Financial Review Report

Baradrone Social Welfare Institution (BSWI), Malda, West Bengal

Jamsetji Ratan Dorabji Tata Trust (JRDTT)

Name of the Project - "Integrated Livelihood Development project for Gajole block of Malda district, West Bengal- Phase II"

Project period - April 2014 to March 2017

Period under review - 1 April 2014 to 28 February 2015

Audit dates - 17 to 19 March 2015

Kalyaniwalla & Mistry,
Chartered Accountants
Mumbai

RECEIVED Date: 23/4/15
J. R. D. TATA TRUST
World Trade Centre,
Tower - [illegible] floor,
Cuffe Parade, Mumbai - 400 005.
Inward No. 308 Init.

Overview of Grant from 1 April 2014 to 28 February 2015

Particulars	Amount (Rs)
Grants released during the year	
1st installment (29 March 2014)	5,380,000
Add: Interest on Grants (inclusive of FD interest)	
Year 2014-2015	129,476
Total funds for the year - (A)	**5,509,476**
Less: Utilizations	
April - September 2014 *	3,288,571
October- February 2015	1,878,161
Total utilization for the year - (B)	**5,166,732**
Fund balance (A-B)	**342,744**
Represented by	
Fixed Deposits	-
Bank Balance	462,783
Cash Balance	12,894
Advances	-
Total	**475,677**
Less: Current Liabilities and allocations	147,296
Balance	**328,381**
Difference	**14,363**

Note:

1. *During the year 2014-15, funds were invested in a fixed deposit (FD) dated 13 May 2014 amounting to Rs 1,750,000 with maturity period of 6 months. This FD matured on 13 Nov 2014 at Rs 1,816,240.*
2. *Written approval from the JRDT Trust for utilizing FD and bank interest was obtained.*
3. *Although the grant was realized on 29 March 2014, activities of the project started from April 2014.*
4. *Moreover, during grant consolidation; we have observed a difference of Re 9.*
5. *"*" figures are as per version 1 ie the utilization certificate (UC) submitted to the JRDT trust. Post our audit, the figures in the utilization certificate were revised, however, the revised certified copy of UC is not submitted to the JRD trust. Details as follows*

Particulars	Version 1	Version 2
UC for the period of April - September 2014* (Rs)	3,288,571	3,302,925
Submitted to Trust	Yes	No
Certified by a CA	Yes	Yes
Signed by the Grantee Head	Yes	Yes
Matches Tally figures	No	Yes
Matches figures in UC for the period October to February 2014	No	Yes

(Version1: UC submitted to the JRDT trust
Version 2: UC revised post undertaking our audit and not submitted to the JRDT trust)

KALYANIWALLA & MISTRY

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KALYANIWALLA
& MISTRY (Regd.)
CHARTERED ACCOUNTANTS

15 April 2015

Mrs R F Savaksha
Secretary and Chief Accountant
Jamsetji Ratan Dorabji Tata Trust
Bombay House, Homi Modi Street
Mumbai 400001

Dear Madam

FINANCIAL REVIEW REPORT FOR BSWI, MALDA

Following the completion of the financial review of the areas of BSWI as per the terms of reference issued dated 4 February 2015, issue of the draft report, we are now pleased to forward the final financial review report.

Background of BSWI's activities

Baradrone Social Welfare Institution (BSWI) was established as a non-profit and voluntary organization and started a village text book library. It was registered as a society in 1976 with a vision to accelerate social and economic change in rural areas under the West Bengal Societies Registration Act XXVI of 1961 having aims and objectives, some of which are as stated below

- To establish, maintain and run a general public library called "Chhatra Hitaishi Pathagar" including helping the poor and needy with text books etc;
- To establish, maintain and run schools, colleges, hostels and orphanages;
- To establish, maintain and run schools hospitals and dispensaries;
- To establish gymnasiums, conduct and promote and organize outdoor and indoor games and sports;
- To establish and run cultural activities;
- Livelihood intervention with an emphasis on the economic empowerment of women;
- Education with an emphasis on improvement of elementary education system;
- Prevention and promotional health for arresting CMR's, UFMR's, MMR's and promotion of good reproductive health practices.

Registration details

BSWI was registered under various statutes and regulatory provisions as stated herein below

- BSWI is a Public Charitable trust, registered under the West Bengal Societies Registration Act XXVI of 1961;
- Under Section 12 A (a) of the Income Tax Act 1961 & its income is exempt under section 11 of the Income Tax Act 1961. BSWI is also registered with DIT (exemptions) West Bengal u/s 80G 5 (VI) of the Income Tax Act 1961 (Notified August, 2010 valid up to AY 15-16);
- BSWI is registered under section 6(1) (a) of the Foreign Contribution (Regulation) Act 1976 (Regd. No. 147110100).

Integrated Livelihood Development project for Gajole block of Malda district, West Bengal-Phase II, funded by J. R. D. Tata Trust (hereinafter referred to as JRDTT)

Jamsetji Ratan Dorabji Tata Trust (JRDTT) - BSWI

KALPATARU HERITAGE, 127 MAHATMA GANDHI ROAD, MUMBAI 400 001
TEL.: (91) (22) 6158 7200 FAX: (91) (22) 2267 3964
ARMY & NAVY BUILDING, 148 MAHATMA GANDHI ROAD, MUMBAI 400 001
TEL.: (91) (22) 6158 6200 FAX: (91) (22) 6158 6275

The focus of the program and the main activities therein are as under:

- **To assist 3,500 poor farming families from 20 villages of Gajole Block II of Malda District to significantly impact livelihoods by**

  - Investment in improvement of existing land and water resources based on an Integrated Natural Resource Management (INRM);
  - Investment for creating supplementary livelihood opportunities based on farm allied or traditional activities;
  - Building capacities of all participating families in adapting skills to effectively and profitably engage in livelihood activity.

