



**CA Manik Bansal**

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## **INDEPENDENT AUDITOR'S REPORT**

To the member of **Municipal Corporation, Hanumangarh (Rajasthan.)**

We have audited the accompanying financial statements of **Municipal Corporation, Hanumangarh (Rajasthan.)**, which comprise the Balance Sheet as at **March 31, 2013** and the Income and Expenditure Account for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the **Municipal Corporation** in accordance with the Rajasthan Municipal Accounts Manual. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require 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 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



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statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the **Municipal Corporation's** preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **Municipal Corporation's** internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give a true and fair view in conformity with the Rajasthan Municipal Accounts Manual subject to the qualification given in additional matters:

- a) In the case of the Balance Sheet, of the state of affairs of the **Municipal Corporation** as at **March 31, 2013** and
- b) in the case of the Income and Expenditure Account, of the surplus/ deficit for the year ended on that date;

**We further report that:**

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) In our opinion proper books of account as required by law have been kept by the **Municipal Corporation** so far as appears from our examination of those books:
- c) The Balance Sheet and Income and Expenditure Account, dealt with by this Report are in agreement with the books of account;



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d) In our opinion, the Balance Sheet and Income and Expenditure Account comply with the Rajasthan Municipal Accounts Manual subject to the ;

Statement on additional matters is given in the **Annexure “A”& Annexure “B”**

**Place :Hanumangarh**

**Date :**

**For Shyam Lal Dadhichi & Associates**

**Chartered Accountants**

**FRN No.012265N**

**Manik Bansal**

**(Partner)**

**M No. 531661**



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**Annexure “A” - Additional matters to be reported by the financial statements auditor**

1. Whether all sums due to and received by the Municipality have been brought to account and have been appropriately classified;	No, Annexure 1
2. Whether all grants sanctioned or received by the Municipality during the year, have been accounted properly, and where any deduction is made out of such grants towards any dues of the Municipality whether such deductions have been properly accounted;	No, Accounting is as per cash book maintained by ULB.
3. Whether any Earmarked Funds have been created as per the provision of any statute and, if so, whether such Earmarked Funds have been utilized for the purposes for which they were created;	Yes
4. Whether the Municipality is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets; whether these fixed assets have been physically verified at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same has been properly dealt with in the books of account;	Yes.
5. Whether in case of leasehold property given by the Municipality, whether lease rentals are collected regularly by the Municipality and that the lease agreements are renewed after their expiry;	Yes
6. Whether physical verification has been conducted by the Municipality at reasonable intervals in respect of stores; Whether the procedures of physical verification of stores followed by the Municipality are reasonable and adequate if not, state the inadequacies in such procedures; Whether any material discrepancies have been noticed on physical verification of stores as compared to stores records, and if so, whether the same have been properly dealt with in	Yes



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the books of account;	
7. Whether the parties to whom loans or advances have been given by the Municipality are repaying the principal amounts as stipulated and are also regular in payment of the interest and if not, whether reasonable steps have been taken by the Municipality for recovery of the principal and interest;	Yes
8. Whether advances given to municipal employees and interest thereon are being regularly recovered;	Yes
9. Whether there exists an adequate internal control procedure for the purchase of stores, fixed assets and services	Yes
10. Whether there exists an adequate internal control procedure for the contracting of works and projects, periodic inspections and measurements, quality checks and payments there for	Yes
11. Whether the Municipality is regular in depositing statutory dues including tax deducted at source, works contract tax, cess payable to the Government, ESI, PF etc., and if not, the nature and cause of such delay and the amount not deposited;	No, refer annexure 2
12. Whether any personal expenses have been charged to the Municipality's accounts; if so, the details thereof;	No
13. Whether the books and registers specified under the Rajasthan Municipal Accounts Manual and other applicable acts and rules have been properly maintained; whether Bank Reconciliation statements have been properly prepared for all the bank accounts of the Municipality;	All registers except summary statement of write Offs, Gen- 27, statement of outstanding liability for expenses Gen 28, Asset replacement register



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	Gen-35. Bank reconciliation statements have not been made for SJSRY bank accounts.
<b>14. Whether the year-end and reconciliation procedures have been carried out;</b>	Not properly.

#### **Annexure 1**

No, Accounting is as per cash book maintained by ULB and some sums due but not received have been accounted for.

1. The balances of Security Deposits are not classified properly. A separate SD refund account is created and all type of SD refunded are debited to this account rather than debiting particular contractors SD or SD EMD a/c or SD withheld a/c. Therefore S.D. Balance cannot be verified.
2. The ULB has maintained Current account and Saving accounts in the Bank, the interest rate on current account are nil and on the saving account @4% p.a., The ULB should open Saving account with flexi F.D. which increase the interest revenue for the ULB.
3. For the payment of revenue expenditure and capital expenditure, Voucher has not been journalized before the payment by the ULB, However in the double entry accounting Voucher has been journalized.
4. Statement of All type of Outstanding liabilities in the Form GEN-28 is not prepared. Therefore No provision has been made as on 31/03/2013 at year end for the Electricity Bill, Water bill, legal fees etc.

