

INTEGRATED COASTAL ZONE MANAGEMENT PROJECT**WEST BENGAL****State Project Management Unit (SPMU)****Contents**

Section I: Audit Scope and Approach:.....	2
Objective and Scope	2
Audit Approach.....	2
Section II: Observations in Detail.....	3
A. Fixed Deposit.....	3
B. Advance to Staff.....	3
C. Overstated Fund Utilization Report of SHG	4
D. Internal Unaudited Financial Report.....	4



Internal Audit Report for the period 1st October to 31st December, 2016**Section I: Audit Scope and Approach:****Objective and Scope**

We have completed the Internal Audit of the State Project Management Unit (SPMU). 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
- fund received and expenditure incurred by each Accounting Centre (AC) during the period under audit are 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 (IUFRR) 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 IUFRRs 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. Fixed Deposit

Sl. No.	Observation	Impact	Recommendation	Management Comment
1.	We observed that fixed deposits were made by SPMU on every month, based on excess fund available. However, PEAs did not make any fixed deposits with their excess fund available. Please refer Annexure-IA & IB for details.	Opportunity loss in terms of interest on fixed deposit	The SPMU may instruct the PEAs to utilize the unspent balance in Fixed Deposit.	All the bank accounts of PEAs are Current Bonanza Account, to take care of the interest issue.

B. Advance to Staff

Sl. No.	Observation	Impact	Recommendation	Management Comment
1.	On verification of advance ledger we observed delays in adjustment of advances as per Office Order No.179/ICZMP/7A-04/2011-2012 (26). Please refer to Annexure-II for details.	Unnecessary blockage of working capital and unwarranted cash holding.	The advances should be recovered/adjusted as per the Rules stipulated by the relevant office order.	Noted for future compliance.



C. Overstated Fund Utilization Report of SHG

Sl. No.	Observation	Impact	Recommendation	Management Comment
1.	We observed that in case of 2 SHGs total expenditure of Rs.94, 800/- was overstated in their Receipts and Payments Account. Please refer to Annexure-III for details.	Wrong interpretation of actual expenditure incurred by SHG.	Necessary rectifications should be made.	SPMU has adjusted that portion of expenditure for which advance was released based on the UCs submitted by SHGs, within the contracted amount. In these cases SHGs have submitted UCs of larger amount than the amounts released from SPMU as advance. Hence, no rectification is required.

D. Internal Unaudited Financial Report

We verified the internal unaudited financial report (IUF) for the quarter ended December 2016 and observed that it gives a true and fair view of the financial situation of the project and sources and expenditure for the quarter ended on 31.12.2016.

All the expenses incurred was eligible under the financing agreements and with reference to the Project Appraisal Document (PAD), the Procurement Plan and the Project Cost tables subject to our observations given in Para A to D above.

The details of sources of fund and their utilization till 31st December 2016 are given below:

Sources & Application of Funds(As per IUF)			
Sources of Funds till 31.12.16	Amount (Rs.)	Utilisation of Funds till 31.12.16	Amount (Rs.)
		Expenses by PEAs	
Government of India	1152700000.00	Calcutta University(C.U.)	51938771.42
Government of West Bengal	335580000.00	Zoological Survey of India(ZSI)	15355095.00



Sources & Application of Funds(As per IUFR)			
Sources of Funds till 31.12.16	Amount (Rs.)	Utilisation of Funds till 31.12.16	Amount (Rs.)
Government of West Bengal (Not Claimed from World Bank)	95800000.00	West Bengal State Electricity Distribution Company Limited(WBSEDCL)	310016287.50
Transfer from State (Other Grant)	16009000.00	Institute of Environment Studies and Wetland Management(IESWM)	29866884.00
Advance from GoWB as Central Share Government of India	52911000.00	Department of Disaster Management(DMD)	245316353.48
Other Income (Bank Interest)	118518811.88	Sunderban Infrastructures Development Corporation Limited(SIDCL)	117243590.00
		West Bengal Fisheries Corporation Limited(WBFCL)	1828701.00
		Digha Sankarpur Development Authority(DSDA)	242517378.00
		Public Health & Engineering Directorate(PHED)	284253223.50
		Forest Department Directorate	19489891.78
		West Bengal State Rural Livelihood Mission (WBSRLM)	24563905.50
		SPMU Expenses	
		Institutional Cost	131742397.00
		Communication	16530822.00
		Capacity Building	1943587.41
		Pilot Investment in Environment & Pollution Management	2422482.00
		Pilot Investment in Livelihood Security	69013299.00



Sources & Application of Funds(As per IUFRR)			
Sources of Funds till 31.12.16	Amount (Rs.)	Utilisation of Funds till 31.12.16	Amount (Rs.)
		Monitoring & Evaluation	49138355.00
		Studies	17918770.00
		Training & Workshop	3290836.00
TOTAL	1771518811.88	TOTAL	1634390629.59
Fund Balance as on 31.12.2016			137128182.29

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

Parey Chakrabarti

(P Chakrabarti)
Partner
Membership no. F61643



Kolkata
Date: December 11, 2017