- **Expand social mobilization by strengthening the Self Help Groups (SHGs) and by**

  - Forming new SHGs in unsaturated interior pockets of Gajole block II covering 1500 poor families.

- **Working on productivity frontiers on farm sector leading to food security and enhanced income**

  - Support to SHG members who lack adequate land for cultivation and they have set up their household goat rearing units.

Investment for creating supplementary livelihood opportunities based on farm allied or traditional activities

- Adequate investment to enable SHG's taking up small business and trades. It includes shop keeping, vegetable vending, small eatery stalls and releasing of mortgage land. This investment has helped beneficiaries discard borrowing money from the local private money lenders.

Organization structure

The governance structure of BSWI defined in its constitution. List of body of Governing council

Sr no.	Names	Designation
1	Mr Prasanta Kumar Mitra	President
2	Mr Sanjib Bhattacharya	General Secretary
3	Mr Haran Chandra Paik	Treasurer
4	Mr Nemai Chand Ghosh	Senior Accountant
5	Mr Sunil Baran Naskar	Accountant

Current grant under review

Vide grant letter dated 18 March 2014, JRDTT sanctioned a grant of Rs 15,124,000 for a period of 3 years commencing from March 2014 to March 2017 towards "Integrated Livelihood Development project for Gajole block of Malda district, West Bengal-Phase II".

Jamsetji Ratan Dorabji Tata Trust (JRDTT) - BSWI

KALYANIWALLA & MISTRY

Variance analysis of funds as per the budget vis-à-vis actuals for the period April 2014 to February 2015 is illustrated below

Sr No	Particulars	Budget (Rs)		Actual (Rs)		Variance (Rs)		% of variance	
		Trust	Local cont.	Trust*	Local cont.	Trust	Local cont.	Trust	Local cont.
1	Salary cost	1,194,000	-	926,000	-	268,000	-	22 %	-
2	Capital cost	172,000	-	170,530	-	1,470	-	1 %	-
3	Program Cost	3,985,835	1,589,312	3,947,625	1,548,749	38,210	40,563	1 %	3 %
4	Overhead	159,070	-	136,931	-	22,139	-	14 %	-
	Total	**5,510,905**	**1,589,312**	**5,181,086**	**1,548,749**	**329,819**	**40,563**	**6 %**	-

Unutilized grant funds were invested in fixed deposits (FD) to the extent of maximum Rs 1,750,000 during the review period. However, the grant letter is silent wrt the investment of unutilized grant amount. Permission to use interest received on fixed deposits has been obtained from the Trust.

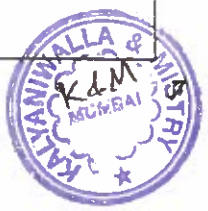
** Figures as denoted in utilization certificate for the period of October 2014 to February 2015 are considered.*

Key review observations and recommendations

Following are some areas where BSWI must take immediate actions

Sr. No.	Observation	Recommendation	Priority
1	• Entire amount of grant installments received during the audit period was recognized as income (under "grant in aid") as and when received.	• Pass Journal voucher in Tally to create separate grant account so unutilized funds can be reflected in the balance sheet as liability.	**Not negotiable**
2	• We evidenced two versions of the utilization certificate (UC) for the period of April 2014 – September 2014 with difference of Rs 14,354. • Further, we observed that the UC for the period October 2014 to February 2015 reflected the previous utilization balance (i.e. for the period of April – September 2014) as Rs 3,302,925.	• Intimate the trust regarding the error along with details of the cause of errors for every error at line item level and obtain ratifying formal approval for the revised utilization amounts. • Obtain a certification from a Chartered Accountant wrt the revised UC and submit it to the trust.	**Not negotiable**
3	• Six monthly bank statements were not sent to the Trust as per the terms of the grant letter.	• Submit the six monthly bank statements to the Trust.	**Not negotiable**

Sr. No.	Observation	Recommendation	Priority
4	• Prevention of sexual harassment (POSH) policy is drafted but not shared with the JRDTT. Also, the policy is not signed. • We observed a difference of 20 kg each in NPK, MOP and Oil cake and 14 Kg in SSP for the period from July to September 2014 between quantity issued (from the stock register) and quantity distributed (from the distribution sheet). We were informed that the difference (74 Kgs) was distributed to the Self Help Group for which approval or any other details were absent.	• Obtain appropriate sign off from the management on the POSH policy and share it with the Trust at the earliest. • Obtain ratifying approval as per the organization's DOA for such distribution and document the reason for not obtaining the same at the time of distribution; • Obtain appropriate approvals and maintain transparent records before any distributions.	**Not negotiable** **Not negotiable**
5	• The seeds and fertilizers purchased for distribution were stored in a local "Youth Club" store room for which no rent is paid. A formal arrangement/ contract with the owner of the premises for storing inventory was absent. • Also, insurance documents wrt the said premises were not available for verification.	• Prepare and obtain sign off on a formal agreement with the owners of the premises permitting organization to store inventory that defines responsibility of insurance of the premises.	**Not negotiable**
6	An attendance register was maintained for the 5 days exposure period which required signatures of all 25 participants. Upon review of the records maintained for this, we observed that: • Two out of 25 participants had signed on attendance registers maintained for the exposure as well as for their daily attendance at Malda; • The attendance sheet maintained for the exposure was not authorized; • Some of the train tickets booked were said to be lost/ stolen and hence were not on record; • The names mentioned on the ticket in some cases were	• Cancel attendance of two erroneous entries in the daily register at Malda and obtain signature of a management personnel to authenticate it; • Obtain authorizing authority approval/signature on the attendance sheet maintained for the exposure visit; • Document a logic note justifying erroneous names on tickets and missing tickets and obtain appropriate approvals/ signature on the same.	**Not negotiable**



