

INTERNAL AUDIT REPORT

Audit Project: State of Maharashtra Agribusiness and Rural Transformation Project (SMART)

Audit Entity: VNF FARMER PRODUCER COMPANY LIMITED

Location: Mandavgan Pharata, Taluka: Shirur, District: Pune, Maharashtra



MARCH 24, 2025

S K PATODIA & ASSOCIATES LLP

Chartered Accountants

INTERNAL CONTROL CHECKLIST FOR CBO AUDIT

I: Static CBO data

SN	Particulars	Particulars
01.	Name of CBO	VNF FARMER PRODUCER COMPANY LIMITED
02.	Address of CBO	Mandavgan Pharata, Taluka: Shirur, District: Pune, Maharashtra
03.	Date of sub-project proposal sanction intimation by Project	December 23, 2022
04.	Date of visit for audit	February 15, 2025
05.	Date of Discussion with CBO & DIU regarding audit paras	February 15, 2025
06.	Date of Grant Agreement	March 28, 2023
07.	Sub-project proposal cost as per Grant Agreement	Rs. 247.11 Lakhs
08.	Loan Amount sanctioned	Rs. 0.75 Lakhs
09.	Name of the Bank from whom Loan taken	Bank of Maharashtra
10.	Date of first loan disbursement	March 31, 2023
11.	As on report amount of loan disbursed	Rs. 0.75 Lakhs
12.	Number of tranches released	3
13.	Total expenditure incurred till date by CBO	Rs. 239.00 Lakhs

II. Observations of the CBO auditor

SN	Area	Particulars	Observations
1	2	3	4
1	Loan transactions (if CBO has opted for Loan case)	a. How much loan has been taken for the sub-project proposal activity?	0.75 Lakhs
		b. Whether utilization of loan is used for the sub-project proposal activity?	Yes
		c. Whether Bank Loan statement has been provided and verified?	Yes
2	Grants Transactions	a. Whether grants are utilized for sub-project proposal activity?	Yes, subject to the observations noted in the Annexures
		b. Whether Utilization Certificate is issued by CBO's CA and has been verified?	Yes
		c. Whether grant/tranches are released as per the applicable guidelines?	Yes
3	Procurement procedure & documentation	a. Whether CBO has followed World Bank/State Procurement policy for Procurement? b. Whether proper documentation required in different procurement methods has been maintained as per procurement manual and World Bank regulations? c. Whether the various minutes of the procurement committee referred by auditor? Any discrepancy found in procurement procedure is to be reported. d. Whether bill payments to vendor has been processed as per the stage of completion? e. Whether CBO has purchased the same goods/machinery/works etc. as approved in the SPAC and as per grant agreement.	Yes, subject to the observation noticed in the Annexures

SN	Area	Particulars	Observations
4	Vendor payments	<p>a. Whether payments are approved by the CBO's authorized person and as per work order issued?</p> <p>b. Whether all vendor agreements and contracts are documented?</p> <p>c. Whether payments are made through E-pay Slip/Cheque/Electronic Mode as specified in the grant agreement.</p>	Yes, subject to the observation noticed in the Annexures
5	Tax and other deductions	<p>a. Whether statutory payment has been deposited on or before due dates?</p> <p>b. If any delay, whether interest/penalties are paid as per statute?</p> <p>c. Whether proof of payment of statutory dues available for verification?</p>	Yes, subject to the observation noticed in the Annexures
6	Whether vendor payments are on Pro-rata basis i.e. in ratio of Grants: Own Contribution: Loan amount	a. Whether e-pay slips are generated in project MIS system?	Yes
		b. The CBO has properly accounted their Books of Accounts?	Kindly refer Annexure 1
7	Any other Irregularities as regards to project guidelines	<p>a. Whether CBO has opened SMART dedicated bank account in branch as mentioned in the Grant Agreement?</p> <p>b. Whether sub-project expenditure is only incurred from the SMART dedicated bank account?</p> <p>c. Whether CBO has maintained the primary and secondary books of accounts and updated?</p> <p>d. Whether the project is being executed/constructed/ installed/implemented on the address given in the lease agreement?</p>	<p>a. Yes</p> <p>b. No-Transfer Processing Charges and Document Vetting Charges have been expended from the SMART Bank Account.</p> <p>c. Primary & Secondary books have been updated till November 21, 2024.</p> <p>d. The project is being executed/constructed/ installed/implemented at the address mentioned in the grant agreement.</p>
8	Whether pre-operative expenses are as per project guidelines	a. Whether pre-operative expenses are duly certified in Utilization Certificate by the CA and supported by the bills and other documents?	Yes, subject to observations noticed in the Annexures
		b. Whether 5% pre-operative expenses are within the limit mentioned in project sanction letter?	Yes
		c. Whether 5% pre-operative expenses are necessary, reasonable and related to the sub-project proposal activity?	Yes, subject to observations noticed in the Annexures
9	Other Audit Remarks	a. Whether assets generated as per the sub-project proposal are physically verified?	Yes
		b. Any other issue not covered above or the auditor wants to highlight to the management.	NA

