

**INTEGRATED COASTAL ZONE MANAGEMENT PROJECT**

**WEST BENGAL**

**PEA: West Bengal State Rural Livelihood Mission ( Anandadhara )**

**Contents**

Section I: Audit Scope and Approach: .....	2
Objective and Scope.....	2
Audit Approach .....	2
Section II: Observations in Detail.....	3
A. SHG Loan.....	3
B. Utilisation of fund:.....	4

## Internal Audit Report for the quarter 1<sup>st</sup> April to 30<sup>th</sup> June, 2016

### 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. SHG Loan

Sl. No.	Observation	Impact	Recommendation	Management Comment
1.	<p>We observed that, in respect of following aspects no stipulation was made either in the Financial Manual or in the agreement between SPMU and WBSRLM:</p> <ul style="list-style-type: none"> <li>• Maximum amount of loan disbursement per SHG as well as disbursement to individual members of the SHGs</li> <li>• Applicable interest rates and loan recovery modalities</li> </ul>	<p>It is not possible to verify whether the loans and their recovery were made as per the agreed terms.</p>	<p>An agreement may be made between WBSRLM and respective clusters to stipulate loan disbursement and recovery modalities.</p>	<p>CIF activities including disbursement of CIF loan to SHGs from Sangha Samabaya/ Cluster as well as SHG members under taken as per CIF guideline of WBSRLM which is applicable other state also.</p> <p>Maximum amount of loan disbursement per SHG is Rs. 1, 00,000(Rupees One lakh) only as per order of the CEO, WBSRLM circulated vide memo no.3029/WBSRLM/PROG /6P-140/2014 dt. 10.06.2016. The maximum amount of loan to individual member SHG is fully depends on Micro Investment Plan (MIP) and Loan Proposal.</p> <p>As Sangha Samabaya / Cluster is registered under Co-operative Society Act, so the Sangha Samabaya can set the interest rate as per their bye-law. But the rate of interest should not</p>

Sl. No.	Observation	Impact	Recommendation	Management Comment
				exceed 12% P.A. as per the order of Govt. of India vide memo no. J-16019/4/2015RL dt. 30.10.15

**B. Utilisation of fund:**

Sl. No.	Observation	Impact	Recommendation	Management Comment
1.	On the basis grant received from WBSRLM, the respective clusters disburse loan to the SHGs. The utilization on disbursement of loan is provided to the WBSRLM. However, the status of loan, their recovery, information on loan defaulters, if any, were not duly informed to the WBSRLM.	Actual fund utilization and their requirement could not be ascertained.	The WBSRLM should make a comprehensive assessment of fund requirements after obtaining necessary information from the Clusters.	Disbursement of loan as well as utilization of loan, their recovery, loan defaulters are fully monitored by the BMMU, DMMU (District) & WBSRLM. Block sends reports to DMMU and WBSRLM in every month. After collecting the same from each and every Sangha –Samabaya. The SHG based full reports are available at Sangha Level. So, WBSRLM is fully aware and updated regarding the utilization of CIF loan and recovery status.

For Mookherjee Biswas & Pathak  
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Chartered Accountants

*Pareng Chakrabarti*

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Kolkata  
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