Sr. No.	Observation	Recommendation	Priority
	incorrect.		
7	• There was no budget allocated for "Allocation Cost to Project Holder" (line 1.1.4) for all 3 years of the grant period. However, the cost incurred on account of project holder was claimed against budget for "Monitoring by project holder" (line 3.8.2).	• Merge the relevant budget line items to avoid duplication & for ease of review.	**Not negotiable**
8	• Presently, a password policy is not in place to enhance data security and to allow only authorized changes. • The accounting records were not closed for any period in tally. Moreover back dated entries can be passed in the system. • Further, we observed that voucher numbers were generated randomly for each new entry. Also, the voucher numbers were repeated in case of back dated entries.	• Identify administrator and alternate users and create passwords with appropriate viewing and modification rights in Tally ERP 9. • Ideally, back dated entries should be discouraged. If not completely avoidable, define a cut-off date for backdated vouchers; set days allowed for backdated vouchers at "0" in the "Security List" by the administrator. • Configure Tally to generate voucher numbers automatically in sequence depending on voucher class.	**Not negotiable**
9	• Details like the date of purchase, invoice no, asset tagging no etc. are not tracked in the FAR. Moreover, FAR was not maintained in tally and physical verification process carried out was not documented.	• Maintain an FAR in Tally capturing details as name of asset, date of purchase, invoice number, asset tagging no; • Document periodic physical verification with sign of verifier and the witness.	**Not negotiable**
10	• Insurance cover was not obtained for any of the assets purchased except for a "two wheeler".	• Obtain adequate insurance cover to safeguard against potential risks.	**Not negotiable**
11	• The payment voucher prepared for salary paid to the Secretary was approved by the Secretary himself. • The payment vouchers were signed by a representative of BSWI (usually the cluster coordinator) as receiver of the payment instead of the vendor to whom the payment was made when the vendor would not come to collect the payment	• Implement maker checker segregation of duties for expense and payment vouchers. Authorizing authority for payments to be made to the Secretary should be assigned to either the Chairman or Treasurer; • Send payment voucher along with the payment to be signed	**Not negotiable**

Sr. No.	Observation	Recommendation	Priority
	(Cheque) and they are then physically delivered.	by the vendor i.e. the recipient of the money or alternatively, attach payment confirmation received from the vendor with the voucher and keep the receiver's signature blank.	
12	• Payments were made in cash for expenses more than Rs 20,000. ***Annexure 2*** • Also, payments for electricity expenses were made in cash and not through account payee cheque.	• Make payments above Rs 10,000 by account payee cheque only. • Encourage cheque payment options wherever possible.	**Not negotiable**
13	• Leave and license agreement wrt office premise had expired as on our audit date (Agreement period- 1 April 2014 to 28 February 2015). • Further, we observed following discrepancies in rent payment of the said premises - Rent for the period of March 2015 was not paid; - Rent for the month of April 2014 was paid in cash; - It was not paid in advance as required by the terms of agreement.	• Renew the Leave and license agreement and make payment for the months of March and April 2015 at the earliest; • Make payment for rent only by account payee cheque.	**Not negotiable**
14	• The bills attached for fuel expenses along with the payment voucher captures incorrect vehicle numbers. Expenses were accounted based on bills provided by vendor using incorrect vehicle numbers.	• Obtain the number plate for the vehicle immediately upon registration and allow use of the vehicle only after receipt of registration certificate (RC).	**Not negotiable**
15	• The totals for each sheet of advance requisition were not written. We are unable to comment upon the possibility of entries made on the same requisition sheet after obtaining approval from the Secretary. • Moreover requisition sheet were not prepared for all cash disbursements.	• Capture total of the amount for which the requisition sheets is prepared; • Prepare requisition sheet for all advances provided.	**Not negotiable**
16	• The P R Sinha & Co, Chartered	• Appoint separate internal and	**Not**

Sr. No.	Observation	Recommendation	Priority
	Accountants, are appointed for internal as well as statutory audits for BSWI.	statutory auditors.	**Negotiable**

Conclusion

As can be noted from the above observations, while good systems are in place, addressing the areas highlighted would further strengthen JRDTT grant management processes and the identified areas of accounting and internal controls.

Acknowledgement

We are thankful to the management & staff for the co-operation extended to us in the course of our audit reviews. We shall be glad to discuss our findings with you and offer any elucidation you may need in the matter.

Yours faithfully

Kalyaniwalla & Mistry
Chartered Accountants

Detailed report

Section 1: Audit Scope, Methodology and Reporting

1.1 Scope of audit

In terms of your letter dated 4 February 2015, we conducted a "Financial review" for Integrated Livelihood Development Project under BSWI, at Gajole block of Malda district, West Bengal-Phase II. The detailed scope of audit was as per your above referred letter.

This audit was undertaken with the objective of assessing the adequacy of financial management and monitoring systems at BSWI with a special focus on (i) utilization of the grant for the project and (ii) adequacy of financial systems within the organization. The scope of the review included the following broad area

1. Budgeting and planning

2. Review of accounting systems and internal controls regarding
   - Maintenance of accounting records;
   - Cash & bank transactions;
   - Management of advances;
   - Stock & fixed assets management;
   - Approval process & delegation of powers;
   - Asset procurement policy;
   - Investment policy;
   - Human resource management;
   - Audits.

3. Project monitoring and system of reporting

4. Statutory compliances with the following statutes as may be applicable :
   - Societies Act/ Public Trust Act/ Companies Act;
   - Foreign Contribution Regulation Act;
   - Income Tax Act 1961;
   - Provident Fund/ Gratuity;
   - Any Other Act/ Law as may be applicable.

The scope and period of this audit was limited to sample checks at BSWI of financial systems and utilization of the grants under review. The review did not include the review of programmatic aspect of the grant though a brief discussion was held in this regard.

