

**SOCIETY OF INTEGRATED COASTAL MANAGEMENT  
MINISTRY OF ENVIRONMENT, FOREST AND CLIMATE CHANGE  
GOVERNMENT OF INDIA**

**INTEGRATED COASTAL ZONE MANAGEMENT PROJECT  
TERMS OF REFERENCE FOR STATUTORY AUDIT SERVICES AND TAX AUDIT**

**1-BACKGROUND**

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1.1 Integrated Coastal Zone Management (ICZM) Project is being implemented by the Government of India (GoI) and the State Governments of Gujarat, Orissa and West Bengal.

1.2 The project has four components, as described below:

- a) **Component One: National ICZM Capacity Building:** The national component will include [i] mapping, delineation and demarcation of the hazard lines and delineation of coastal sediment cells all along the mainland coast of India; [ii] mapping, delineation and demarcation, as required of the ecologically sensitive areas (ESAs) also all along the, mainland coast of India; activities include, (i) G.A.N.D.H.I. (Green Action National Dandi Heritage initiative) at DANDI and adjacent five villages in Gujarat and (ii) Vedaranyam, Salt Satyagrah Memorial and adjacent area in Tamilnadu. The Gujarat Ecology Commission is the Project Executing Agency (PEA) for GANDHI and for the Vedaranyam Project, MS Swaminathan Research Foundation is the PEA. [iii] capacity building of the MoEF&CC as the secretariat for the National Coastal Zone Management Authority (NCZMA), and nation-wide training programme for integrated coastal zone management; and, [iv] setting up and operationalization of the new National Centre for Sustainable Coastal Management (NCSCM)
- b) **Component Two: Piloting ICZM approaches in Gujarat:** This component will support preparation of an ICZM plan for the coastal sediment cell which includes the Gulf of Kachchh. To complement ICZM plan preparation, the component will support capacity building of the Forest and Environment Department, Gujarat State Pollution Control Board (for monitoring and enforcing pollution control in the coastal areas), Gujarat Environment and Ecology Research Foundation (for developing relevant research capacity in coastal ecology, and for developing suitable techniques for transplantation regeneration of coral reefs), and the Bhaskaracharya Institute of Space Applications and Geo-Informatics (for preparing GIS-enabled mapping and decision support tools for the coastal areas). This component would also support priority investments, all located in the gulf of Kachchh, to complement the ICZM plan and capacity building sub-components, and would include the following: [A] conservation and protection of coastal resources – (i) mangrove plantation, (ii) coral reef regeneration, (iii) coastal shelterbelt plantation, and (iv) a marine aquarium at Dwarka, through a private-public-partnership model; [B] environment and pollution management – (i) completing the environmental sanitation of Jamnagar City, to prevent further degradation of the coral reefs; [C] livelihood security of coastal communities – (i) livelihood improvement activities in the non-forest villages of the coast, and (ii) ecotourism and related livelihood improvement activities for villages within the protected areas.
- c) **Component Three: Piloting ICZM approaches in Orissa:** This component will include preparation of an ICZM plan for the coastal sediment cells which include the stretches of Paradip-Dhamra and Gopalpur-Chilika; and capacity building of the Forest and Environment Department, Orissa State Pollution Control Board (for monitoring and enforcing pollution control in the coastal areas), and the Chilika Development Authority (for species and wetland research). The priority investments concentrated in the two reaches of Gopalpur-Chilika and Paradip-Dhamra will include [A] conservation and protection of coastal resources – (i) protection of olive ridley turtle and other aquatic wildlife, (ii) mangrove plantation, (iii) conservation of archaeological heritage, which serve as cyclone shelters at times of distress, and (iv) a pilot work in shoreline

protection for village Pentha; [B] environment and pollution management – (i) environmental sanitation of the coastal town of Paradip to reduce pollution load at the coastal stretches known for nesting habitats; and [C] livelihood security of coastal communities – (i) livelihood improvement support in 60 fishing villages in the periphery of the Chilika lake and the Gahirmatha Wildlife Sanctuary to develop allied farming activities, (ii) support to fisher-people groups in developing small-scale tourism activities, (iii) support to fishing communities in developing small-scale industrial and marketing activities, such as coir-making, and (iv) provision of cyclone shelters in the thirteen remaining coastal villages, where cyclone shelters were not constructed from earlier programs.

