

WEST BENGAL STATE RURAL LIVELIHOODS MISSION (WBSRLM)

TERMS OF REFERENCE

[Memo No. 232/ WBSRLM/ACCT/3A-40/2014 (Part -2) dated 06.02.2019]

Statutory Audit

1. Introduction:

West Bengal State Rural Livelihoods Mission (WBSRLM) under the Panchayats & Rural Development Department, Govt of West Bengal is a registered society under the West Bengal Societies Registration Act, 1961. WBSRLM is implementing its Annual Action Plans approved by National Rural Livelihoods Mission (NRLM) under the MoRD, Govt of India . A special component under National Rural Livelihoods Economic Transmission Project (NRLETP) which may be funded by World Bank and given to WBSRLM through MoRD, Govt. of India in near future. The essence of the World Bank/National Mission Management Unit (NMMU- under Govt. of India)/ WBSRLM audit policy is to ensure that all funds including fund/ loan from World Bank received by WBSRLM through Central Govt. and State Govt. are used for the purposes it is intended and the terms of the loan agreement are complied with in all materials respects.

2. **Objectives:** The objectives of the Statutory Audit are to enable the auditor to express a professional opinion on the effectiveness of the overall financial management and procurement arrangements. It has to be ensured that the overall financial management and arrangements including the system of internal controls are documented as per the Financial Management Manual & Procurement Manual. It is expected that the process of audit shall be in position to provide to project management with timely information on financial management aspects of the Mission, including internal controls and compliance with financing agreements, to enable follow-up action. In addition, it is expected that Statutory Audit should play a role in assisting management for prevention of fraud/ misappropriation of fund as part of "Bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

3. Coverage and Standards for the Statutory Audit:

The audit will cover 01 State Mission Management Unit (SMMU) and 23 District Mission Management Units (DMMUs at Annexure1) of WBSRLM. The Statutory may also cover one or more Sangha Co-operative(s) and SHG(s) on mutual selection basis in each district. The audit will also cover all consultancies and other contracts that may be entered into by the implementation agency. Statutory Audit should be carried out in accordance with the Auditing & Assurance Standards prescribed by the Institute of Chartered Accountants of India (ICAI) and will include such tests and controls as the auditor considers necessary under the circumstances.

4. Implementation Arrangements:

(i) **State Level:** At the state level, the State Mission Management Unit (SMMU) has been formed and staffed with a team of dedicated development professionals. The project and the SRLM is headed by the State Mission Director and Chief Executive Officer (SMD & CEO) of the Society.

(ii) **District level:** At the district level, District Mission Management Unit (DMMU) is established in each district. The District Mission Director heads the DMMU with primary responsibility of Coordinating with their Block level units for effective implementation and convergence with on-going programmes in the district.

(iii) **Block Level:** At the block level, Block Mission Management Unit (BMMU) is established. The Block Mission Director heads the BMMU with primary responsibility of Coordinating with the Community Based Organisations [CBOs – like SHGs at village level and their upper federated units- Upa Sangha at Gram sanghat level, Sangha Cooperatives at GP level and Maha Sangha at Block level) for effective implementation and convergence with on-going programmes in the Block.

5. Flow of Funds

- (i) **Government of India to SMMU:** Based on approved Annual Action Plan, Central share of NRLM (60 %) and State Share(40 %) are received by SMMU
- (ii) **State Budget Fund for certain purposes (100% State Share)**
- (iii) Fund Flow through Bank A/c: SMMU maintains Bank A/Cs in the Nationalized Banks for the Mission fund. The fund is transferred from MoRD, Govt. of India to the State Government. State P&RD Department, as per allotment of the State Finance Department, releases the central share and matching state share and State Budget fund in favor of WBSRLM.
- (iv) SMMU releases fund to the DMMUs and in some cases to the BMMUs and Sangha Cooperatives under Anandadhara.

6. System of accounting:

- (i) At SMMU level – Accounts have been kept in Tally.
- (ii) At DMMU Levels – In most of the DMMUs, accounts have been kept in Tally.