1.2 Review Methodology

- Review of documents including (i) the project brief (ii) reports submitted by BSWI;
- An overall review of the accounting and other internal control mechanisms in place, conducted through checks on a sample basis;
- A detailed review of accounting systems, books and records maintained for the Grant under review;

- On-going feedback was provided to the BSWI representatives during the course of the Audit at Malda.

1.3 Reporting

The audit report includes

- An executive summary report outlining background of the organization, Governance, overview of utilization and key observations and recommendations and
- This detailed report containing
  - Audit scope, methodology and reporting;
  - Observations and recommendations corresponding to each area within the overall scope of the audit as part of the review process;
  - Annexures to provide additional information.

Detailed observations

Section 2: Utilization of grant funds

Overview

- The funds released by JRDTT were received in the savings bank account "0589010079111" maintained with United Bank of India, Kolkata.
- Separate "Cost centre" was maintained for the project and all the expense and interest incomes are debited and credited to the same cost centre.
- During the year 2014-15, funds were invested in a fixed deposit (FD) dated 13 May 2014 amounting to Rs 1,750,000 with maturity period of 6 months. FD matured on 13 November 2014 and Rs 1,816,240 were credited in the bank along with interest. Written approval from the Trust for utilizing FD and bank interest was obtained.
- Major variance analysis of utilization of grant funds as per the budget vis-à-vis actuals from April 2014 to February 2015 is illustrated below

Sr No	Particulars	Budget (Rs)	Actual* (Rs)	Variance (Rs)	% of Variance
1	Personnel (incl. Admin)/ Salary Cost	1,194,000	926,000	268,000	22%
2	Capital Cost	172,000	170,530	1,470	1%
3	Program Cost	3,985,835	3,947,625	38,210	1%
4	Overhead	159,070	136,931	22,139	14%
	Total	**5,510,905**	**5,181,086**	**329,819**	**6%**

** Figures as denoted in utilization certificate for the period of October 2014 to February 2015 are considered*

The observations and recommendations with regard to the management of the grant funds are listed below

Observation	Recommendation	Priority
• Entire amount of grant installments received during the audit period was recognized as income (under "grant in aid") as and when received.	• Pass Journal voucher in Tally to create separate grant account so unutilized funds can be reflected in the balance sheet as liability.	Not negotiable
• Projections of cash flow were not prepared. Consequently, idle funds	• Prepare cash flow for next two months with a	Highly

<table>
<tr><th>Observation</th><th>Recommendation</th><th>Priority</th></tr>
<tr><td>were invested in a fixed deposit (FD) dated 13 May 2014 amounting to Rs 1,750,000 with a maturity period of 6 months during the year 2014-15, funds without any investment schedules detailing funds in bank, planning for fixed deposits along with its maturity dates at the end of the month, and identifying deposits to be placed.</td><td>contingency factor included to avoid cash-out situations on a monthly basis;
• Invest idle grant funds with a planned investment schedule, capturing funds in bank balance and in fixed deposits along with its maturity date at the end of the month in line with projected cash flow for the next two months and deposits to be placed.</td><td>recommended</td></tr>
<tr><td>• We evidenced two versions of the utilization certificate (UC) for the period of April 2014 – September 2014 with difference of Rs 14,354. Discrepancies between the two versions are detailed below
<table><tr><th>Particulars</th><th>Version 1</th><th>Version 2</th></tr><tr><td>UC for the period of April 2014- September 2014* (Rs)</td><td>3,288,571</td><td>3,302,925</td></tr><tr><td>Submitted to Trust</td><td>Yes</td><td>No</td></tr><tr><td>Certified by a CA</td><td>Yes</td><td>Yes</td></tr><tr><td>Signed by the Grantee Head</td><td>Yes</td><td>Yes</td></tr><tr><td>Matches in to Tally figures</td><td>No</td><td>Yes</td></tr></table>• Further, we observed that the UC for the period October 2014 to February 2015 reflected the previous utilization balance (i.e. for the period of April –September 2014) as Rs 3,302,925.</td><td>• Intimate the trust regarding the error along with details of the cause of errors for every error at line item level and obtain ratifying formal approval for the revised utilization amounts;
• Obtain a certification from a Chartered Accountant wrt the revised UC and submit it to the trust.</td><td>Not negotiable</td></tr>
<tr><td>• An amount of Rs 10,000 budgeted for observation of international women's day (line item 3.7.2) remained unutilized in the first year of grant period. However, written approval was not obtained from the trust to carry forward the unutilized amount to next period. It is pertinent to note that an advance of Rs 5,000 allocated to an employee on 6 March 2015 for the said program remained outstanding as on the audit date.
• We observed a cheque prepared but not issued for Rs 10,000 towards audit undertaken. The budget for audit fees (line 4.8) remained unutilized/ unclaimed as the audit report was not received,</td><td>• Document and report reasons of not carrying out any specific activity & prepare a concrete plan of action for undertaking the same in the future.
• Obtain formal approval to carry forward the unutilized amount towards postponed activity;
• Retrieve the advance and allocate it only once concrete plans for undertaking the activities are formed;
• Follow up and obtain the audit report. Going forward,</td><td>Highly recommended</td></tr>
</table>

Observation	Recommendation	Priority
cheque was not issued and thus expenses were not accounted.	prepare a cheque only upon receipt of audit report.	

