Odisha Livelihoods Mission

Panchayati Raj Department

**Government of Odisha**

**TERMS OF REFERENCE FOR INTERNAL-cum-CONCURRENT AUDIT**

**1. Background**

The Government of Odisha (GoO), is implementating National Rural Livelihood Mission (NRLM)/National Rural Livelihood Project (NRLP) through the Odisha Livelihoods Mission, a society registered under society act. The Odisha Livelihoods Mission aims to improve rural livelihoods and enhance social and economic empowerment of the rural poor. This would be done by developing organizations of rural poor and producers to enable them to access and negotiate better services, credit and assets from’ public and private sector agencies and financial organizations. At the community level, Odisha Livelihoods Mission primarily works through Self Help Groups of the poor, with rural women members within the household, particularly of the tribal people and vulnerable sections. It will provide intensive, hand-holding support to the SHGs in order to help them become vibrant, self-managed and sustainable organizations, founded on the principles of mutual trust and self-help among the members. Each SHG will follow a clearly laid-out sequential path of gradual development that will include responsible management of group funds through savings and inter-lending. At different stages of project support, each SHG’s capacity will be rigorously assessed and rated against certain milestones.

NRLP/NRLM is executing with intensive approach through an implementation architecture consisting of:

* State Mission Management Unit (SMMU) at state level (Bhubaneswar).
* District Mission Management Unit (DMMU) at district level.
* Block Mission Management Unit (BMMU) at block level.

The DMMUs & BMMUs are responsible for all activities and processes in the target Gram Panchayats/villages. The other schemes being implemented under the ODISHA LIVELIHOODS MISSION are Mahila Kisan Sashaktikaran Yojana (MKSP), Rural Self Employment Training Institutes (RSETI), Odisha Aam Admi Bima Yogana (OAABY) and Interest Subvention (Centrally Sponsored Projects and State Plan)

**2. Audit Objectives:**

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systemic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The overall objectives of this assignment are to provide the project management with independent assurance that (i) the internal controls established by management are designed appropriately and (ii) verify whether the overall financial management and arrangements including the system of internal controls as documented in the project Financial Management Manual, Community Operational manual and the Project Implementation Plan are in practice and working effectively. In addition, it is expected that internal audit should play a role in assisting management with fraud related issues, including the prevention, detection and investigation of fraud as part of bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

**3. Audit Standards:**

The Internal audit will be carried out in accordance with the International Standards for professional practice of Internal Auditing promulgated by the Institute of Internal Auditors. The internal auditor should accordingly consider materiality when planning and performing the audit to reduce audit risk to an acceptable level that is consistent with the objective of the audit. The internal auditor should accordingly evaluate risk exposures relating to the project’s governance, operations and information system and plan the examination to detect indicators of fraud and corruption.

**4. Audit Scope:**

In conducting the audit, special attention should be paid to the following:

* All mission funds have been used in accordance with the conditions of the relevant project/program agreements and only for the purposes for which the financing was provided. Relevant project/program agreements include the Program Guidelines, Financial & Procurement Manuals and other circulars, office orders issued by MoRD, GoI. / GoO.
* Effective financial management systems’ including internal controls were in operation throughout the period under audit examination. This would include aspects such as adequacy and effectiveness of accounting, financial and operational controls, and any need for revision; level of compliance with established policies, plans and procedures’; reliability of accounting systems, 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 computerized system;
* All necessary supporting documents, records, and accounts have been kept in respect of all mission transactions including expenditures reported via Interim un-audited Financial Reports (IUFRs)/SoE where applicable. Clear linkages should exist between the books of account and reports presented to MoRD;

Counterpart funds required under individual programs have been provided by the state;

* Fund releases to Community Based Organizations (CBO’)s are in compliance with the conditions in the Community Operations Manual/ guidelines;
* Goods and services financed have been procured in accordance with the procurement procedure prescribed in the Procurement Manual of Odisha Livelihoods Mission.
* The Odisha Livelihoods Mission has a reasonable system of physical verification of assets constructed or acquired by the Odisha Livelihoods Mission.
* Fund flow from Odisha Livelihoods Mission SMMU to District and District to Block, GPLF and SHG as per Standard Operating Procedure.
* Detail checking of vouchers which includes the following:

1. Booking of expenditure to proper head of accounts
2. Approval of vouchers by competent authority
3. Payee acknowledgment with proper supporting documents
4. Checking of all vouchers with reference to Cash/Bank Book & Journal.

