

# Audit Report for Audit ID - AU00209-1

## VA-Purchase Functions

Audit Score

80/100

### Details

Audit	AU00209
Scheduled Audit	AU00209-1
Location	Hyderabad
Hotel	Marigold Hotel
Department	Purchase
Checklist	VA-Purchase Functions
Audit Type	External
Auditor	NAVEEN A
Start Date	10-09-2018
End Date	17-09-2018
Submitted Date	12-09-2018
Status	Completed
Assigned By	Administrator Account
Non-Compliance	10
Chronic Issues	0

## Comparison

### MARIGOLD HOTEL VA-PURCHASE FUNCTIONS

VA-PURCHASE FUNCTIONS		Sep 2018	VARIANCE	% of Increase / Decrease (-/ +)
S.No	Sections	SCORE OBTAINED		
1	Purchase Function	80	-	-
Audit Score		● 80	-	-

	80-100 = Green	Good / Excellent
	61-79 = Yellow	Average
	60 below is Red	Poor / Fair

## Non-Compliance

### Section: Purchase Function

#### Subsection: Vendor Evaluation

1: Whether the number of quotes as per SOP are taken from the vendors for such value of purchases defined in SOP and a comparative statement is prepared including for those vendors selected through tendering process and whether appropriate reasons are mentioned against selected and rejected vendors and approved by the concerned department? **NC**

Rating: 7

Attachments :

Book1\_20180910\_175714.xlsx

Observation Text :

In 10 instances, Purchase orders were either raised on a single or no quotation with PO value amounting to Rs.2.24 Lakhs. (SAMPLE SIZE- 155/1127 POs) Response: "Simply fresh is sole vendor for those items in Hyderabad. Ahuja Vegetables is sole vendor for supply of exotic vegetables as per Mekong kitchen requirement, and we are procuring from last 5 years, we tried with other vendors but the quality is not up to the mark. Lalitha Foods is authorized distributor for Delmont products hence single quote AUDIT REJOINDER- Response not provided for material procured from 5 other vendors.

2: Is the rate updated in IDS matching with the rate in the contract ? **NC**

Rating: 7

Attachments :

Book2\_20180910\_182043.xlsx

Book5\_20180911\_114702.xlsx

Observation Text :

a) In 38 instances, Rate updated in IDS was not matching with the rate in the contract copy. Resulted in short payment of Rs.15,907/-. (SAMPLE SIZE-100%-17/20 Contracts updated) RESPONSE: Purchase-We will look into the line items and change the same wherever required., The job done by Accounts, F& B control& ITD. Accounts-Accounts entered the rates based on the excel sheet received from the corporate purchase, accordingly we have entered the rates. While making the contracts amounted rounded near to the rupee. In the case of stationery vendor, the tax amount collected from the vendor and updated the same. b) Item rates of the two vendors were updated in IDS from user id of Dy. Manager-F&B Controls but no contract hard copy is available for the same. Rates of Priya Stationers was updated based on mail received from Corporate(Dt.17-Apr-18) Procurement of Rs.67.61 Lakhs was done for audit period. (SAMPLE SIZE-20/20 Contracts) RESPONSE: "Contracts not done by Corporate team AUDIT REJOINDER-Item rates were updated in IDS without contract for 2 vendors.

### Section: Purchase Function

#### Subsection: Purchase Orders

1: Are there any fresh Purchase Order raised despite a pending Purchase Order ? **NC**

Rating: 7

Attachments :

Book17\_20180911\_072330.xlsx

Observation Text :

In 32 intances, Fresh Purchase Orders amounting to Rs.6.73 Lakhs were raised inspite of earlier POs being pending for receipt. (SAMPLE SIZE-As on 24-Jul-18)

RESPONSE: "There are some standing POs. Henceforth we will track this and streamline. AUDIT REJOINDER- Item wise response to be provided.

**Section:** Purchase Function

**Subsection:** MSME Classification

1: Whether the unit has the list of vendors covered under MSME Act 2006? **NC**

Rating: 0

Observation Text :

Documents of confirmation from vendors not maintained by the unit.