7. **Position of Internal Audit:** Internal Audit by a CA Firm for the year 2018-19 is on board.

8. **Position of previous Statutory Audit:** Statutory audit up to 2017-18 has been completed by the CA Firms.

9. Scope:

Specific areas of coverage of the audit will include the following:-

- (a) Audit of accounts will cover at State Mission Management Unit (SMMU), all 23 District Mission Management Units (DMMU(Annexure-1). In each district, test audit should be conducted at one BMMU and one Sangha Cooperative and one SHG. In conducting the audit, special attention should be paid to assessing whether adequate controls have been established and complied with to ensure that :-
 - (i) 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 [legal agreement includes the Financing Agreement, the Project Agreement and the Minutes of Negotiation].
 - (ii) The monthly expenditure statement / Interim Unaudited Financial Reports (IUFR) submitted by the districts indicating the approved budget provision and expenditure during the month, cumulative expenditure against the activity/sub-activity during the year have been done properly.
 - (iii) The procurement procedure adopted for civil works, goods and consultancy services have been adopted properly and correct procedures as per the prescribed procurement guidelines have been followed for each procurement.
 - (iv) The records of all procurement, agreements, work/purchase orders, invoices, receipts, stock registers etc are properly maintained, duly linked and retained including expenditures reported via Interim Unaudited Financial Reports(IUFR) and business standards for payment to contractors are being adhered to.
 - (v) The Mission accounts at SMMU and DMMU have been kept in accordance with accounting standards as required under the West Bengal Societies Registration Act, 1961.
 - (vi) The efficiency and timeliness of the funds flow mechanism at the State and District level have maintained properly.
 - (vii) All funds received under the Mission have been used with due attention to economy, efficiency and effectiveness and only for the purposes for which the financing.

(viii) All necessary supporting documents, records have been separately filed in respect of all project activities and that clear linkages exist between the supporting documents , accounting books and records and periodic financial reports from the respective spending units.

(ix) The adequate records are maintained regarding the assets created and assets acquired by the project, including description, details of cost, identification and location of assets. The Statutory Auditor should carry out physical verification of a sample of assets created out of the project and comment on its utilization.

The accounting for the advances to line departments and concern units are properly recorded in the accounting books and the systems are in place for monitoring the receipt of periodic financial reports & follow up on overdue reports. Exceptions should be identified and reported.

(x) The IUFRRs are submitted in a timely manner and release of funds are conditional to receipt of IUFRRs.

(xi) Bank reconciliations have been carried out on a monthly basis.

(xii) The compliance report on previous audit observations pointed out in the reports relating to earlier audit is made and corrective actions taken on those points are furnished in the Audit Report of the subsequent phase.

(xiii) Routine errors of omission or commission noted during the course of Statutory Audit have been rectified on the spot.

(xiv) Mission assets exist, adequate records are maintained and assets are adequately safeguarded and are actually used for their intended purposes.

(xv) The verification of records of partners of WBSRLM, MoU with organizations etc have been verified.

(b) Coverage of Audit Extends to-

- (i) An assessment of the adequacy of the mission financial management systems, including internal controls. This would include aspects such as adequacy and effectiveness of accounting, financial and operational controls and any needs for revision, level of compliance with established policies, plan and procedures, reliability of accounting systems, data and financial reports, creating controls mechanism in areas where they are lacking, verification of assets and liabilities, security and effectiveness of the operation of the computerized system and,
- (ii) Efficiency and timelines of the funds flow mechanism at the SMMU and DMMUs/BMMUs and to the Community Based Organisations- CBOs (Through compilation and consolidation of report).
- (iii) Whether the computerized accounting system is in place, regular entries are being made in the system and reports are generated through the computerized accounting system.
- (iv) Verify the payments to the consultants/partners as per agreement.
- (v) All necessary supporting documents, records, and accounts have been kept in respect of all Mission activities and that clear synchronizations exist between accounting records, accounts books and the periodic Interim Unaudited Financial Reports.
- (vi) The auditor is expected to obtain and satisfactorily document sufficient audit evidence to support audit conclusions.
- (vii) Statutory Auditors to summaries key issues and risks from a review of SMMU/DMMU audit report.

