



ARIAS SOCIETY

Assam Rural Infrastructure and Agricultural Services Society

(An Autonomous Body under Govt. of Assam)

Project Coordination/ Management Unit (PCU/ PMU) of the World Bank Financed Assam Agribusiness and Rural Transformation Project (APART)

Assam Citizen-Centric Service Delivery Project (ACCSDP)

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***Draft* TERMS OF REFERENCE (ToR)**

FOR ENGAGEMENT OF A CHARTERED ACCOUNTANCY FIRM FOR CONDUCTING AUDIT OF THE ACCOUNTS OF THE ARIAS SOCIETY [COVERING WORLD BANK FINANCED ASSAM AGRIBUSINESS & RURAL TRANSFORMATION PROJECT (APART) AND ASSAM CITIZEN-CENTRIC SERVICE DELIVERY PROJECT (ACCSDP)] AND SAMPLE VERIFICATION OF THE PROCUREMENTS & PHYSICAL ASSETS CREATED, UNDER APART AND ACCSDP.

(A) Background

1. The Government of Assam (GoA) through Government of India (GoI) has received two loans from the World Bank for implementation of Assam Agribusiness and Rural Transformation Project (APART) [Loan Number 8780-IN]& Assam Citizen-Centric Service Delivery Project (ACCSDP) [Loan Number 8754-IN]. The ARIAS Society is the project Coordinating & Monitoring agency for APART and the Society is the implementing agency for ACCSDP.
2. The project cost of APART is **US\$ 262.40 million** and that of ACCSDP is **US\$ 49.00 million**. Out of the total project cost, the corresponding World Bank's loan amount for the projects are **US\$ 200.00 million** and **US\$39.20 million** respectively.
3. **Project Development Objective (PDO):**
 - **The PDO of APART** is to "add value and improve resilience of selected agriculture value chains focusing on smallholder farmers and agro-entrepreneurs in targeted districts of Assam."
 - **The PDO of ACCSDP** is to "improve access in the delivery of select public services in Assam".
4. There are four components of APART: **The first component is Enabling Agri Enterprise Development**, with sub components being (i) Enhancing state capacity to attract private investments, (ii) Setting up of an Enterprise Development and Promotion Facility (EDPF) and (iii) Setting up of an Agribusiness Investment Fund (AIF) (iv) Establishing stewardship councils. **The second component is Facilitating Agro Cluster Development** with sub-components being- (i) Support establishment of cluster level Industry Associations (IAs) and (ii) Supply Chain Support. **The third component is Fostering Market Led Production and Resilience Enhancement** with sub components being (i) Promoting climate resilient technologies and their adoption; (ii) Facilitating market linkages through market intelligence and product aggregation and (iii) Facilitating access to and responsible use of financial services. **The fourth component is Project Management, Monitoring & Learning.**
5. The ACCSDP consists of two components. **Component One: Technical Assistance** will finance activities designed to strengthen RTPS implementation; support process reforms/e-enablement in targeted services; establish Public Facilitation Centres; and create citizen feedback mechanisms. Both components will disburse against eligible expenditures upon submission of IFRs. Additionally, **Component Two: Results-based Financing** provides incentives for achieving results with respect to improving the access and accountability of RTPS services, will disburse upon achievement of Disbursement Linked Indicators (DLIs) associated with agreed eligible expenditure programs (EEPs).
6. **Project Area and line departments/agencies:**
 - a) **APART:** The APART project is being implemented in the 23 districts of Assam viz. 1. Nagaon, 2. Sonitpur, 3. Barpeta, 4. KarbiAnglong, 5. Kamrup, 6. Dhubri, 7. Golaghat, 8. Kokrajhar, 9. Lakhimpur, 10. Darrang, 11. Cachar, 12. Sivasagar, 13. Jorhat, 14. Goalpara, 15. Morigaon, 16. Nalbari, 17. Hojai, 18. Biswanath, 19. West KarbiAnglong, 20. Kamrup Metro, 21. Mankachar, 22. Charideo and 23. Majuli.

