

INTERNAL AUDIT REPORT
OF
KORBA MUNICIPAL CORPORATION

(For the period ended 31st March, 2018)



SUBMITTED TO:

The Commissioner
Korba Municipal Corporation
(Korba, Chhattisgarh)

SUBMITTED BY:

Internal Auditor:

Borkar & Muzumdar

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(Chartered Accountants)

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INTRODUCTION

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 pre-audit of the 169 ULBs' 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 Bilaspur cluster.

To improvise municipal accounting practices and strengthening of financial discipline in the urban local bodies, it is vital requirement to introduce a system of Pre-audit of the ULBs books of account by internal auditors. Our firm of Chartered Accountants has been appointed as internal auditor to conduct the audit of 46 urban local bodies of Bilaspur Cluster .

Scope of work

- To improve the state of check of accounts in ULB.
- To facilitate quick and accurate finalization of annual report at the end of the financial year.
- To ensure transparency in local governance.
- To help the government to track proper and use of grants released to ULB
- To ensure correctness and compliance of all the rules and regulation followed in all the day to day activities.
- To ensure non-diversion of fund in its ultimate end-use.
- All the payment related to contracted works, purchases bill, consultancy bill, Advances & miss.
- Terms & conditions of tender & rate offer according to law and polices.
- Expenditure incurred is within the budget provision allocated to particular head.
- Monthly reporting of all unpaid bills and missing bills.
- All kind of tax deduction is made from payment and deposited on timely basis.
- Bank reconciliation statement.
- All the revenue receipt to be pre-audited and entry have been reconciled bank & cash book

Audit procedure

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Audit procedure

As per explanation given by SUDAs personal; document provided with regard to ULBs function a suitable scope and methodology were designed .Accordingly we conducted audit procedure & mentioned our observations on four major areas namely

Finance and Accounts

Finance and account department is the core departments of any organization ,as it reflects true picture organizations, performance and position .Many important

decisions are being taken within the organization relying upon the information, provided by this department.

During audit proceedings, we found following instances and achievement in the below mention areas.

- ❖ **Conversion saving /current accounts to Auto sweep account.**
- ❖ **Revenue collection**
- ❖ **Tender form fees**
- ❖ **Control on expenses and saving to ULBs by our action**

➤ **Conversion of saving account /current account to Auto sweep accounts.**

After conversion of all bank accounts into auto sweep in account ,which resulted in increase of interest income by approx Rs 1000 lac yearly for KORBA's ULBs only.

➤ **Revenue collection:-**previously, revenue collection procedure of ULB was poor .collection officer were not sincere towards the target given to them and used to get engaged in others activities which leads to huge revenue loss to ULB, now work schedule given to them result which there approx 15% increment in revenue amounting Rs 200 lac.

➤ **Tender form fees:-**After conduting of pre-audit collection from sale of tender form fees increased by Rs 35 lac appr

Control on various expenses/Savings

<i>S.N.</i>	<i>Name of ULB</i>	<i>Head of Expenses</i>	<i>Brief</i>	<i>Amount</i>
<i>1</i>	<i>Municipal corporation korba</i>	<i>Disel expenses</i>	<i>Previously , log book was not maintain /updated on timely basis & there was no fix quantity of diesel distribution on vehicles which is allocated to officer but after objection of audit,ULBs is following our suggestion and controls this expenses</i>	<i>Rs 50 lac(approx)</i>
<i>2</i>	<i>Municipal corporation korba</i>	<i>Placement employee</i>	<i>As per PMRPY scheme of GOI,contribution of EPF employer share is borne by GOI,inspite of this scheme ,Municipal corporation was approved portion EPF which is borne by GOI,we suggested to deducte this portion of amount form contactor bill which is borne by ulb.</i>	<i>Rs 10 lac</i>

3	Municipal corporation korba	Repair & maintence expense (vehicles)	There is limit of expenses for repair is maximum amount Rs 30000 p.a but we observed that in maximum cases limit was exceeded but after our strong objection ,it is controlled.	Rs 45 lac.
4	Municipal corporation korba	Purchase of Material (Above MRP)	We observed the ULB purchase material above MRP But after objection & suggestion ,UIB purchase on MRP	Rs 20 lac.(savings)

INTERNAL CONTROL

A built in internal control mechanism to ensure effectiveness in carrying out the traditional functions and the transferred functions by the Urban Local Bodies (ULBs) is provided in the Municipal Corporation Act 1956, rules made there under and Government Orders and guidelines. The internal control system in ULBs was very weak as rules regarding various control measures were not complied with the system could not ensure efficiency and economy of operation & there would be chances of loss & misappropriation.