**d) Component Four: Piloting ICZM approaches in West Bengal:** In West Bengal, the project will support preparation of an ICZM plan for the coastal areas of West Bengal. A capacity-building sub-component will support the Forest and Environment Department, West Bengal State Biodiversity Board (for research, monitoring and protection and/or conservation of the biodiversity resources), the Calcutta University (for research on microbial biodiversity), and the Institute of Environmental Studies and Wetland Management (for geomorphologic and wetland research, and for supporting completion of a Sundarban resources interpretation centre through an NGO). The priority investments will be located in the coastal stretches of Digha-Shankarpur, and Sagar Island in the Sundarban, and will include [A] conservation and protection of coastal resources – (i) mangrove plantation, (ii) a pilot work in shoreline protection for Digha beach, based on the learning from previous protection works, (iii) a pilot work in shoreline protection for the southern end of Sagar Island, (iii) rehabilitation of the marine aquarium at Digha; [B] environment and pollution management – (i) completing the sewerage system and environmental sanitation of Digha to prevent flow of sewage onto the sandy beach, (ii) cleaning and environmental improvement of the Digha beach, and solid waste management in Digha, (iii) improvement of the fish auction centre at Digha, and (iv) distribution of grid electricity in Sagar Island to replace diesel generation and prevent soil and water pollution; and [C] livelihood security of coastal communities –(i) improvement in fishery based livelihood systems, and (ii) support to CBO coordinated livelihood improvement and market access, afforestation-based livelihood improvement, as well as promotion of local small-scale tourism and ecotourism activities.

1.3 GOI's MoEF & CC and the relevant State Government Departments have set up registered societies (National and State level PMUs), to exclusively lead and coordinate project activities on a full time basis and directly implement some of the project sub components. National Project Management Unit (NPMU, also called SICOM) and each State Project Management Unit (SPMU) will have multiple line departments as Project Executing Agencies (PEA). These PEAs will implement individual pilot activities.

1.4 The SPMUs will be responsible to manage the respective state Project Components 2, 3 and 4. However, the NPMU will have an overall coordination, facilitation and supervision role in the state components. NPMU is exclusively responsible for implementation of the Project Component 1, which includes facilitation and support to PEAs involved in the Component 1 to implement the respective activities as per agreed procedure to achieve the targeted quality and outcome.

1.5 The financial management and accounting procedures in the project will be as per the project's Financial Management Manual. NPMU and SPMUs will be responsible to ensure that each and every activity in the project is implemented as per the manuals.

1.6 The funds for the Project Component 1 will be spent by NPMU itself (from its office at New Delhi) and its 4 PEAs –(i) the Survey of India (through its Project office in Bangalore) and its 9 GDCs at Kolkata, Bhubneshwar, Hyderabad, Bangalore, Chennai, Trivandrum , Pune , Dehradun and Ahmadabad, (ii) The National Centre for Sustainable Coastal Zone Management (from its office in Chennai), (iii) DANDI at Gujarat (iv) Vedaranyam , MSSRF at Chennai. The PEAs shall be fully responsible for proper utilization of the funds and also for submission of reports to the NPMU. The fund will flow from NPMU to PEAs for activities included in Component 1; and to SPMUs for

Components 2, 3 and 4. SPMUs in turn will spend part of the funds themselves, and will transfer through a linked account funds to the PEAs, so that expenditure can be made by PEAs, but accounting responsibilities are shared by SPMU.

