

Internal Audit Report
(01/04/2021 To 31/03/2022)

**Skills Strengthening for
Industrial Value Enhancement
(STRIVE) – J&K**

By
Directorate General of Training
Ministry of Skill Development and Entrepreneurship
Government of India

Internal Audit Conducted by:
M/s Raghav Gupta & Associates
Chartered Accountants

RAGHAV GUPTA AND ASSOCIATES

CHARTERED ACCOUNTANTS

Gupta Complex, 1/6A Trikuta Nagar, Jammu, J&K-180020

e-mail: info@raghavguptaandassociates.com

Tel: +91-191-3581650

INTERNAL AUDIT REPORT

(For the period from 01/04/2021 To 31/03/2022)

Skills Strengthening for Industrial Value Enhancement (STRIVE)

To: The Directorate of Skill Development, J&K

Overview

Skills Strengthening for Industrial Value Enhancement (STRIVE) is a World Bank funded project that has been approved by Expenditure Finance Committee (EFC) in November 2016 for a total cost of Rs 2,200 Crore (US\$ 318 million). The project falls under the Programme for Results (P4R) based category of World Bank that ensures outcome based funding. The project aims at creating awareness through industry clusters/geographical chambers that would address the challenge of involvement of micro, small and medium-sized enterprises (MSMEs). The project would also aim at integrating and enhancing delivery quality of it is. In order to ensure achievement of outcome, these it is would be competitively selected for upgradation under the scheme.

Committee for Economic Affairs (CCEA) has approved STRIVE and the loan agreement between Government of India & World Bank has been signed on 19/12/2017. The project management consultancy has been on-boarded. The operations manual has been prepared in consultation with World Bank and has



been approved by National Steering Committee meeting chaired by Secretary, MSDE on 03/01/2019. Implementation of project has been started and workshops with states and industries clusters are planned.

Scope of Audit

In conducting the internal audit, special attention should be paid to assessing whether adequate controls have been established and complied with to ensure that:

1. Govt funds have been provided and used in accordance with the relevant agreements with States, UTs, Govt. ITIs, Private ITIs, Central Institutes and Industry Clusters with due attention to economy and efficiency, and only for the purposes for which they were provided;
2. Goods and services financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.
3. All necessary supporting documents, records, and accounts have been kept in respect of all project ventures including expenditures reported via Statement of Expenditures.
4. The project accounts have been prepared in accordance with consistently applied Indian Government Accounting Standards in this respect and give a true and fair view of the financial situation of the project at the year end and of resources and expenditures for the year ended on that date.



5. The Internal Auditor would require verify the procurement processes being followed at the ITIs, ICs and State Societies are as per Procurement Guidelines under STRIVE project. The internal audit report must report on any variation in the procurement process as laid by the Procurement Guidelines in the OM.

Report on the Financial Statements

We have audited the accompanying financial statements of Skills Strengthening for Industrial Value Enhancement (STRIVE) project financed under World Bank Loan No. 5965IN, which comprise the Balance Sheet as at March 31, 2022, the Statement of Sources and Application of Funds (in the form of Income & Expenditure Account, Receipts & payments Account or Statement of Expenditure, by whatever name called) for the period ended, and other explanatory information (herein after referred to as "Financial Statements").

Management's Responsibility for the Financial Statements

The Project's Management is responsible for the preparation of these Financial Statements that give a true and fair view of the financial position and financial performance of the Project in accordance with the accounting principles generally accepted in India, including the Accounting Standards issued by the Institute. This responsibility also includes maintenance of adequate accounting records for safeguarding of the assets of the Project and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial



statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors' consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Project has in place an adequate internal control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

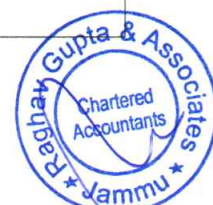


Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements for the period ended March 31, 2022 give a true and fair view of the effectiveness of the overall financial management and procurement arrangements. It is also ensured that the overall financial management and arrangements including the system of internal controls as documented as per the Financial Management Section & Procurement Section of the STRIVE Operations Manual.

Observations on procurement section as per STRIVE operations manual

S.No	Itineraries ensured by Auditors	Compliance from Auditors (yes/No)	Comments of auditor in case of variation in detail
1)	Goods and service financed have been procured in accordance with the relevant financing agreement and procurement norms as laid out in the operations manual.	Yes	Nil
2)	Procurement processes being followed at the ITIs, ICs and State Societies are as per procurement Guidelines under STRIVE project as per para 4.2 of the OM.	Yes	Nil
3)	Any procurement related complaints received, and time taken in disposal of each such complaint, and	Yes	Nil



	verifying that no contracts excluded from the program have been awarded.		
4)	Publication of Annual/Quarterly procurement plan on SPIU website . Yes/No (if yes, URL of website to be mentioned)	Yes https://jkdsd.in/strive/	
5)	Selected/Contractor/Supplier/Service Provider/Consultant on World Bank's list of temporarily suspended and debarred firms.	Yes	Nil
6)	Contract Award Notice (CAN) as per applicable formats (Competitive selection, Request for quotations, Direct Selection) are uploaded on website/public domain against of each of the completed procurement (applicable in case of LOA/contract issued).	Yes	Nil
7)	Any other section reviewed on procurement.	Yes	Please refer General Observations and Recommendations below.



General observations and recommendations

a) Observation: Non Registration as Tax deductor under GST

In majority of the cases, GST Registration as Tax deductor has not been taken.

Recommendation:

GST Registration to be taken with immediate effect and start compliance with the provision of GST law w.r.t. deduction of Tax while making payments to contractors.

TDS stands for Tax Deducted at Source (TDS). All Governments, Government undertakings, Local Authorities and other notified entities making contractual payments in excess of INR 2.5 Lakhs to suppliers need to register as a TDS under GST. In the GST regime, while making such a payment in excess of INR 2.5 Lakhs, the concerned Governments, Government undertakings, Local Authorities and other notified entities needs to deduct 1% under CGST Act and 1% under SGST Act; In case of inter-state transactions, 2% (under IGST Act) of the total payable amount and remit it into the appropriate GST account. Credit of such GST payments will be given to the suppliers.

b) Observation: Non-segregation of Fixed Assets procured under STRIVE Funds

No identification marks were shown on the fixed assets of the institution procured under STRIVE.

Recommendation:

It is recommended to assign bar codes to fixed assets procured under STRIVE.



Comment on procurement processes being followed at the centres

We are reporting on the procurement processes being followed at the centres under STRIVE in terms of the Procurement Guidelines of STRIVE Project as per Para 4.2.7 of the Operations Manual:

- The procurement at the ITIs, IC and directorate are done following the procurement guidelines under STRIVE Project.
- No major deviation was found in this regard.

For Raghav Gupta & Associates

Chartered Accountants

FRN: 023550N



Numit Verma

Partner

MRN: 523979

Place: Jammu

Date: 16/03/2023

UDIN: 23523979BGRXUA5889