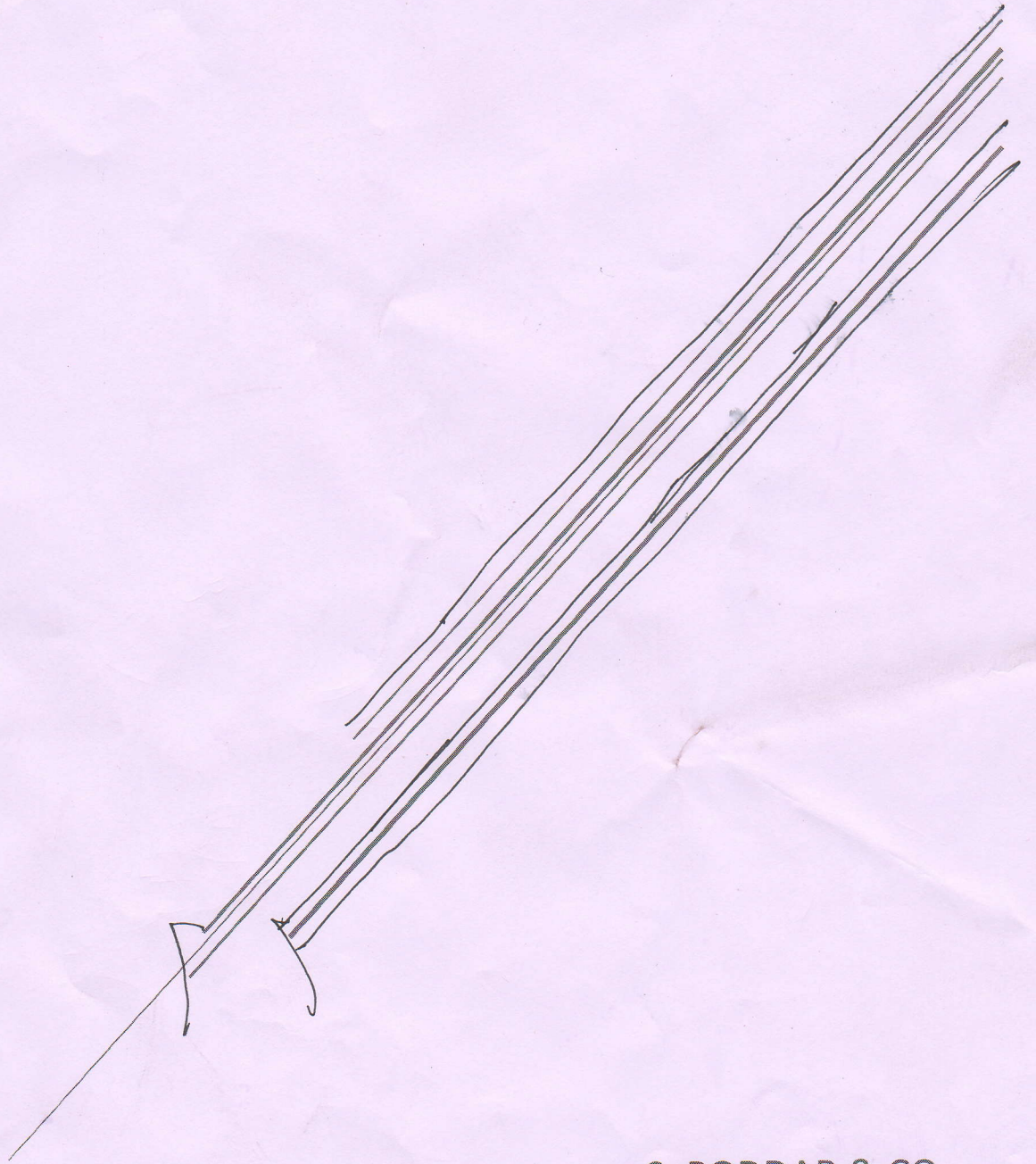


RAJNANDGAON MUNICIPAL

CORPORATION

AMRUT REPORT

FOR THE YEAR ENDED 31ST MARCH 2016



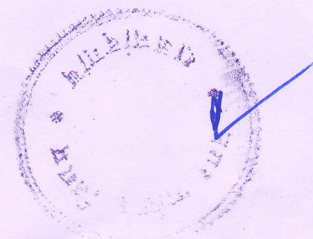
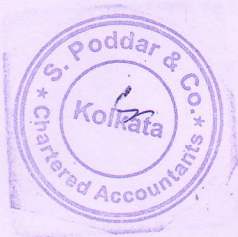
S. PODDAR & CO.  
CHARTERED ACCOUNTANT

