

**Minutes of 1<sup>st</sup> Meeting regarding Concurrent Audit of Mega CFC held on 23<sup>rd</sup> May, 2023 at 05:00 PM under the Chairmanship of Shri Shyam Jagannathan (IAS), Development Commissioner, SEEPZ-SEZ.**

**Members Present:-**

1. Shri CPS Chauhan, Jt. DC
2. Shri Anil Chaudhary, SO
3. Smt. Bridget Joe, ADC (Admin) I/c
4. Shri Palash Shankar, ADC (Finance)
5. Shri G.S. Bhandari, Assistant

**1. The meeting started with the first slide i.e. unique methodology of fast trade implementation**

**2. Justification for Consultancy Service:-**

It was proposed to conduct a concurrent audit through C&AG but the C&AG vide letter dated 01.05.2023 stated that the audit can only be conducted after the completion of the said project. Hence, it is not possible to conduct the concurrent audit. Therefore, a consultancy may be on boarded for the purpose of conducting concurrent audit. However, since the CAG communication mentioned about a compliance audit (presently being undertaken by WAPCOS for GFR and Manual of Procurement of Works compliances) hence, another communication for the compliance audit shall be separately initiated with the CAG.

**3. Proposal from IPAI Financial Implication:-**

Tentative cost to be incurred for the audit assignment:

S. No.	Item of Cost	Rates Applicable	Item wise cost in Rs
1.	Audit Fees	4800 (Per day Three member team)	3,84,000
2	Food and Local Taxi *	2000 x3 x 25	1,50,000
3	Air Travel	20000 x2 x 5	2,00,000
4.	Contingency charges		50,000
6	IPAI Overhead charges		50,000
7	Supervision cost		1,00,000
8	Total approx. cost		9,34,000

**4. About IPAI:-**

Institute of Public Auditors of India (IPAI) was set up as a Society in 1996. The institute is a 'not for profit' organization comprising of specialists in public accounting, auditing and other areas of public finance.

Shri Girish Chandra Murmu, the Comptroller & Auditor General of India, is the ex officio Patron of the Institute

Dr. Subhash Chandra Pandey, IA&AS (Retd.), former Special Secretary to Government of India is the President and Ms. Shubha Kumar, IA&AS (Retd.), former Dy. Comptroller and Auditors General, is the Vice President of the Institute

The institute has 18 regional Chapters and a growing membership, currently over 2600 members, to provide professional services all across India. Our members include serving and retired officers from the Indian Audit & Accounts Service (IA&AS), Indian Civil Accounts Service (ICAS), Indian Railway Accounts Service (IRAS), Indian Economic Service (IES), Indian Statistical Service (ISS), Senior Audit/Accounts Officers, other audit professionals with diverse experience in public oversight and financial management functions. Several members have held senior positions in Government of India or State Governments, Public Sector Enterprises, Autonomous Bodies, Rural and Urban Local Self-Government institutions and not-for-profit entities

The Institute provides internal audit, research and consultancy services in the area of financial management, accounting and auditing including forensic and performance audit, performance monitoring and evaluation of internal operating systems and projects/ schemes.

The Institute has assisted several reputed organizations in capacity building through training, developing working manuals and providing guidance in audit and accounting matters. The Institute provides consultancy and advisory services and also conducts Research & Publication in public finance and audit and publish journal and newsletter

The Institute accepts assignments and constitutes appropriate teams working under a system of quality management through professional documentation, supervision and peer reviews

**5. Audit Team:-**

- Initially IPAI will put in place a three-member team (one Team leader and Two Team Members who would be senior retired IA&AS officers /Sr. Audit Officers)
- If required depending on the work given IPAI may add one more member.
- The work will be supervised by President IPAI/ Project Director.
- This audit assignment is expected to take three to four months (20 working days in a month) approx. 80 days.

**6. Why Single Sourcing:-**

This office has already hired a PMC for statutory compliances viz WAPCOS which gives inputs on the RfP prepared by other PMCs, verifying the invoices submitted by the contractors in compliance of GFR and other relevant manuals. The works of MEGA CFC project is being monitored by the said agency and to ensure that the compliances are duly made by them. Since the project is under monitoring of Ministry of Commerce and Industry, the amount involved is Rs. 83,78,05,469/- and the project has taken place in a very quick manner, therefore, we would like it to be rechecked and an oversight on the works done by various agencies. Thus, this agency IPAI has been approached to conduct concurrent audit as the Members (Retd. Officers of C&AG) have core competency in the field of audit.

