

**Terms of Reference (ToR) for the Job of Audit of projects supported by
Innovative/Challenge Fund under the Kolkata Urban Services for the Poor (KUSP)
Programme**

Introduction

The Kolkata Urban services for the Poor (KUSP) programme is an urban reforms initiative undertaken by the Municipal Affairs Department, GoWB with financial assistance from the Department of International Development (DFID), Government of United Kingdom. This programme is phased over a period of 8 years, 2003 -2011 & spreads overall urban local bodies in the State except Kolkata Municipal Corporation.

The objectives of the programme are

- Improved urban planning and governance
- Improved accessibility of basic urban services for the poor
- Pro poor economic growth

Background

One of the programme components of KUSP is a special purpose fund called the Innovative / Challenge Fund. This has the following objectives

- Support civil society organizations to undertake pioneering and groundbreaking initiatives for the up-liftment of urban poor
- Encourage and support innovative and good practices
- Create a competitive environment for accessing the fund

Keeping in line with these ambitious objectives, KUSP has been able to initiate quite a few interventions till date in association with several NGOs and the CDS (Community Development Society) which are registered societies under the Society Registration Act.

The intending NGO/CDS submits a proposal for a project which is considered by the Project Selection Committee of CMU for taking up the project under Innovative/Challenge Fund. If the project is in principle approved by the said Committee, the NGO/CDS is to submit a detailed project report (DPR) consisting of the objectives, requirement of financial assistance, list of prospective beneficiaries and other particulars of the project. After approval of the DPR the project is sanctioned and an agreement is entered into between the NGO/CDS and the CMU. The project is executed as per the terms and conditions of the said agreement and the approved DPR.

To properly manage and run the show, KUSP has engaged one team of professionals called the Fund Manager who has been entrusted with all day-to-day functioning of the Fund while the administrative control remains with the CMU (Change Management Unit).

As per the aforesaid agreement, the grantee NGO/CDS is to submit audited accounts of the project for each of the financial years covered by the project. In most of the cases the audited accounts of the NGO/CDS have been obtained.

In addition to the above provision, as per the aforesaid agreement the CMU may appoint auditors to review and audit the accounts and records of the project and the grantee NGO/CDS shall provide all required records, information, explanation etc to the said auditors.

Objective

The objectives of the job are mainly

- Ensure financial discipline
- Ensure timely & proper reporting
- Ensure that proper internal control system is in existence & is commensurate with the nature of activities
- Introduce desired financial practices of the grantees

Scope of Work

The audit will be carried out by the Agency (Auditor) and will include such tests and controls, as the auditor considers necessary under the circumstances. In conducting the audit special attention should be paid to the followings-

1. The Auditor should verify and report to the Management whether books and records are being maintained accurately, consistently and are complete in all respect. Auditor should ensure that the internal control system is in existence and is commensurate with the nature of activities performed by the Grantee. The Auditor should report the recommendations regarding observations noted during the review and also report whether such recommendations have been complied with in the subsequent period under review.
2. The Auditor should report to the Management whether the fund received by the Grantee are being utilized as per quarterly Budget and Agreement and in accordance with the procedures laid down by CMU with due attention to economy and efficiency and only for the purposes for which the financing was made.
3. The Auditor should examine the eligibility and correctness of financial transactions during the period under review and ensure the correctness of fund balances at the end of such period as reported to CMU.
4. The Auditor should report to the Management whether goods and services financed under the project have been procured in accordance with the relevant agreement and in accordance with the agreed procurement procedure. Also the Auditor should check whether the relevant books of accounts are being maintained properly.
5. The Auditor should also examine whether all the necessary supporting documents and records have been kept in respect of all the activities. Clear linkage should exist between the books of account and reports submitted to CMU.
6. The Auditor should physically verify the fixed assets funded under the programme and verify whether the Fixed Asset register is being properly maintained.
7. The Auditor should also physically verify the raw material stock, finished stock and ensure that the relevant registers are being properly maintained.
8. The Auditor should verify whether the Assets of a closed project, transferred to the beneficiaries for sustainability of the said project, are being utilized purposefully.

Volume of Work

Till date, 179 projects took off with support from this Fund across 77 urban local bodies of the State (in 17 out of total 19 districts; there are no projects in the districts of Kolkata and South Dinajpur). These projects are clubbed into 4 Zones, as in the table below, and categorized into three types viz 'ongoing'(projects whose activities and transactions are both ongoing), 'Closed activity but ongoing transaction' (self explanatory) and 'closed'(projects whose activities and transactions are both closed). Detail list is annexed along with.

Zone	Districts	Ongoing activity and transaction (I)	Closed activity and transaction (II)	Closed activity but ongoing transaction (III)	Total
A	Darjiling, Jalpaiguri, Cooch Behar, North Dinajpur, South Dinajpur, Malda and Murshidabad.	32	0	1	33
B	Purulia, Bankura, Birbhum, Paschim Medinipur and Purba Medinipur,	16	0	5	21
C	North 24 Paraganas and Nadia	26	9	40	75
D	Burdwan, Hooghly, Howrah, and South 24 Paraganas	21	4	25	50
	Total	95	13	71	179

Deliverables

The Agency shall submit Annual Audited Report(s) of all the three categories of projects for the relevant financial years since beginning of the respective projects and also relevant Quarterly Audited Report(s) of the category I and III projects for the period April 2010 to March 2011. All report(s) to be submitted shall be accompanied by a forwarding letter addressed to the Project Director, KUSP and shall bear the Job Order/Contract No.

Time line for deliverables

Timeline	Deliverables
By 15 th of January 2011	All relevant audit reports of all three category of projects till quarter ending December 2010
By 1 st of April 2011	All relevant audit reports of all ongoing projects (category I) till end of January 2011 quarter *

**It is assumed that by end of December 2010 all projects under category III will have their pending transactions completed and from January 2011 only category I projects will be there.*

Release of Payment

Payment will be made as per the actual deliverables as described below and is also based on the above assumption.

Say an Auditor has to audit projects under Zone D of which 21 are type I, 4 are type II and 25 are type III. The total assignment value is Rs X and hence unit price for each project is Rs (X/50). The auditor submits all relevant reports for all projects of all the three categories till financial quarter ending December 2010, then the amount to be released will be $[(4+25)*(X/50)] + \{75\% \text{ of } 21*(X/50)\}$; otherwise the amount will vary on relevant deliverables of actual no of projects.

The balance amount of the assignment will be released only after fulfillment of the remaining assignment.

Tenure of the assignment

The tenure of the assignment will be related to the accounts of the related ongoing projects up to the financial year ending on 31st March 2011 including the Audit of all the closed projects.

Competency requirement

Only a competent CA firm with the CAG empanelment is eligible to do this job. Sufficient & competent human resource, willing to travel extensively & experience of dealing with development sector projects are desired.

Reporting

The Agency shall report to the Project Director, CMU.