Section 3: Compliance with Grant Terms and Conditions

Overview

The JRDTT grant letter had prescribed certain terms and conditions that "BSWI" was required to adhere to while utilizing the Grant funds.
Following grant conditions were complied with

- A separate savings bank account is not opened so as to comply with the conditions laid in the grant letter, though a prior intimation was obtained from JRDTT trust. But, the unutilized balance in the bank account of Rs 5,734 as on 29 March 2014 was not withdrawn/ transferred before using the said bank account for BSWI projects.
- Appropriate and adequate accounting/ financial systems and procedures were in place together with the required and appropriate human resources.
- Separate records including a separate ledger account for expenditure relating to the JRDTT Grant were maintained.
- Reporting requirements with respect to narrative report and auditor's report were received within the stipulated period in the grant letter.
- Any changes in the time frame of the project as given in the project proposal were brought to the notice of the Trust with necessary explanations for the delay caused. A prior written approval was also obtained from the Trust.
- The interest earned on the periodic unutilized balances of JRDTT Grant was adequately reflected in the utilization statements and the same was utilized only for programmatic purpose.
- No funds were transferred from the JRDTT grant bank account to the general bank account of organization for services provided by the organization.
- All expenses charged to the JRDTT were on an actual basis. However, advance as highlighted in point 3 of section 2 is shown as advance in the utilization statement as well.
- Trust bank accounts were operated by at least two out of the three joint signatories listed below

Names	Designation
Mr Prasanta Kumar Mitra	President
Mr Sanjib Bhattacharya	General Secretary
Mr Haran Chandra Paik	Treasurer

- Funds from "other sources" were not credited to the bank account which is exclusive for monies received from trust.

However we noted some terms and conditions were not complied with, the compliance status for JRDTT grant to BSWI has been given below

Observation	Recommendation	Priority
Grant Condition: A financial report certified by a Chartered Accountant, according to the line item categories of the budget, should be submitted in the format given in Annexure 2, along with a detailed progress report as per the activity plan and an analysis for any variance from the original line items of the budget at the interval of every six months. The financial and progress reports along with bank statements should be submitted. • Six monthly bank statements were not sent to the Trust as per the terms of the grant letter.	• Submit the six monthly bank statements to the Trust.	**Not negotiable**
Grant Condition: No salary payments should be made otherwise than by bank transfer or account payee cheque. • On a sample review we observed in one case an employee (Mr Subhankar Banerjee), was paid salary amounting to Rs 9,000 for the month of May 2014 in cash and not through account payee cheque or bank transfer.	• Obtain ratifying approval for the payment made in cash along with adequate supporting to the trust and • Make salary payments only through a bank transfer or account payee cheque for all future payments.	**Highly recommended**
Grant Condition: Furnish a copy of the anti-sexual harassment policy and the names of the members of the committee as applicable. • Prevention of sexual harassment (POSH) policy is drafted but not shared with the JRDTT. Also, the policy is not signed.	• Obtain appropriate sign off from the management on the POSH policy and share it with the Trust at the earliest.	**Not Negotiable**

Section 4: Organization visit and system review

Overview

- A process walk through for the procedures followed for areas such as inventory management, receipt of donation, advance management, payroll, trainings, asset management was undertaken.
- Records maintained for advances given, attendance of SHG members attending meetings conducted, etc. were reviewed for correctness.
- Reporting, approval processes and provisions of services were reviewed to understand the level of documentation and overall controls.
- An activity register is maintained capturing details of the activities undertaken e.g. pond renovation, goat distribution, seepage tank renovation etc. by the Senior Accountant in the office. This is reviewed and signed periodically by cluster coordinator. This register along with pass books, cheque books was reviewed.

- Field visit was undertaken for 3 program activities viz. Livestock rearing, petty shops for self-help groups (SHGs) and releasing of mortgaged land. A one-to-one interaction with self-health group members to understand documentation, working of the projects and reporting payment and expenses tracking processes was undertaken which were found satisfactory.

The observations and recommendations with regard to records maintained and processes undertaken at the centres are listed below

Observation	Recommendation	Priority
• The fertilizer distribution sheet prepared, although captures the list of fertilizers distributed and the list of persons to whom it was distributed, does not clearly mention the dates on which the fertilizers were distributed.	• Capture dates of distribution in the fertilizer distribution sheet.	**Not negotiable**
• On a sample review of distribution of fertilizers for the period from July to September, 2014 we observed that there was a difference of 20 kg each in NPK, MOP and Oil cake and 14 Kg in SSP between quantity issued (from the stock register) and quantity distributed (from the distribution sheet). We were informed that the difference (74 Kgs) was distributed to the Self Help Group for which approval or any other details were absent.	• Obtain ratifying approval as per the organization's DOA for such distribution and document the reason for not obtaining the same at the time of distribution; • Obtain appropriate approvals and maintain transparent records before any distributions.	**Not negotiable**
• The seeds and fertilizers purchased for distribution were stored in a local "Youth Club" store room for which no rent is paid. A formal arrangement/contract with the owner of the premises for storing inventory was absent. • Also, insurance documents wrt the said premises were not available for verification.	• Prepare and obtain sign off on a formal agreement with the owners of the premises permitting organization to store inventory that defines responsibility of insurance of the premises.	**Not negotiable**
• Expiry dates of the fertilizers are not recorded at the time of purchase.	• Maintain stock register on FIFO method along with pertinent details of expiry dates to enable optimal utilization and avoid wastage.	**Highly recommended**
• An exposure visit was held in Jharkhand. 25 people including field workers, federation members, cluster coordinators etc. attended the same. An attendance register maintained for the 5 days exposure period which required signatures of all 25 participants. Upon review of the records maintained for this, we observed that: • Two out of 25 participants had signed on attendance registers	• Cancel attendance of two erroneous entries in the daily register at Malda and obtain signature of a management personnel to authenticate it; • Obtain authorizing authority approval/signature on the attendance sheet maintained for the exposure visit;	**Not negotiable**

Observation	Recommendation	Priority
maintained for the exposure as well as for their daily attendance at Malda. • The attendance sheet maintained for the exposure was not authorized by anyone. • Some of the train tickets booked were said to be lost/ stolen and hence were not on record; • The names mentioned on the ticket in some cases were incorrect.	• Document a logic note justifying erroneous names on tickets and missing tickets and obtain appropriate approvals/ signature on the same.	

