	12.79%	287016.00	287016.00	100%	25510.00	8.88%



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Following points of Observations were noted below:-

a. In case of Current Year recoveries

- Property Tax recoveries are very low (i.e. 11.09%) as compared to Targets (i.e. 100%).
- Integrated Tax recoveries are very low (i.e. 18.22%) as compared to Targets (i.e. 100%).
- Town development cess recoveries are too low (i.e. 15.13%) as compared to Targets (i.e. 100%).
- And details relating to Town Development Cess and Education Cess are same, which is not possible. Possibility of clerical error.
- Water Tax recoveries are also low (i.e. 46.63%) as compared to Targets (i.e. 100%) and if compared to the Old Arrears, the recoveries are raised. Because Old Arrears recoveries of Water Tax is 26.13%. But if seen comparatively they are quite satisfactory as compared to other recoveries.
- Shop rent recoveries are too low (i.e. 12.79%) as compared to Targets (i.e. 100%).
- So Nagar Parishad should take appropriate actions at the earliest in this regard.

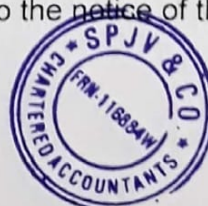
b. In case of Old Arrears recoveries

- Old Arrears recoveries are not quite impressive.
- Property Tax recoveries are very low (i.e. 22.22%) as compared to Targets (i.e. 100%).
- Integrated Tax recoveries are very low (i.e. 14.61%) as compared to Targets (i.e. 100%).
- Town Development Cess recoveries are also low (i.e. 16.78%%) as compared to Targets (i.e. 100%).
- And details relating to Town Development Cess and Education Cess are same, which is not possible. Possibility of clerical error.
- And in the same way Education Cess, Shop Rent and Water Tax recoveries are drastically affected when compared to the targets and demands appropriate steps to be taken immediately by the Nagar Parishad, because as this is Old Arrears and as time passes by it would be more difficult to recover the old balances of demand.

1. (vi) **Audit Checklist of Revenue:** -The auditor shall verify the interest income from FDR's and verify that interest income is duly and timely accounted for in cash book.

Audit Observation: We have verified the interest income from FDR's and found that it is accounted for in cash book for the whole year 2016-17 on 31st March 2017.

1. (vii) **Audit Checklist of Revenue:** -The cases where, the investments are made on lesser interest rates shall be brought to the notice of the commissioner/CMO.



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Audit Observation: - No such cases were observed during the course of our audit regarding where Investments are made by Nagar Palika Damua at lesser interest rates.

General points regarding Revenue Receipts:-

1. In case of receipts from Kanji House, receipt books are not being used in a synchronized manner

i.e.

Year	Receipt Book No.
2013-14	5
2015-16	4
2016-17	6

2. During the audit, following receipts of Property Taxes found cancelled without signature and seal of the concerned authority approving the same:-

S.No.	Receipt Book No.	Receipt No.
1.	112	11218
2.	112	11285
3.	111	11170
4.	109	10904
5.	109	10928
6.	98	9805
7.	105	10516
8.	93	9318
9.	93	9323
10.	104	10430
11.	100	10071
12.	88	8806
13.	88	8813
14.	89	8913

3. During the audit, following receipts of Market Collection found cancelled without signature and seal of the concerned authority approving the same:-

S.No.	Receipt Book No.	Receipt No.
1.	13	1274

4. During the audit, following receipts of Vivdh Rasid found cancelled without signature and seal of the concerned authority approving the same:-

S.No.	Receipt Book No.	Receipt No.
1.	27	2605

5. Even though financial year 2016-17 is completed, Receipt Book No. 21, 27, 42, and 66, unused receipts were left blank without any cancellation of the same by the concerned authority.



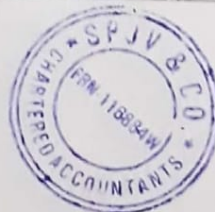
मुख्य नगर पालिका अधिकारी
नगर पालिका परिषद दमुआ
जिला-छिन्दवाड़ा (म.प्र.)

