A P Sanzgiri & Company

CHARTERED ACCOUNTANTS

To

The Commissioner, Jagdalpur Municipal Corporation

Progress Report For the period Ending 31st March 2018 of Jagdalpur Municipal Corporation

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 Jagdalpur cluster.

1.1 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.

2 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

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3 Area Covered During the Audit

- We covered all the payments related to Contracted Works, Purchases bills, Advances, Consultancy fees, Contingent Bills/Misc bills.
- Ensured in each payment that terms and conditions of tenders and rate offers according to law and policies.
- Ensure that the all ULB's has been kept fixed deposit and other funds are in nationalized bank
- Ensured that all the expenditures i.e. Construction work, Material procurement, Diesel, Petrol, grease, vehicle bill and house rent etc. are covered under audit.
- Ensured all recurring expenditures like establishment, electricity, telephone etc. are advised for payment after audit.
- Ensured that all the revenue receipts to be audited.
- Preparation of Monthly report of all the unpaid bills and missing bills
- We have access the loss of ULB's assets and Prepare statement of loss.
- Ensured that all kind of tax deduction are deducted from the payment as applicable and deposited properly.
- Ensured Proper store accounting and physical verification of stock in every six months, ensure proper accounting of revenue and postal stamps.
- Prepared quarterly report of revenue against target data of same quarter with justification on achievement of targets.
- Verification of Bank reconciliation statement.

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4 Executive Summary

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 April 2017 to March 2018 found, a summary of key finding & observation has been prepared.

1. Finance & Accounts

Title	Brief	Refer Page
Non deposit of revenue collection in bank	It was noted that Rs 5195/- have been collected but not deposited in bank till March, 2018. As per rule, 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 past cases also.	9

2. Internal Control/ Area of Weaker Control

Title	Brief	Refer Page
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.	7
Tender Process not followed	ULB Procured stationary item from M/s Jaya Printing press of amounting Rs 1.32 Lakh without calling Tender.	7
Work done without appropriate approval	A tender for construction of RCC drain from Shahid park to Indravati factory amounting to Rs 118.64 Lakh was awarded to Ms Krishna construction. It was observed that1st bill and final payment was done amounting to Rs 27 lakh only. Secondly, ULB called a tender for construction of drain at other location;DalpaltSagar from the remaining amount Rs. 86.84 Lakh but, appropriate approval for change in location as well as for technical, financial & admin was missing in the file.	7-8

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Manual Tender Process followed instead of E-tender	ULB invited a tender for Construction of Drain under Adhosaranchna Madh. It was observed that above work was sanctioned for Rs. 20.26 Lakh, but manual tender was called instead of following E-tender procedure.	8
Technical Approval obtained after issue of work order.	ULB have issued a work order for Rs 5.5 Lakh to a Contractor for RCC drain construction from Collector bungalow to state bank without prior technical approval from appropriate authority	8
Work extended without retendering and from fund of ULB.	A contractor was awarded for construction of data centre with estimate of work of Rs. 19.77 Lacs. But total expenditure of Rs. 37.00 Lacs has already been spent from own fund without prior approval.	8
Change of location without prior approval	ULB have received fund under Adhosaranchna Madh for Rs. 05.13 lacs for Construction of RCC Drain At Maharani Hospital to Novelty Store but, the drain was constructed at other location, in front of Ganpati Bikaner store to Novelty store without obtaining appropriate approval.	8-9
Disallowed Expenses	Procurement of diesel was made amounting to Rs. 5.94 Lakh. It was observed that invoice was raised for more than the quantity actually purchased as per the log book.	9
EMD received in cash	A file waspresented for EMD refund of work of additional construction in old Municipal Corporation officeamounting to Rs.2 Lakh. It was observed that it was mentioned in the file, that EMD have been received in cash instead of FDR. But, EMD slip have not been attached with the file.	9
Technical Sanction not taken by appropriate authority.	A work for construction of bridge was awarded to M/s Arun Kumar Shah under AdhosaranchnaMadh. 2nd running bill was presented amounting to Rs 3.33 Lakh. It was observed that estimate includes Non SOR items and technical sanction from Executive Engineer was obtained. But, as per PWD manual SOR rate clause 0.12, the Technical sanction of Non SOR itemsshould be obtained by Superintendent engineer only.	9

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- **Delay & short deposit in banking daily revenue collection:**

1. Rs 5195 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 earlier also.

2. 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.

