

**STATE PROJECT IMPLEMENTATION UNIT (SPIU)
NATIONAL CYCLONE RISK MITIGATION PROJECT- II
OFFICE OF THE EXECUTIVE ENGINEER
WORKS DIVISION III
WATER RESOURCES DEPARTMENT
PONDA- GOA
Email: ee3-wrd.goa@gov.in
Tel: +91-832-2312093**

**DRAFT TERMS OF REFERENCE FOR APPOINTMENT OF FIRM FOR INTERNAL
AUDIT FOR NCRMP II IN THE STATE OF GOA.**

1. Introduction

Project Background

The Government of India has initiated National Cyclone Risk Mitigation Project II ('NCRMP II'), herein after referred to as the 'Project' or 'NCRMP II', with a view to address cyclone risks in the country. National Disaster Management Authority ('NDMA') under the aegis of Ministry of Home Affairs (MHA) shall implement the Project in coordination with participating States/UTs.

The key objectives of the NCRMP are as follows:

- Reduction in vulnerability of coastal States, through creation of appropriate infrastructure which can help mitigate the adverse impacts of cyclones, while preserving the ecological balance of coastal regions.
- Strengthening of cyclone warning systems enabling quick dissemination of warnings and advisories from source/district/sub-district level to the community for their timely reception and adequate response.

Project Components

Based on the above objectives, the Project has been divided into four components, namely:

- **Component A-** Last Mile Connectivity for the dissemination of cyclone warnings and advisories from district/sub-district level to communities. This activity will be implemented by NDMA in consultation with participating States/UTs.
- **Component B-** Construction/repair of physical infrastructure for cyclone risk mitigation. This Component will be implemented by the States/UTs.
- **Component-C-** Technical assistance for capacity building on hazard risk management NDMA and National Institute of Disaster Management (NIDM) are the implementing agencies for this Component.
- **Component D-** Project Management and Monitoring applicable to all implementing agencies.

Proposed Implementation/Funds Flow Arrangements:

The NCRMP II shall be coordinated by a central Project Management Unit (PMU) set up at NDMA. The participating States/UTs shall set up their respective Project Implementation Units ('PIUs'). The PMU shall coordinate with NDMA, MHA, World Bank, CAAA and other external agencies involved. The PIUs shall coordinate with the various line departments of the State Government/UT which will be finally responsible for execution of Project work.

The Project is assisted by the World Bank. The external aid disbursed by the World Bank is first received by the Central Government in the Ministry of Finance (MoF). The funds are transferred to the PIUs' through the state treasury based on the status of their utilisation of funds and other details as specified in the finance manual. Expenditure under the Project will either be made centrally at the PMU or at the State PIUs. Each PIU or PMU which makes payments maintains regular books of account and records as per the prescribed procedures.

2. Objective

The objective of the internal audit is to determine whether the Project management arrangements including procurement, financial management, physical progress monitoring and internal control mechanisms are working effectively. The auditor shall also identify areas for improvement and enhancing efficiency. This should include aspects such as adequacy and effectiveness of accounting, financial, procurement related and other operational controls, and any needs for revision; level of compliance with established policies, plans and procedures; reliability of accounting system, data and financial reports; methods of remedying weak controls or creating them where there are none; verification of assets and liabilities; and integrity, controls, security and effectiveness of the operation of the computerised system.

The internal auditor shall provide the PIU and PMU with timely information and recommendations on the financial management, procurement, project management and physical progress aspects of the Project to enable the management to take corrective measures, wherever necessary.

3. Scope of Audit Services

The audit will be carried out in accordance with applicable professional standards & will include such tests & controls, as auditors consider necessary under the circumstances. **The period of appointment of the auditors will be initially till March 2018 with an option to extend by a year.** In conducting the audit special attention should be paid to the following :

Procurement

O Whether goods, works and services are being procured following the procurement procedures defined for the Project (Project Guidelines and the guidelines internal to PIU/PMU).

O Whether goods, works and services are being procured in accordance with the procurement plan and sanctioned budgets.

O Whether time schedule for procurement of goods, works and services is in line with the Project Procurement Plan.

O Whether required documentation for procurement activity and contract management is being maintained for all purchases made.

O Whether capacities for procurement as indicated in the operations manual have been created.

· **Financial Management**

O Whether books of accounts are being maintained in the manner and formats defined by the Financial Management Manual of the Project.

O Whether the financial transactions are being accurately and completely recorded.

O Whether utilisation certificates and IUFRs submitted are prepared in time and reflect the correct status of utilisation of funds as recorded in the books of accounts of the Project.