SN	Area	Particulars	Observations
10	Any Suggestions	NIL	<ol style="list-style-type: none"> 1. It is recommended that the primary and secondary books should be maintained as per the FMM Guidelines. 2. It is also recommended to provide all relevant procurement documents for verification during audit visit. 3. It is recommended that the amount sanctioned should be utilized only for sub-project component.

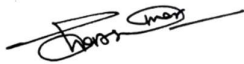
III. Audit Utilization Certificate Format (to be issued at the time of completion of sub-project activity as per grant agreement)

Receipts	Amount in Rs. (In Lakhs)		Payment	Amount in Rs. (In Lakhs)		
	Grants	Own Contribution		Grants	Own Contribution	Over and Above sub-project proposal cost
235.12	133.42	101.70	235.30	235.30	-	
Total	133.42	101.70	Total	235.30	-	

Note: The amounts mentioned above have been taken from the Utilization Certificate provided by the Chartered Accountant, as attached in Annexure 9.

The figures and data provided above for Section I, II & III are based solely on the documents, information, and clarifications provided to us by the CBO.

For,
M/s. S K Patodia & Associates LLP
Chartered Accountants
FRN 112723W/W100962




Mr. Harsh Kumar Sarawagi
Partner
Membership No. – 513618
UDIN: 25513618BMOYCU5681

ANNEXURE

Annexure 1: Deficiency in Maintenance of Books of Accounts

High Risk

It has been observed that the CBO has not updated the primary books of accounts (i.e., Tally accounting software) as of the audit visit date. Additionally, the accounting entries are not accurately classified under the relevant heads, certain journal entries are missing and narrations are not adequately recorded.

Furthermore, the secondary books of accounts, including the Bill Register, Cheque Issue Register, Security Deposit Register, and Advance Register, were not presented for verification, and the Fixed Assets Register is not updated.

SN	Books Type	Maintained (Yes/ No)	Maintained as per the Format Prescribed in FMM (Yes/No/NA)	Updated till 14-02-2025 (Yes/No/NA)
I.	<u>Financial Records</u>			
	<u>Primary Books of Accounts</u>			
1	Cash Book (<i>Tally generated</i>)	Yes	Yes	No
2	Bank Book (<i>Tally generated</i>)	Yes	Yes	No
3	General Ledger (<i>Tally generated</i>)	Yes	Yes	No
4	Bank Reconciliation Statement (BRS) (<i>Tally generated</i>)	Yes	Yes	No
5	Trial Balance (<i>Tally generated</i>)	Yes	Yes	No
6	Journal Register (<i>Tally generated</i>)	Yes	Yes	No
II.	<u>Secondary Books of Accounts/ Supporting Records</u>			
7	Bill Register- Pending and paid	No	No	No
8	Cheque issue / bank draft issue register (<i>as per Annexure – A3</i>)	No	No	No
9	Advance Register (<i>as per Annexure – A1</i>)	No	No	No
10	Security Deposit Register (<i>as per Annexure – A6</i>)	No	No	No
11	Beneficiary Contribution Register (<i>as per Annexure – A7</i>)	NA	NA	NA
12	Audit Compliance Register (<i>as per Annexure – A8</i>)	NA	NA	NA
13	PFMS Print Payment Advice File	NA	NA	NA
III.	<u>Records to be maintained by Administration Branch</u>			
14	Consumable Stock Register (<i>as per Annexure- A2</i>)	NA	NA	NA
15	Fixed Asset/ Dead Stock register (<i>as per Annexure- A4</i>)	Yes	Yes	No
16	Imprest Amount Register (<i>as per Annexure - A5</i>)	NA	NA	NA

