

**INTEGRATED COASTAL ZONE MANAGEMENT PROJECT**

**WEST BENGAL**

**PEA: Zoological Survey of India**

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## Internal Audit Report for the period July to September, 2013

### Section I: Audit Scope and Approach:

#### Objective and Scope

We have completed the Internal Audit of the Project Expenditure incurred by Zoological Survey of India. Our work was carried out in accordance with the agreement dated June 21, 2013 with SPMU, ICZM Project and Scope of Work stipulated therein. Our report includes an overview, scope and our observations, together with our proposed recommendations.

The global objective of the assignment will be to provide a professional opinion on the

- adequacy of applicable internal control framework and its adherence by the executing units, identifying areas of critical weakness and their improvement
- funds received and expenditure incurred by each Accounting Centre (AC) during the period under audit being in accordance with the laid down financial regulations, procurement procedure and other orders issued from time to time for this purpose.
- accuracy of Internal Unaudited Financial Reports (IUFR) and compliance with the financing agreement.

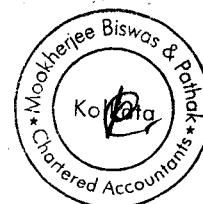
The specific objectives of the Internal Audit are to:

- Provide the timely fiduciary assurance to State Project Management Unit (SPMU), ICZM Project, West Bengal that the Financial Management Systems and Internal Control procedures, as applicable to the Project Component IV, are being adhered to by the various executing units, and the financial reports being submitted by PEAs to the SPMU are in agreement with the books of account and can be relied upon to support the disbursements made by the Bank;
- Verify the procurement procedures adopted in the project;
- Obtain a professional opinion on the accuracy of the IUFRs and compliance with financing agreements. The audit would cover all project activities including all sources and application of funds for the project. The Auditor will visit the various field offices for achieving the objective.

At the request of SPMU, conduct special review of SPMU itself or any PEA as desired.

#### Audit Approach

Our approach to the internal audit started with an overview of activities through a study and documentation of the existing systems and procedures. We then identified, evaluated and tested the adequacy, efficiency and effectiveness of internal controls including standard policies



and procedures laid down by the management (where applicable), for each of the areas included in the Scope of Work.

Testing of internal controls was carried out by checking a limited number of transactions for the period covered by the audit.

Apart from the test of controls and samples we also carried out various types of analytical reviews to understand as well as highlight unusual or significant trends in the business.

Our observations, resulting from the audit tests performed on a sample of transactions, are set out in the Detailed Observations of the audit report and include our recommendations for addressing these observations.

## Section II: Observation in Detail

### A. Procurement Observations

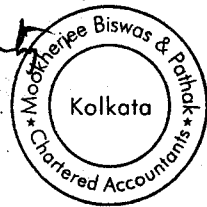
| Sl. No. | Observation   | Impact  | Recommendation   | Management Comment   |
|---------|---|---|--|--|
| 1.      | <p>Proper procurement procedure was not followed during the purchase of Bluestar Water Cooler costing Rs. 69,000/-. Following inconsistencies were observed on review of the procurement procedure:-</p> <ul style="list-style-type: none"> <li>A total of 4 quotations were received for the purchase of water cooler, out of which 2 quotations, namely one received from M/S N.B. Refrigeration and the other received from M/S Nagesh Commercial Pvt. Ltd were not in the prescribed E5 format as laid down under the National Shopping Procedures.</li> <li>An approval for purchase of 2 quantities of Water Cooler amounting to Rs. 17,500/- each (totaling to Rs 35,000/-) was received by ZSI, Digha from SPMU. However, a single</li> </ul> | <ul style="list-style-type: none"> <li>Violation of procurement manual.</li> <li>Excess of expenditure over budgeted amount.</li> </ul> | <ul style="list-style-type: none"> <li>Proper procurement procedure as laid down in the procurement manual must be adhered to.</li> <li>Expenditure should be kept within the budgeted amount. Prior approval should be taken for cases where expenditure</li> </ul> | <p>Quotation was given as E5 Table Format Page No. 3 by the two parties Under the National shopping Procedures. But above party was not enclosed Copy of E5. We enclosed scan copy of quotations table Format which under National Shopping Procedures.</p> <p>Yet, All documents were made by SPMU.</p> <p>All documents were made by SPMU.</p> <p>However, this is the first instance of such incidence, In future, procurements prior approval will be taken in such cases.</p> |



| Sl. No. | Observation   | Impact | Recommendation               | Management Comment |
|---------|---|--------|------------------------------|--------------------|
|         | quantity of water cooler amounting to Rs. 69,000/- was purchased against such approval. |        | exceeds the budgeted amount. |                    |

For Mookherjee Biswas & Pathak  
 Firm Registration no.301138 E  
 Chartered Accountants

*Pooja Chakrabarti*  
 (P Chakrabarti)  
 Partner  
 Membership no. F61643



Kolkata  
 February 27, 2014