6. Receipt Book No. 98 and Receipt No. 9870, date of receipt is 24/03/2017 written on the receipt, while it is paid to the cashier on 23/03/2017, clerical mistake.
7. Receipt Book No. 86 and Receipt No. 8633, date of receipt is 07/05/2016 written on the receipt, while it is paid to the cashier on 07/06/2016 (Approx. 30 days delay).
8. Receipt Book No. 93 and Receipt No. 9334 to 9337 of Property Tax, date of receipt is 28/05/2016 written on the receipt, while it is paid to the cashier on 27/05/2016, clerical mistake.
9. During our Audit we found that, Rental Income of Nagar Palika, Damua remained in arrears from a long time and no strict action were taken for its recovery. Even though many times notices were issued to the tenants to pay the rent due or leave the premises, otherwise strict action would be taken. But after that also no such actions were undertaken and rent remained in arrears. We also found that there was no increment in the Rental Income by 15% after every 3 years as required by the statute applicable to the Municipal. We are not satisfied with the actions of the Municipal and thereby we identified one of a Revenue Leakage for Municipal.

Following are the arrears of rental income from respective tenants:-

(These figures are without 15% increment because agreements with tenants were not provided to us, from where we can identify the base year in each case for making such increment in the rents.)

S. No.	Name of Tenants	Shop/ House No.	Amount in Arrears (in Rs.)	Relating to
1.	Pawan Kumar	01	12,750	House
2.	Ambika Prasad Yadav	02	21,000	
3.	Jyoti Kapale	03	20,250	
4.	Suresh Kumar Uikey	04	37,500	
5.	Satya Pratap Singh	05	17,400	
6.	Kuldeep Singh Gandhi	01	1,800	Shop
7.	Nanak Singh Gandhi	02	400	
8.	Nanak Singh Gandhi	03	350	
9.	Laxmi Narayan Badgujar	04	55,854	
10.	Archana Devi Bareha	05	4,080	
11.	Arvind Kumar Bareha	06	52,480	
12.	Ashok Kumar Bareha	07	23,200	
13.	A. Mukim	08	680	
14.	Mahavir Agrawal	09	630	
15.	Suresh Kumar Agrawal	10	8,250	
16.	Dhannalal Bareha	11	35,570	



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PART II – AUDIT OF EXPENDITURE

2. (i) **Audit Checklist of Expenditure:-** The auditor is responsible for audit of expenditure under all the schemes.

Audit Observation:- We have examined the vouchers under all the schemes, vouchers are properly filed and duly accounted in books.

2. (ii) **Audit Checklist of Expenditure:-** The auditor is also responsible for checking the entries in cash book and verifying them from relevant vouchers.

Audit Observation:- We have examined the entries in the Cash Book and found entries supported by the relevant vouchers except mentioned in the following cases:-

Payment made but not entered in Cash Book:-

S. No.	Party Name	V. No.	Reason
1.	Survanshi Construction Co.	453	Security Deposit amount returned, but no entry of the same is made in the Cash Book.

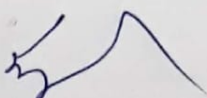
Note:- Correction regarding the same is made in the Cash Book on the date of error, but Adjustment in the closing balance is made at the end of the financial year.

2. (iii) **Audit Checklist of Expenditure:-** The auditor should also check monthly balances of cash book and guide the accountant to rectify errors, if any.

Audit Observation:- Balancing of Cash book not done on monthly basis.

2. (iv) **Audit Checklist of Expenditure:-** The auditor shall verify that the expenditure for a particular scheme is limited to the funds allocated for that particular scheme any over payment shall brought to the notice of the commissioner/CMO.

Audit Observation:- As project wise cash book is not maintained by the Municipal we are unable to verify that the payments made is under the limit of allocated funds and in the main cash book we are unable to allocate that the fund is utilized for particular head because separate ledger is not maintained for Main Cash Book.



2. (v) **Audit Checklist of Expenditure:-** The auditor shall also verify that the expenditure is in accordance with the guidelines, directives, acts and rules issued by Government of India/ State Government.

Audit Observation:- We have conducted our audit to the best of our knowledge & believe and as per the explanations given to us, the expenditures incurred were found along with relevant supporting except the cases mentioned below:-

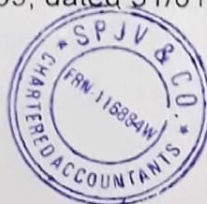
- a) **Advertisement expenditures** are not allowed to be incurred by the municipality relating to Independence Day or Republic Day; here are the cases where such expenses found during the audit.