**Section:** Purchase Function

**Subsection:** Others

1: Supplier satisfaction survey report compiled? (Quarterly Report) **NC**

Rating: 0

Observation Text :

No such practice.

2: Supplier Grievance report sent to Unit head & Corporate office fort nightly? **NC**

Rating: 7

Observation Text :

No such procedure followed. RESPONSE: Supplier grievances are attended. No documentation

**Section:** Purchase Function

**Subsection:** Purchase Requisitions

1: Whether all the Purchase requisitions made are approved by the user department head **NC**

Rating: 7

Attachments :

Book7\_20180911\_074851.xlsx

Book11\_20180911\_125654.xlsx

Observation Text :

a) In 145 instances, Purchase requisitions were not authorized. (SAMPLE SIZE-744/744 PRs) RESPONSE: IT concern as PO cannot be raised until the PR is authorized 2 levels. We will not consider any DPR with out 2nd level authorization. b) In 16 instances, Observed delay in authorizing the Purchase Requisitions. (SAMPLE SIZE-744/744 PRs). RESPONSE: We raise PO only after we receive the user department PRs authorized by 2 levels.

2: Whether all the PR's are serially numbered and in case of missing number, whether the reasons are documented with approvals? **NC**

Rating: 7

Attachments :

Book8\_20180911\_075116.xlsx

Observation Text :

"7 Purchase requisitions were missing in the seriality. Note: No PO was raised based these PRs. Observed backdated PR in 5 instances amounting to Rs.0.37 Lakh. (SAMPLE SIZE-744/744 PRs). RESPONSE: we will inform to IT Department

3: Whether all unwanted PR's are closed at a frequency as defined by the SOP? **NC**

Rating: 7

Attachments :

Book10\_20180911\_153415.xlsx

Observation Text :

Pending Purchase requisitions up to 16-53 days were observed in 72 instances. (SAMPLE SIZE-As on 24-Jul-18)

4: Are there any new requisitions raised without closing the old requisitions? **NC**

Rating: 7

Attachments :

Book10a\_20180911\_075932.xlsx

Observation Text :

For 40 items, Fresh Purchase Requisition was raised despite of a PR being pending in IDS. (SAMPLE SIZE-As on 24-Jul-18)

## Chronic

No chronic issues found

# Audit Questionnaire

## Section: Purchase Function

### Subsection: SOP

1: Is the control copy of the departmental SOP available?

Rating: 9

Observation Text :

Available in the intranet. (SAMPLE SIZE-NA)

## Section: Purchase Function

### Subsection: DOA

1: Is the control copy of the departmental DOA available?

Rating: 9

Observation Text :

Hardcopy available in the department. (SAMPLE SIZE-NA)

## Section: Purchase Function

### Subsection: Requirement and Sourcing Plan

1: Is there a requirement plan made separately for Food & beverage and for the Co. as a whole?

Rating: 9

Observation Text :

Overall budget is available. (SAMPLE SIZE-NA)

2: Is there an approved budget available and whether the expenses are within the budget?

Rating: 9

Observation Text :

Overall budget approved by Corporate is available. Expenses amount is within the budget amount. (SAMPLE SIZE-Apr'18-Jun'18) Response: Overall budget only available.

3: What is the value of expenses over the budget? ☒ Not Applicable

4: Whether expenses incurred over the budget have the necessary ratification? ☒  
Not Applicable

5: Whether the performance evaluation of the existing vendors are done and approvals are available for continuing with the existing vendor before the contract is renewed?

Rating: 9

Observation Text :

Verified and found satisfactory. (SAMPLE SIZE-100%)

## Section: Purchase Function

**Subsection:** Vendor Evaluation

1: Whether the number of quotes as per SOP are taken from the vendors for such value of purchases defined in SOP and a comparative statement is prepared including for those vendors selected through tendering process and whether appropriate reasons are mentioned against selected and rejected vendors and approved by the concerned department? **NC**

Rating: 7

Attachments :

Book1\_20180910\_175714.xlsx

Observation Text :

In 10 instances, Purchase orders were either raised on a single or no quotation with PO value amounting to Rs.2.24 Lakhs. (SAMPLE SIZE- 155/1127 POs) Response: "Simply fresh is sole vendor for those items in Hyderabad. Ahuja Vegetables is sole vendor for supply of exotic vegetables as per Mekong kitchen requirement, and we are procuring from last 5 years, we tried with other vendors but the quality is not up to the mark. Lalitha Foods is authorized distributor for Delmont products hence single quote AUDIT REJOINDER- Response not provided for material procured from 5other vendors.

