

**A P Sanzgiri & Company**  
**CHARTERED ACCOUNTANTS**

**To**  
**The Commissioner, Jagdalpur Municipal**  
**Corporation**



**Internal Audit Report of Jagdalpur Municipal Corporation**  
**for the period ending 31st March 2016**

**Report Prepared By: A P Sanzgiri & Com**  
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## 1 Introduction

The central & state governments, as also other agencies, have been providing the ULBs large sums of money to enable them to effectively discharge their duties and functions. The national reforms agenda for the urban sector includes reforms in municipal accounting practices and strengthening of financial discipline. As a step in this direction, it is proposed to introduce a system of pre-audit of the 169 ULB's books of accounts by internal auditors. The entities have been clubbed into 5 clusters and we have been appointed as the internal auditor of 1 cluster "namely Jagdalpur cluster".

## 2 About the Jagdalpur Municipal Corporation

Jagdalpur Municipal Corporation Situated in Bastar district of Chhattisgarh, an Indian state. Jagdalpur is geographically lies between 19.07° North latitude and 82.03° East longitude. The average elevation of Jagdalpur is 552 meters or 1811 feet. The city lies on the southern bank of river Indravati. During the ancient period Jagdalpur was the capital of the princely state of Bastar. Jagdalpur is the administrative headquarters of Bastar Division and Bastar District.

## 3 Brief About the Project

- ✚ To improve the state of check of accounts in ULBs.
- ✚ To Help the government to track proper end use of grants realised to ULBs.
- ✚ To ensure non diversion of fund in its ultimate and use
- ✚ To facilitate quick and accurate finalisation of annual report at end of financial year.
- ✚ To ensure transparency in local governance
- ✚ To ensure correctness and compliance of all the rules and regulation followed in all day to day activities





Name of Assignment	Internal audit for Pre-Audit in ULB's in Chhattisgarh
Scope to be covered	<ul style="list-style-type: none"> <li>➤ We would cover all the payments related to Contracted Works, Purchases bills, Advances, Consultancy fees , Contingent Bills/Misc bills.</li> <li>➤ Well versed with the Municipal Act and Rules enforced in Chhattisgarh state.</li> <li>➤ Ensured in each payment that terms and conditions of tenders and rate offers according to law and policies.</li> <li>➤ Ensured that expenditure incurred is within the budget provision allocated to particular head</li> <li>➤ Ensure that the all ULB's has been kept fixed deposit and other funds are in nationalized bank</li> <li>➤ Ensured that all the expenditures i.e. Construction work, Material procurement, Diesel, Petrol, grease, vehicle bill and house rent etc. are covered under pre-audit.</li> <li>➤ Ensured all recurring expenditures like establishment, electricity, telephone etc. are advised for payment after pre-audit.</li> <li>➤ Ensured that all the revenue receipts to be pre-audited.</li> <li>➤ Preparation of Monthly report of all the unpaid bills and missing bills</li> <li>➤ Ensured that all the sanctioned advances are pre-audited and then advised for payment to disbursement office</li> <li>➤ We have access the loss of ULB's assets and Prepare statement of loss.</li> <li>➤ Ensured that all kind of tax deduction are deducted from the payment as applicable and deposited properly.</li> <li>➤ Ensured Proper store accounting and physical verification of stock in every six months, ensure proper accounting of revenue and postal stamps</li> <li>➤ Prepared quarterly report of revenue against target data of same quarter with justification on achievement of targets.</li> <li>➤ Prepared Bank reconciliation statement on monthly basis, since November 2015.</li> <li>➤ Reply of queries raised by us from any local fund auditors / A G office / CAG etc. During the month</li> <li>➤ Ensured that all observation and finding during the course of internal audit have been furnished monthly to ULB/J.D.O/ SUDA</li> </ul>



As per Explanation given state govt and central Govt. Document provided with regard to ULB's functions a suitable mythology were designed.

Accordingly audit team conducted audit procedure and noted their observations.

During regular internal audit and periodical compliance we found few issue/ area where we feel that some improvement will save the ULBs money or reduce the required efforts. We compile all above issue in our monthly MIS report. Our MIS report is accumulation of above issue, which was not resolved till date or requires further improvement.

Since it is for management only, requirement of management can be better understood by self only. If you find that any information is required to be modified in certain way or to added, please intimate us, we will incorporate it in our next report.