S.No.	Newspaper	Date	Amount	Voucher No.	Reason For Advt. Exps.
1.	NayiDunia	13/04/2016	3000	30	26/01/2016
2.	HariBhoomi	13/04/2016	3000	31	26/01/2016
3.	Shanti Express	13/04/2016	2000	32	26/01/2016
4.	Kranti Chakra	13/04/2016	2000	33	26/01/2016
5.	Nav Bharat	13/04/2016	3000	34	26/01/2016
6.	Madhya Khabar	13/04/2016	2000	35	26/01/2016
7.	DanikBhaskar	13/04/2016	3000	36	26/01/2016
8.	NayiDunia	26/04/2016	3000	57	26/01/2016
9.	Khan Majdur	26/04/2016	2000	58	26/01/2016
10.	Lokmat	11/05/2016	3000	100	26/01/2016
11.	RajasthanPatrika	11/05/2016	3000	101	26/01/2016
12.	Nav Bharat	24/09/2016	4500	410	15/08/2016
13.	Express News	24/09/2016	3000	411	15/08/2016
14.	DanikBhaskar	24/09/2016	3000	412	15/08/2016
15.	Lokmat Media	24/09/2016	3000	413	15/08/2016
16.	DeshBandu News	24/09/2016	3000	414	15/08/2016
17.	VidarbhaChandika Weekly Paper	24/09/2016	1500	415	15/08/2016
18.	Madhya Khabar Weekly Paper	24/09/2016	1500	416	15/08/2016
19.	Patrika	24/09/2016	3000	417	15/08/2016
20.	Divya Express	24/09/2016	3000	418	15/08/2016
21.	NavDunia	24/09/2016	3000	419	15/08/2016
22.	ApeelPrakashan	24/09/2016	1500	420	15/08/2016

- b) In Municipalities, **cash expenses are not allowed**. But during our audit following instances were found, where specific amount was paid to the concerned person by cheque for incurring cash expenses. Those are:-

1. Mukesh Chandel is paid by Cheque No. 072516 of amount Rs.990, for purchase of barring of Mahindra Tractor, Voucher no. 709, dated 31/01/2017.

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2. Mukesh Chandel is paid by Cheque No. 023701 of amount Rs.4250, for Tractor repairing.

2. (vi) **Audit Checklist of Expenditure:-** During the audit financial propriety shall also be checked. All the expenditures shall be limited to the administrative sanctions accorded by the competent authority and shall be limited to the administrative and financial limits of the sanctioning authority.

Audit Observation:- During Audit we have examined the expenditures along with relevant vouchers and documents and found the Proper Sanctions were found for the relevant expenditures during audit except in the following cases:-

a) **Cases Where Proper Sanctions by the competent authority not obtained:-**

- a) Tender was called for construction of CC Nali in ward no. 12, dated 11/09/2015 and allotted to Vijay Singh Raghuvanshi, but CMO seal was missing from the Note Sheet.

2. (vii) **Audit Checklist of Expenditure:-** All the cases where appropriate sanctions have not have been obtained shall be reported and the compliance of audit observations shall be ensured during the audit. Non compliances of audit observations shall be ensured during the audit. Non compliances of audit paras shall be brought to the notice of Commissioner/CMO.

Audit Observation:- During Audit the cases where appropriate sanctions have not been obtained has been reported and the compliance of audit observations has been assured by CMO Sir within reasonable time.

2. (viii) **Audit Checklist of Expenditure:-** The auditor shall be responsible for verification of scheme wise Utilization Certificates (UCs). UC's shall be tallied with the income & expenditure records and creation of Fixed Assets.

Audit Observation:- During the year 2016-17, Nagar Palika has maintained Scheme wise/ Project wise utilization certificate issued by the engineer and corresponding measurement books for any work done and but UC's were not provided to us during our audit and hence we are unable to identify the fund diversions.

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PART III – AUDIT OF BOOK KEEPING

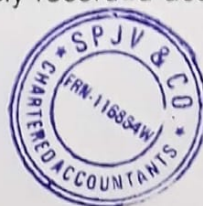
3. (i) **Audit Checklist of Book Keeping:-** The auditor is responsible for audit of all the books of accounts as well as stores.

Audit Observation:- We have verified the Cash Book, Chest book, Receipt Book, Payment Vouchers, Bank Statements and Other Supporting documents and registers provided to us during audit.