- 1.7 For Project components 2, 3 and 4, the PEAs shall be fully responsible for proper utilization of the funds and also for submission of the reports to the SPMU. The PEA would be required to maintain the following minimum important books, cash book, general ledger and cheque issue registers which would be used as the basis for reporting to SPMU. SPMU would be fully responsible for submitting the reports and claims to the NPMU. SPMU Project accounts (books of account, documents & records) provide the basis for preparation of Internal Unaudited Financial Reports (IUFs) and Project Financial Statements (PFS). The SPMU would be carrying out the final accounting for all the expenses. For Project Component 1, the responsibilities between the relevant PEA and the NPMU will be same as that between SPMU and PEAs in the case of state level project components.
- 1.8 For the entire project, NPMU will prepare one consolidated IUF and PFS in line with the quarterly progress reports (or monthly summaries as required). NPMU and SPMUs will have procurement and financial management consultants each, as well as internal audit consultants each. The NPMU has a distinct cell dealing with finance and administration.
- 1.9 NPMU intends to engage a qualified firm for carrying out Statutory Audit Service and Tax Audit (SICOM), covering all components of the project (the National and the three State Components) under these terms of reference.

## **2-AUDIT STANDARDS & OBJECTIVES**

- 2.1. The essence of the Project's audit policy is to ensure that the MOEF & CC and the World Bank receives adequate independent professional audit assurance that the allocations for the Project were used for the purposes intended, that the annual project financial statements are free from material misstatement, and that the terms of the loan agreement were complied with in all material respects & Balance Sheet and Income & Expenditure Account shows the correct picture of Project & Tax Audit of SICOM.
- 2.2 The objective of the audit of the Project Financial Statement (PFS) is to enable the auditor to express a professional opinion as to whether –
  - a. The PFS present fairly, in all material respects, the sources and applications of project funds for the period under audit examination,
  - b. The funds were utilized for the purposes for which they were provided, and
  - c. Expenditures shown in the PFS are eligible for financing under the relevant loan or credit agreement.
  - d. In addition, wherever applicable, the Auditor will express a professional opinion as to whether the IUF submitted by project management may be relied upon to support any applications for withdrawal, and whether adequate supporting documentation has been maintained to support claims made by project management for reimbursement of expenditures incurred. [Note: The books of account that provide the basis for preparation of the PFS are established to reflect the financial transactions of the Project and are maintained by the project implementation agencies (NPMU and the three SPMUs in the present case) and the participating Pilot Investment Execution Agencies (PEAs) and their relevant divisions.]
- 2.3 The audit will be carried out in accordance with the Auditing Standards promulgated by the Institute of Chartered Accountants, India (ICAI). The project is adopting Cash basis of accounting. The auditor should accordingly consider materiality when planning and performing the audit to reduce audit risk to an acceptable level that is consistent with the objective of the audit. Although the responsibility for preventing irregularity, fraud, or the use of loan proceeds for purposes other than as defined in the legal agreement remains with the NPMU, SPMU and PEAs, the audit should be

planned so as to have a reasonable expectation of detecting material misstatements in the project financial statements, if any.

### 3- SCOPE

3.1 The audit will be conducted for the entire project, covering all project components at the following locations:-

Components	Sub Components	Audit Location
NPMU	SICOM-National Project Management Unit for ICZM Project	Delhi
	NCSCM- National PEA	Chennai
	MSSRF - National PEA	Chennai
	DANDI- National PEA	Gujarat
	SOI – National PEA	Kolkata, Bhubaneshwar, Hyderabad, Bangalore, Chennai, Trivandrum , Pune, Ahmedabad and Dehradun,
Gujarat-SPMU	SPMU and its PEA's namely Gujarat Ecological Commission, BISAG, Geer Foundation, Marine National Park, Jamnagar Municipal Corporation, Gujarat Pollution Control Board, Kutch circle.	Gandhinagar, Gujarat
Odisha-SPMU	SPMU and its PEA's namely Chilka Development Authority, Odisha State Pollution Control Board, Department of Fisheries, Odisha Tourism Development Corporation, Water Resources Department, Odisha State Disaster Management authority, Department of Culture, Paradeep Municipality, Wild Life Department, Handicraft and culture Department	Bhubaneshwar, Odisha
West Bengal-SPMU	SPMU and its PEA's namely Calcutta University, Zoological Survey of India, West Bengal State Electricity Distribution Company Limited, IESWM, Disaster Management Department, Sunderban Infrastructure Development Corporation Limited, Fisheries Corporation Limited, Public Health and Engineering Directorate, Digha Shankarpur Development Authority, Forest Department, West Bengal State Livelihood Mission	Kolkata, West Bengal