(viii) Auditor will also provide variance report as per approved annual action plan and budget .

© In conducting the audit of DMMUs special attention should be paid to assessing whether adequate controls have been established and complied in respect to following-

- (i) Risk assessment report is to be prepared by the auditor : Identifying what are the risks in the mission. Assessment of risk (High, Medium, Low). Ensure that there is an appropriate response to all risks.
- (ii) Informing the SMMU, WBSRLM about the risks which are outside acceptable limits, usually those which are to be tolerated or taken for the potential risk.
- (iii) Efficiency and timelines of the fund flow mechanism at the DMMUs and to the CBOs (through compilation and consolidation of report up-to Sangha Cooperative level).
- (iv) The fund/tranche released to the Community Based Organisations (CBOs) are properly recommended by the officer in BMMU and approved by the DMMU having the necessary authority, and the conditions (triggers/graduation criteria) for tranche release have been complied and are in line with the financing agreement with the NRLM.
- (v) The DMMU/BMMU is accounting for the tranche release properly in the subsidiary records and is monitoring the receipt of periodic reports and utilization certificates from the CBOs & systems to follow up on overdue reports.
- (vi) The reports and other documents submitted by CBOs to the BMMU, from the basis of providing funds by the Project (e.g aggregated MCP, UC etc) provide clear linkages with the books/records and reflect the correct position.
- (vii) The auditor or his representative shall be required to put the certificate with date on all manual records and books of accounts of being verified. Any record not found to have the stamp shall be considered as not verified and deficiency in audit on the part of auditor.
- (viii) Auditor will verify the number of CBOs to whom fund transferred during the period of audit.

10. Data, Services and facilities to be provided by WBSRLM:

- (i) All the Mission documents, copy of agreement and relevant papers needed for Audit will be provided by the WBSRLM. The auditor would be given access to all documents, correspondence, and any other information relating to the Mission and deemed necessary by the auditor for carrying out audit.
- (ii) The auditor would be provided copies of the Annual Action Plan, Finance Manual, Procurement Manual, guidelines, relevant Government orders/ circulars, minutes of executive committee meeting, policies and procedures issued by NMMU/WBSRLM.

11. Final Output & Reporting

(a) Consolidated Audit Report at SMMU: The Auditor will provide separate consolidated reports on all DMMUs and SMMU under WBSRLM. A summary of the key findings, implications and recommendations to enable the Mission Management to take timely action. DMMU and SMMU audit observations/reports should be discussed and agreed with WBSRLM and should be structured in a manner giving the observations, the implications of the observations, the suggested recommendation and the management comments/agreed actions. The audit observations should be supported by instances and quantified, as far as practicable. Discussion notes duly signed by the both parties will be part of audit report.

(b) Audit Report at DMMU: The Auditors will prepare audit report for each DMMU separately and submit a copy of the report to District Mission Director of respective district to enable the District Management Unit to take timely action.

Audit Report at SMMU: The Auditors will prepare audit report for SMMU and consolidate it with all audit reports of DMMUs and SMMU and submit the consolidated report along with the project Management letter to State Mission Director and Chief Executive Officer, WBSRLM to enable the State Management Unit to take timely action.

(C) Besides, Project Management letter to the State Mission Director and Chief Executive Officer, WBSRLM, the Statutory Auditor should also provide an executive summary highlighting the critical issue that required the attention of the State Mission Director and Chief Executive Officer, WBSRLM and status of action on previous recommendation.

12. **Management letter.** The management letter will inter alia have the following sections :-

- (i) Objectives of the audit.
- (ii) Methodology of the audit.
- (iii) The status of implementation of the financial management system.
- (iv) The status of compliance of the previous audit reports, including major audit observations pending compliance.
- (v) The key areas of weaknesses that need improvement, and
- (vi) Recommendations for improvement.