O Whether the fund management is being done in compliance with Financial management guidelines of the Project.

O Whether funds have been used with due regard to economy, efficiency and for the purposes they were provided.

O Whether release of money is adequately supported.

O Special emphasis may be laid on items like:

· Timely and accurate preparation of Bank Reconciliation Statements.

· Maintenance of separate accounts for NCRMP II

· Timely and accurate preparation of financial reporting statements.

· Surplus funds lying unutilized for long.

· Financial records and registers being maintained.

· Disbursement of funds to the third parties.

O Understand the process of tagging and maintenance of assets acquired under the Project. The auditors may perform physical verification of assets (if considered necessary).

O Whether capacities for financial management as indicated in the operations manual have been created.

· * **Others**

O Whether appropriate internal controls as specified by the Financial Management Manual, Operations Manual, Procurement Manual and other relevant notifications, if any, are operating satisfactory. The auditor should suggest methods for improving weak controls or creating them where need be.

O Verifying compliance with recommendations of the earlier audit reports and ensuring requisite approvals obtained.

4. Reporting and Audit Opinion

The internal auditor should review and assess the analysis drawn from the internal audit evidence obtained as the basis for his conclusion on the efficiency and effectiveness of systems, processes and controls. Each report shall have the following sections

- Introduction- Objective, scope, nature and coverage of the audit including period covered, locations reviewed, work carried out, staff involved, level of coverage of all listed aspects
- The internal auditor's opinion as to the overall adequacy of the systems of internal control,
- Key findings; separately for Procurement, Financial Management, Project Management & Institutional Aspects and Others.
- Detailed internal audit findings, with adequate descriptions of weaknesses identified and the associated risk. This section will be supported with details, tables, annexure.
- Recommendations; separately for Procurement, Financial Management, Project Management & Institutional Aspects and Others.
- Responses to findings and recommendations by authorized persons stating the timeline for remediation and the person responsible
- Progress on earlier set of recommendations and constraints faced.
- An Executive Summary highlighting the critical issues preferably classified as per thematic area

The report should be discussed and agreed with the auditable units and should be structured to list 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. Copies of all internal audit reports shall be made available to the external auditors. The auditor will commence their audit immediately after the close of the half year, complete the audit and submit their audit report within 45 days from the end of the half year. The semi-annual internal audit report will be addressed to the Project Director at the state PIU and the copies will be provided to the NDMA.

5. Composition of Review Committee to Monitor Internal Auditor's Works

The following officers will be on the committee to monitor Internal Auditor's Report:

- 1. Chief Engineer WRD/ Project director, NCRMP II**
- 2. Chief Engineer, Line Department (wherever applicable)**
- 3. Superintending Engineer, Circle V WRD /SPMU**
- 4. Executive Engineer, Line Department**
- 5. Divisional Accountant, Line Department**

The Committee will review the audit report and send the action taken report to the funding agency.

6. Support/Inputs to be provided by the PIU

The internal auditor will be given access to all legal documents, Project Financial Management Manual, Procurement Manual, procurement check list, and any other unclassified information

associated with the Project and deemed necessary by the auditor. It is extremely important that the auditors become familiar with the Project Guidelines on Disbursements and Procurements. All these documents will be provided to the auditor by the PIU/PMU.

7. Qualification & Team Composition

The Internal Auditor team must have considerable experience and expertise in conducting audits particularly on infrastructure development projects. All the key team members will work as full time staff for the period committed by the consultants. The Consultants should also have experience in the process and audit practices of World Bank assisted projects. The list of key personnel whose CV's and experience would be evaluated is as follows:

No.	Key Professionals	Description of Services to be provided	Experience
1	Partner/ Audit Manager	Overall coordination, & planning, team leadership, reporting, liaison with client	Qualified Chartered Accountant / Cost Accountant with at least 15 years' experience as a partner with expertise in the area of internal audit planning, execution and reporting.
2	Audit Team Leaders	Responsibility to lead the audit teams in the field, planning and execution of the audits, discussion with heads of offices at district / state units and reporting writing and finalization.	Qualified Chartered Accountants / Cost Accountant with at least 5-7 years' experience in internal audit with ability to lead and team and interact with senior level government officials
3	Team members*	Field level audit of divisions (mainly relating to civil works/housing construction)	Person with experience in works accounting, procedures and testing controls related to payments

*based on the number and frequency of auditable units more field level audit teams will need to be constituted with each team comprising of a Team Leader and team members.