Impact: Non- Maintenance of primary books as per the format prescribed would lead to deviations from the standard document and non-compliance of Financial Management Manual.

Recommendations: It is recommended that primary books of accounts should be maintained as per the format prescribed. Also, it is recommended to follow the guidelines so as to avoid any further non-compliance.

Annexure 2: Mis-utilization of Funds

High Risk

It has been observed that an amount of Rs. 1,39,265/- was utilized for processing fees and document vetting charges, which contradicts the intended purpose of the SMART grant as outlined in the grant agreement.

Details are as follows:

S.N.	Date of Payment	Payment	Amount (Rs.)
1	31.03.2023	Transfer Processing Fees	1,37,765
2	04.04.2023	Document Vetting Charges to Mr. Chandrakant Sitaram Sandbhor	1,500
Total			1,39,265

Impact: This leads to non-compliance with grant agreement and marks question on the client's mechanism and reliability .

Recommendations: It is recommended to the CBO to utilize the SMART Grant for the intended purpose outlined in the grant agreement.

Annexure 3: Non Compliance with the Grant Agreement

High Risk

It was observed that, as per the Grant Agreement dated March 28, 2023, outlined in Annexure B, which specifies the activity schedule, budget, and timeframe for completing the sub-project proposal, the CBO has not completed the "Onion Shed 2000 MT" within the prescribed timeframe.

Further, the Installation Certificate was not presented for verification. Additionally, the "Onion Bag Making Machine" component, amounting to Rs. 6 lakhs, has been cancelled, however, the supporting documents for the cancellation to the higher authority were not provided to us for verification.

Details are as follows:

SN	Name of the Component	Timeline as per the Grant Agreement (DD/MM/YYYY)	Actual Completed as per Completion Certificate
1.	Onion Shed 2000 MT	31/12/2023	27/04/2024
2.	Weigh bridge 60 MT	31/12/2023	Not Provided
3.	Onion Bag Making Machine 10 HP	31/12/2023	Cancelled
4.	Tractor 57 HP 4 WD	31/12/2023	Not Provided
5.	Trolley 5 Ton	31/12/2023	Not Provided
6.	Rotavator 5 Feet	31/12/2023	Not Provided

Impact: This leads to non-compliance with grant agreement and marks question on the client's mechanism and reliability .

Recommendations: It is recommended that funds should be utilized within the timeframe specified in the grant agreement to ensure proper utilization, in case of any modifications, it should be communicated to higher authorities, and approval should be obtained accordingly.

Annexure 4: Operative Expenses

High Risk

As per the letter dated March 13, 2025, sent to PIU Agriculture regarding the bifurcation of operative expenses amounting to Rs. 5,70,522/- incurred by the CBO, it has been observed that the expenditure is not reflected in the SMART bank statement; therefore, it has been disallowed.

As per the letter dated October 10, 2024, issued by PIU Agriculture, the CBO has utilized funds under Operative Expenses for the construction of a Toilet Block, amounting to Rs. 5,33,478/- as per the Utilization Certificate (UC), however, the Technical Comparative Chart, Performance Security, Completion Certificate and RA Bill & its

supporting have not been presented for verification. Further, a single payment was made, whereas, as per the contract agreement, the payment was required to be made in five RA Bills/Instalments.