The following Directorates/agencies of the Govt. of Assam are associated with the project – vis. Commissionerate of Industries & Commerce/Panchayat & Rural Development; Directorates of Agriculture/Fishery /Horticulture &FP /AH & Veterinary Dairy Development / Sericulture, Assam/ Director of Research (Agri), AAU, Jorhat/ Director of Extension, AAU, Jorhat/ Registrar, Cooperative Societies, Assam/ Assam State Warehousing Corporation (ASWC)/ West Assam Milk Producers Cooperative Union Ltd (WAMUL) – Purabi Dairy/ Assam Livestock And Poultry Corporation (ALPCo) / Assam State Agricultural Marketing Board (ASAMB)/ Public Works Roads Department (PWRD) (EAP). The List of Accounting Centers of APART is furnished at **Annex-1**.

b) **ACCSDP:** The ACCSDP project is being implemented by the ARIAS Society directly. Even though there are currently four (4) line Departments/Agencies viz. Transport, Welfare of Plain Tribes and Backward Classes (WPT& BC), Revenue & Disaster Management (R&DM) and Guwahati Municipal Corporation (GMC). Except, PMU of ARIAS Society, there are no other Accounting Centers as of now.

7. The expenditure under APART for the Financial Year 2018-19 was of Rs 42.92 crores and the expenditure under ACCSDP for the F.Y 18-19 was Rs 4.38 crores. The external audit for the ARIAS Society, for both the APART and ACCSDP for **FY 2017-18** has been completed. The instant ToR is for conducting External Audit (including conducting audit on procurement post review aspects) through a Chartered Accountancy (CA) firm (to be engaged through a competitive process) both for APART and ACCSDP for the **FY 2018-19**, and also for rest of the Financial Years (FY) of the project, subject to satisfactory performance by the CA firm as assessed by the SPD, ARIAS Society/World Bank.

(B) Objectives of the Assignment:

8. The primary objective of the assignment is to (i) provide an opinion on the Project specific (APART and ACCSDP) and Entity financial Statements of the ARIAS Society and and(ii) sample verification of the Procurements & Physical Assets created under APART through a Chartered Accountancy (CA) firm as External Auditor. This will include :

- a) Audit of the Project Financial Statements(PFS) of APART and ACCSDP;
- b) Audit of the Interim Unaudited Financial Statements of APART and ACCSDP and its reconciliation with the audited eligible expenditure.;
- c) Audit the Financial Statement of the ARIAS Society,
- d) Audit of the **10%** of the randomly selected contracts of each of projects viz. APART and ACCSDP, on an annual basis vis-à-vis the provisions in the relevant procurement regulations/guidelines of the World Bank's¹;
- e) Audit/Physical verification and community procurement of approx. **10%** of the randomly selected physical assets created/ purchased under each projects viz. APART (*including assets with community groups/ grant beneficiaries*) & ACCSDP; Based on the scale up of the project activities, the sample coverage of physical verification of assets with the community groups/ grant beneficiaries will be determined/reset by the project on an annual basis in second and third year.

The audit would cover all the activities of both the APART & ACCSDP projects including all sources and application of funds for the projects. The Auditor shall have to visit the various field offices/sites/ locations as considered necessary for achieving the objective. **The period to be covered under this ToR would be three (3) financial years (FY), beginning FY 2018-19 to FY 2021-22.**

(C) Scope of Services:

9. The audit will be carried out in accordance with the general principles and standards of audit laid down by the Institute of Chartered Accountants of India (ICAI) and will include such tests and controls, as the

¹**APART:** Procurements are being carried out in accordance with the World Bank's Procurement Framework 2016 and "Procurement Regulations for Borrowers 2016" is applicable for all procurement under the project. **ACCSDP:** Procurements are being carried out in accordance with the World Bank's Guidelines: (a) "Guidelines: Procurement of Goods, Works and Non- Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" updated in July 2014 (Procurement Guidelines); and (b) "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" updated in July 2014 (Consultant Guidelines) and the provisions stipulated in the Legal Agreement.

auditor considers necessary under the circumstances. In conducting the audit, special attention should be given to the following:

- a) That, all the funds have been used in accordance with the relevant financing agreements, with due attention to transparency, economy and efficiency, and only for the purposes provided (both APART & ACCSDP) for which the financing were provided
 - b) That, all the goods, works & services financed have been procured (both for APART & ACCSDP) in accordance with the relevant financing agreements and as per the World Bank's regulations/guidelines for procurement of goods, works and non-Consulting/Consulting services.
 - c) That, all expenditure incurred by the implementing agencies associated with the projects (APART & ACCSDP) through the Drawing and Disbursing Offices (DDOs) & other agencies (under the respective projects) has been sanctioned by the Project Coordination Unit (PCU)/Project Management Unit of the ARIAS Society.
 - d) That, the monthly financial statements submitted to the PCU by the DDOs & other agencies (in respect of APART) reflect the actual, true & fair expenditures incurred by them.
 - e) That, all necessary supporting documents such as records, vouchers, bids, bidding documents, bid evaluation reports/comparative statements, invoices, asset registers, etc. and books of accounts have been kept in respect of all project procurements & expenditures including procurements with beneficiary/community contributions and expenditures covered by Interim Unaudited Financial Reports (IUFRRs).
 - f) Funds transferred to Project Implementing Units/District level Accounting Centers for incurring expenditure under the projects (APART & ACCSDP) are used for the purposes intended. To establish this, the auditor should visit PIUs and conduct such audit / tests as may be deemed appropriate and necessary for the purposes of the audit;
 - g) That, clear linkages exist between the books of accounts/ IUFRRs maintained by DDOs and the reports presented to the PCU/ World Bank (WB).
 - h) That, the projects accounts (APART & ACCSDP) have been prepared in accordance with consistently applied International Accounting Standards and gives a true and fair view of the financial situation of the project for the financial year under audit and of the resources and expenditures for that year.
 - i) That, the Community Groups have utilized the Project funds and their contributions, along-with bank loans, if any, for the purpose for which it was granted/ collected, have procured goods & assets in accordance with relevant financing agreements and that all necessary supporting documents, records and books/ statements of accounts have been maintained.
10. In addition to the audit of the PFS, the auditor is required to audit all (IUFRRs) used as a basis for the submission of withdrawal applications to the WB for reimbursement of project expenditures. The auditor should apply such tests and controls, as the auditor considers necessary under the circumstances. These expenditures should be carefully examined for project eligibility with the relevant financing agreements, and with reference to the Project Appraisal Document (PAD), Procurement Plan approved by the World Bank and also the Annual Work Plan approved by the Governing Body of the ARIAS Society.

Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed by the World Bank, these should be separately noted and listed by the auditor. The PFS should include an Annexure listing individual (IUFRRs) and withdrawal applications submitted to the WB during the financial year by specific reference number and amount.

(D) Schedule for Completion of Tasks:

11. Duration of the contract: The contract duration will be initially for one year covering the audit for FY 2018-19 with provision for extension for another two years (covering the audit for 2019-20 and 2020-2021) subject to satisfactory performance of the consultancy. In case of extension in the second and third year, the contract prices shall be adjusted on mutual agreement and on the basis of CPI (Urban), India.
12. **Period of Audit:** The period to be covered under this ToR would be **three (3) financial years (FY)**, Initially for from April-March 2018-19, and if extended from April-March, beginning FY 2019-20 to 2020-

21. The audit shall be taken up by the CA every year immediate after close of financial year and to be carried out in such a manner that it is completed well before **30th August** of that year so that the client is able to submit the audited financial statement to World Bank before **30th September** as required under World Bank Loan Agreements.

13. The audit for the **FY 2018-19** shall have to be carried out after the first week of **July 2019** and shall have to be completed by **31st August 2019**. However, the audit for the **FY 2019-20** onwards shall have to be carried out after the first week of **May** and shall have to be invariably completed by **31st July**.

14. **Submission timeline for Reports:** The CA must submit the annual financial statements, including the annual audit reports and 'Procurement cum Physical Review' report (*separately for both APART & ACCSDP*) to the PCU/PMU within **the time line mentioned above** (*as the PCU/PMU is required to submit the same to the World Bank within 30th September every year*).

(E) Data, Services and Facilities to be provided by the Client:

15. The auditor will be given all the available reports, access to all the project legal documents, correspondence, monthly financial statements, Project Financial Statements, IUFs and any other information associated with the project and as deemed necessary by the auditor for the purpose of the assignment. Auditor should obtain confirmation of amounts disbursed and outstanding if any from GoI.

16. It is highly desirable that the auditor becomes familiar with World Bank's norms on Financial Management Practices and the World Bank financial reporting and auditing requirements. The auditor should also be familiar with the World Bank's Disbursement Manual. Both documents are available for free download in the World Bank's website and soft copy of the same can also be provided by the PCU/PMU to the auditor. The auditor will maintain working papers in a systematic manner and make them available to the Client and World Bank for perusal, if required.

