

**EXPRESSION OF INTEREST OF EXTERNAL AUDITOR FOR PREPERATION OF
AUDITED FINANCIAL ACCOUNTS (AFA), AUDIT REPORTS, UTILISATION
CERTIFICATE AND CERTIFICATION OF JJM, SBM(G) AND KSRWSP (WORD
BANK PROGRAM) AUDIT REPORTS FOR THE YEAR 2023-24 OF RURAL
DRINKING WATER AND SANITATION DEPARTMENT**

1. Background

The Rural Drinking Water and Sanitation Department, Government of Karnataka is responsible and nodal agency for implementation of Jal Jeevan Mission (JJM) and Swachh Bharat Mission (Gramin). The Ministry of Jal Shakti in association with Government of Karnataka is implementing Jal Jeevan Mission a Centrally sponsored scheme with the main objective to provide Functional Household Tap Connections (FHTCs) to all rural households. The Swachh Bharat Mission (Gramin) a Centrally sponsored scheme with main objective to saturate the sanitation facilities for achieving the ODF Plus villages.

GoK has signed agreement with World Bank for implementation of the proposed World Bank-funded Karnataka Sustainable Rural Water Supply Program (KSRWSP, 'the Program') which seeks to support state in funding implementation of JJM and improve coverage and sustain O&M of the drinking water infrastructure created under Jal Jeevan Mission through a combination of community ownership, O&M performance criteria, handholding and capacity building, and an advanced monitoring and evaluation (M&E) system focused on O&M and financial sustainability.

2. Objective:

The annual report is a continuous and critical appraisal of the functioning of the Department, with a view to suggest improvements thereto and add value to and strengthen the overall governance mechanism including effectiveness of risk management and internal control systems prevalent in the organization.

The essence of the World Bank audit policy is to ensure that the Bank receives adequate independent, professional audit assurance that the proceeds of World Bank loans were used for the purposes intended,¹ that the annual program financial statements are free from material misstatement, and that the terms of the loan agreement were complied with in all material respects.

The objective of the audit of the Program Financial Statement (PFS) is to enable the auditor to express a professional opinion as to whether

- (1) The PFS present fairly, in all material respects, the sources and applications of program funds for the period under audit examination,
- (2) The funds were utilized for the purposes for which they were provided, and

1. The Bank's charter [Article III Section V(b) of IBRD's Articles of Agreement and Article V Section 1(g) of IDA's Articles of Agreement] specify that: "The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations."

- (3) Expenditures shown in the PFS are eligible for financing under the relevant loan agreement.

In addition, the auditor will express a professional opinion as to whether the books of account that provide the basis for preparation of the PFS are established to reflect the financial transactions of the program and are maintained by the program implementation agency.

Audit shall be done in the month following the annual under audit, by stationing minimum one Audit Assistant to Audit RDWSD Admin and scheme wise accounts of the said expenditure of Rural Drinking Water and Sanitation Department framing to a annual report.

Certification of Audit and Utilization Certificate:-

- i. Jal Jeevan Mission (JJM):- The RDW&SD department is receiving fund from Government of India and Government of Karnataka under various heads of accounts which are in turn transferred to 32 divisions of department. The divisions have to audit their books of accounts from the CAG empanelled Chartered accountant as per the JJM scheme guidelines format and submit the same with certification of the auditor to the State Office. Further, in the State Office External Auditor shall review, prepare, consolidate, Auditing consolidation, certify of the same. Auditing of accounts of Central Office Bengaluru and consolidated audit reports (Divisions & Central Office) for the year 2023-24 is to be submitted.
- ii. Swachh Bharat Mission-(Gramin)(SBM-G) :- The RDW&SD department is receiving funds from Government of India and Government of Karnataka under various heads of accounts which are in turn transferred to 31 districts. The districts have to audit their books of accounts from the CAG empanelled Chartered accountant as per the SBM(G) scheme guidelines format and submit the same with certification of the auditor to the State Office. Further, in the State Office External Auditor shall review, prepare Auditing consolidation, certify of the same. Auditing of accounts of Central Office Bengaluru and consolidated audit reports(Divisions & Central Office) for the year 2023-24 is to be submitted.
- iii. KSRWSP with World Bank assistance through PforR approach :-
 - Program-for-Results (PforR) is an approach to financing, by World Bank. The primary objective of PforR is to support governments in improving performance in the areas of design and implementation of their programs through program systems and establishing a direct link between accomplishment of results and disbursement of Bank funds. One hundred percent of the Bank's financing is provided according to the achievement of Disbursement Linked Indicators (DLIs) of results as agreed in the Loan Agreement. The Loan Agreement also contains several Program Action Plan (PAP) items, which are also required to be independently verified. In simple words, PforR is a "results-based" instrument, which means disbursements are tied to the achievement of outcomes rather than up-front expenditures, as is the practice with traditional World Bank investment lending.