3. (ii) **Audit Checklist of Book Keeping:-** The auditor shall verify that all the books of accounts and stores are maintained as per Accounting Rules applicable to Urban Locals Bodies. Any discrepancies shall be brought to the notice of Commissioner/CMO.

Audit Observation:-

1. Double Entry accounting records not available for the Financial Year 2016-17.
 2. Cash Book not verified by the accountant on daily basis.
 3. Only receipts and payments are entered in cash book without balancing the opening & closing balances of cash and bank on daily basis resulting in no Receipt & Payment Account, Income & Expenditure Account, Trial Balance & Balance Sheet not maintained or prepared.
 4. Separate Cash Books not maintained for all Specific Grants in order to exercise proper control and limits on Specific Grants related expenditures.
 5. Stock Register was also not verified by appropriate authority. In many cases diesel was purchased and entered in the stock register. But the stock register was not verified then by the concerned authority.
 6. During our Audit we found that, Log Book is not maintained appropriately. Details regarding the number of Kms. the vehicle travelled are not specified and the signature of the driver and of the concerned authority is missing.
 7. Stock Register for Electricity Goods and Swach Bharat Goods was maintained, but not provided to us by the concerned authority and they were also not allowing us to carry out Physical verification of the same in their presence, causing a doubt in mind. The concerned authority there replied that we should get the permission from the CMO, while any such permission is not required to be taken as we are doing the statutory audit.
3. (iii) **Audit Checklist of Book Keeping:-** The auditor shall verify advance register and see that all the advances are timely recorded according to the conditions of



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advances. All the cases of non-recovery shall be specifically mentioned in audit report.

Audit Observation: - We have not verified the advance register, as advance register is not maintained by the Municipal. Even though Advance of Rs.50,000 has been granted to CMO on 2009-10, which is not yet adjusted.

3. (iv) **Audit Checklist of Book Keeping:-** Bank Reconciliation statements (BRS) shall be verified from the records of ULB and the bank concerned. If bank reconciliation statements are not prepared, the auditor will help in the preparation of BRS.

Audit Observation:- Bank Reconciliation Statements (BRS) for the Financial Year 2016-17 is not maintained by the Municipal Damua. We have also extended our support for BRS and it is expected to be completed at the earliest.

3. (v) **Audit Checklist of Book Keeping:-** The auditor shall be responsible for verifying the entries in Grant Register. The receipts and payments of grants shall be duly verified from the entries in the cash book.


Audit Observation: -We have verified the entries of the grant from the cash book, as separate Grant register not provided to us even after continuous reminders from the very first day of our audit at Municipality.

3. (vi) **Audit Checklist of Book Keeping:-** The auditor shall verify the fixed asset register from other records and discrepancies shall be brought to the notice of Commissioner/CMO.

Audit Observation:- The Fixed Asset register is not provided to us for the Financial Year 2016-17, as the ULB is not maintaining such a register.

3. (vii) **Audit Checklist of Book Keeping:-** The auditor shall reconcile the accounts of receipts and payments especially for project funds.

Audit Observation:- The Project Funds receipts & payments needs to be maintained separately by preparing Separate Cash Book for each project Funds, but any such accounts were not found maintained by the Municipality.


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General points regarding Book Keeping:-

1. In Cashier's Cashbook, Page No. 118 is left blank without cancellation of the same by the concerned authority.
2. Amount of Rs.88,171 paid to Anil Malviya, damua dated 06/10/2016. But in the voucher, no Voucher No. and Cheque No. is written, while it should come V. No. 454 and Ch. No. 072530.
3. Payment made to Paul Construction Co. for construction of boundary wall by Cheque No. 000037 of Rs.1,69,888/- dated 02/03/2017/ V. No. 758. In the voucher overwriting was found.
4. In the Cash Book, Page No. 9, 24, 28, 129, 223 was found cancelled and whitener used in many places without signature of the concerned authority.
5. Deduction Register and EMD Register not provided to us even after repetitive reminders.
6. In case of Market Auction, Advertisement cost incurred but no Advertisement newspaper found in the file.
7. In Cash Book, Page No. 105 left blank without cancellation of the same and signature of the concerned authority was also missing.
8. In Cash Book, Page No. 208 and Voucher No. 595, amount is corrected by circling the wrong amount and writing the correct above, without signature of the concerned authority.

PART IV – AUDIT OF BOOK FDR

4. (i) **Audit Checklist of FDR:-** The auditor is responsible for audit of all fixed deposits and term deposits.