This Section Contain the Summary of Major observation and general observation noted and reported during internal audit Procedures. For detailed reference, respective section may be referred. On the basis of observation from December 2015 to March 2016 found, a summary of key finding & observation has been prepared.



summary

## *Executive Summary*



## 1. Finance & Accounts

Title	Brief	Refer
Short deposit of revenue collection in bank	Rs 11779 have been collected but not deposited in bank till date. Though the amount of collection is required to be deposited in the bank within same day/ next day. Several cases of delay in deposit have been noted	10
EPF not deposited with the recognised department (PF).	The ULB have initiated a joint a/c with all placement employees. The PF contribution of both employer & employee were deposited in that account and not deposited with the department. Or retirement/attrition, the respective amount is paid back to the employees.	10

## 2. Internal Control/ Area of Weaker Control

Title	Brief	Refer
Delay in recovery of advance	An advance of Rs. 3.41 Lac was given to Mr. Rakesh Jhalke for office purpose in the year 2013-14. However, ULB had not recovered or adjusted same amount till date.	11
Delay in work Completion	ULB issued work order for construction of CC road. There was delay in fulfilment of order by 7 month, yet no penalty imposed by ULB.	11
Lunch facility provided for MIC Meeting	ULB had been arranged a Lunch facility for MIC on the date, 20.09.2014 and present a bill of amounting Rs. 0.33 Lakh.	11
Annual tender process not followed as per purchases manual rule 2002	ULB had procured of item i.e. GI Pipe, GI Socket etc. Directly CSIDC.	12
Revised Estimate required	Items in measurement book not matching with the estimate provided. However revised estimate have not been prepared.	12
Basic Details not documented	Final and Running bills are presented for payment without basic documents Like PAN, TIN etc. Further supporting documents like Lab test report, work completion certificate are not attached in the file.	13



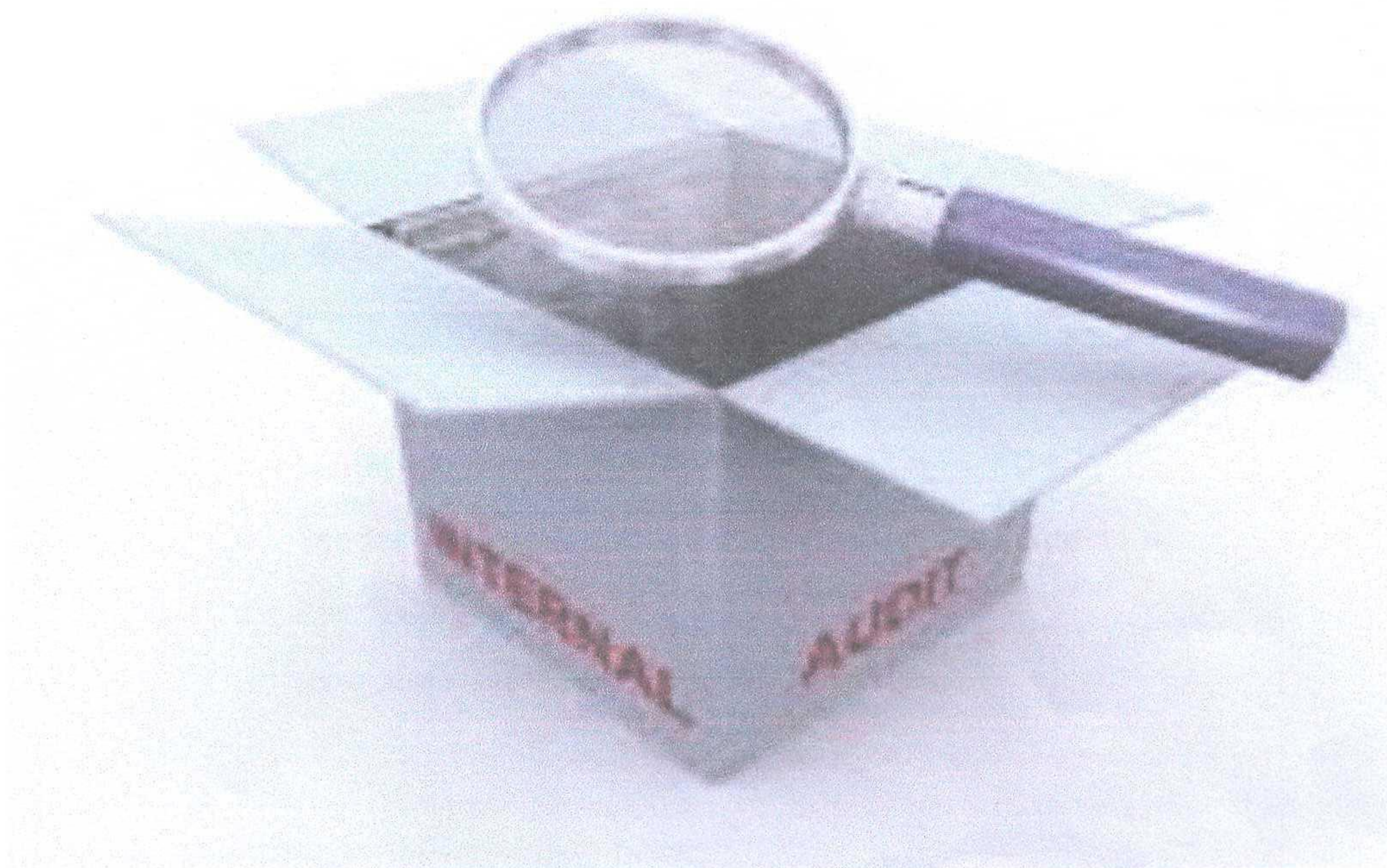
**3. Subsidiary Books:** Some Subsidiary books have not maintained/not updated Please refer Page No..12. for further details.