2: Whether contracts are entered into with all the selected vendors with applicable clauses incl. debiting them for not supplying the materials for which the unit had to purchase the material from outside at a higher rate, clause for discounts for early payments?

Rating: 8

Attachments :

Book4\_20180910\_181413.xlsx

Observation Text :

"Debit notes amounting to Rs.10,011/- were not raised against the vendors for excess cost incurred for procuring the contracted items in the open market. (SAMPLE SIZE-As on 10-Jul-18) RESPONSE: "We given response line item wise, those are not applicable for debit, Also we share the Debit note details which we are following & demitting to the vendors. AUDIT REJOINDER- Ratification to be obtained for the contract copies not received cases and material procured on urgent basis. AUDIT SUGGESTION-Separate item code to be created for the 2type of items(same item with different qualities-raw & ripe) procured from more than one vendor.

3: Whether the penalty clauses are adhered to by the unit by debiting the vendors as per the terms of the contract?

Rating: 9

Observation Text :

Verified and found satisfactory. (SAMPLE SIZE-As on 10-Jul-18)

4: Financial impact to be given, if such early payment discounts were not availed? ☒  
Not Applicable

5: Is the rate updated in IDS matching with the rate in the contract ? **NC**

Rating: 7

Attachments :



Book2\_20180910\_182043.xlsx

Book5\_20180911\_114702.xlsx

Observation Text :

a) In 38 instances, Rate updated in IDS was not matching with the rate in the contract copy. Resulted in short payment of Rs.15,907/-. (SAMPLE SIZE-100%-17/20 Contracts updated) RESPONSE: Purchase-We will look into the line items and change the same wherever required., The job done by Accounts, F&B control& ITD. Accounts-Accounts entered the rates based on the excel sheet received from the corporate purchase, accordingly we have entered the rates. While making the contracts amounted rounded near to the rupee. In the case of stationery vendor, the tax amount collected from the vendor and updated the same. b) Item rates of the two vendors were updated in IDS from user id of Dy. Manager-F&B Controls but no contract hard copy is available for the same. Rates of Priya Stationers was updated based on mail received from Corporate(Dt.17-Apr-18) Procurement of Rs.67.61 Lakhs was done for audit period. (SAMPLE SIZE-20/20 Contracts) RESPONSE: "Contracts not done by Corporate team AUDIT REJOINDER-Item rates were updated in IDS without contract for 2vendors.

6: Are contracts entered with the vendors for items which are procured frequently but with whom the unit has no contract but buying through monthly PO's ?

Rating: 8

Attachments :

Book3\_20180910\_182515.xlsx

Observation Text :

There is no contracted vendor for the procurement of 10 items which are frequently purchased. Procurement from Apr'18 to Jun'18 amounts to Rs.49.05 Lakhs. (SAMPLE SIZE-Apr'18 to Jun'18 Receipts data analytics-390/390-F&B,SFD) RESPONSE: "Most of the items rates are fixed, as per policy we don't have any unit level contracts, we are only fixing rates as per Comparative Statement for time period. Some Items Like Oil & sugar- Monthly rate Cashew nut/ Sonamasuri rice rates are unchanged from long time AUDIT REJOINDER- Item wise response not provided for 6other items.

7: Whether any deposit as per SOP are received from the vendors wherever applicable and accounted separately?

Rating: 8

Observation Text :

"As per SOP-For major services / supplies particularly where our interest could be affected, a bank guarantee, deposit or other suitable guarantee should be explored by the purchase committee. Interest free deposit amount was not accounted in the ledgers. (SAMPLE SIZE-as on 18-Jul-18) RESPONSE: Interest free deposit amount accounted in the ledger after receiving all the contract copies

8: Whether cancelled cheque leaf are obtained from the vendors for confirmation of the bank?

