

INTEGRATED COASTAL ZONE MANAGEMENT PROJECT

WEST BENGAL

PEA: Department of Disaster Management

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Internal Audit Report for the quarter 1st January to 31st March, 2014

Section I: Audit Scope and Approach:

Objective and Scope

We have completed the Internal Audit of the Project Expenditure incurred by Department of Disaster Management. 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: Observations in Detail

A. Non-compliance of Cost Table

Sl. No.	Observation	Impact	Recommendation	Management Comment
1	We observe that up to 31 st March 2014, i.e. at the end of 4 th year of project period, out of total expenditure Rs. 6.27 lakhs (approx.) were incurred for which there were no detailed break-up in the cost table. <i>Please refer to annexure I for details.</i>	Non-compliance of Cost Table.	Expenses should be incurred as per the allocated head in the cost table. In case of expenses incurred without allocation in the cost table, it should be done after prior approval of world bank.	Cost table has been prepared by taking 2010-11 base cost. Expenditure of Rs.6.27 lakhs lakhs has been incurred which has not exceeded the total budgeted cost of Rs.3,200.00 lakhs. We have requested SPMU to revise the cost table to accommodate the above said expenditure.

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

P. Chakrabarti



(P. Chakrabarti)
Partner
Membership no. F61643

Kolkata
September 15, 2014