

INTEGRATED COASTAL ZONE MANAGEMENT PROJECT

WEST BENGAL

State Project Management Unit (SPMU)

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Internal Audit Report for the period 1st April to 30th June, 2015**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. Testing of HDPE Materials

Sl. No.	Observation	Impact	Recommendation	Management Comment
1	<p>We observe that, Rs 1,00,0000 paid to M/s I-Win Advisory Services Limited vide voucher no. 180 dt. 29/05/2015 by cheque no.118063 dt.29/05/2015 for payment of a "Bill for Consultancy" which was submitted by University of Calcutta to I-Win Advisory Services Limited for the technical assistance and testing of HDPE seat for decorative benches for installation at Digha.</p> <p>Our observations in this respect is as follows:</p> <ul style="list-style-type: none"> In letter no. IWIN/DSG/13-14/19 dt.19/04/2013 to Additional Project Director ICZM from DGM,I-Win mentioned that "As directed, we have given the HDPE material for testing to Calcutta University", however no written direction of APD,ICZM to DGM,I-Win was available for our verification. Selection of Calcutta 	<p>Violation of contract no. ICZMP-WB-D.S.D.A/12C/2011-12 & ICZMP-WB-D.S.D.A/12A&B/2011-12 dt. 13/03/2012</p>	<p>Work should be done as specified in contract. Prior approval should be obtained from the "CLIENT" by the "CONSULTANT" for any deviation of work.</p>	<p>The HDPE material testing has been done by I-WIN Advisory Services Ltd.for their certification work of the specification of materials supplied by the contractor to DSDA as consultant & SPMU has reimbursed of Rs.1 lakh to I-WINAs per contract no. ICZMP-WB-D.S.D.A./12C/2011-</p>

Sl. No.	Observation	Impact	Recommendation	Management Comment
	<p>University and finalization of fees i.e. Rs. 1,00,000/- for said testing was awarded by I-Win itself, moreover no documents for stipulated project procurement procedure was available for our verification.</p> <ul style="list-style-type: none"> As per contract no. ICZMP-WB-D.S.D.A/12C/2011-12& ICZMP-WB-D.S.D.A/12A&B/2011-12 dt. 13/03/2012 with SPMU, ICZM and I-Win Advisory Services Limited, as a consultant, I-Win Advisory Services Limited wasnot authorized to conductany procurement in favour of ICZM Project. 			<p>12 dated 13/03/2012, under the head test of Environmental Parameters. So, there is no violation of contract. For this reason, the three observations raised by auditor are not applicable.</p> <p>Auditor's Comment: We agreeing with the management comment.</p>

B. Advance to SHGs

Sl. No.	Observation	Impact	Recommendation	Management Comment
1	<p>On scrutiny of advance ledger it was observed that total advance given to SHG by SPMU up to 30th June, 2015 was Rs.3,68,60,066/- and adjustment done up to 30th June, 2015 Rs.39,62,487/- .So, Rs.3,28,97,579/- yet to be adjusted.</p> <p>Our observation in this respect are as follows:</p> <ul style="list-style-type: none"> In 15 cases, significant delays (between 142 days to 386 days) were observed in adjusting the advances in 	<ul style="list-style-type: none"> Possibility of wrong utilisation of fund Possibility of misplacement of utilisation certificates / SOE and delay in reflection of fund utilisation in IUFRR 	<ul style="list-style-type: none"> Follow-up should be made with the SHGs in order to make timely adjustments of the funds. The utilisation should be accounted for immediately on receipt of SOE / UC. 	<p>Noted for future compliance</p>

Sl. No.	Observation	Impact	Recommendation	Management Comment
	<p>accounts after receiving the Utilization Certificates from SHGs. Please refer Annexure-I for details.</p> <ul style="list-style-type: none"> In 51 cases, significant delays were observed (between 74 days to 626 days) in submitting Utilization Certificates by SHGs after getting advances. Please refer Annexure-II for details. 			Noted for future compliance

C. Internal Unaudited Financial Report:

We verified the internal unaudited financial report (IUFR) for the quarter ended June 2015 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 30.06.2015.

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 30th June 2015 are given below:

Sources of Funds till 30.06.2015	Amount (Rs.)	Utilisation of Funds till 30.06.2015	Amount (Rs.)
Government of India	722,700,000.00	Expenses by PEAs	
Government of West Bengal	202,380,000.00	Calcutta University	48,037,652.42

Sources of Funds till 30.06.2015	Amount (Rs.)	Utilisation of Funds till 30.06.2015	Amount (Rs.)
Government of West Bengal (Not to be claimed from World Bank)	95,800,000.00		
Other Income	100,367,654.28	Zoological Survey of India	8,787,928.00
		West Bengal State Electricity Distribution Company Limited.	229,579,021.00
		Institute of Environment Studies and Wetland Management	27,666,967.00
		Department of Disaster Management	763,691.68
		Sunderban Infrastructures Development Corporation Limited.	13,791,312.00
		West Bengal Fisheries Corporation Limited	323,572.00
		Digha Sankarpur Development Authority	178,518,385.00
		Public Health & Engineering Directorate	164,118,636.00
		Forest Department	8,175,820.28
		SPMU Expenses	
		Institutional Cost	103,976,747.00
		Communication	36,160,929.00
		Capacity Building	1,938,587.41
		Pilot Investment in Environment & Pollution Management	2,422,482.00
		Pilot Investment in Livelihood Security	33,011,105.00
		Monitoring & Evaluation	39,971,973.00
		Studies	17,411,375.00

Sources of Funds till 30.06.2015	Amount (Rs.)	Utilisation of Funds till 30.06.2015	Amount (Rs.)
		Training & Workshop	2,956,179.00
Total	1,121,247,654.28	Total	917,612,362.79
Fund balance as on 30.06.2015			203,635,291.49

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

P Chakrabarti

(P Chakrabarti)
Partner
Membership no. F61643
Kolkata
February 24, 2016