Rating: 9

Observation Text :

Verified and found satisfactory. (SAMPLE SIZE-As on 10-Jul-18)

9: Whether the unit had placed Advertisements in Newspaper for Perishables items and wherever vendors are shortlisted / selected, whether all details like ( as per the standard format approved by corporate finance and corporate procurement) by the Purchase HOD - unitwise and recommended by Unit head and the same approved by corporate level as per DOA?

Rating: 9

Observation Text :

Verified and found satisfactory. (SAMPLE SIZE-100%)

10: Whether the amount collected towards sale of Tender forms to the vendors have the necessary documents and accounted as either cash receipts or Debited to vendor account?

Rating: 9

Observation Text :

Verified and found satisfactory. (SAMPLE SIZE-NA)

11: For all rate revisions from the negotiated / contracted rates, whether appropriate documents with approvals are available?

Rating: 9

Observation Text :

Verified and found satisfactory. (SAMPLE SIZE-As on 10-Jul-18)

12: Wherever advances are paid to vendors, whether the same are accounted in the ledgers and upon receipt of goods, service and invoice, whether payment is done after adjusting advance amount?

Rating: 9

Observation Text :

Verified and found satisfactory. (SAMPLE SIZE- 155/1127 POs)

## **Section:** Purchase Function

### **Subsection:** Vendor Master

1: Whether Vendor code created for all the new vendors have all the necessary tax registration certificates and other documents as defined by the SOP are collected?

Rating: 9

Observation Text :

Verified and found satisfactory. (SAMPLE SIZE-60%)

2: Are there any duplicate codes created for the same vendor and both codes are used for transactions?

Rating: 9

Observation Text :

Verified and found satisfactory. (SAMPLE SIZE-60%)

3: Whether such duplicate codes are made passive post identification? ☒ Not Applicable

4: Whenever vendor code creation is only with the HOD - Purchase and whether necessary documentation are available?

Rating: 9

Observation Text :

Verified and found satisfactory. (SAMPLE SIZE-60%)

5: Whether vendor master is updated with GST numbers?

Rating: 9

Observation Text :

Verified and found satisfactory. (SAMPLE SIZE-60%)

### **Section:** Purchase Function

#### **Subsection:** Purchase Orders

1: Whether all the PO's are serially numbered and in case of missing number, whether the reasons are documented with approvals?

Rating: 9

Observation Text :

Verified and found satisfactory. (SAMPLE SIZE-1127/1127 POs)

2: Are there any delay in receipt of materials from expected date mentioned in PO?

Rating: 8

Attachments :

Book12a\_20180910\_201414.xlsx

Observation Text :

In 24 instances delay ranging from 12-63 days was observed in receiving the material from the date of delivery mentioned in PO. (SAMPLE SIZE-Total 517 material received & POs till 10-Jul-18)

3: Are there any Back dated PO and PO's raised after receipt of goods to be correlated to any delay in authorizing PO?

Rating: 8

Attachments :

Book13\_20180910\_203310.xlsx

Book14\_20180910\_203318.xlsx

Observation Text :

Observed backdated Purchase Orders in 2 instances amounting to Rs.0.69 Lakh. (SAMPLE SIZE-1127/1127 POs) PO was raised after receipt of material in 4 instances. Note: ('PO raised only for regularization') was not mentioned on PO (SAMPLE SIZE-Inwarded material for 5days in each month) RESPONSE: IT Concern. Response provided in Annexure

4: Are there any delay in authorizing PO's?

Rating: 8

Attachments :

Book12\_20180910\_203529.xlsx

## Observation Text :

Observed delay in authorizing the Purchase Orders by 1st, 2nd and 3rd levels in 11 instances. (SAMPLE SIZE-1055 POs-Apr'18-Jun'18) RESPONSE: Due to Holidays/any specific reason to hold that particular PO/ any budget approval/DMS approval/ any rate approval

5: Are there any Pending PO and status to be given and whether the same are closed in frequency as defined by SOP?

