

**STATE PROJECT MANAGEMENT UNIT (SPMU)**

13/1, Moti Chamber, 1st Floor, YMCA Compound,  
Rana Pratap Marg, Lucknow-226001(UP)

**REQUEST FOR EXPRESSIONS OF INTEREST  
(Financial Audit SERVICES - FIRMS SELECTION)**

**Country : INDIA**

**Name of Project: Rural Water Supply & Sanitation Project-LIS.**

**Credit No. 5345-IN**

**Assignment Title:** "Expression of Interest for the Hiring of Chartered Accountants firm for (1) **Audit of annual financial statements for SPMU and it's DPMUs for the Financial Year 2016-17.**

Government/of India has received financing from the World Bank toward the cost of the Rural Water Supply and Sanitation Project-LIS and intends to apply part of the proceeds for consulting services. The Project is being implemented in Allahabad, Gorakhpur, Deoria, Kushinagar, Ballia, Ghazipur, Bahraich, Gonda and Basti Districts of eastern Uttar Pradesh through Districts Project Management Units (DPMUs).

The Financial Audit services ("the Services") include hiring of services of Chartered Accountants Firm empanelled with Comptroller and Auditor General of India, New Delhi for Major Audits. The services are required for audit of annual Financial Statements prepared at the SPMU Lucknow and it's DPMUs level in Project Districts for the year 2016-17.

The State Project Management Unit (SPMU) now invites eligible Chartered Accountants firms ("Consultants") to indicate their interest in providing the Services. Interested Consultants should provide information demonstrating that they have the required qualifications and relevant experience to perform the Services. The detailed eligibility criteria of the CA firm is given below:

**Chartered Accountants Firm's eligibility Criteria:**

1. Chartered Accountants (CA) partnership Firm should have registered office in the state of Uttar Pradesh continuously for the past 10 years.
2. C A firm should have been empanelled with Comptroller and Auditor General of India (C&AG) continuously after 01.01.2010 for Major Audits of Public Sector Undertakings (PSUs), Banks and World Bank funded projects.
3. The firm should have at least 5 full time Chartered Accountants as partners (03 FCAs and 02 ACAs) in the firm in the panel prepared by C&AG continuously after 01.01.2012.
4. The annual turnover of the firm should be at least 50.00 lakhs in last three years (as per audited accounts of the firm) from financial years 2013-14 to 2015-16.

The Terms of Reference (TOR) for the assignments can be seen at our website:

[www.swsmp.org](http://www.swsmp.org) and [www.uprwssp.org](http://www.uprwssp.org).

The attention of interested Consultants is drawn to paragraph 1.9 of the World Bank's *Guidelines: Selection and Employment of Consultants [under IBRD Loans and IDA Credits & Grants]* by World Bank Borrowers January 2011 ("Consultant Guidelines"), setting forth the World Bank's policy on conflict of interest.

Further information can be obtained at the address given above during office hours [09.30 to 18.00 hours] on any working day.

Separate "Expressions of interest" must be delivered in person or by Speed/Registered Post in a written form in sealed envelope clearly superscripting as "Expression of Interest for Financial Audit of accounts of SPMU and it's DPMUs for F.Y. 2016-17" in one original and three copies to the address below latest by 3.00 PM on 29-06-2017.

Project Director,  
State Project Management Unit (SPMU)  
(State Water and Sanitation Mission)

## **Section 7.**

### **Terms of Reference**

# **TERMS OF REFERENCE FOR THE EXTERNAL AUDIT OF PROJECT FINANCIAL STATEMENTS For 2016-17**

## **INTRODUCTION**

State Water and Sanitation Mission, Uttar Pradesh (SWSM), Uttar Pradesh is a registered society under the Society Registration Act 1860. Rural Water Supply and Sanitation Project -LIS (RWSSP LIS) would be implemented through a special window of assistance under NRDWP. NRDWP is a flagship programme of MoDWS of India

The project (RWSS-LIS) cost will be funded through Technical Assistance of International Development Association (IDA) and GoI financing from NRDWP funding and the State Govt. funding. Overall World Bank will financing 50%, GoI 33%, state Govt. contribution 16% & community contribution will be 1% of the total project The purpose for which the funds are intended is to improve the Rural Piped Water Household wise Coverage integrated with Sanitation services through decentralized services delivery system

Project is to be implemented over a period of 6 years.