Section 5: Management of financial contributions from community/ government/ other donors

Overview

- The budget for the local contribution (made by SHGs in kind) towards the BSWI Project was Rs 1,589,312 and the funds utilized against the same were Rs 1,548,749. Further, no contribution was obtained from any other source. The local contribution received in kind were for the following activities:
  - Income from agriculture e.g.:- SRI cultivation, vegetable cultivation, fish purchase;
  - Income arising on account of digging of seepage tank, community pond renovation;
  - Income from livestock rearing e.g.:- goat rearing;
  - Income from petty shops for SHG members in villages;
- Record of such local contribution was maintained in a log book/ binder register maintained at site along with details of the local contributors (villagers/ SHGs and members of self-health groups), type of contribution, description and measurement of voluntary work done and rate at which such work was valued under local contribution.
- These rates were decided in consultation with the management and were documented in the MOM for the same. These logs were reviewed for genuineness and correctness.

Section 6: Compliance with recommendations made during previous audit

Overview

Financial systems check audit was carried out by P M Bavishi and Co, Chartered Accountants. The recommendations made and compliances thereof were ascertained as a part of the present audit.

Recommendation	Progress status
Fund flow system to be drafted and formalized	Not Implemented
Accounting manual to be revised so as to capture methodology of maintaining books of accounts	Implemented
Minimum and maximum limits to be defined for cash transactions	Implemented
Procurement process to be defined & documented	Implemented
Asset register to be maintained with identification number and other details. A formal physical verification process to be documented	Not Implemented
System of paying advance for program expenses to program coordinator by account payee cheques.	Implemented
Investment policy to be drafted for investment of short term funds	Not Implemented
Stock of inventory to be maintained having all details. All stock statements to be periodically verified	Implemented
Authentication matrix to be defined and documented	Implemented
HR policy to be documented for whole organization for staff social security measures in the form of leave encashment, medical benefits, etc.	Implemented

Section 7: Budgeting and planning

Overview

We were informed that the budget was arrived at in joint consultation with a team of Tata trust members, however, records to validate the same was not available. Monthly cum yearly action plans were prepared and the same was documented.

The observations and recommendations with regard to budgeting and planning are listed below

Observation	Recommendation	Priority
• The Tally ERP 9 software was not enabled with an option to input/feed the budget into the system. Hence there is an absence of a trigger mechanism in place to report major variances wrt over spending and under spending.	• Upload the budget in tally and link the actual expenses to the budget.	**Highly recommended**
• There was no budget allocated for "Allocation Cost to Project Holder" (line 1.1.4) for all 3 years of the grant period. However, the cost incurred on account of project holder was claimed against budget for "Monitoring by project holder" (line 3.8.2).	• Merge the relevant budget line items to avoid duplication & for ease of review.	**Not negotiable**

Section 8: Accounting systems and internal controls

Overview

- The project accounts were maintained in Tally ERP 9 software wef 1 April 2014. BSWI accounts funded by JRDTT were maintained as a separate "Tally Company". Prior to this accounting was done manually and not through Tally ERP software.
- Bank reconciliation statement (BRS) is prepared on a monthly basis in Tally.
- A register was maintained for accounting all expenses incurred and payments received through cheque.
- BSWI maintains its accounting records on cash basis.
- Separate cost center was maintained for identification of expenses to the project.
- Advances were recorded in accounting records and reported in the utilization certificates correctly.
- Manual vouchers were used which captured detailed narrations.
- Head of account to be debited/ line item to be charged was appropriately mentioned on the vouchers.
- Signatures of the approver, checker and payee were evidenced in all vouchers sampled.
- There was adequate segregation of duties and controls in place.
- Assets purchased were entered in the fixed assets register maintained separately for the project.
- Procurement process has been adhered to in case of acquisition of assets.
- As per the organization policy, the cash limits are defined as a maximum Rs 10,000 and a minimum Rs 2,000.
- Manual cash register is maintained.

- Cash reconciliation & verification was done on a daily basis. Cash in hand at the day end was documented along with the denominations & verified by the financial controller also.
- On a sample review we observed that bank reconciliation statements were prepared on a monthly basis.
- Details of the bank account wherein JDTT funds were deposited is as under

Bank Name	Account no.
United Bank of India	0589010079111

The observations and recommendations with regard to the accounting systems and internal controls are listed below

Observations	Recommendations	Priority
• Presently, a password policy is not in place to enhance data security and to allow only authorized changes. • The accounting records were not closed for any period in tally. Moreover back dated entries can be passed in the system. • Further, we observed that voucher numbers were generated randomly for each new entry. Also, the voucher numbers were repeated in case of back dated entries.	• Identify administrator and alternate users and create passwords with appropriate viewing and modification rights in Tally ERP 9. • Ideally, back dated entries should be discouraged. If not completely avoidable, define a cut-off date for backdated vouchers; set days allowed for backdated vouchers at "0" in the "Security List" by the administrator. • Configure Tally to generate voucher numbers automatically in sequence depending on voucher class.	**Not negotiable**
• Tally backup was taken only on a yearly basis on a compact disc (CD).	• Take a data Tally backup on a fortnightly basis on an external device like CDs or external hard disk.	**Highly recommended**
• Fixed Asset Register (FAR) was maintained manually in a register for all BSWI assets with details such as name of asset, year of purchase, etc. However, other details like the date of purchase, invoice no, asset tagging no etc. are not tracked in the FAR. Moreover, FAR was not maintained in tally and physical verification process carried out was not documented.	• Maintain an FAR in Tally capturing details as name of asset, date of purchase, invoice number, asset tagging no; • Document periodic physical verification with sign of verifier and the witness.	**Not negotiable**
• Insurance cover was not obtained for any of the assets purchased except for a "two wheeler".	• Obtain adequate insurance cover to safeguard against potential risks.	**Not negotiable**