Observance of internal controls

Specific internal control measures were prescribed in the Municipal Corporation Act 1956, orders and guidelines issued by the State Government. These controls intended to utilize the resources of ULBs in the best possible way avoiding risks of infructuous expenditure, loss, manipulations, mistakes, etc. thereby increasing the efficiency and performance standards of ULBs. However, the ULBs failed to implement the internal controls prescribed in the Act, Rules.

Weakness found in Internal control System:-

- Poor control while levying penalty- Many work is delayed but due to improper authorization and time extension penalty is not levied.
- Poor Technical Estimation- many estimate exceeds while doing the actual work which results in extra cost over estimate.
- Poor attendance system- as per the SUDA directives attendance must be maintained in nistha app, but much time manual attendance was presented.
- Too much delay in taking measurement- it is observed that there is too much delay in taking the measurement of the civil work done.

- *Poor Control over Municipal Fixed Assets- Very poor internal control is exercised to safeguard the assets of the Corporation.*
- *Leakage of Revenue from Shop Rents- Collection of Shop rents is Very Poor.*

RECOMMENDATION

1. ULB's personnel are not aware about recent regulations and due to much practical issue; there remain few lacunae in almost every files. As the internal audit has been commended recently, number of rejection/ returning of files are very high. No doubt it is creating resistance/ disturbance among ULB staff. Training session at least once a month for ULB's accountants and managerial persons should be conducted which will lead to capacity building in them.
2. A CAP on Payment to be made in running bill (Say 80% of total project cost) should be made.
3. List of black-listed/ non-performing contractors may be prepared and circulated at department level.
4. New Budget Format may be implemented
5. A Separate bank account for each payable head may be opened and relevant portion may be deposited and paid there from
6. All register should be timely updated like demand registers, Advance register etc.
7. Statutory compliances should be proper and according to law.
8. Separate Register for Security deposit should be maintained.
9. If, ULBs covers in reverse charge mechanism than service tax should also to be implemented
10. Grant wise bank account should be maintained.
11. Monthly actual progress of revenue and expenses should be prepared in context of Budget.
12. ULB must maintain revenue report by bifurcating tax and non-tax revenue for better understanding of performance.
13. The ULB must take steps to improve efficiency.


15. Maintain Proper records regarding demand raised, recovered and outstanding with complete details of every person from which revenue has been collected.

16. Calculate the revenue of particular month after excluding arrears of past month for better and accurate understanding.

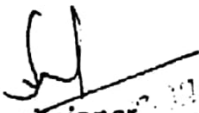
❖ **Monetary benefits:-** the practice of internal audit in korba ulbs helped the ulbs total savings of Rs 1646.95 lacs with the help of action taken on audit observation and recommendation made during course

❖ **Non-monetary benefits**

- ✓ Proper utilization of fund
- ✓ Financial Discipline
- ✓ Budgetary allocation of fund
- ✓ Proper maintenance of file with all supporting documents.
- ✓ Control on unnecessary expenses
- ✓ Compliance of Statutory norms and timely payment of dues.
- ✓ Ensuring timely collection of Revenue ,awareness of financial actualization by preparation of Bank Reconciliation Statement & maintenance of Statutory books and records Compliance of Act and Rules.


for Borkar & Muzumdar
(Chartered Accountants)


Korba Municipal Corporation
Dist. - KORBA (C. C.)


Commissioner
Korba Municipal Corporation
Dist. - KORBA (C. C.)