

## **KERALA RURAL WATER SUPPLY AND SANITATION AGENCY (KRWSA)**

### **TERMS OF REFERENCE (TOR) AUDIT OF ANNUAL**

#### **ACCOUNTS FOR THE YEAR 2023-24**

#### **BACKGROUND**

The Kerala Rural Water Supply and Sanitation Agency (KRWSA), a society registered under the Travancore Cochin Literary Scientific and Charitable Societies Registration Act 1955, which is coming under the administrative control of the Water Resources Department Government of Kerala. KRWSA is an independent and autonomous incorporated body mainly to manage the implementation of Rural Water Supply and Environmental Sanitation Projects including the World Bank assisted Jananidhi-Projects.

KRWSA has so far implemented the World Bank Aided Jananidhi- I and Jananidhi -II, projects till the end of the Financial Year 2019-20. The Jananidhi – II project was over by December 2019, which was implemented through participatory approach in 115 Grama Panchayath in 10 districts across Kerala. Apart from KRWSA, Grama Panchayath, Support Organization, Beneficiary Groups and Kerala Water Authority were the implementing partners of the project.

The Jananidhi – II was implemented strictly in adherence of Project Implementation Plan (PIP) approved by World Bank and Government of Kerala.

KRWSA is having a Project Management Unit (PMU) at Thiruvananthapuram and the Regional Project Management Units (RPMU) at Idukki, Malappuram and Kannur. The agency is now implementing certain State Plan schemes in the Water Supply and Sanitation sector by utilising the fund which are allocated in the annual state budget.

During the year 2023-24, KRWSA was implementing the under noted projects with the help of Grants received from Government of Kerala.

1. Completion of Jananidhi- II Schemes. (Spill over works of Jananidhi –II) Implementation was on basis of PIP of Jananidhi – II – approved by Government of Kerala. Expenditure incurred- Rs 70.56 lakh (tentatively)
2. Sustainability Support to Community Managed Water Supply Schemes. (Restoration of partially/fully defunct water Supply Schemes of Jananidhi Project). Implementation was as per the Guide line Government of Kerala in state Plan Schemes - Expenditure incurred- Rs 833.75 lakh (tentatively)
3. Scaling up of Rain Water Harvesting and GWR measures through KRWSA. (Setting up of House Hold RWH – Tank etc) Implementation was as per the Guide line Government of Kerala in state Plan Schemes.- Expenditure incurred- Rs 641.11 lakh ( tentatively)
4. Conversion of Homestead Wells into Protected and Sustainable Drinking Water Sources- Implementation was as per the Guide line Government of Kerala in state Plan Schemes.- Expenditure incurred- Rs 171.18 lakh ( tentatively)
5. Water Quality Monitoring and Surveillance & Grey Water Management Implementation was as per the Guide line Government of Kerala in state Plan Schemes.- Expenditure incurred- Rs Nil

6. Research & Development in Rural Water Technologies and Management Implementation was as per the Guide line Government of Kerala in state Plan Schemes.- Expenditure incurred- Expenditure incurred- Rs 2.97 lakh ( tentatively)

7. Information-Education- Communication (IEC), Capacity Building and Training & Jalasree Club- Implementation was as per the Guide line Government of Kerala in state Plan Schemes.- Expenditure incurred- Rs 7.66 lakh ( tentatively)

8. Jal Jeevan Mission project (Installation of Functional House Hold Tap Connections) by arranging funds to the contractors directly from Kerala Water Authority as per the guidelines issued separately.

Apart from the above, during the year 2023-24, KRWSA has also implemented certain number of deposit works in the water supply and sanitation sector, by receiving the entire scheme cost from Government agencies like Grama Panchayths and Kerala Road Fund Board etc

### **OBJECTIVES OF THE AUDIT**

The key objectives of the Audit are to obtain opinion from independent auditors whether

a. The Balance Sheet of this Agency gives a true and fair view of the financial position of KRWSA at the end of the period under audit examination, and of the sources and applications of project funds for that period.

b. **The Income and Expenditure Account discloses the actual expenditure incurred under all the State Plan Schemes separately.** The payment to the Grama Panchayath in this regard is debited to each of the schemes concerned as stated above.

c. The funds received from Government and from other Government agencies, if any, were utilized for the purposes for which they were provided.

d. The procurement has been carried out by KRWSA in line with the appropriate guidelines as the case may be

e. The agency has an adequate internal control system (including its continuing existence and effectiveness) and adheres to the provisions of MOA, Financial Rules & Administrative Rules of KRWSA and PIP of Jalanidhi –II Project and guidelines issued from Government for the implementation of State Plan Schemes.

The Books of Accounts provide are the basis of preparation of the Annual Accounts and are established to reflect the financial transactions in respect of the projects as maintained by the project implementing agency at the PMU and the three RPMUs. Accounting is carried out with the help of the Financial Management Information System (FMIS) developed, in house, for the purpose

### **AUDITING STANDARDS**

The audit will be carried out in accordance with the Standards of Auditing promulgated by the Institute of Chartered Accountants of India (ICAI). The auditor should accordingly consider materially when planning and performing the audit to reduce risk to an acceptable level that is consistent with the objectives of the audit. Although the primary responsibility for preventing irregularity and fraud or ensuring that the project funds are used for purposes as required in the legal agreements remains with the Project Management, the auditor should specifically consider the risk of material misstatement in the financial statements resulting from fraud, while planning and performing audit procedures and evaluating and reporting results thereof.