3.2 . In conducting the audit, special attention should be paid to the following:

- (a) All funds have been used in accordance with the conditions of the relevant legal agreements and only for the purposes for which the financing was provided. Relevant legal agreements include the Financing Agreement and the Minutes of Negotiations for the Project;
- (b) Counterpart funds have been provided and used in accordance with the relevant legal agreements and only for the purposes for which they were provided;
- (c) All necessary supporting documents, records, and accounts have been kept in respect of all project transactions including expenditures reported via IUFRR where applicable. Clear linkages should exist between the books of account and reports presented to the MOEF & CC and the World Bank;

- (d) All expenditure, including procurement of goods, works and consulting services have been carried out as per the Project's Procurement Manual & Financial Manual.
- (e) The Project's accounts have been prepared in accordance with consistently applied Accounting Standards in India and present fairly, in all material respects, the financial situation of the project at the year end and of resources and expenditures for the year ended on that date.
- (f) The Auditor should carry out additional audits of PEAs based on risk profile and other factors relevant to specific PEAs.

**3.3 Project Financial Statements:** The books of account that provide the basis for preparation of the PFS are established to reflect the financial transactions of the project and are maintained by the NPMU, SPMU and PEA in their respective office

The Project Financial Statements should include:

- (a) Annual Financial Statements.
- (b) Other Statements or Schedules as may be applicable.

**3.4 Internal un-audited Financial Reports:** In addition to the audit of the PFS, the auditor is required to audit all internal un-audited Financial Report (IUFs) for withdrawal applications made during the period under audit examination. The auditor should apply such tests as the auditor considers necessary under the circumstances to satisfy the audit objective. In particular, these expenditures should be carefully examined for project eligibility by reference to the relevant financing agreements. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted and qualified by the auditor.

**3.5 Audit Report:** An audit report on the PFS should be prepared in accordance with the Auditing Standards promulgated by the ICAI. Those standards require an audit opinion to be rendered related to the financial statements taken as a whole, indicating "unambiguously whether it is unqualified or qualified and, if the latter, whether it is qualified in certain respects or is adverse or a disclaimer of opinion." In addition, the audit opinion paragraph will specify whether, in the auditor's opinion, (a) with respect to IUFs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to the audit report, expenditures are eligible for financing under the Financing Agreement. Audit Report & Management letter is prepared as per the guidelines issued by ICAI.

**3.6** The auditor should also take into cognizance the internal audit findings; and actions of the Project' different internal audit committees, and suitably reflect any residual issues in an attachment to Audit Report.

**3.7** The project financial statements, audit report, (alongwith Balance Sheet & Income and Expenditure Account) and Tax audit report should be submitted to the NPMU not later than 5 (five) months after the end of the fiscal year, such that it can be forwarded to the World Bank sufficiently within 6 (six) months after the end of the fiscal year. Three hard copies of signed audit report and audited accounts should be submitted, along with soft copies in PDF format.

**3.8 Management Letter:** In addition to the audit report on the project financial statements, the auditor should prepare a management letter, containing (a) recommendations for improvements in internal control and other matters coming to the attention of the auditor during the audit examination; (b) specific mention of the cases of procurement in violation of the Project's Procurement Manual. Where a management letter is prepared by the auditor, a copy of the same will be supplied to the Bank by the NPMU.

3.9 **Tax Audit:-** The Tax Audit shall be carried out as per the guidance note issued by the Institute of Chartered Accountants of India and statutory reports under Section 12A of the Income Tax Act, 1961 shall be provided by the Auditor and necessary reports under Section 12A shall be submitted online with the Income Tax Department

**4-PERIOD OF ASSIGNMENT:-**

**4.1 Period of Appointment:** The auditor will be appointed for conduct of statutory audit of SICOM accounts for the Financial Years 2017-18 and 2018-19.

**4.2 Timing:** The audit should be carried out at the earliest and the report should be provided to the SICOM for placement before the Management Committee and submission to the World Bank by 31<sup>st</sup> August each year. The auditor must submit three copies of the audited accounts and audit report to the, National Project Director, SICOM in time.