17. The Auditors shall inform the client (*i.e. the State Project Director ARIAS Society, with special attention of the Accounts Branch of the ARIAS Society*) in writing about their visiting Plan of the offices/locations for the purpose of Audit/Physical Verification etc. at least 15 (fifteen) days ahead of the visit and accordingly the client shall intimate the concerned offices.

18. No services other than those specifically mentioned in this TOR shall be extended to the auditor. The auditor shall make their own conveyance arrangements. No expenditure on TA/DA will be borne by the ARIAS Society.

(F) Final outputs/ Reports:

19. The CA must submit the annual financial statements, including the annual audit reports and 'Procurement cum Physical Review' report (*separately for both APART & ACCSDP*) to the PCU/PMU within **the time line mentioned above** (*as the PCU/PMU is required to submit the same to the World Bank within 30th September every year*).

20. **Audit Opinion:** The CA shall have to submit separate Reports for both APART and ACCSDP. Besides a primary opinion on the PFS, the audit reports of the Project accounts (of both APART & ACCSDP) should include a separate paragraph commenting on the accuracy and propriety of expenditures withdrawn under (IUFs) procedures and the extent to which the World Bank can rely on (IUFs) as a basis for disbursement of the project credit amounts.

21. The Annual Reporting shall be in accordance with the ISA standards. The Reports, separately for both APART & ACCSDP (6 hard copies each), shall cover aspects mentioned in this ToR and should also include:

- a) Audit Report along with Project Financial Statements and the Entity Financial Statements of ARIAS Society.
- b) Expenditure by Project Components;
- c) Expenditure by disbursement categories - eligible & reimbursable;
- d) List of disbursement claims submitted during the financial year;
- e) Reconciliation of the claims with the reported and eligible expenditures;

- f) Whether the IUFRRs submitted during the year for withdrawals from the IBRD Credit made on the basis of IUFRRs, together with the procedures and internal controls involved in their preparation, can be relied on to support the related withdrawals;
 - g) Findings of physical verification of Assets created under the project as cited in the scope of audit above, as per format at which will be shared by ARIAS Society. Chapter wise summary report is also required to be submitted by the Auditor.
 - h) 'Procurement cum Physical Review' report
22. **Management Letter with Executive Summary:** In addition to the audit report, the auditor shall submit an Executive Summary, which should *inter alia* should include:
- a) Comments & observations on the accounting records, systems and controls that were examined during the course of audit;
 - b) Identify specific deficiencies and areas of weakness in systems & controls and make recommendations for their improvement;
 - c) Report on the degree of compliance of each of the financial covenants on the financing agreements and give comments, if any, on internal and external matters affecting such compliance;
 - d) Communicate matters that have emerged during the audit which might have a significant impact on the implementation of the Project; and
 - e) Bring to the State Project Director (SPD) attention any other matter that the auditor considers pertinent, including review other project-related information as well as the internal control, oversight and reporting systems
23. The auditor should submit soft copies of the all the reports in CD/DVD in the pdf format to the PCU.
24. Observations made and irregularities noticed (if any) in course of the audit must be intimated to the implementing agency and the SPD in writing. The response of the implementing agency / SPD shall be considered by the auditor before finalization of the audit report.
25. The auditors should submit a draft copy of their report to the PCU before finalization. The PCU will submit its response, if any, within 7 days (1 week) of receipt of the draft report. If no response is received by the auditors within the said time, the auditors should finalize the related report and submit the same within a week thereafter to the PCU.
26. The auditor shall complete the assignment as per the time schedule to be mentioned in the agreement. A penalty clause will be included in the agreement to safeguard ARIAS Society's interest.

(G) Review of the Auditors performance/Reports:

27. The Auditor's performance would be reviewed periodically by a Committee to be constituted. The committee will also review the Reports of the Consultant. Submission of Reports in a timely manner shall be viewed as a major indicator of performance of the Auditors. Reporting activities should not be posed as an excuse for retarding the field activities by the Consultant or vice versa under any circumstances. Any correction/ modification/ alteration to the deliverables suggested by the Review Committee/Bank/ PMU/ SPD shall be done promptly by the Consultant and resubmitted in the same manner within 15days.

Note: This is a draft indicative ToR and the same will be finalized at the RFP stage and further updated at the Contract signing stage following the procurement norms of the World Bank.
