



**National Agriculture Innovation Project
Indian Council of Agricultural Research**

Internal Audit Common Observations

Table of Contents

A	Summary of common audit observations across implementing agencies	3
A1	Procurement of Goods and Services	3
A2	Funds (Cash and Bank) Management	4
A3	Project Accounting and Book Keeping	4
A4	Reporting of Project Expenditure	5
A5	Assets Management	5

A. Summary of common audit observations across implementing agencies

A1. Procurement of Goods and Services

a) Procurement method prescribed by Project procurement guidelines not followed:

Instances were observed wherein the methods prescribed by the Project procurement guidelines were not used. For instance:

- Though purchases were made in foreign currency, 'International Competitive Bidding Method' ('ICB') was not used
- 'National Shopping Method' used where procurement threshold limits warranted 'National Competitive Bidding' (NCB) to be used
- 'Direct Contracting Method' was used for purchase of non – proprietary items

b) Discrepancies in the process of bid invitation:

Instances were observed wherein the procedures for inviting bids as specified in the Project procurement guidelines were not completely adhered to. For instance:

- Request for quotation / Invitation For Bid not circulated / advertised as required under the Project procurement guidelines
- Incomplete RFQs were sent to the potential vendors, wherein key details like complete technical specifications, last date for submission of bids, eligibility criteria, method of evaluation, etc. were not mentioned

c) Irregularities in bid evaluation process:

Instances were observed wherein there were discrepancies in the bid evaluation process such as:

- **Preliminary examination of bids not done:** Instances were observed wherein there was no formal process for preliminary examination of bids before forwarding them for complete technical evaluation
- **Incomplete details captured in technical evaluation sheet:** Instances were observed wherein the technical comparison sheet did not compare the technical specifications mentioned in various bids with the required specifications
- **No documentary evidence to verify commercial evaluation of bids:** Instances were observed wherein there were no documents to evidence that the commercial parameters like delivery period, warranty, vendor registration, etc. were considered during bid evaluation
- **Incomplete details captured in financial evaluation sheet:** Instances were observed wherein the financial parameters like discount offered by the vendor, tax inclusion and exclusion from prices, payment terms, etc. were not completely captured while performing financial evaluation of the bids
- **Reasons for rejection / selection of vendors not documented** on bid evaluation report

d) Eligibility criteria not met by selected vendor:

Instances were observed wherein the vendor selected did not meet eligibility criteria (mentioned mandatory in the bidding documents) like sales tax registration certificate / manufacturer's authorization certificate not attached, completion of tender questionnaire attached in the bidding document, submission of bid security, etc.

e) Important terms and conditions not included in the purchase order: Instances were observed wherein important terms and conditions, such as delivery date, payment terms, penalty in case of delay, warranty, indemnity clauses, etc. were not mentioned in purchase orders raised on the vendors

- f) Non compliance with guidelines for hiring of contractual staff:
Instances were observed wherein the prescribed guidelines for hiring of contractual staff like Senior Research Fellow (SRF), Research Associate (RA), etc. were not followed. For instance:
- Selection committee not constituted as required by the guidelines
 - Eligibility criteria for SRF, RA not adhered to
 - Incomplete documentary records for selection proceedings
 - No tax deducted on the contractual emoluments
- g) Equipments purchased in non – conformity to sanction letter:
Instances were observed wherein some equipments / assets procured were not sanctioned under the Project Implementation Plan and mentioned in the sanction letter, issued by PIU-NAIP
- h) No approval for expenditure incurred in excess of sanctioned limits:
Instances were observed wherein though the purchases were made within the total sanctioned amount; the purchase prices of the individual equipments were more than the sanctioned limit

A2. Funds (Cash and Bank) Management

- a) Separate bank account not opened for NAIP transactions:
Separate bank account for NAIP has not been opened by some of the Implementing Agencies
- b) Bank Reconciliation Statement not prepared:
Bank Reconciliation Statements (BRS) are not being prepared by some of the Implementing Agencies
- c) Delay in preparation / submission of Bank Reconciliation Statement:
Instances of delay in submission of BRS to the PIU were observed. Further, some of the Implementing Agencies were not retaining documents evidencing submission of BRS to PIU
- d) Unutilized bank balances not invested:
Instances were observed wherein large amount of un-utilized balances were lying in the Project bank account. The Implementing Agency had not invested these surplus funds in short term deposits to generate interest thereon
- e) Interest earned on surplus funds not reported and remitted to PIU:
Instances were observed wherein the interest earned on surplus funds invested or unutilized bank balances was not reported or remitted to the PIU

A3. Project Accounting and Book Keeping

- a) No supporting documentation / evidence for institutional expenses claimed:
Instances were observed wherein the institutional expenses had been claimed as per the sanctioned limits without any supporting documents for evidencing the incurring/apportionment of such expenses
- b) Institutional expenses claimed in excess of sanctioned limits:
Instances were observed where the institutional expenses claimed were in excess of the sanctioned limits, i.e. excess of 10% (in case of Lead Centre) and 5 % (in case of other partners) of actual recurring expenditure incurred.

- c) Audit of annual accounts by non- empanelled auditors:
Instances were observed wherein the Annual Accounts (for NAIP) of the Implementing Agencies were audited by non – empanelled auditors
- d) Non – submission or delay in submission of audited annual financial statements:
Instances were observed wherein annual financial statements were not being submitted to the PIU or there was delay in submission of annual financial statements to the PIU
- e) Prescribed records and registers not maintained
Instances were observed where the Implementing Agencies were not maintaining all the records and registers prescribed under the Project financial management guidelines. Further, instances of delay in updation of records were also observed
- f) Incorrect classification / recording of expenses in the books of accounts
Instances were observed wherein the expenses were recorded / classified incorrectly in the books of accounts

A4. Reporting of Project Expenditure

- a) Delay in submission of Statement of Expenditure (SoE) :
Instances were observed where there was delay in preparation and submission of SoEs by the Implementing Agencies to their respective Consortium Partners (wherever applicable) and to the PIU – NAIP
- b) Incorrect classification of expenditure in SOEs
Instances were observed where the expenditure was not classified and reported under the correct category, depending on the nature of expense. Example expenditure under Human Capacity Building- Abroad was classified and reported under Travel Expenses- Abroad
- c) Incorrect expenses reported in SoEs:
Expenses reported in SOEs were not in line with those reported in books of account
- d) Expenses not reported in SoEs on Cash basis:
Instances were observed wherein SOEs did not report expenditure on cash basis

A5. Assets Management

- a) No physical verification and tagging of assets:
It was observed in some of the Implementing Agencies, that there is no formal process of tagging the assets and conducting periodic physical verification of the assets purchased for the Project
- b) Incorrect depreciation charged on assets :
Non – compliance with the guidelines on depreciation accounting for fixed assets was observed.
- Depreciation charged at incorrect rates
 - Depreciation not charged on the additions made during the year; etc.

c) No depreciation charged on fixed assets:

Instances were observed wherein no depreciation was charged on the fixed assets procured by the Implementing Agencies

d) Incomplete asset records

Instances of incorrect / non – updation of the asset records were observed

- Fixed asset register not updated
- Stores records not updated