

Internal Audit Report

for the month of March -2017

of

Adityapur Nagar Nigam

Table of Contents

1. Introduction.....	1
2. Limitations	2
3. Audit Team Composition	4
4. Executive Summary	3
5. Synopsis	5
6. Observations.....	6
7. Other Points.....	7

1. INTRODUCTION

- 1.1 The internal audit assignment was conducted in accordance with the approved internal audit plan, covering the [Process] of the Department. This report records the results of our internal audit findings and recommendations looking at possible ways in which the controls and operations could be improved to overcome identified weaknesses in control and increase the adequacy, efficiency and effectiveness of controls based on the risk identified.
- 1.2 The matters raised in this report are only those, which have come to our attention arising from our audit that we believe they need to be brought to your attention. It is not a comprehensive record of all the matters arising.
- 1.3 This report has been prepared solely for the use by the management of the State Urban Development Authority and Adityapur Nagar Nigam. We do not accept responsibility to any third party to whom the contents may be disclosed or who at their own accord may decide to rely on it as the report has not been prepared for, and is not intended for, any other purpose.

2. LIMITATIONS

While utmost care has been taken in carrying out the Internal Audit, there are certain limitations of its use, due to the following facts. It is important to recognize that there are inherent limitations in any auditing process wherein material errors, fraud and other illegal acts having a direct and material financial impact, if they exist, may not be detected. Also, because of the characteristics of fraud, particularly those involving concealment through collusion and falsified documentation (including forgery), an internal audit may not detect a material fraud. We will however, communicate to you as appropriate, any illegal act, material errors or evidence that fraud may exist, identified during the course of our work.

3. AUDIT TEAM COMPOSITION

As per Point No 4.1.1 of RFP, minimum 3 member team was to be deployed at the Municipal Corporation which consists of;

- ↓ 1 CA
- ↓ 2 Semi Qualified Staff

Below is the composition of team deployed at Adityapur Nagar Nigam:

Name	Designation	Contact No.
CA Kalpesh Madlani	Cluster Leader	97269 42424
CA Akash Agrawal	Cluster Leader	98741 75114
Soni Kumari	Team Member	72095 39466
Naina Singh	Team Member	72098 18493
Hemant Rai	Team Member	90974 58129

The report has been set out in two sections as follows:

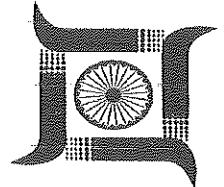
Section A - An Executive summary documenting the scope of our work, sources of information

Section B - Detailed audit findings

4. Executive Summary

4.1 Scope

We have been appointed by SUDA to conduct Internal Audit of Adityapur Nagar Nigam vide letter (ref: NIT/SUDA/AMRUT/Internal Audit 109-2016-06 dated 22/08/2016.) dated 13/02/2017. We have conducted our audit for the month of March 2017 and for the purpose of the audit we have asked for such information and explanations as we considered necessary for the audit. On the basis of the records produced and information and explanations given to us, we are giving our report as under.



4.2 Background:

Name of ULB	• Adityapur Nagar Nigam
Period of Audit	• 01st March - 31st March 2017
Name of Municipal Commissioner (EO)	• Mr. Suresh Yadav

5. SYNOPSIS

Particulars	Numbers
Total Nos of Files Presented before us & Verified	40
Total Nos of Files Audited	40
Total Nos of Files Returned for Compliance	3
Total Nos of Filed Not Passed/Rejected	-

6. Observations:

6.1 Savings to ULB:-

o Due to Excess Quantity:-

On verification of files of contractors, we observed that in most of the cases the work done by the contractors does not match with quantity mentioned in the Estimate or Bill of Quantity (BOQ) i.e. Actual quantity exceeds the estimated quantity by more than 20%. As per PWD manual, this procedure will also apply to modification of the proposals originally approved, if likely to necessitate the eventual submission of a revised estimate due to material deviation from the original proposals, even though the cost of the same may possibly be covered by saving on other items and to cases where the detailed estimates, when prepared, exceed the amount administratively approved by more than 20% involving excess over the admissible outlay. In these cases, as also in cases in which it becomes apparent during the execution of the work that the amount administratively approved will be exceeded by more than 20% owing to increase of rates or other causes, the revised administrative approval of competent authority must be obtained to the increased expenditure without delay,

approved will be exceeded by more than 20% owing to increase of rates or other causes, the revised administrative approval of competent authority must be obtained to the increased expenditure without delay, and in the case of modification during construction, without awaiting the preparation of a detailed supplementary or revised estimate.

On verification of files we have observed in many cases that Actual Quantity as per the measurement books exceeds the estimated quantity as per Estimate by more than 20%. (As per PWD Manual of Jharkhand). Hence following amount was deductible which results into savings of ULB.