## ***PROJECT BACKGROUND***

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Local Body is a form of Public administration, which exists as the lowest tier of administration within a given state. They work as an intermediary between the state government and the general public. All the programmes initiated by the state government are later on carried by the local bodies. So by this it can be easily understandable the key role that is being played by the local bodies for the development of the state and the nation on the whole.

The Central and 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 audit of the ULBs' books of accounts by internal auditors.



## ***PURPOSE OF AUDIT***

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As Local bodies are performing such an important work, so it is a need to keep an eye on their working and functions performed. This fosters the assessment of external and internal factors, financial performance, internal control and other risks. So by this the objective of our audit is briefly divided in the following major heads: -

### **➤ Accounting check**

- i. To improve the state of check of accounts in ULBs
- ii. To facilitate quick and accurate finalization of Annual Report at the end of the financial year
- iii. Identifying the risk of material error in the financial statement at the system level

### **➤ Governance Check**

- I. To ensure transparency in local governance
- II. To ensure correctness and compliance of all the rules and regulation followed in all the day to day activities.
- III. To keep an eye on the internal control of the system

### **➤ Vision of Audit**

- I. To help the Government to track proper end-use of grants released to the Local Bodies.
- II. To ensure non-diversion of fund in its ultimate end -use
- III. To make the local bodies Self Sustained.



## Understanding the existing process

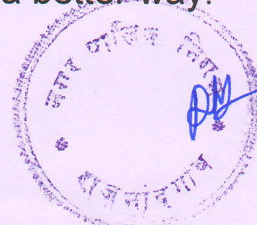
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The government is investing a huge sum of money for the development of the state through the local bodies. So, this huge sum of money comes with a baggage of responsibility and accountability. But in spite of this, it is clearly evident at many occasions that the responsibility is not duly met. A few irregularity noticed were:-

- Excess payment
- In-appropriate payment
- Diversion of fund
- Necessary documents not filed up
- Payment without proper authentication
- Less collection against target of revenue taxes

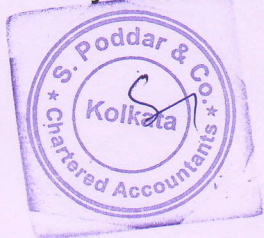
Because of above irregularity the local body may end up in financial crisis.

A watchdog is needed to keep a check on the functioning of the local body so that they can perform their functions in a better way.



## Approach adopted for Internal Audit

- I. Internal Audit has covered that all the payment related to contracted works, purchase bills, advances refund of all kind of work related deposits , all kinds of consultancy fees and contingent bill of ULB according to the rules and regulation as per Municipal Corporation Act 1956, Municipality Act 1961, Municipal Accounts manual & Rules;
- II. We ensure in each payment that terms & conditions of tenders and rate offers are in according to procurement law and policies.
- III. We ensure that the fixed deposit and other funds are in Nationalised banks/Approved financial institutions and earned maximum interest at their gestation period.
- IV. We ensure that all the expenditure i.e. Construction work, Material Procurement, Electric Bill, Telephone Bill, Diesel, Petrol, Greece, Vehicle Bill, House Rent etc. is advised for payment only after the process of audit. We ensure that all the payment orders are made, bills are cleared and cheques are issued only when we certifies that the payment is in accordance with the Municipal Corporation Act 1956, Municipality Act 1961, Municipal Accounts manual & Rules, scheme guidelines of instructions, G.Os., Circulars, order of Directorate of Urban Administration & Development or Commissionerate.
- V. We ensure that all the expenditure related with establishment i.e. Salary, Travel expenditure, travel advance etc. is advised for payment only after the process of audit.