**4. Statutory Compliance:**

- a. ULB have not deducted vat on purchases of Material.
- b. ULB have not deposited labour cess and WCT on timely.







**Internal Audit Report**  
**Of**  
**Jagdalpur Municipal Corporation**  
**For the period of December 2015 to March 2016**



**A. P. SANZGIRI & CO.**

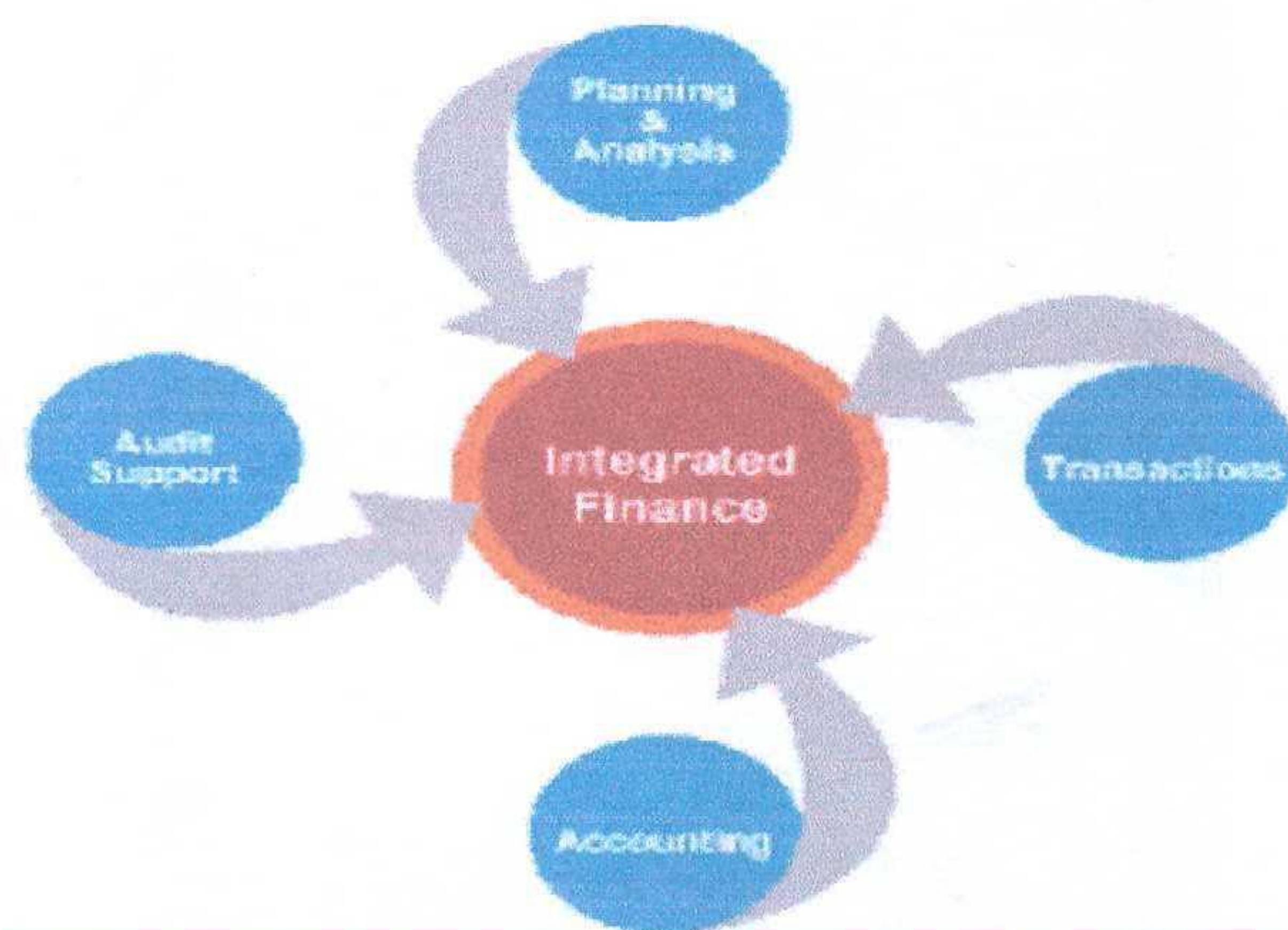


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**Finance and Accounts:** Finance and Accounts Department is one of the important departments of any organisation, as it lay down the correct picture of organisation's performance and position. Many strategic decisions are also being taken within organisation relying upon the information provided by this department. During audit proceeding, we found following instance, which required management's attention.



**Revenue Leakage:** When it comes to revenue or profits and losses, every organisation has minimum sources of revenue against the numerous expenses. A successful organisation always keeps a vigil watch on its prospective sources to optimise revenue and establish suitable control on its expenses. During audit proceeding, we observed following areas, where the ULB is missing an opportunity to earn additional income or reduce their expenses.

- **Delay & short deposit in banking daily revenue collection:** As per Municipal Accounts rule 1971, Chapter-4 point number 77, ULB should deposit its daily collection of revenue in the bank by the end of next working day. However, at the time of revenue audit we found that Jagdalpur Municipal Corporation is not depositing timely and actual amount received.
- **EPF not deposited with the department (RPF):** A file for EPF payment from 2011 to July 2016 of Mr. Akhil Nayak (Employee) amounting to Rs 0.33 Lakh, was presented by accounts department. In this file Calculation of EPF & Attendance sheet was not attached, and Bank Statement shows that EPF had been deducted for the