* The general principles with respect to the accounting treatment for the above are as follows:
  + - * Fund transfers from district to block levels [applicable to DRDA/BDO transfers as well] are inter unit transfers;
      * At the district level, block level expenditure are required to be compiled on the basis of books of accounts [applicable for BDO level expenditure as well] and not UCs;
      * Fund transfer to GPLF/SHG for revolving funds [CIF/PPF and other revolving funds, by whatever name called] are considered as expenditure at the point of release of funds; all other fund release [IB , Start-up, Livelihoods initiatives etc] are considered as advances and accounted for as expend only on the basis of GPLF monthly financial statements
      * Funds advanced to or placed with other GoO institutions/Departments will not be treated as expenditure unless the SoE received from the executive agencies.

These SOEs will be subject to annual audit of OLM.

* Preparation of Final Accounts (Receipts and Payment Account, Bank Reconciliation Statement and Balance Sheet) quarterly as well as at the end of the financial year.

**5. Audit Period**

* The Audit to be carried out shall be for the financial year 2015-16. The contract may be extendable for up to 3 years on the exigencies of work, based on the satisfactory performance.

**6. Time Schedule**

* The Audit firms will complete the internal audit of 88 intensive blocks and state office for a particular quarter within next one month of the following quarter from the date of agreement till the completion of the financial year.

**7. Reporting**

* The firm shall submit the quarter-wise report of the blocks to the Project Director, DRDA, of the respective district.
* The firm shall submit the quarter -wise compiled report of districts and state to the State Mission Director – cum- CEO, Odisha Livelihood Mission, Panchatiraj Department, Government of Odisha

**8. Coverage for the Audit**

- The audit would cover the entire project, i.e., covering the implementing units at the project level (SMMU, DMMU and BMMU). The sample selection would be based on an assessment of the risks applicable to the operation. The audit would also cover all consultancies or other contracts that may be entered into by the implementing agencies.

**9. General**

- The auditor should be given access to all information relevant for the purposes of conducting the audit. This would normally include all legal documents, correspondence, and any other information associated with the Odisha Livelihoods Mission and deemed necessary by the auditor. The information made available to the auditor should include, but not be limited to, copies of the Bank’s NRLP Appraisal Document, the relevant contracts and Legal Agreements, Financial Management Manual, Procurement Manual, Community Operations Manual (COM) and the Odisha Livelihoods Mission Implementation Plan (PIP).

**10. Staff Structure for the assignment**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sl. No.** | **Personnel required** | **Units** | **Minimum Qualification** |
| 1 | Chartered Accountant | 1 | Qualified Chartered Accountant with at least 5 years post qualification experience |
| 2 | Semi Qualified Auditors | 15 | Inter CA/ Inter ICWA with at least 2 years post qualification experience |
| 3 | Audit Staffs | 15 | B. COM with at least 1 year post qualification experience |

**11. Eligible Criteria**

1. The firm must be approved panel of Comptroller Auditor General of India (CAG of India) for the year 2014-15. *(Proof to be attached)*
2. The firm must have minimum 10 years existence as on 31.08.2015*(Proof to be attached)*
3. The organization must have at least 02 FCA’s who have 5 years post qualification experience, and adequate staff to meet the required staff structure for the assignment. (List of Staff to be attached as per the Sl.No 10 of Terms of Reference-).
4. Last 3 years Average Turnover of the firm should not be less than Rs.25 lacs as on 31.03.2015. *(Proof to be enclosed)*
5. The firm or any partners of the firm should not be black listed by any Government or any other organization in respect of any assignment or behaviour. Authorized signatory of the firm to submit an undertaking in this regard in the prescribed format at *Annexure-B.*
6. Additional preference shall be given to the firm having completed assignment of Audit in Governments projects for atleast one financial year in each completed assignment. Audit of particular assignment for less than one financial year will not be considered. *(Enclose work order of all completed assignments).*
7. Preference will be given to the firm having higher contract value for each completed assignment of Audit in Governments projects.*(Enclose work order of all completed assignments).*
8. Audit firms so selected for FMTSC during the period 2015-2016 with Odisha Livelihoods Mission will not be considered for this assignment.
9. The firm should submit relevant documents duly attested by the authorized signatory, in support of the eligibility criteria given above. Any firm not qualifying these minimum criteria need not apply as their proposal shall be summarily rejected.

**12. Deliverables**

* The internal auditor’s opinion as to the overall adequacy of the systems of internal control.
* Reporting of detailed findings of internal audit.
* Examination of weak and risk prone areas, if any.
* Recommendations for remediation and streamlining of the flaws, in the existing financial management system.
* In addition the internal auditor should provide an executive summary highlighting the critical issues which require the attention of the SMMU and the Executive Committee of OLM and the status of actions on the previous recommendations.

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 and to the Government as and when required.