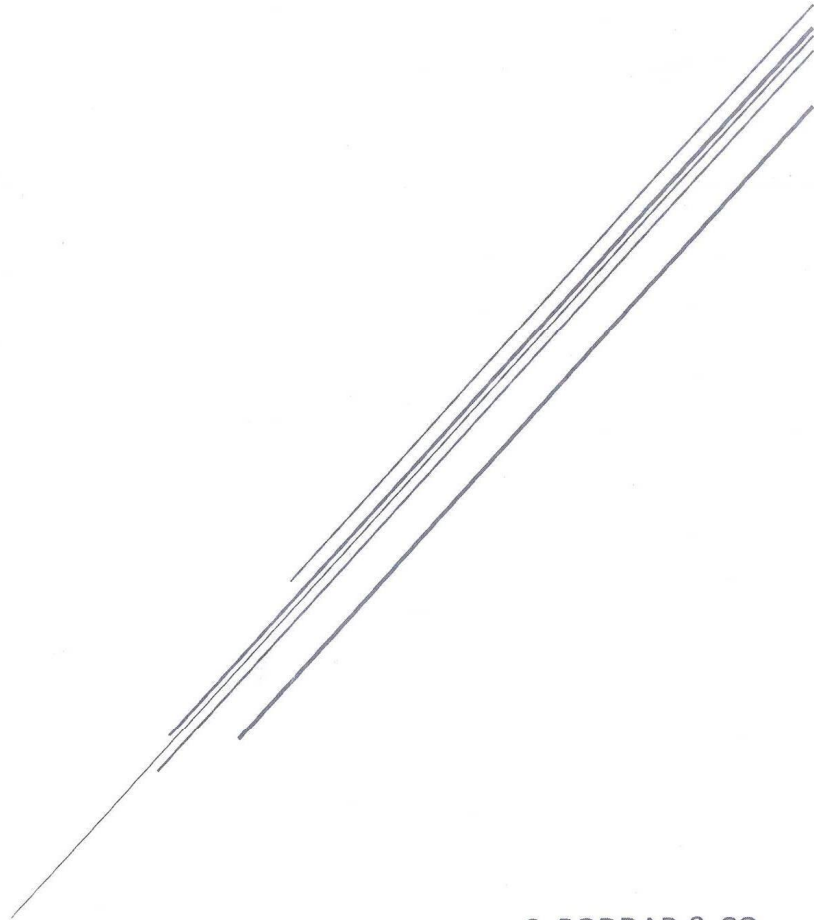


BHILAI MUNICIPAL CORPORATION  
AMRUT REPORT

FOR THE YEAR ENDED 31ST MARCH 2016



S. PODDAR & CO.  
CHARTERED ACCOUNTANT

***Municipal  
Corporation,  
Bhilai***

## **PROJECT BACKGROUND**

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.

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## 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.

  
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## 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.



  
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### 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.



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- 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.



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## Finding & Observation

### ❖ Bhilai Municipal Corporation

- **Excess quantity used** : - Quantity number 09 has been used in excess of the units as described in technical sanction.(Voucher No 838)
- **Delay in Work** : - The time taken for completion of work is more than the time described in work order. (Voucher No 861)
- **NOC required** : - The place on which the work is to be done comes under the jurisdiction of BSP, so NOC from BSP must be taken before technical sanction of the work but still it is pending. (Voucher No 1037)
- **Others** : -
  - Fixed Asset register is not updated after 2010-11.
  - 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.



  
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- 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.
- Test certificate, work completion certificate ( Form 90) and Royalty certificate is mostly not enclosed in files of construction work.
- For the construction of water tank, Rs 25 lakhs had been taken from LIC of India for a period of 25 years but the documents for loan principle amount, paid amount and pending amount is not found.

➤ **Tender Related Issue : -**

- Stamp Paper(N041262) Issued from District Treasury is on 10-08-15 and it is issued by vendor to Contractor C. Biju for work Concrete pavement by flooring machine on 28-08-15. The Contract agreement date is mentioned in 10-07-15. This is not proper.



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### Recommendation

- 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.



  
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