Rating: 8

## Attachments :

Book16\_20180911\_070313.xlsx

Book16a\_20180911\_070322.xlsx

## Observation Text :

a) Delay up to 266 days was observed in closing the Purchase Orders in 127 instances amounting to Rs.56.83 Lakhs. Further in 7 instances POs amounting to Rs.2.33 Lakhs were of 2017-18. b) Material not received from the vendors with delay ranging from 6 to 88 days for which payment was made in advance amounting to Rs.2.08 Lakhs. (SAMPLE SIZE-As on 24-Jul-18) Note: Penalty clause is not mentioned on the Purchase Order. RESPONSE: 16) There are some discrepancy in those old POs. We will close by Aug'18 ending. AUDIT REJOINDER- Item wise response to be provided. 16a) Response provided in Annexure. Daily operational requirement POs, Penalty clause not required, however its Corporate call. b) Follow-up made with the vendors for the material on regular basis and documents are maintained. (SAMPLE SIZE-Jul'18)

6: Are there any rate mis-match between quote and PO and whether approvals are available for the same?

Rating: 9

## Observation Text :

No such instances (SAMPLE SIZE-155/1127 POs)

7: If NO, whether the contracted vendors are debited for the extra cost incurred by GPC for purchasing the items outside at excess cost? ☒ Not Applicable

8: Are there instances of Same Material purchased from the same vendor at different prices in same month and same date and whether the vendor is debited for the same?

Rating: 9

## Observation Text :

No such instances. (SAMPLE SIZE-Receipt Register Apr'18-Jun'18)

9: Are there instances of Same material purchased from different vendors at different prices in same month and same date and whether the vendor is debited for the same?

Rating: 8

## Attachments :

Book15\_20180911\_071643.xlsx

Book15a\_20180911\_071650.xlsx

Book15b\_20180911\_071657.xlsx

## Observation Text :

"Rs.0.85 Lakh of excess cost was incurred as same item was procured at different rates on different dates. Further excess cost of Rs.10,987/- was incurred for procuring a couple of items not in contract at comparatively high rates from same vendor or different vendor. Excess cost of Rs.3,903/- was incurred as same item was procured at different rates. (SAMPLE SIZE-Receipt Register Data analysis Apr'18 to Jul'18) RESPONSE: "Response provided in Annexure. AUDIT REJOINDER: 15) Item wise response to be provided for 6 items 15a) Item wise response to be provided for 14 items. 15b) Jack Fruit procured on 05-Jun-18 from both vendors was of same rate (for raw & ripe fruit) AUDIT SUGGESTION: 15a&15b)-Separate item code to be created for the 2 type of items (same item with different qualities-raw & ripe) procured from more than one vendor.

10: Whether regular follow-ups made with the vendors are documented, if the materials are not supplied within the agreed time as per PO?

Rating: 9

11: For any of the cash / emergency purchases, whether the total of such purchases are as per SOP and for excess limit, reasons are documented with appropriate approvals ?

Rating: 8

Attachments :

Book19\_20180911\_072024.xlsx

Observation Text :

" Excess cash purchases were made by the unit against the limit (Rs.16,666/-) as per DOA amounting to Rs.8392/-. Adequate approvals were obtained for all the expenses exceeding the DOA limit for cash purchase. (SAMPLE SIZE- Apr'18-Jul'18) Note: In DOA only limit of Rs.2 Lakhs per annum of cash purchase is mentioned, and monthly review to be carried by Unit Finance Head to report to the Unit Head.

RESPONSE: "Actual Cash purchase from Purchase Department mentioned in MIS is as follows: May - 9000 June- 8000 July - 7000 AUDIT REJOINDER-To be ratified by the Unit Head as Cash Purchase by all the departments need to be considered for the audit comparison.

12: Are there any fresh Purchase Order raised despite a pending Purchase Order ?

**NC**

Rating: 7

Attachments :

Book17\_20180911\_072330.xlsx

Observation Text :

In 32 instances, Fresh Purchase Orders amounting to Rs.6.73 Lakhs were raised in spite of earlier POs being pending for receipt. (SAMPLE SIZE-As on 24-Jul-18)

RESPONSE: "There are some standing POs. Henceforth we will track this and streamline. AUDIT REJOINDER- Item wise response to be provided.