Work File No.	Name of Contractor	Name of Department	Bill Amount	Deductible Amount
19/16-17	M/s A S Enterprises	Water Supply	6,07,038	26,962/-
18/16-17	M/s M S Enterprises	Water Supply	9,45,778	23,360/-
93/15-16	Pream Enterprises	Civic Amenities	2,14,478	20,682/-
40/16-17	M/s Shanti Construction	Drainage & Sewerage	7,17,579	5,006/-
16/16-17	M/s M S Enterprises	Water Supply	9,09,191	29,930/-
70/16-17	M/s M S Enterprises	Water Supply	7,21,873	25,202/-
37/16-17	M/s Shanti Construction	Drainage & Sewerage	8,01,274	3,220/-
163/15-16	Synergy construction	Drainage & Sewerage	6,44,363	8,420/-
Total Amount				1,42,782/-

6.2 Due to penalty leviable in delay in completion of work:-

As per chapter IV- Procurement Process & Modes of Jharkhand Municipal Accounts Manual, 2012, Liquidated damages to be deducted from bill for the period delayed in work completion at the rate specified in agreement, in absence of such rate in agreement at the rate 0.05% per day of whole value of works

As per agreement (which is made as per Form F2 of PWD Manual) the contractor shall pay as compensation, an amount equal to 1/2% on the amount of the estimated cost of work as shown by tender for every day that the work remain uncommenced or unfinished from proper (schedule) date subject to 10% of agreement value.

Below are the cases in which penalty is levied:

Work File No.	Name Of Contractor	Name of Department	Bill Amount	Deductible Amount
47/16-17	M/s Manoranjan Kumar Singh	Drainage & Sewerage	4,55,841/-	23,265/-
93/15-16	Prem Enterprises	Civic Amenities	2,14,478/-	99,900/-
31/16-17	Mahadev Mahato	Road (TSP)	1,38,628/-	98,330/-
Total Amount				2,21,495/-

6.3 Total Savings to ULB during Audit Period:-

Particulars	Amount
Due to Quantity Excess	1,42,782/-
Due to Penalty levied for Delay in completion	2,21,495/-
Total Saving	3,64,277/-

6.4 Administrative Approval has not been sanctioned on Estimate Sheet:-

As per Section 101(f)(v) of Jharkhand Municipal Act, 2011, following are monetary limits given to ULBs.

Corporation	Council	Panchayat
MC : Up to Rs.20 Lakhs	EO : Up to Rs. 10 Lakhs	EO : Up to Rs. 5 Lakhs
SC* : Rs.20 Lakhs to Rs.50 Lakhs	SC** : Rs.10 Lakhs to Rs. 25 Lakhs	SC*** : Rs.5 Lakhs to Rs.10 Lakhs
Corporation : Above Rs.50 Lakhs	Council : Above Rs.25 Lakhs	Panchayat : Above Rs.10 Lakhs

Legends:

MC: Municipal Commissioner
SC: Standing Committee
EO: Executive Officer

*SC (Corporation): Mayor, Deputy Mayor, Chair Person of Zonal Committee
**SC (Council): Chair Person, Vice Chair Person, 5 Elected Councillors
***SC (Panchayat): Chair Person, Vice Chair Person, 3 Elected Councillors

Whenever estimates sheet is being prepared, technical approval is sanctioned by Chief Engineer/Superintending Engineer/Executive Engineer/Assistant-Engineer. Further, on such estimate sheet administrative approval is also to be sanctioned by Municipal Commissioner/Executive Officer.

On verification of files, we have observed that no administrative approval has been sanctioned on estimate sheet prepared in following cases. However, the same is being sanctioned while work is being

finalised by procurement committee. It is advisable to sanction estimate sheet also as per provisions of Jharkhand Municipal Accounting Manual, 2012

Details are given below:

Particulars	Nos of Files
Administrative Approval has not been sanctioned on Estimate Sheet Prepared	29

6.5 Other Observations :-

- On verification of 40 files, we have found discrepancy related in collecting necessary & requisite documents for a complete file. Documentation plays a vital role in case of dispute or disagreement. Hence, extra care should be taken for Documentation.
- In some files we have not found Quality Test Report which is required as per Agreement, Work Completion certificate not found in many cases, Clearance Certificate from Mining department is not obtained though royalty is not deducted, Photos for completion have not been attached in many files.
- We have verified and out of which following details were not found in files;

Particulars	Nos. of Files
Work Completion Certificate	35
Quality Test Report	3
Clearance certificate from Mining Department	1
Photos for Work Completion	8

7. Conclusion

The findings raised by this audit report are seen in a serious light and can be attributed to a lack of sufficient control measures. Comments by management would be noted and the steps taken to rectify deficiencies will be evaluated during the next audit.

8. Appreciation

The internal audit team would like to thank SUDA and staff members of ULB for their cooperation during the audit.

For Vinod Singhal & Co.

Heeralal

CA Heeralal Agarwal

Partner

Membership Number: 157993