period. Further, As Mr. Akhil Nayak is a placement employee so only placement agency can deduct and deposit EPF but Jagdalpur Municipal Corporation is deducting EPF from placement employees salary and depositing the same in a joint account of Commissioner Sir and respective employee's account, As per rule of EPF "only employer will deduct EPF from employees salary and deposit the same with EPF department but, ULB is not practicing the same.



**Area of weaker control:** In an ideal organisation the process should run by procedures and system as defined by the management. Further it is also necessary to evaluate periodically that whether the control procedural are properly working and followed by the concerned person. Violation of procedure may be done intentionally or by incident in shorter period, it may not cause any revenue loss



But continuous violation may cause serious revenue implication. The ULB need to take special attention on these issues. Some has been observed and enlisted in following paragraph.

- **Delay in recovery of advance:** ULB had given advance amount to Rs. 3.41 Lac to Mr. Rakesh Jhalke in the financial Year 2013-14 for office purpose. The same amount have not been recovered or adjusted till date.

- **Delay in work Completion without applying for extension and no Penalty imposed:**

1. A Contractor M/s Sai Construction had been given the work of construction of CC road. Test report and form 91 not attached in file. Further, as per work order, work had to be completed within 2 month but, as per MB book actual work was completed after 7 Month without applying for extension and no penalty have been imposed.
2. A Supplier M/s Krishi Kalap had given the work of Supply of Swimming pool Items i.e. sulphet hydrochloride etc. as per purchase order (12.04.2016) supply had to be given, within 7 Days. But, as per challan copy actual supply (18.06.2016) was made after 68 Days and no penalty imposed.