**Section:** Purchase Function

**Subsection:** MSME Classification

1: Whether the unit has the list of vendors covered under MSME Act 2006? **NC**

Rating: 0

Observation Text :

Documents of confirmation from vendors not maintained by the unit.

2: IF yes, whether all the payments made to them are within the time period agreed upon? ☒ Not Applicable

3: If NO, what is the timeline within which the identification would be done? ☒ Not Applicable

**Section:** Purchase Function

**Subsection:** Others

1: Every month Market Survey Report compiled for perishable & Non - perishable items?

Rating: 9

Observation Text :

Survey will be carried as per schedule and report will be prepared for only perishable items. (SAMPLE SIZE-Apr'18-Jul'18)

2: Sample Register for materials purchased from new vendors maintained?

Rating: 9

Observation Text :

Verified and found satisfactory. (SAMPLE SIZE-As on Jul'18)

3: Vendor Audit report for New vendors selected are made? ☒ Not Applicable

4: Purchase committee meeting minutes maintained?

Rating: 9

Observation Text :

Survey carried as per schedule and report will be prepared for only perishable items. Meeting is carried as per schedule. Key rates and information is shared with the departments.(SAMPLE SIZE-Apr'18-Jul'18)

5: Physical Imprest cash verification to be done , variance and delays in settling IOU's if any to reported

Rating: 9

Attachments :

Book20\_20180911\_074018.xlsx

Book20a\_20180911\_074033.xlsx

Observation Text :

Excess variance of Rs.95/- during physical verification of cash. Delay of 10 days was observed in clearing the IOU voucher. (SAMPLE SIZE- on 30-Jul-18. RESPONSE: Not provided.

6: Supplier satisfaction survey report compiled? (Quarterly Report) **NC**

Rating: 0

Observation Text :

No such practice.

7: Supplier Grievance report sent to Unit head & Corporate office fortnightly? **NC**

Rating: 7

Observation Text :

No such procedure followed. RESPONSE: Supplier grievances are attended. No documentation

**Section:** Purchase Function

**Subsection:** Purchase Requisitions

1: Whether all the Purchase requisitions made are approved by the user department head **NC**

Rating: 7

Attachments :

Book7\_20180911\_074851.xlsx

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Observation Text :

a) In 145 instances, Purchase requisitions were not authorized. (SAMPLE SIZE-744/744 PRs) RESPONSE: IT concern as PO cannot be raised until the PR is authorized 2 levels. We will not consider any DPR without 2nd level authorization. b) In 16 instances, Observed delay in authorizing the Purchase Requisitions. (SAMPLE SIZE-744/744 PRs). RESPONSE: We raise PO only after we receive the user department PRs authorized by 2 levels.

2: Whether all the PR's are serially numbered and in case of missing number, whether the reasons are documented with approvals? **NC**

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Attachments :

Book8\_20180911\_075116.xlsx

Observation Text :

"7 Purchase requisitions were missing in the seriality. Note: No PO was raised based on these PRs. Observed backdated PR in 5 instances amounting to Rs.0.37 Lakh. (SAMPLE SIZE-744/744 PRs). RESPONSE: we will inform to IT Department

3: Whether all the PR's are converted to PO's and if not whether reasons are documented with approvals?

Rating: 8

Attachments :

Book9\_20180911\_130207.xlsx

Observation Text :

Delay ranging from 16 to 70 days was observed in raising the Purchase Order against Purchase requisition in 51 instances. (SAMPLE SIZE-744/744 PRs) RESPONSE: We are discussing all pending DPRs in coordination meeting & Purchase committee meeting. AUDIT REJOINER- Item wise response to be provided with timeline."

4: Whether all unwanted PR's are closed at a frequency as defined by the SOP? **NC**

Rating: 7

Attachments :

Book10\_20180911\_153415.xlsx

Observation Text :

Pending Purchase requisitions up to 16-53 days were observed in 72 instances.  
(SAMPLE SIZE-As on 24-Jul-18)

5: Are there any new requisitions raised without closing the old requisitions? **NC**

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Book10a\_20180911\_075932.xlsx

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For 40 items, Fresh Purchase Requisition was raised despite of a PR being pending in IDS. (SAMPLE SIZE-As on 24-Jul-18)