- **Tender Process not Followed:**

1. A work order was issued for procurement of stationary item from M/s Jaya Printing press of amounting Rs 1.32 Lakh without calling Tender.

2. A work order was issued for procurement of rubber bush (5 Nos) for Borewells to a contractor amounting to Rs. 0.87 Lacs to a contractor without inviting any tender.

3. A work order was issued for procurement ofvehicle spare parts for repair amounting to Rs. 1.91 Lacs to a Supplier without inviting Tender.

4. A work order was issuedfor Construction of culvert under Adhosaranchna Mad, only one party participated in first call and same has been awarded to M/s Prakash Jha for Rs 1.28 Lakh.

5. It was observed that Jagdalpur Municipal Corporation have been procuring cleaning items like bleaching powder, alum and lime etc without calling annual tender. The expenses are approx. amounting to Rs. 5 Lakh during the financial year 2017-18.

6. It was observed that JagdalpurMunicipal Corporation spends Rs. 10 Lakh approx yearly on eventsand festivals like 15thAaugust, 26th January and Dushera but, annual tender for the same have not been done yet.

- **Work done without appropriate approval:**

1. A tender for construction of RCC drain from shahid park to Indravati factory amounting to Rs 118.64 Lakh was awarded to Ms Krishna construction. It was observed that1st bill and final payment was presented amounting to Rs 27 lakh only.Secondly, ULB called a tender for construction of drain at other location DalpaltSagar from the remaining amount Rs. 86.84 Lakh but, appropriate approval for change in location as well as for technical, financial & admin was missing in the file.

2. The technical approval from Superintendent engineer was not taken for construction for work of haat bazar and tender was issued for Rs. 47.50 Lakh. Further the admin approval was missing in file as the work was more than 50 Lakh.

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3. A work of repair of pavement at various ward under Adhosanrachana Madhwas awarded to Mr. Rajesh Kumar Gupta, Jagdalpur. 1st & final Bill amounting to Rs. 21,058/- was presented but, it was observed that the above work was not covered in the list of approved work received from SUDA under the mentioned fund.

- **Manual Tender Process followed instead of E-tender:**

1. A tender was invited for Construction of Drain under Adhosaranchna Madh, it was observed that above work was sanctioned for Rs. 20.26 Lakh, but manual tender was called instead of following E-tender procedure.

2. A tender was invited for Construction of Drain under Adhosaranchna Madh, During the audit we observed that the work was sanctioned for Rs. 20.12 Lakh but, manual tender was called instead of following E-tender procedure.

- **Technical Approval obtaining after issue of work order:**ULB have issued a work order for Rs 5.5 Lakh to a Contractor for RCC drain construction from Collector bungalow to state bank without prior technical approval from appropriate authority.

- **Work extended without retendering & spending from own fund:**A contractor was awarded for construction of data centre with estimate of work of Rs. 19.77 Lacs. But total expenditure of Rs. 37.00 Lacs has already been spent from the fund of ULB.

- **Change of location without prior approval:**

1. Fund under Adhosaranchna Madh for Rs 05.13 lacs for Construction of RCC Drain At Maharani Hospital to Novelty Store but, the drain was constructed at other location i.e. in front of Ganpati Bikaner store to Novelty store without obtaining appropriate approval.

2. It was observed that ULB received fund under SBM madh amounting to Rs 9.95 lacs for Construction of 10 seater community & public toilet near court chowk but, the toilet was constructed at another location instead of approved location in the work order.

3. It was observed that ULB have received fund under Adhosaranchna madh amounting to Rs 2.43 lacs for Construction of drain at Praveer chowk ward no 1 but, the toiletwas constructed at lane behind school to grocery shop lane instead of approved location in the work order.