### **SCOPE AND COVERAGE OF THE AUDIT**

The audit will cover all the Project sources and applications of funds and cover the following auditable units for the financial year

The Project Management Unit (PMU) at Thiruvananthapuram. The Three Regional Project Management Units (RPMU) at Idukki, Kannur and Malappuram;

The auditor is required to exercise such tests of accounting records, internal checks and control and other necessary audit of the accounts as per general principles and standard of audit of the institute of Chartered Accountants of India. In conducting the audit, attention should be given in the following:

- a. All funds have been used in accordance with the condition of the relevant financial norms and financial regulations with due attention to economy and efficiency, and only for the purpose for which the financing was provided.
- b. Auditor should ensure that the fund released from PMU to RPMU and RPMUs to GPs are received and properly accounted by cross verifying the Bank pass Book/Bank Statement of the respective units.
- c. All necessary supporting documents, records and accounts have been kept in respect of all transactions entered in the books of accounts. Clear linkages exist between the books of accounts and reports presented to Government of Kerala.
- d. Generally accepted accounting principles are followed by all accounting centres in particular recording of Beneficiary contribution.
- e. Goods, Works and Services have been procured in accordance with the relevant provisions of the Procurement procedure prescribed for the purpose. Proper documents are maintained and linked to the transactions and retained.

The auditors would ensure that

The Management Letter should specifically include audit observations and recommendations for improvement of systematic weakness (if any).

Reconciliation of all Bank Statements and accounts is regularly carried out on monthly basis. Status of audit compliance of previous audit objections raised, if any

### **AUDITED PROJECT FINANCIAL STATEMENTS**

The Audited Annual Accounts should include:

- a. A Balance Sheet as at the close of the financial period showing accumulated funds of the agency, Bank Balances, other Assets of the KRWSA and Liabilities, if any.
- b. A Receipts and Payments Account for the period under audit.
- c. Income and Expenditure Account in compliance of Accounting Standard -12 of ICAI.
- d. Accounting Policies and Notes on Account.

KRWSA Management should sign the Annual Accounts and provide, to the auditors, 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

### **AUDIT OPINION**

The Annual Audit Report on the Annual Accounts will be in the form recommended by the standards on Auditing of the ICAI, including a primary opinion on whether the Annual Accounts show a true and fair view. In addition, the auditor will provide opinion on other key objectives specified. Those standards require a clear written expression of opinion on whether the financial statements give a true and fair view. An unqualified opinion will indicate the auditors satisfaction in all material aspects that the financial statements give a true and fair view , they have been prepared using consistently applied generally accepted accounting principles , comply with the relevant project's legal documents and adequate disclosure of all the material matters have been made. When a qualified opinion, adverse opinion or disclaimer of opinion or reservation of opinion on any matter is made due to limitation of scope or disagreement with management etc., the audit report should clearly state the reasons thereof (preferably in a separate paragraph ) and , as far as practicable , quantify the effect on the financial position.

The auditor should submit the report to the Governing Council/Governing Body (as applicable) of the Agency well in advance who will take further action to have a copy of the Audit of Accounts and report forwarded to Government of Kerala within six months from the close of the financial Year.

### **MANAGEMENT LETTER**

In addition to the audit report, the auditor will prepare a “ Management Letter “ and submit it along with the Audit Report .The Management Letter will elaborate the findings of the audit and contain recommendations for improvements in internal control and other matters coming to the attention of the auditor during the audit examination . The Management Letter would specifically include matters such as the following:

- a. Comments and observations on the accounting records, systems, and internal controls that were examined during the course of audit.
- b. Specific deficiencies and areas of weakness in systems and internal controls and make recommendations for their improvement.
- c. Elaboration of the audit qualifications, if any made in the audit report.
- d. Major observations arising out of the internal audit reports and the status of their compliance.
- e. Adequacy of compliance with previous audit findings/recommendations in the audit Report/Management Letter and status of any issues which remain to be addressed and any issues which recurred.
- f. Communicate matters that have come to the attention during the audit which might have a significant impact on the implementation of the project and bring to KRWSA attention any other matters that the auditor considers pertinent.

### **GENERAL**

The auditor will be given full access to all documents, correspondence, and any other information relating to the programs and deemed necessary by the auditor. The Director Finance of KRWSA will

be the Nodal Officer for audit. The auditor should become familiar with the project, and with the relevant policies and guidelines relating to disbursements, procurement and financial management and reporting and auditing. The auditor would be provided copies of

1. Memorandum of Association of KRWSA
2. Financial Rules of KRWSA
3. Guidelines in regard to the implementation of State Plan Schemes

#### **EXPECTED DURATION OF THE WORK**

The period of completion of assignments shall be as follows

The audit for 2023-24 has to be commenced in 7 days from the date of work order and the assignment has to be satisfactorily concluded in 30 days.

#### **TERMS OF PAYMENT**

Payment may be released after completion of work and within 30 days of submission of invoice.

#### **Composition of review committee and review procedure to monitor consultants work:**

The review committee shall consist of

- a. Director (Finance and Administration) i/c – Chair person
- b. Deputy Director (Finance)
- c. Deputy Director (Procurement )
- d. Senior Accountant

Executive Director