Impact: This leads to non-compliance with agreement and manual and marks the question on the client's mechanism and reliability .

Recommendations: It is recommended to ensure strict adherence to grant guidelines, maintain proper documentation for all expenditures, and follow contractual payment terms to enhance financial transparency and compliance.

Annexure 5: Statutory Compliances

M Risk

It was observed that TDS amounting to Rs. 1,13,290/- for April 2024 was deposited with a delay of 25 days. Additionally, TDS of Rs. 92,727/- for th month of June 2024 has been deducted, however, the TDS Challan has not been presented for verification.

Further, the GST-TDS Challans, GST-TDS Returns, and TDS Return file have not been provided for verification. Also, Royalty Cess challan has not been provided for verification.

Tax Deducted at Source:

Month	Tax Deducted (In Rs.)	Due Date of Payment (DD/MM/YYYY)	Actual Payment Amount (In Rs.)	Actual Date of Payment (DD/MM/YYYY)	Delay in Deposit (In Days)	Short Deposit (In Rs.)
Feb-2024	1,50,982	07-03-2024	1,50,982	28-02-2024	-	-
Apr-2024	1,13,290	07-05-2024	1,13,290	01-06-2024	25 Days	-
Jun-2024	92,727	07-07-2024	NOT PROVIDED	NA	-	-
Total	3,56,999		2,64,272			

Impact: Non-deposit of TDS within prescribed time limit leads to penalty and interest under the Income Tax Act, 1961.

Recommendations: It is recommended that statutory payment and returns should be filed timely to avoid unnecessary payment of fines and penalties.

Annexure 6: Discrepancies in Compliance of Procurement Procedure and Record Keeping

High Risk

Observation 1: It was observed that payment amounting to Rs. 2,10,62,882/- has been made to M/s. Abiel Landmark Pvt. Ltd. for construction of Onion Shed 2000 MT, however, following irregularities were noticed:

Details of Parties are as follows:

S.N.	Name of the Parties	Status
1.	Abiel Landmark Pvt. Ltd.	Qualified
2.	D.B. Phopse	Disqualified
3.	Sarathi Engineers	Qualified

- As per Clause 3: "Payments under the Contract" of the contract agreement, the payment to the contractor should be made in five instalments (i.e. five RA bills), however, as per the RA bill records, the payment has been made within three instalments instead.
- As per the sub-clause 8.5 of clause 8 of the contract agreement, the engineer shall record the observations/ instructions at the time of site visit in a site register, however, the site visit register/report authorized by the engineer at each stage of civil work has not been provided to us for verification.
- As per the Clause 4 "Notice by Contractor to Engineer", Engineer should be authorizing the payments, issuing variation, etc., however, payment has not been authorized by the engineer. Further, the appointment letter of the contractor was also not provided.
- The performance security of Rs. 6,31,886/- in the form of Bank Guarantee/Bank draft & ESHS Compliances have not been presented to us for verification.
- Invoices for the Second & Third RA Bill were not provided to us for verification.

Details of Payments are as follows:

Date of Payment	RA Bill No.	Invoice No.	Cheque No.	Net Amount as per Bank Statement (in Rs.)
20.02.2024	First	ALPL/23-24/038	174136	79,12,148
23.04.2024	Second	Not Provided	174141	61,13,104
06.06.2024	Third	Not Provided	174146	50,36,201
Total				1,90,61,453

Observation 2: It was observed that payment amounting to Rs. 7,00,000/- has been made to M/s. Sansui Electronics for Weigh Bridge, however, following irregularities were noticed:

Details of Parties are as follows:

S.N.	Name of the Parties	Status
1.	Sansui Electronics	Qualified
2.	Kunal Enterprises	Qualified
3.	Precision Weighing Systems	Qualified

- The performance security of Rs. 35,000/- has not been presented to us for verification.
- Delivery challan & Completion/Installation Certificate have not been presented to us for verification.