Observations	Recommendations	Priority
• The payment voucher prepared for salary paid to the Secretary was approved by the Secretary himself. • The payment vouchers were signed by a representative of BSWI (usually the cluster coordinator) as receiver of the payment instead of the vendor to whom the payment was made. Such a practice was followed for cases where the vendor would not come to collect the payment (Cheque) and they are then physically delivered.	• Implement maker checker segregation of duties for expense and payment vouchers. Authorizing authority for payments to be made to the Secretary should be assigned to either the Chairman or Treasurer; • Send payment voucher along with the payment to be signed by the vendor i.e. the recipient of the money or alternatively, attach payment confirmation received from the vendor with the voucher and keep the receiver's signature blank.	**Not negotiable**
• The work order prepared for purchase of the "two wheeler" and "computer accessories" states that, the payment should be made only on delivery of goods. However, the payments were made 1 day and 15 days respectively for above purchases before receiving the invoice. • Further, in above cases, as there is no practice of preparing GRN and in the absence of the delivery challan, we are unable to comment upon the exact date of delivery for the said purchases.	• Make payments strictly as per the terms stated in the WO; • Maintain a inwards/ outwards register; • Maintain original essential documents like delivery challan along with the payment voucher.	**Highly recommended**
• Revenue stamp was affixed on all payment vouchers; • Bills attached with the payment vouchers were not defaced with paid stamps.	• Revenue stamps to be affixed only in case of payments made in cash amounting to Rs. 5000 or more. • As a good practice, affix paid stamps on bills, as it will mitigate the risk of multiple claims on the same bills.	**Not negotiable**
• Employee personal files are maintained employee wise. However, muster employees was not readily available and was prepared at our instance. • On a sample review of 6 personal files, we observed the following discrepancies - Appointment letters were not issued to any of the employees. Only offer letter was available so as to validate the appointments; - standard format of offer letter was not used; - one offer letter did not capture the salary/ cost to company;	• Maintain employee muster with basic details like basic salary, date of birth, date of joining, date of resignation etc.; • Issue appointment letters to all the employees; • Standardize the format for offer letters issued; • Obtain proof of identity/ address and document the same for all employees; • Maintain a list of employees who have resigned from the organization and update the same periodically;	**Highly recommended**

Observations	Recommendations	Priority
- identity/ address proof was not obtained and hence not on record in 2 cases; - Salary was paid in cash (Rs 9,000) to one employee (Mr Subhankar Banerjee) for the month of May 2014. We were informed that since he resigned in the same month (May 2014), the salary was paid in cash. Moreover, attendance register does not capture his name for the month of May 2014. Further, resignation letter was not documented in the personal file and was provided to us at our instance. *Refer summary annexed* ***Annexure 1.*** • Names of employees resigned from the organization were not documented. • General personnel policy is framed and adopted but not signed.	• Obtain signature on the personnel policy at the earliest to formalize the said policy.	
• During the year 2014-15, an investment is done only in one fixed deposit (FD) dated 13 May 2014 amounting to Rs 17.50 lakhs, with a maturity period of 6 months. However, investment policy is not designed. As a result only 33 % of funds available as on the date of investment were invested in FD.	• Design an investment policy that details guidelines to prepare an investment schedule considering fund requirement projections and maturity before deploying the funds in Fixed Deposit or any safe investment.	**Highly recommended**
• The accounting policy of the organization states that "***as per Income Tax Rules, no claim exceeding Rs. 10000 should be settled through cash payments. These should invariably be by account payee checks only***". Accordingly, cash transactions are resorted only for petty expenses and in locations where banking facilities are not available except in special cases. However, we have observed that payments were made in cash for expenses more than Rs 20,000. ***Annexure 2*** • Also, payments for electricity expenses were made in cash and not through account payee cheque.	• Make payments above Rs 10,000 by account payee cheque only. • Encourage cheque payment options wherever possible.	**Not negotiable**
• Stamped and signed BRS were not maintained on record. • Cheques issued and cancelled later were not documented. • Cheque book was maintained at Malda, West Bengal and the authorized signatories reside in Kolkata, West Bengal which	• Print, stamp and obtain appropriate sign off on monthly BRS prepared in Tally; • Deface all cancelled cheque with "cancelled" stamp and maintain details of all such cancelled cheques on	**Highly recommended**

Observations	Recommendations	Priority
resulted in long time gaps for obtaining signs on the cheques.	record; • Maintain, cheque book at the head office, Kolkata, West Bengal for simplifying the process of obtaining approvals for making payments through cheques.	
• Leave and license agreement wrt office premise had expired as on our audit date (Agreement period- 1 April 2014 to 28 February 2015). • Further, we observed following discrepancies in rent payment of the said premises: - Rent for the period of March 2015 was not paid; - Rent for the month of April 2014 was paid in cash; - It was not paid in advance as required by the terms of agreement.	• Renew the Leave and license agreement and make payment for the months of March and April 2015 at the earliest; • Make payment for rent only by account payee cheque.	**Not negotiable**
• Bills to validate payments made to the secretary for local travel allowance from Kolkata to Malda were not available for verification.	• Obtain bills to justify reimbursement of travel expense or document reasons for unavailability for the same on the voucher and obtain adequate approval.	**Highly recommended**
• A modem was purchased from **M/s Advance computer Training Centre** amounting to Rs 4,010. However, we observed modem was not in working condition. Also, we were informed that warranty was not obtained while purchasing the modem.	• Procure assets that are under warranty, check their functionality power to processing payments.	**Highly recommended**
• On a sample review of payments made for fuel expenses of bike and scooty used under the project, we observed that the bills attached along with the payment voucher captures incorrect vehicle numbers. On enquiry, we were explained that there was an issue wrt issue of a number plate for a vehicle. Hence, expenses were accounted based on bills provided by vendor using incorrect vehicle numbers.	• Obtain the number plate for the vehicle immediately upon registration and allow use of the vehicle only after receipt of registration certificate (RC).	**Not negotiable**
• Confirmatory signatures of the vendor were not obtained on the work orders.	• Obtain vendor signatures on all existing and future work order.	**Highly recommended**
• We did not evidence any quotation obtained for purchase of	• Obtain and compare alternate quotations prior to	**Not negotiable**

