

## **INTEGRATED COASTAL ZONE MANAGEMENT PROJECT**

### **WEST BENGAL**

#### **NGO: Society for Socio-Economic and Ecological Development**

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## Internal Audit Report for the quarter April to June, 2013

### Section I: Audit Scope and Approach:

#### Objective and Scope

We have completed the Internal Audit of the Project Expenditure incurred by Society for Socio-Economic and Ecological Development. 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.

### Section III: Observations in Detail -NGO

During our visit, we verified the implementation of the project in terms of certain indicators enumerated in the agreement between SPMU and Society for Socio-Economic and Ecological Development. Our observation on achievements of each indicator is given below:

**Section 1:** We observed that achievement of certain results were satisfactorily. These areas are mentioned below:-

Sl. No.	Result Areas	Indicators	Observation
1	Engagement and orientation of staff	1. All staff have been given adequate orientation of ICZM project 2. All staff have their job description	1. Adequate training for orientation of ICZM project has been conducted. 2. Job descriptions were properly defined for each staff.
2	Procurement of furniture and equipment	3. All furniture as per list as approved by SPMU have been purchased and in use at the office 4. All equipment as per list as approved by SPMU have been purchased and in use at the office 5. All furniture and equipment are properly recorded in the stock registrar	3. All procurements have been done as per the specified procurement guideline. 4. Computers and laptops were purchased as approved by SPMU. 5. All the assets have been entered into the Fixed Asset Register with proper identification number.
3	Introducing ICZM project to the target areas – Target area means GP as allotted to your NGO	6. People in the areas are aware of ICZM project with its broad objectives	6. Meeting conducted as per contract.
4	Basic data base of CBOs (SHGs, CIGs, Club, etc.) including	7. Data base of all SHGs, CIGs, Club, cooperatives are available – name of CBOs, address, membership number, activities	7. Related Data base maintained.

	cooperatives of the target areas	of the CBOs, etc.	
5	Draft plan for next 10 months of the year	<p>8. A work plan of 10 month period is formulated in a participatory process</p> <p>This plan should be within the livelihood framework of ICZM project and the plan document should atleast contain:</p> <ul style="list-style-type: none"> <li>▪ Situational Analysis of the target area</li> <li>▪ Objectives</li> <li>▪ Strategies</li> <li>▪ Activities (as per format suggested by SPMU)</li> <li>▪ Budget (as per format suggested by SPMU)</li> <li>▪ Review and monitoring process</li> </ul>	8. Available.

**Section 2:** However we identified that certain areas where the achievements were not up to mark. These are mentioned as under:-

Sl. No.	Result Areas & Indicators	Observations	Recommendation	Management Comment
1.	<p><b><u>Engagement and orientation of staff</u></b></p> <p>1. All staff as approved by SPMU are in place</p>	<p>1. Certain personnel were hired without any approval for the same. Further, no supporting document was available for receipt of salary by above personnel. Please refer to <b>Annexure-I for details.</b></p>	<p>As per the agreement with SPMU, prior approval should be obtained at each occasion of recruitment. Adequate supporting documents should be maintained for each payment</p>	<p>With reference to SPMU letter no. SEED/TD/ICZMP/11-12, dt.22.01.2013, necessary communication was made with SPMU on 18.07.2013.</p>
2.	<p><b><u>Office set up</u></b></p> <p>1. An office with</p>	<p>1. Rs. 3000/- per month was shown as office rent and the amount was</p>	<p>Rent expenses for ICZM project should be</p>	<p>Agreement has already made.</p>

	adequate space is ready and in use	received by the NGO itself for providing office space for the purpose of ICZM Project. However, no rent agreement with ICZM was available for our verification.	supported by an agreement with the NGO.	
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### Section 3: Other Observation

Sl. No.	Observations	Impact	Recommendation	Management Comment
1.	On verification of transactions we observed some discrepancies. <b>Please refer to Annexure-II mentioned below.</b>	NA	NA	<p><b>Point No.1 &amp; 2 :-</b> Generally there is no system of providing car duty slip at Sagar.SPMU is also made aware of it.</p> <p><b>Point No.3:-</b>We were not aware of taking attendance of public meeting in early stage of programme activity. It is noted for future guidance.</p> <p><b>Point No.4:-</b>Chart paper was distributed among the SHGs.</p> <p><b>Point No.5 &amp; 6:-</b> Activity in relation to "Lodha Project" is mentioned in the proposal &amp; budget for the year 2012-13 for taking external support for SHG strengthening activity.</p>

**Section 4: Annexure****Annexure-I****Approval not available for hiring of Person**

Sl. No.	Name of Person	Designation	Amount
1	Dr. Kalyan Acharya	Project Advisor	18,000.00
2	Chandan Barui	Supervisor	6,000.00
3	Tufan Barui	Animator cum Teacher	5,000.00
4	Shephali Mondal	Teacher	5,000.00
5	Uma Barui	Teacher	5,000.00

**Annexure-II****Vouching Observation**

Sl. No.	Date	Voucher No	Amount	Observation
1	15/12/2012	83	1,350.00	Car Hire Charges - Car duty slip not attached.
2	20/12/2012	88	1,280.00	Car Hire Charges -Car duty slip not attached.
3	12/10/2012	23	3,830.00	Public Awareness Meeting Expenses - No attendance records was available in respect of the meeting for Public Awareness.
4	10/01/2013	117	4,500.00	Expense was incurred for procurement of 100pcs of chart paper for distribution to 100 SHGs. However, no record for distribution to SHGs was available.
5	31/01/2013	186	17,000.00	Payment was made to M/S Spade, a consultancy firm, for conducting a project named "Lodha Project". The agreement of ICZM project as entered into by SEED, did not specify any activity in relation to this project
6	08/03/2013	215	19,000.00	

**Section III: Observations in Detail -SHGs**

During our audit, we verified the transactions made by various SHGs under SEED. We noticed that, during the period April to June 2013, transactions took place only in respect of following SHGs. Our observations in respect of each SHG are summarized below:

Name of SHG	Fund Disbursed (Rs.)	Fund Utilised (Rs.)	Purpose of expenses
Ma Gostoburi Mahila	5,42,012/-	5,42,012/-	Construction of brick road
Monomohini Mahila Swanirbhar	1,52,327/-	1,52,327/-	Installation of Tube wells and pond excavation
Radhakrishnapur Radhekrishna	4,22,893/-	1,88,012/-	Tube well installation
		1,22,881/-	Pond excavation
		1,12,000/-	Community Kitchen

We did not find any discrepancy in terms of expenses incurred as mentioned above.

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

*P Chakrabarti*

(P Chakrabarti)

Partner

Membership no. F61643



Kolkata

November 12, 2013