- **Lunch Facility Provided for MIC meeting:** A meeting of Members in council held on 20.09.2016. Lunch was arranged for members and bill is presented for payment amounting to Rs. 0.33 Lakh. However, there is no such provisions available in Municipalities act, 1956 for such expenses.



○ **Tender process not followed as per PWD manual :** ULB had been called a tender for related of providing railing for which estimation was made @ Rs 48 per Kg further first call only one bidder M/s Sandeep Yadu had been participated and quoted @ Rs.88 per Kg, however if only one bidder take participate then tender have to be cancelled and recall second times but ULB has approved the same.



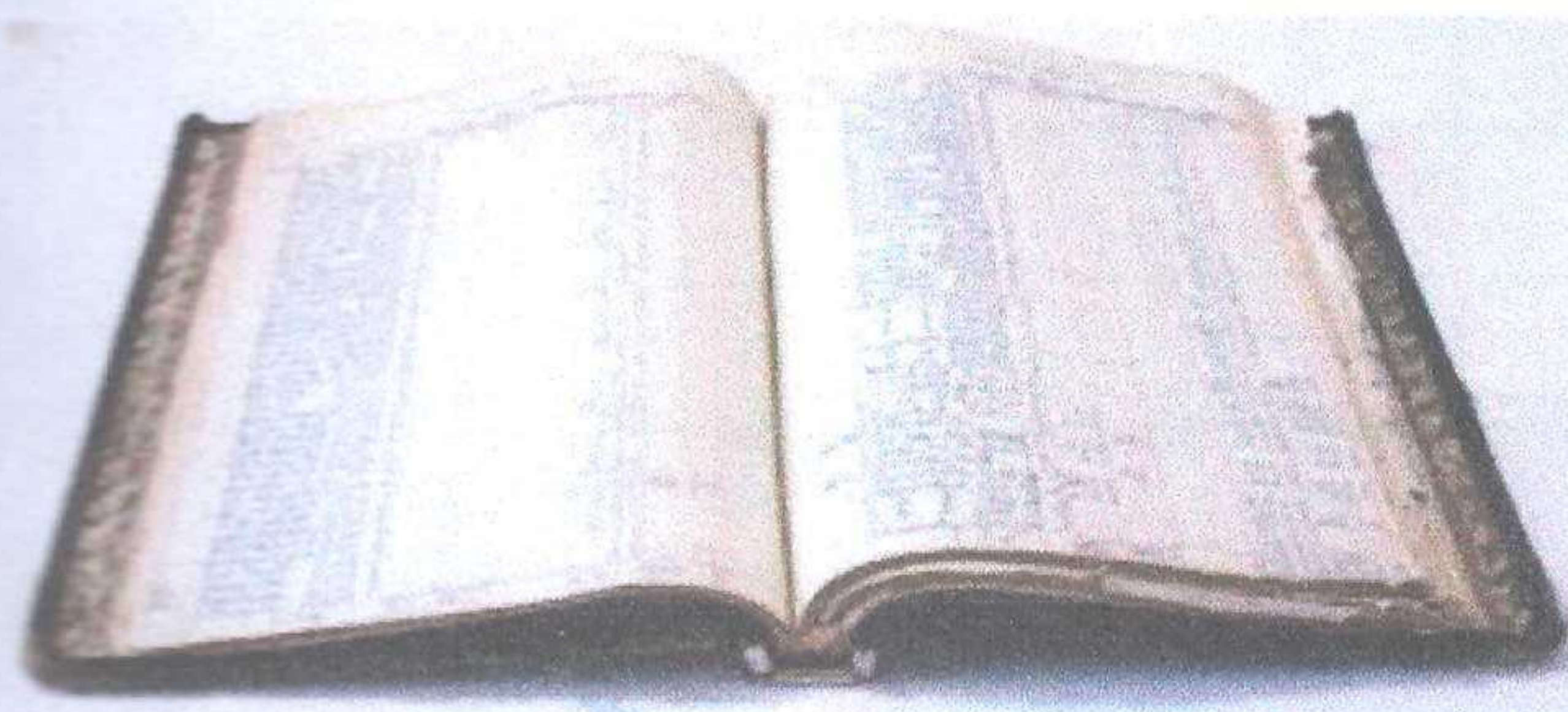
○ **Revised Estimate Required:** it was observed that few cases that in quantity actually used by contractor was in excess of estimate, as agreed. As per PWD manual rule suggest that revised technical section should be taken before accepting variance in use. So, revised estimate required following works.