### **Objective**

The essence of the World Bank audit policy is to ensure that the Bank receives adequate independent, professional audit assurance that the proceeds of World Bank credit were used for the purposes intended, that the annual project financial statements are free from material misstatement, and that the terms of the credit agreement are complied with in all material respects. The objective of the audit of the Project Financial Statement (PFS) is to enable the auditor to express a professional opinion as to whether (1) the PFS present fairly, in all material respects, the sources and applications of project funds for the period under audit examination, (2) the funds were utilized for the purposes for which they were provided, and (3) expenditures shown in the PFS are eligible for financing under the relevant loan per credit agreement.(4) The procurement procedure prescribed in the project manual has been followed. In addition, where applicable, the auditor will express a professional opinion as to whether the Interim Unaudited Financial Reports (IUFs) 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.

The books of accounts that provide the basis for preparation of the IUFs are established to reflect the financial transactions of the project and are properly maintained by the implementing units.

## **Standards**

The audit will be carried out in accordance with the Auditing Standards issued by the Institute of Chartered Accountants of India. 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 credit proceeds for purposes other than as defined in the legal agreement remains with the borrower, the audit should be planned so as to have a reasonable expectation of detecting material misstatements in the project financial statements.

## **Scope**

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

- (a) All external 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, the Project Agreement, and the Minutes of Negotiations;
- (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 IUFs where applicable. Clear linkages should exist between the books of account and reports presented to the Bank; and
- (d) The project accounts have been prepared in accordance with consistently applied. Accounting Standards 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.
- (e) Goods, Works, Services & Non-Consulting Services financed have been procured in accordance with the procurement procedure prescribed in the procurement manual as well as World Bank guidelines & financing agreements.
- (f) Tax audit of the project for the audit period.

## **Project Financial Statements**

The Project Financial Statements should include-

- a. Statement of Sources and Applications of Funds: The contents of Project Financial Statements (PFS) are specific to the sector, the project design and the type of implementing entity. These formats therefore vary from one Project to another. The formats of PFS are prepared in consultation with the implementing entity during the preparation of the Project. (In this case Project Financial Statements will comprise consolidated Balance Sheet, Receipts and Payments Accounts and Income and Expenditure Account of the Project for the State i.e. comprising SPMU, DPMUs, UP Jal Nigam (Cell) HQ, Lucknow and their district units for Neer Nirmal Pariyojana, PRD (Cell) Lucknow,

MVWSCs and GPWSCs accounts). The Annual Financial Statements should include Notes to Accounts stating the Significant Accounting Policies.

- b. Reconciliation of Claims to Total Applications of Funds. The PFS include reconciliation between expenditure reported as per the Income and Expenditure Account and expenditure claimed from the World Bank through IUFRs.
- c. Other Statements or Schedules as may be applicable in particular circumstances:
  - i) A statement showing appropriate heads of receipt and expenditure (as given in the IUFR 2 & 3)
  - ii) Contract-wise details of all Multi Village Schemes and district-wise summary of Single Village/Single Habitation Schemes (as per attached format).
- d. Management Assertion: Management should sign the project financial statements and provide a written acknowledgement of its responsibility for the preparation and fair presentation of the financial statements and an assertion that project funds have been expended in accordance with the intended purposes as reflected in the financial statements. An example of a Management Assertion Letter is shown at Appendix I.

The auditor should ensure reconciliation of the Annual Project Financial Statements with the four quarterly IUFRs submitted to the Bank. 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 by the auditor.

### **Audit Report**

An audit report on the project financial statements should be prepared in accordance with the Auditing Standards promulgated by the Institute of Chartered Accountants of India. 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 IUFRs 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 Loan/Credit Agreement.