Details of Payment are as follows:

Date of Payment	Name of the Vendor	Invoice No.	Cheque No.	Amount (Rs.)
06.06.2024	Sansui Electronics	SEPL/23-25/63	174147	7,00,000

Observation 3: It was observed that payment amounting to Rs. 10,50,000/- has been made to M/s. Harpale Tractors for purchase of Tractor, however, Letter of Acceptance, Supply order, delivery challan, contract agreement and invoice has not been presented to us for verification.

Details of Parties are as follows:

S.N.	Name of the Parties	Status
1.	Harpale Tractors	Qualified
2.	Navnath Automotive	Qualified
3.	Varsha Automobiles	Qualified

Details of payment are as follows:

Date of Payment	Invoice No.	Vendor Name	Cheque No.	Amount as per Bank Statement (Rs.)
15.05.2023	NA	Harpale Tractors	174126	10,50,000

Observation 4: It was observed that payment amounting to Rs. 1,50,000/- has been made to M/s. Chandrabhaga Engineering Works for purchase of Trolley, however, following irregularities were noticed:

Details of Parties are as follows:

S.N.	Name of the Parties	Status
1.	Chandrabhaga Engineering Works	Qualified
2.	Navnath Automotive	Qualified
3.	Varsha Automobiles	Qualified

- It was observed that while all the above three parties were technically qualified, however, during the financial evaluation stage the bidder Varsha Automobiles was not taken into consideration.
- Letter of Acceptance, delivery challan & contract agreement has not been presented to us for verification.

Details of payment are as follows:

Date of Payment	Invoice No.	Vendor Name	Cheque No.	Amount as per Bank Statement (Rs.)
06.06.2024	MAY/138	Chandrabhaga Engineering Works	174148	1,50,000

Observation 5: It was observed that payment amounting to Rs. 84,000/- has been made to M/s. Shrikant Tractors for purchase of rotavator, however, Letter of Acceptance, delivery challan & contract agreement has not been presented to us for verification.

Details of Parties are as follows:

S.N.	Name of the Parties	Status
1.	Shrikant Tractors	Qualified
2.	Navnath Automotive	Qualified

3.	Varsha Automobiles	Qualified		
Details of payment are as follows:				
Date of Payment	Invoice No.	Vendor Name	Cheque No.	Amount as per Bank Statement (Rs.)
06.06.2024	23/697	Shrikant Tractors	174149	84,000
Impact: Non- maintenance or improper maintenance of required records/ information marks question on the client's documentation mechanism and reliability of record maintenance. Further, non-compliances with the procurement guidelines marks the question on the procurement mechanism.				
Recommendations: It is recommended to ensure proper documentation mechanisms and to follow the process as per the FMM, procurement manual and WB regulations to avoid any non-compliance.				

Annexure 7: Grant Working as per Sub-Project Cost

The below table is as per the figure mentioned in the Grant Agreement dated March 28, 2023 made available to us and Actual Cost Incurred mentioned as per record made available to us.

S.N	Sub-Project Component	Cost (Rs. Lakhs)	SMART Grant (Rs. Lakhs)	CBO Equity (Rs. Lakhs)	Actual Cost Incurred as per UC (Rs.in Lakhs)	Remarks
A) Core Investment in Sub-Project Component						
1)	Onion Shed 2000 MT	210.00	126.00	84.00	210.63	Over-Utilized
2)	Weigh bridge 60 MT	7.00	4.20	2.80	7.00	Utilized
3)	Onion Bag Making Machine 10 HP	6.00	3.60	2.40	0.00	Cancelled
4)	Tractor 57 HP 4 WD	10.00	6.00	4.00	10.00	Utilized
5)	Trolley 5 Ton	1.50	0.90	0.60	1.50	Utilized
6)	Rotavator 5 Feet	0.84	0.50	0.34	0.84	Utilized
	Sub-Total (A)	235.34	141.20	94.14	229.97	
B)	Operative Expenses	11.77	7.06	4.24	5.33	Under-Utilized
	Sub-Total (B)	11.77	7.06	4.24	5.33	
	Total (A+B)	247.11	148.27	98.38	235.30	

Note:

- As per the letter dated October 10, 2024, issued by PIU Agriculture, the CBO has utilized funds under Operative Expenses for the construction of a Toilet Block, amounting to Rs. 5,33,478/- as per the UC.
- The Operative Expenditure of Rs. 5,70,522/- has not been taken into consideration subject to observation noticed in Annexure 4.