1. A contractor named M/s. Sai Construction was awarded with contract of construction of CC road amounting of Rs. 1.76 Lac at Sanjay Gandhi ward no 34. But the items in measurement book are not matching with the estimate provided. So, revised estimate is required.
2. A contractor named Mr. Arun Kumar Sahu was awarded with contract of construction of Bridge (6 Nos.) amounting of Rs. 4.20 Lac at Ganga nagar ward. But the items in measurement book are not matching with the estimate provided. So, revised estimate is required.
3. A contractor named Mr. Krishna was awarded with contract as construction of shed of amounting Rs. 2.00 Lac at Rajendra nagar ward. But the items in measurement book are not matching with the estimate provided. So, revised estimate is required.
4. A contractor named Mr. Upendra Kumar Agarwal was awarded with contract of construction of Ghat at Praveer ward. But the items in measurement book are not matching with the estimate provided. So, revised estimate is required.



○ **Basic detailed not documented:** Final and Running bills are presented for payment without basic documents Like PAN, TIN etc. Further supporting documents like Lab test report, work completion certificate are also not attached in the file following works.

1. A labour Placement Service Provider M/s Sanjeevani Samuh had given the work of supply of labour on collector rate, the bill was presented but Biometric attendance and EPF and ESI Challan copy was not attached.
2. A bill of Advertisement presented by accounts department for the payment, but in this file Original bill of Navbharat agency was not attached.
3. A work order issued on the dated 11.08.2011 to M/s N.S Badhoriya, for Construction of CC Bridge amounting of Rs 3.50 Lac. However, base document, i.e. Copy of Form 96, Test report and fund receiving letter, were not attached in file. A work order issued on the dated



**Subsidiary Books:** During audit observation, it was observed that not only cash book but some other register were also either not maintained by the corporation or not updated till date. We are listing a table in this regard

S.N	Description	Status of Register	Purpose
1.	Cash Book	Cash book was not updated on daily basis	To record cash transaction incurred and maintain cash balance
2.	Advance Register	Adjustment have not updated	To record advance given to staff and adjustment thereof.
3.	Fixed Assets Register	Not maintained	To record details of assets, type of assets, location of assets, WDV value of assets, assets code of the assets.
4.	File Movement register	Not maintained	To track the present file location by File Movement register.
5.	EMD/SD/PG Register	Not maintained properly	To track the actual amount deducted of SD/PG project wise.
6.	Goswara	Not maintained properly	To track the actual position of income and expenditure at the end of month.



**Delayed Statutory Compliance:** During audit procedure, various instance were found where either statutory provision has not been compiled or amount retained as statutory deduction has not deposited to government treasury. Some instance of late filling of return or late deposit of tax payment were also observed. Above lacunae are creating revenue implication on the ULB and should be avoided through forming proper mechanism



- **Work contract Tax:** Some cases of deduction but delay in deposit of WCT observed.

S.N	Deduction Amount	Deposit Amount	Due date	Deposit date	Delay in deposit
1	356495	356495	10.12.2015	31.12.2015	21
2	107323	107323	10.10.2016	21.10.2016	11
3	578754	578754	10.11.2016	23.11.2016	13
4	304205	304205	10.12.2016	07.12.2016	-

**Gratutide's:** We have Submitted Each month our monthly report, after various works and various meeting with concerned officer of SUDA and Jagdalpur Municipal Corporation. Included in the reports activities under taken during the reporting period ,key deliverables submitted, Problems and challenges, Meeting with SUDA officer planing for next period .



We express our gratitude to The Chief Executive officer (SUDA), ULB team, who are helping us in getting required information in minimum possible time and thank all members who are supporting us in execution and timely achievement of the assignment.

*Satish*  
A.P. Sanzgiri & Co.  
(Chartered Accountants)



*[Signature]*  
आयुक्त  
Commissioner  
नगर पालिक निगम, जगदलपुर  
Jagdalpur Municipal Corporation