**7. Provision of Hiring Consultancy Service:-**

Hiring of consultancy service will be done in compliance with Manual of Procurement of Consultancy & Other Services and GFR, 2017.

**Observation of DC Sir:-**

1. **Budget Provision:-** On the outlay of Mega CFC.
2. **Single Sourcing:-** In agreement with the single sourcing as this kind of expertise in audit in the public domain is not there with any other institution. The C&AG present audit mechanism is that they do not do concurrent audit and only do compliance audit. A compliance audit is similar to what WAPCOS is doing so there is no way out other than doing concurrent audit.
3. **Methodology of Making Mega CFC:-** The methodology that we have applied for the Mega CFC is extremely innovative. We are looking at the very strict interpretation of GFR and Manual of Procurement of Works. But since the SEZ Authority itself does not have any upper expenditure limit by Act and by Rule so the concurrent audit will essentially look at whether we have deviated in principle from applicability of GFR and the Manual of Procurement of Works which I think we have largely cent percent confirmed with.
4. **Scrutiny of payments:-** The scrutiny would have to be done of all the payments, the methodology for award of the contract and the entire aspect as 360 degree spectrum for the audit so that whatever observations are based by the concurrent audit we will then be able to redress while implementing. And before we do financial closure we can course correct based on the recommendation and take them on record.

**Observation of Jt. DC Sir:-** I agree what you said sir that the single sourcing can be done because there is no way out as it is a specialized job and other people cannot do these type of audit and C&AG will not audit while projects are in process. So, these people retired from C&AG are as good as C&AG but we have to pay them. Moreover, not only Mega CFC but we should go for all three projects i.e. Mega CFC, NEST-01 and NEST-02 though these are in Ministry's knowledge and we are sharing every detail with the Ministry. In fact MoU for CFC has also been approved by Ministry but with different rules under GFR may be complied, we have taken WAPCOS as statutory compliance agency also. But if we strictly go by Rule 133 I don't think that compliance of Rule 133 has been done and we have answered in our compliance about Rule 133 where the expenditure is more than 30 lakh it is to be done by PSU only. It has not been done by PSU but it has been approved by the Ministry so it was before the Ministry and if this audit is done and nothing is found wrong in our process then the other works what we have planned in SEEPZ, the methodology we have prepared, TDA and then statutory compliance agency and third party audit. We have taken all due precautions and we have sent it twice to the Ministry but they have simply replied that go as per GFR so we have validated and we do not have any problem in going ahead beyond 30 lakh expenditure also. So, with that same process because Ministry is not going to approve, they are simply putting on authority only as these are authority related matters and the authority or this evaluation committee for all these tenders related to works. If we are complying with GFR that is going to be validated by this audit, so in future C&AG will not have any objection because they will be looking these projects with the same eyes that C&AG looks. Therefore, our methodology will get

approved and without any problem we can go ahead with that also otherwise all projects of below 30 lakhs there is no issue and beyond 30 lakhs what we have intimated to Ministry we need to get audited all those projects once these three are audited. That will be a good step if we can get it done from them. If we talk about the fees what they are charging, C&AG charges for our accounts only otherwise C&AG do not charge for any audit but for accounts there is certain criteria that number of case putting in, number of person and per day per person they are charging. So, these people are charging the pension per person and equivalent to that. Only thing in fee part we have seen that fee is less but other charges are too high that people are coming from Delhi, their flight expenses, staying, taxis and all. If we can ask if they can provide their team from Mumbai or Pune and some other places as from Delhi it is looking costly otherwise we can go ahead for this process.

**Observation of ADC (Admin):-** We can go for the revised estimates.

**Final observation of DC Sir:-** We can ask for clarification because right now we have only indicated Mega CFC so NEST 01 & NEST 02 and also the other works that are presently be indicated to Phase-I, Phase-II, Phase-III and Phase-IV so these are in principle. Basically ask them for a revised quote and also our guest house are available for accommodation so accommodation can be provided to them and for transportation we can provide as picking up & drop etc. and they should submit a revised reasonable quote and once they submit that then we can take it forward. The ADC, Finance (Account and Procurement) Division can take it up with them and get a reply.

**(Shyam Jagannathan IAS)**  
Chairperson  
SEEPZ-SEZ Authority,  
Mumbai

Copy to:

1. All Officers, SEEPZ-SEZ.
2. Estate Finance Staff, SEEPZ-SEZ.
3. CA staff SEEPZ-SEZ.
4. Accounts Section, SEEPZ-SEZ
5. IT Procurement Cell, SEEPZ-SEZ