Audit Observation:- We have verified all FDR in the name of Municipal Damua. The Following is the list of FDR's:-

S. No.	FDR Date	Bank Name	FDR Number	Amount	ROI	Status
1.	02/09/2015	SBI	35198546293	17,25,234.00	7.5%	Renewed
2.	02/11/2015	SBI	35320545168	30,00,000.00	7.25%	Renewed
3.	10/07/2015	SBI	34553073748	86,666.00	8%	Renewed

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4.	31/03/2010.	BOI	894141110000012	25,00,000.00	5%	Renewed
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4. (ii) **Audit Checklist of FDR:** - It shall be ensured that proper records of FDR's are maintained and all renewals are timely done.

Audit Observation:- No Separate Register maintained for FDR and found delay in renewals of FDR's.

4. (iii) **Audit Checklist of FDR:-** The cases where FDR's/TDR's are kept at low rate of interest than the prevailing rate, shall be immediately brought to the notice of Commissioner/ CMO.

Audit Observation:- Interest rates vary from Bank to Bank. It is suggested to make FDR at higher rate of interest for higher period in order to get higher return on investments. FDR's get automatically renewed without any step being taken up by the concerned person regarding comparison of the rates prevailing in different banks at the same time.

4. (iv) **Audit Checklist of FDR:-** Interest earned on FDR/TDR shall be verified from entries in the Cash Book.

Audit Observation:- We have verified the interest income from FDR's and found that it was duly accounted for in the cash book for the whole year 2016-17 on 31st March 2017, irrespective of Date of Maturity in mid of the Year or at end of year.

PART V – AUDIT OF TENDERS/BIDS

5. (i) **Audit Checklist of Tenders/Bids:-** Difference between Quotation Price & Invoice Price:-

Audit Observation:- We have verified the tenders/bids and not found any of such instances where payments were made in excess of quotations resulting in revenue leakage to the Municipal Damua.

- (ii) **Audit Checklist of Tenders/Bids:-** The Auditor is responsible for audit of all tenders/ bids invited by the ULB's.

Audit Observation:- We have verified the Tenders/Bids invited by Municipal Damua during the financial year 2016-17 and some queries observed are as under:-

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- a) **Tender was called for Construction of Chabutara at Ward No. 09** and after receiving bids from different contractors, it was allotted to Arvind Singh Parihar. During the audit we found that, E-Stamp paper of Rs.100 which is required for the agreement between parties is annexed in the tender file, but it doesn't contain the details regarding the agreement. Only party names were written (i.e. between Arvindsinghparihar and Nagar palika,Damua). And Material test report is also not found in the file.
- b) **Tender was called for Expansion of the Electric Line at Ward No. 16** and after receiving bids from different contractors, it was allotted to Arun Kumar Java, Junardeo. During the audit we found that the payment made of Rs.4,32,725 using Voucher No. 755 and Measurement Book, is without Signature and Seal of the Assistant engineer. And payment voucher no. 755, is drawn on a rough page.
- c) **Tender was opened for Expansion of the Electric Line at Ward No. 08 & 09.** During the audit we found that the agreement done on a stamp paper is without any Attestation, requirement and duration. After that also payment of Rs.24,98,303 is made.
- d) **Tender was opened for Maintenance work to be carried out at Ward no. 6 & 13** by Jafar Khan, Damua. During the audit we found that the Tender File is without T.S. Report and Material test report and after that also payment is being made.
- e) **Tender was called for Construction of CC road at Ward No. 10** and after receiving bids from different contractors, it was allotted to Bhushan Arora. During the audit we found that in the Tender File Test Report is not annexed and material test report is annexed without carrying out material test. Payment to the party is also been made.
- f) **Tender was called for Construction of Compound Hall at Ward No. 13, near Graveyard** and after receiving bids from different contractors, it was allotted to Anil Malviya. During the audit we found that in the Tender file Material Test Report is missing and after that also work of construction has been started and part payment has been made for Rs.5,63,655.
- g) **Tender was called for Construction of CC road at Ward No. 04** and after receiving bids from different contractors, it was allotted to Sanjay Parihar. During the audit we found that from the Tender file Material Test Report is missing and after that also work of construction has been started and payment has been made.
- h) **Tender was called for Construction of Meeting Hall at Nagar Palika, Damua** and after receiving bids from different contractors, it was allotted to Haider Ali. During the audit we found that Agreement on the stamp paper was not carried out properly and after that also work has been allotted and payment being made for Rs.4,30,111.