#### **Annexure 2**



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**11.** Whether the Municipality is regular in depositing statutory dues including tax deducted at source, works contract tax, cess payable to the Government, ESI, PF etc., and if not, the nature and cause of such delay and the amount not deposited;

Ans. The municipality did not deduct **TDS** on payment of advertisement expenses for payment made to newspaper agencies. During the year Newspaper agencies were paid Rs 11,74,558/- after deduction of .5% deduction kosh.

**Kosh** deducted have not been deposited so far.

**TDS and Sales Tax:** Municipality is not regular in depositing taxes and paying penalties. Challans and Returns are not provided for examination. No satisfactory answer was obtained for reason of delay in depositing tax.

Municipality is required to be registered with ESI but not registered.

Municipality is not filing return of **Service tax**. Municipality is charging service tax on some of its income and also paying service tax on the services it received. But there is no workings of calculation of input tax credit and service tax payable. Also no service tax has been paid in the year. Its welcoming of huge penalty and interest and also loss of revenue in regards to service tax input credit not used.

Municipality has not filed the **ITR** for A.Y. 2013-14 so its refund of tax deducted also lapsed.

Certain dues which have not been deposited are as follows:-

<b>Name</b>	<b>Amount</b>
Land division fees payable to government	3366500
Kosh	6300
EMF	10876
Service Tax deducted shown as income	28789



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**Annexure “B” - Additional matters to be reported by the financial statements auditor**

1. Narrations and at least cheque no. Should be given in payment entries in Books of accounts.
2. Following work can be done to for proper Accrual Base of accounting:
  - a. Interest accrued in bank accounts but not due is not booked.
  - b. Interest accrued on FDR of Rs. 3,00,00,000 made on 22/01/2013 till year end not booked also Tax deducted by bank not shown as TDS receivable in books. Also Bank statement of this FDR was not available for verification.
  - c. In Axis IHSDP the bank interest received on 04-7-2012 of Rs. 6,20,380, Rs. 5,43,309 on 08-10-2012 recorded in the books on 10/10/2013 when it is entered in manual cash books. It was supposed to be entered when it accrues but it was entered in tally after one year when it was credited in manual books.
  - d. Opening demand of lease receivable is not booked.
  - e. Provision is not made as required in manual for receivables like house tax after ageing.
  - f. In case of sale of Land: On auction, income is booked as auction income and mandi interest income is booked when remaining part is received along with interest. On year end it can't be ascertained how much is due towards land sold receivable and interest receivable.
3. Assets that belong to different class according to rate of depreciation and life of asset are classified in single head. CC, consolidated and carpet all are classified as Road. All have different life period.
4. Opening balances of stores and Capital work in progress is not ascertained and carried over in opening balance sheet as well as on year end.
5. Fixed Assets are required to be stated on original cost less accumulated depreciation calculated as per rates of Income tax on SLM method. Opening balances of Vehicles is shown at current market price.
6. Closing Balances of Loan and advances given to departments and employees of MCH are subject to confirmation. Further in loans and advances amount of Rs 23,75,000 in total which includes Rs. 4,75,000/- due to each Major Singh /Balveer Singh, Bhagwaan Singh /Balveer





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Singh , Gurdev Singh /Balveer Singh, Sukhdev Singh /Balveer Singh and Tena Singh /Balveer Singh is not advance but given against land purchase from them as learned from enquiry with account staff. Balance of advances in manual report prepared for budget is Rs. 80 lacks approx which is low in comparison to balance of advances in balance sheet.

7. Amount received against Opening balance of House loan and vehicle loan due towards employees is booked properly but its opening balance is not booked that's why it is shown as negative balance.
8. Assets/ expenses which have specific name and class are shown in other fixed asset infra or as they are given head in manual cash book maintained by municipality. In many cases revenue/ capital classification is done as given in manual books. If any expense is booked as asset in manual cash book than it is booked in tally same way. For example:

<b>Date</b>	<b>Amount</b>	<b>Booked in tally</b>	<b>Nature/(Actual as per description in Manual cash book)</b>
09/04/2012	153492	Other construction work	Road construction
18/04/2012	347988	Other construction work	Samudayik Bhawan, ward 42

9. As per the information available from the municipality the Grant book of MP MLA fund is not maintained properly so the opening balance of the said fund is not available. That's why it shows amount spend more than received.
10. In case of SJSRY no single Bank statement was available.