Observations	Recommendations	Priority
printer (Model no. HP 1108LJ) from SM IT Retail amounting to Rs 5,939.	purchase of any asset.	
• Quotes for purchase of fertilizers in July 2014 were obtained only from new vendors. We were informed that the quotes from the old vendor were confirmed verbally but documentary trail for the same is absent.	• Obtain revised alternate quotes. Alternately document justifiable reasons for not obtaining the quotes from the old vendor.	**Highly recommended**
• Excess of expenses of Rs 4,987 over the advance provided incurred by an employee (Mr Prabir Mukerjee) towards visit to a "Federation Exposure" in Jharkhand were reimbursed in cash. Further, payment voucher was not prepared for the settlement amount.	• Make all payments by account payee cheques wherever possible; • Account for an expenses and its payment only after preparation of payments voucher.	**Highly recommended**
• Cash requisition sheet is prepared for cash requisitions made every 15 days which is duly approved by the Secretary. However, the totals for each sheet have not been written. We are unable to comment upon the possibility of entries made on the same requisition sheet after obtaining approval from the Secretary. • Moreover Requisition sheet is not prepared in all cases wherein payments are disbursed in cash. We observed that requisition sheet is prepared only in some cases.	• Capture total of the amount for which the requisition sheets is prepared; • Prepare requisition sheet for all advances provided.	**Not negotiable**

Section 10: Project and grant monitoring, evaluation and reporting

Overview

- The internal audit of BSWI was done by P R Sinha & Co, Chartered Accountants, Kolkata. The internal audit although conducted, report for the same had not been submitted by the Auditor till the date of our audit and hence we are not in a position to comment on the recommendations made by them.
- P R Sinha & Co, Chartered Accountants, Kolkata were the statutory auditors of BSWI.
- No adverse observations were made by the statutory auditors in the audit report.

The observations and recommendations with regard to project and grant monitoring, evaluation and reporting are listed below

Observation	Recommendation	Priority

Observation	Recommendation	Priority
• A month wise pictorial action plan was set in place for activities to be carried out during the grant period. However the actual position of these activities was not examined post implementation of the action plan.	• Periodic review of the activities as per action plan should be carried out and adequate documentation should be maintained.	**Highly recommended**
• The P R Sinha & Co, Chartered Accountants, are appointed for internal as well as statutory audits for BSWI. • Internal auditors appointed cannot be the statutory auditors as per section 223 of the Companies act 2013. Also, as per CARO 2003, statutory auditor has to report whether there is adequate internal control system which is to be qualified by the internal auditors.	• Appoint separate internal and statutory auditors.	**Not Negotiable**

Section 11: Statutory compliances

Overview

On review of payment challan and returns for Income tax during the period March 2013 to February 2015 we observed

- Income tax return for FY 2013-14 was filed on time.
- The organization had necessary registrations under FCRA, Section 80-G and Section 12A of the Income Tax Act.
- The organization is registered under Societies Act.
- Application for allotment of Tax Deduction Account Number (TAN) was made on 10 February 2015. As per the online application status, TAN has been allotted, although written confirmation is not received till the date of our audit period.

Observation	Recommendation	Priority
• Profession tax is incorrectly calculated and deducted in all cases (either excess or short deduction). **Annexure 3**	• Segregate responsibility of calculating and deducting the profession tax/ any statutory compliance to avoid errors.	**Highly recommended**

Annexures

Annexure 1 – Discrepancies observed in personal files reviewed

Name of employee	Status of documents available				Remarks
	Offer letter	Appointment letter	Identity/ Address proof	Education proof	
Suraj	No	No	Yes	Yes	
Swapna	Yes	No	Yes	Yes	
Sushanta	Yes	No	No	Yes	
Manoranjan	Yes	No	No	Yes	
Sunil	Yes	No	Yes	Yes	
Sanjay	Yes	No	Yes	Yes	Offer letter does not capture the terms of agreement and amount paid to an employee i.e. cost to company

Annexure 2- Cash payments in excess of Rs 10,000

Date	Particulars	Amount in Rs
12-Jan-14	Advance for program for exposure for Feb leaders	30,000
5-Jun-14	Digging of seepage tank	15,345
28-Jun-14	Digging of seepage tank	16,050
11-Aug-14	Advance for program for community pond renovation	50,454
14-Aug-14	Cycle vans for transport of produces	23,900
2-Dec-14	Digging of seepage tank	13,440
15-Jan-15	Fish purchase	17,400
Total		**166,589**

Annexure 3 – Instances wherein profession tax is wrongly deducted or not deducted

Date	Particulars	Vch No	Total (Rs)	Profession Tax (Rs)	Remarks
26-Jun-14	Paid to Subankar Banerjee towards Salary for the month of May'2014 as per voucher	97	9,000		PT not deducted
30-Jun-14	Paid to Mohammad Ali towards salary for the month of June'2014 as per voucher	112	20,000		PT not deducted
30-Jul-14	Paid to Anadi Naskar toward salary for the month of July'2014 as per voucher	239	8,000	50	PT incorrectly deducted
27-Sep-14	Paid to Monoranjan Barman towards the cost salary for the month of September'2014 as per voucher	239	8,000	50	PT incorrectly deducted
21-May-14	Paid to Mr. Sunil Baran Naskar towards salary for the amount of April'2014	34	10,000		Prof tax not deducted
7-Jun-14	Paid to Mr. Sunil Baran Naskar toward salary for the month of May'2014 as per voucher	66	10,000		Prof tax not deducted