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- i) **Tender was called for Construction of Chabutra at Ward No. 09** and after receiving bids from different contractors, it was allotted to Arvind Singh Parihar at Rs.1,18,571. There should be entered an agreement on an E-Stamp paper between Arvind Singh Parihar and Nagar Palika, Damua, While during the audit we found that Agreement was actually done on E-Stamp paper between Arvind Singh Parihar and Nagar Palika, Junardeo, by mistake. This was afterwards scrambled by hand and changed to Nagar Palika, Damua. While as the agreement was done on an E-Stamp paper, it was already punched in the revenue departments site as Nagar Palika, Junardeo. Even after that contract continued and payment made for the contract which was void-ab-initio.

5. (iii) **Audit Checklist of Tenders/Bids:-** The auditor shall check whether competitive tendering procedures are followed for all bids.

Audit Observation:- During the audit we found that competitive Tendering procedures were followed for all bids.

5. (iv) **Audit Checklist of Tenders/Bids:-** The auditor shall verify the receipts of tender fee /bid processing fee/ performance guarantee both during the construction and maintenance period.

Audit Observation:- We have verified the receipts of tender fee/bid processing fee/ performance guarantee and found the following discrepancies:-

- a) **Tender was called for Construction of Model Road** and the work have been allotted to Manish Construction, Nainpur. Construction is going on and part payment of Rs.1,31,13,577 has been made to Manish Construction. But no Bank Guarantee was taken from the concerned party for such a Contract.
- b) **Tender was called for Construction of CC road at Ward No. 04** and after receiving bids from different contractors, it was allotted to Jafar Khan, Damua for Rs.8,46,000. During the audit we found that from the tender file Material Test Report is missing and Bank Guarantee Certificate is also not annexed.
- c) **Tender was called for Construction of Sewage at Ward No. 03** and after receiving bids from different contractors, it was allotted to M/s. Ideal Company for Rs.8,12,500. During the audit we found that in the tender file Material Test Report and Bank Guarantee Certificate is not annexed. And even after non availability of material test report, work has been started.
- d) **Tender was called for Construction of Samudayik Bhavan at Ward No. 13** and after receiving bids from different contractors, it was allotted to Jafar Khan. During the audit we found that in the Tender file Bank Guarantee certificate is not annexed, while it should be there and Nagar palika also never asked for such a certificate. Tender is still on a running process and

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part payment of Rs.3,89,549 has been made. In the same file, E-Stamp paper of Arunkumar java was found, which is blank.

5. (v) **Audit Checklist of Tenders/Bids:-** The Bank guarantees, if received in lieu of bid processing fee /performance guarantee shall be verified from the issuing banks.

Audit Observation:- Yes, Checked and Verified.

5. (vi) **Audit Checklist of Tenders/Bids:-** The condition of BG's shall also be verified, any BG with any such condition which is against the interests of ULB shall be verified and brought to the notice of Commissioner /CMO.

Audit Observation:- Yes, Checked and Verified.

5. (vii) **Audit Checklist of Tenders/Bids:-** The cases of extension of BG's shall be brought to the notice of Commissioner / CMO. Proper guidance to extent the BG's shall also be given to ULB's.

Audit Observation:- Yes, Checked and verified and found satisfactory

5. (viii) **Audit Checklist of Tenders/Bids:-** The contract closure shall be verified by the auditor.

Audit Observation:- No such contract closure during the Financial Year 2016-17 as being informed to us by the Municipal.

➤ **General points regarding Tenders/ Bids:-**

1. Nagar Palika, Damua transfer all their Tender files to Nagar Nigam, Jabalpur for checking purposes. But for such transfers no specific letters have been drafted and even after transferring files to Jabalpur, no O.C. regarding such files has been obtained.

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PART VI – AUDIT OF GRANTS AND LOANS

6. (i) **Audit Checklist of Grants and Loans:-** The auditor is responsible for audit of grants given by Central Government and it's utilization.

Audit Observation:- We have verified the Grants received during the financial year 2016-17 by the Municipal Damua and same has been properly account for in the books of accounts.

6. (ii) **Audit Checklist of Grants and Loans:-** He is responsible for audit of grants received from State Government and it's utilization.