Annexure 8: MCA Compliances

Master data Index of Charges Director/Signatory details

Print Export Document Related Services

Company Information

CIN	U01100PN2019PTC184256
Company Name	VNF FARMER PRODUCER COMPANY LIMITED
ROC Name	ROC Pune
Registration Number	184256
Date of Incorporation	21/05/2019
Email Id	ssantosh4@gmail.com
Registered Address	S NO 32/1B/1,2,3 FLAT NO 502, SHIV-NARAYAN PLAZA, KATRAJ, Pune, PUNE, Maharashtra, India, 411046
Address at which the books of account are to be maintained	-
Listed in Stock Exchange(s) (Y/N)	No
Category of Company	Company limited by shares
Subcategory of the Company	Non-government company
Class of Company	Private
ACTIVE compliance	-
Authorised Capital (Rs)	31,00,000
Paid up Capital (Rs)	30,32,000
Date of last AGM	26/08/2024
Date of Balance Sheet	31/03/2024
Company Status	Active

Jurisdiction	
ROC (name and office)	ROC Pune
RD (name and Region)	RD, Western Region

Annexure 9: Utilization Certificate



Rahul Mahadeo Patil
Chartered Accountant

Block No. 1, Second Floor, Padmavati Shopping Complex, Near Marketyard, Pachwad, Tal- Wai, Dist –
Satara, Pin - 415513 Email | rmp.office@yahoo.in Mob. | 9850 936968

CERTIFICATE

To,

Date : 21/03/2025

VNF FARMER PRODUCER COMPANY LIMITED
A/P-Mandavgan Pharata, Tal-Shirur, Dist-Pune-412211.

Fund utilization certificate of VNF FARMER PRODUCER COMPANY LIMITED from Bank of Maharashtra for SMART PROJECT.

For the period from 01/11/2022 to 21/03/2025.

Name of the Nodal Institution- VNF FARMER PRODUCER COMPANY LIMITED

Department Of Organization

Name of the project scheme :-Construction Of onion shed 2000 MT

Sr.No	Particulars	Amounts
A Cost Of Project		
1	Total Project Cost of Construction Of Onion Shed 2000 MT	24711000
B Means Of Finance		
1	Government Subsidy Received	1,33,42,000
2	Own Contribution	2,67,0000
3	Bank Loan	75,00,000
	Total Amount	2,35,12,000
C Fund Utilization Details		
1	Utilization Of Funding For Construction Of Onion Shed 2000 MT	89,07,916
2	Utilization Of Funding For Purchase Of Tractor	10,00,000
3	Utilization Of Funding For Construction Of Onion Shed 2000 MT	66.84,084
4	Utilization Of Funding For Construction Of Onion Shed 2000 MT	54,70,882
5	Utilization Of Funding For Purchase Of Weigh Bridge	7,00,000
6	Utilization Of Funding For Purchase Of Trolley	1,50,000
7	Utilization Of Funding For Purchase Of Rotavator	84,000
8	Utilization Of Funding For Government Charges/Printer/Laptop/Paper Add/Accountant Salary/Warehouse Plan/Sign Board Bill	5,70,522
9	Utilization Of Funding For Construction Of Toilet Block	5,33,478
	TOTAL AMOUNT	2,41,00,882

Note : This certificate is prepared based on the documents provided to us by the Company.

Rahul M. Patil
Chartered Accountants
Membership No: 136228
Place: Pune
Date: 21/03/2025
UDIN : 25136228BMIDZK1459



Annexure 10: Snapshots of Sub Project Completed Work