- VI. We ensure that the resolution of Governing Body, which violate rule or guideline etc., the same shall be immediately brought to the notice of the concerned Commissioner/Chief Municipal Officer of ULB.
- VII. We ensure that all the sanctioned advances has been audited and then advised for payment to disbursement officer.
- VIII. We ensure that all the security deposit and earnest money deposited in tender/agreement process has been deposited in the bank immediately. Similarly refund of these security deposit and earnest money deposit are made on time.
- IX. We ensure that all kind of tax deductions i.e. Commercial tax, Income tax, provident fund etc. are deducted from the payments as applicable, and then deposited properly. Further, it is also properly recorded in appropriate ledgers.
- X. We ensure for proper accounting of revenue and postal stamps.
- XI. We are reporting revenue achieved against the target.
- XII. We ensure that all reports are updated monthly in the department.
- XIII. We ensure that all the observation and findings during the course of internal audit for each ULB has been furnished monthly to SUDA including detailing about the compliance reports with pending reports etc.

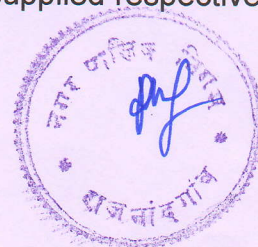


## ***Finding & Observation***

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### ❖ **Rajnandgaon Municipal Corporation**

- **Excess quantity used:** - For steel total of 59050 kg is given as technical sanction but in actual total 76000 kg is being used. For the excess quantity is used no approval is taken. (Voucher No 935)
  
- **Excess payment:** - Till now for the work only Rs. 1 lakh has been received but the bill presented is of RS 1.33 lakhs. So it is beyond the sanctioned amount.
  
- **Different Work:** -
  - Work order has been issued for construction of RCC drain but as per note sheet, work of PCC road has also been done.
  
  - Ward counsellor requested for bulbs of 40 watt and 100 watt but actually bulbs of 48 watt and 90 watt were supplied respectively.



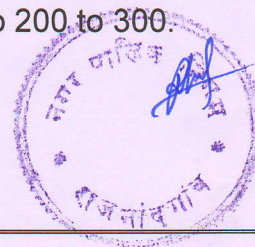
- A letter was sent for sanction of payment for other work. Till date, No permission has been received for such but bill has been presented for payment. (Voucher no. 32)

➤ **Tender related issue : -**

- For the purchase of electrical equipment a tender was allotted but still the purchase was made from outside party. ( Voucher No 3577)
- For the purchase of water works material the contract with “AK Enterprises” was done in 2014-15 for that year only but the corporation is purchasing the material from the said contractor even after expiry of the contract period i.e. in 2015-16.

➤ **Others: -**

- As per the measurement book of the work, out of both the work i.e. construction of road and shed, WBM road is only completed. However completion certificate is issued for both the work. (Voucher No 1104)
- GPF and CPF is not deducted at proper rate. It is being deducted at a lower amount which varies from 50 to 100 to 200 to 300.





- Due to late filing of TDS return, short deduction etc. at many occasions the TDS outstanding demand against the ULB is alarmingly high. Even after repeated request we have not been provided with User Id and Password, thus we are not in a position to comment on the quantum of the Demand.
- The payment of salary to both the regular and placement employees are being made on the basis of system of manual attendance which should be on the basis of bio-metric attendance as per rule.
- At many cases, it has been observed that in contract paper all the required spaces like date of contract, sign of contractor, stamp of ULB etc. is not mentioned.
- In calculating the total number of leave days for leave encashment purpose of ULB's employee 105 days of leave was considered which should be 135 days.
- Test certificate, work completion certificate (Form 90) and Royalty certificate is mostly not enclosed in files of construction work.



- Royalty is not deducted for regarding maroom in construction of WBM road. (Voucher No 1104)
- Stamp paper issued from District Treasury is 29-05-15 but contract agreement date is 01-05-15. (Voucher No. 09)
- Bill for the period 2013-14 has been presented for payment in year 2015-16. No specific reason for holding bill has been presented.
- Fixed Assets Register is not maintained.



### ***Recommendation***

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- All the data related to collection of taxes should be updated in an online software. This helps in transparency and planning.
- Target for the collection of the revenue taxes should be given to the Revenue Officers / Revenue Inspectors with some incentive on the completion of target.
- The scrap materials in the ULB must be auctioned.
- The shop rent must be revised as in many places it was fixed a long ago. And also, register for all the shops must be made so that we can keep a check on the same. As at many places because of unavailability of the register rent collection percentage is very low.



*Booms*  
21/03/17  
**Commissioner,  
Municipal Corporations  
RAJNANDGAON**