4. ULB have received fund under Adhosaranchna Madh for Rs 4.98 lacs for Construction of RCC Road from "Amar Singh house to Chandrakar house" but ULB have constructed the road on Chitrkout road to M.G.M. School.

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Disallowed Expenses:

1. A procurement of diesel amounting to Rs. 5.94 Lakh made. It was observed that invoice was raised for more than the quantity actually purchased as per the log book.

2. ULB made expenseson festival (Gomcha) amounting to Rs. 3.43 Lacs for obtainingtent and other items on rent. There are no provisions for such expenditure as per the Act under the fund of ULB.

- **EMD Received in Cash:** A file waspresented for EMD refund of contract work of additional construction in old Municipal Corporation officeamounting to Rs.2 Lakh. It was observed that it was mentioned in the file, that EMD have been received in cash instead of FDR. But, EMD slip have not been attached with the file.

- **Technical Sanction not taken by appropriate authority:** A work for construction of bridge was awarded to M/s Arun Kumar Shah under AdhosaranchnaMadh. 2nd running bill was presented amounting to Rs 3.33 Lakh. It was observed that estimate includes Non SOR items and technical sanction from Executive Engineer was obtained. But, as per PWD manual SOR rate clause 0.12, the Technical sanction of Non SOR itemsshould be obtained by Superintendent engineeronly.

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5 Observation on Physical Verification (PV) of Inventory

Inventory Management: During Audit procedure our team conducted physical verification of Jagdalpur Municipal Corporation twice in FY 2017-18. Some observation based on the findings are citied below:

1. Material was found Scattered and lying at different place in different group. It has caused difficulties to match the actual stock with stock recorded in stock register.
2. During Verification, unused material were found stored with fresh stock which may cause mutilation of fresh stock as well.
3. As per Information availed, Insurance policy for store rooms has not been obtained by the ULB till date.
4. Some Discrepancies observed while conducting physical verification are as below:

S.No	Department	Item Name	Stock (book)	Stock (Physical)	Variance Excess/ Short	Price (PU)
1	Stationary Department	A4 pages	213	212	(1)	210.00
2	Stationary Department	Register 100 pages	93	142	49	45.00
3	Stationary Department	Register 200 pages	58	92	34	75.00
4	Stationary Department	Register 300 pages	47	37	(10)	145.00
5	Stationary Department	Receive-Dispatch register	30	19	(11)	490.00
Total Revenue Implication (Variance * Price)						**965.00**

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Achievement During the audit: Based on our observation on audit and other financial review, recommendationwere given to commissioner on which corporation was benefitted in the following areas:

1. Conversion of saving/current account into auto sweep account: ULB in the previous year kept its entire fund in saving/current account yielding interest @ 4 % and 0 % p.a. respectively on our special recommendation state nodal agency circulated a notice for conversation of all bank accounts into auto sweep in account, which resulted in increase on interest income by approx Rs. 18.61 lacs yearly for Jagdalpur Municipal Corporation.

2. Statuary deduction and compliance: During the course of audit amount of all the statuary deduction were reported and deposited in respective department within the stipulated time which reduced huge surcharge & penalty burden imposed by the department.

3. Unutilized electricity connection: During the course of audit we observed that there were 26 electricity connection to which ULB was paying the bill. It was later observed that out of 26 connections 15 connection were not on the name of ULB. On our special recommendation Commissioner of Jagdalpur Municipal Corporation reduces the 15 connection which helped in the saving Rs. 12.26 lakh yearly.

4. Petrol Diesel: During course of audit we are observed that ULB has expenditure of fuel of Rs. 173.40 (14.45) lakh per month for FY 2015-16. On our recommendation ULB have maintained log book properly which resulted in saving of Rs. 27.96 Lakh in the FY 2016-17.

5. Mobile Connection: During the course of audit we observed 68 mobile connections distributed to regular employee and placement employee billing amount Rs. 0.14 lakh monthly. It was later observed that 36 employee does not fall in the criteria of getting mobile connection by the ULB. On our special recommendation, commissioner of Jagdalpur Municipal Corporation reduces mobile connection and saved Rs. 2.59 Lakh yearly.

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