Audit Observation:- We have verified the grants received during the financial year 2016-17 by the Municipal Damua and same has been properly account for in the books of accounts.

6. (iii) **Audit Checklist of Grants and Loans:-** He shall perform audit of loans provided for physical infrastructure and it's utilization. During this 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.

Audit Observation:- As per the discussion with the Municipal Damua, no Loan outstanding on Municipal Damua.

6. (iv) **Audit Checklist of Grants and Loans:-** The auditor shall specifically point out any diversion of funds from capital receipts/ grants/ loans to revenue expenditure.

Audit Observation:- No Such cases observed during the audit.

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PART VII – OTHER OBSERVATIONS & SUGGESTIONS

1. Accountant Signature not found on many vouchers.
2. Royalty deducted but not paid.
3. Vehicles insurance policy not taken for various vehicles.
4. In most of the Vouchers Original Letter Head of Contractors not found.
5. Revenue Tickets not found on many Payment Vouchers.
6. Stock Book properly not maintained.
7. During the audit of Nagar Palika, Damua we found that many electricity meters were not working, as the billing was done on average basis. No Strict actions were taken by the concerned authority even after knowing that letters issued to M.P.P.K.V.V.C.L for changing the meter were not properly answered.
8. Stationary items were purchased during 2016-17 on demand basis, bills amounting up to Rs.1,000. While the total purchase on yearly basis is approx. Rs.50,000. We would suggest Nagar Palika, Damua to find out the yearly requirement and purchase stationary after calling on quotations from different bidders.
9. Earnest Money Deposit (EMD) in case of Bazaar Auction was differing from Rs.10,000 to Rs.25,000, without any circular specifying the same been provided to us.
10. **EPF Late Payment:-** Delay in EPF late payment to the authorities observed in the following cases:-

S. No.	Due Date of Payment	Actual Date of Payment	Delay	Amount (inRs.)
1.	15/05/2016	04/06/2016	21	2,12,088
2.	15/06/2016	01/07/2016	17	2,45,982
3.	15/07/2016	03/08/2016	20	2,48,993
4.	15/08/2016	02/09/2016	19	2,49,808
5.	15/09/2016	01/10/2016	17	2,48,911
6.	15/10/2016	24/10/2016	10	1,91,102
7.	15/11/2016	06/12/2016	22	3,06,495

- EPF Challans for months other than those covered above, were not found in the file.

11. There was no concerned authority of Public Works Department (PWD) available at the time of audit for sorting out the queries arising during the Audit. And the concerned engineer was ignoring the Audit and didn't entertain our queries.

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12. During our audit we found that, In the Note sheet relating to Shop Auction of nandan market 2015-16 is taken as a base for calculating Shop Auction amount for 2016-17. Therefore it should come Rs. 95,000 + 10% of 95,000 = 1,04,500, but wrongly it is taken to be Rs.85,000.
13. In the Note Sheet, relating to market Auction of Nandan Market for 2016-17, Nagar Palika Collection is not specified in the note sheet and hence not verified by the CMO of Rs.1,760.

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SECTION - II:

Bank Accounts & Balances

Bank Accounts & Closing Balances as on 31/03/2017:-

S.NO.	BANK NAMES	ACCOUNT NO.	CLOSING BALANCES
1.	SBI	30634054317	84,810,244.00
2.	SBI	32630747276	6,66,684.50
3.	SBI	31706617182	3,00,642.00
4.	SBI	31655805239	5,62,759.50
5.	SBI	33192293229	16,729.50
6.	SBI	30722069298	16,729.00
7.	SBI	32872794901	2,44,210.50
8.	SBI	31655788416	69,763.00
9.	SBI	3165552151	20,237.00
10.	SBI	31655785607	48,225.00
11.	SBI	31655649813	294.00
12.	SBI	3068881979	0.00
13.	SBI	31655801187	1,36,810.50
14.	BOI	894120110000004	7,99,454.00
15.	BOI	894110210000001	78,34,677.00
16.	BOI	894120110000043	77,675.00
17.	BOI	894120110000044	29,096.25
18.	BOI	894120110000057	3,01,026.32
19.	BOI	894120110000059	3,673.59
20.	BOI	894120110000058	7,75,473.00
21.	Dena Bank	128510040316	10,95,351.00
22.	IndusInd Bank	157020002552	3,15,49,767.00

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