13. **Reporting Procedure**

(a) **Procedure of Conducting Audit at SMMU :-**

- (i) The auditor shall inform the SMMU before the start of audit.
- (ii) The auditor should make audit programme and plan for SMMU and DMMUs in co-ordination with the accounts & finance team.
- (iii) Feedback as necessary can be given to the management on the outcome of the audit from time to time. Information about any discrepancies can be shared with the management for rectification/clarification.
- (iv) During the audit the Statutory Audit team shall interact with management staff for any clarification. For the clarification, the audit team will present their findings in the common platform.
- (v) The auditor shall interact with the management before furnishing of any report.
- (vi) The detail approach and methodology should be provided by the auditor themselves in their Technical Bid.

(b) **Procedure of conducting audit at DMMUs and Partnership Audit**

- (i) The auditor should give detailed work plan for conducting audit at DMMs.
- (ii) Feedback as necessary can be given to the management on the outcome of the audit from time to time. Information about any discrepancies can be shared with the management for rectification/clarification.
- (iii) The audit team shall interact with management staff for any clarification.
- (iv) The auditor shall interact with the SMMU management before furnishing any report of DMMU.
- (v) The detail approach and methodology should be provided by the auditor themselves in their Technical Bid.

14. **Period of Statutory Audit:** Initially the contract with the Firm will be for one year (i.e Financial Year of audit) which may be extended further two years based on the performance at the same contract price of 1st Year. The contract may be renewed after assessing requirement of the Missions and based on performance of the consultant for next one year and further next one year at the same contract price of 1st Year.

15. **Selection process based on Quality & Cost Based Selection (QCBS):** The audit Firm will be selected based on QCBS as per system prescribed in NRLM Procurement Manual.

16. **Key Personnel:** Estimated Key Personnel may be required for this service as follows: [CVs of Key Personnel are not at the time of submission of EoI]

S.No.	Key Professional	Description of services to be provided	Experience	No. of persons	Estimated person- days
(a)	Overall Team Leader	Overall co-ordination, & planning, team leadership, reporting , liaison with client	Qualified Chartered Accountant with at least 7 years experience as a partner with expertise in the area of Statutory Audit	1	10

(b)	Audit Team Leader	Responsibility to lead the audit teams in the field, planning and execution of the audits, discussion with heads of offices, consolidation/compilation of reports	Qualified Chartered Accountants with at least 3 years experience in Statutory Audit with ability to lead the team and interact with senior	4	60
(c)	Team Member	Vouching and verification of SMMU and DMMU books of accounts	CA (Inter) /CMA- Cost (Inter)/ M.Com. with 2 years of experience in accounting, audit and report writing.	4	140

The short listed CA Firms at RFP stage should provide CVs of the Key personnel who are expected to be engaged in the audit work for evaluation of their Technical Bids.

There may be 4 teams consisting of one Chartered Accountant and two assistants/ team members to complete audit works of SMMU & all 23 DMMUs in West Bengal. Overall Team leader will be responsible for coordinating all the teams.

17. The timelines for deliverables: A complete consolidated audit report is to be submitted by 31st August of the year following the year of audit. The Award of Contract may be issued in May, 2019.

The written acceptance of the report by WBSRLM will be considered as submission of the report.

18. Payments

WBSRLM will pay contract price of the said service in full within 30 days after written acceptance of the audit report which has been made properly and okayed by NRLM.

Annexure I

Name of DMMUs

1	Cooch Behar
2	Alipurduar
3	Jalpaiguri
4	GTA- Darjeeling
5	Kalimpong
6	Siliguri - SMP
7	Uttar Dinajpur
8	Daskhin Dinajpur
9	Malda
10	Murshidabad
11	Nadia
12	Birbhum
13	Purulia
14	Bankura
15	Paschim Bardhaman
16	Purba Bardhaman
17	Hooghli
18	Paschim Medinipur
19	Jhargram
20	Purba Medinipur
21	Howrah
22	South 24 Parganas
23	North 24 Parganas