- The World Bank PforR Program (“P”) is proposed with US\$363 million from the IBRD-supported Karnataka Sustainable Rural Water Supply Program(KSRWSP) as state share towards JJM.
- The Program will be implemented by the Karnataka Rural Water Supply and sanitation Department (RDWSD), which will act as the overall Program Management Unit (PMU) through its state office and various district offices. The Program will disburse to GoK based on the achievement of Disbursement Linked Indicators (DLIs) which are tied to key results from the Program. The results areas for the Program are detailed in the PAD and other documents.
- RDWSD should prepare an annual work plan and based on that prepare the budget requirements for that year. The budget requirements of the program should be intimated to the administrative department as per the state budget schedule so that the requirements can be incorporated in the state budget. The state should provide budget for the entire program in their annual budget based on the annual work plan. The state will prefund the program and receive reimbursements from the Bank on completion of DLI. The agencies will use this budget amount to achieve the DLIs. Once the DLIs are achieved the report will be submitted to the Bank and disbursements will be made as per achievement. The funds will be provided to the state.
- For the Program funds, the SNA bank account opened at the state level will be used. Central government funds are directly transferred to this account through the PFMS. Once the funds from the GOI are released, a matching share is provided by the state from the state treasury into this bank account. Amounts released by the GOI and state are held in the designated SNA Bank account for Program and support activities. This parent account has link accounts/child accounts, which are zero balance accounts, in which all the division offices are enrolled. This account is registered with the central government portal Public Financial Management System (PFMS) and K-2 PFMS a separate module to track CSS funds and accounting. All payments are made through this bank account.
- For RDWSD, implementation is mainly carried out at the district level, where payments are initiated. SVSs are implemented by RDWSD through contractors. Upon completion, the work is verified by the Executive Engineer and the bill is processed by the division. Divisional accountants validate the bills for payments. Once the bill is ready, it is sent to the district CEO for approval and payment. Payments are made through the SNA bank account and are processed through the computerized K-2 PFMS, and accounting is done automatically. Expenditures are available from the K-2 PFMS. The division office also maintains cash book and check registers. For JJM, expenditure is also booked in the central management information system. The accounting platform has been changed from PFMS to K-2 in the state. While the system is operational, it needs enhancement in terms of report generation and linkage to PFMS portal.
- The following Accounting System and applicability of various provisions is for guidance;

Department follows Cash based double entry accounting system and maintains its accounts in Khajne-2, PFMS & Tally accounting software under the generally accepted accounting principles and Accounting Standards prescribed by the ICAI, to the extent they are relevant to the activities of the Department.

Since Department is funded by the GoK, GOI, External aided funds and 100% state funded for its activities, provisions of the Karnataka Financial Code, Manual of Contingent Expenditure, Budget Manual and Standing Orders or instructions amended from time to time, as applicable to the Departments of Government shall be applicable to the Department as well. In addition, provisions of Karnataka Transparency in Public Procurement Act, 1999 with Rules framed there under and Right to Information Act are also applicable

3. Scope of work

The overall objectives of the audit are:

- Consolidation of Annual Accounts that are received from all the divisions/districts of RDWSD and Head Office.
- Preparation and Consolidation of Financial Statement reports in respect of Head Office and Divisional Offices. Which should contain audited Trial Balance, Receipts and Payment Account, Income and Expenditure Account, Balance Sheet, BRS and Outstanding advances as per Gol guidelines and format.
- Ascertain that any other evaluation work, as desired by RDWSD,
- Certification of annual Audit and submission of Audited financial Accounts and Utilization Certificate as mandated by JJM, SBM (G) and KSRWSP guidelines.

(i) **Jal Jeevan Mission (JJM):**

- Auditing of JJM funds release & expenditure at State Office.
- The grants released from Central and State Government, funds releases to divisions and expenditure.
- Financial transactions of bank accounts for the year 2023-24 as per rules.
- To prepare & submission of Scheme-wise & Component wise consolidated expenditure statement.
- To prepare District & State Office yearly Audit report statements & UC's as per Government of India guidelines prescribed format (Annexure-16).
- Submission of Scheme wise /Component Central and state share wise Utilization Certificate.
- Prepare Yearly receipt and payment accounts.
- Prepare Yearly Statutory Audit Reports and Financial Statements viz. Receipts & Payment Account, Income & Expenditure a/c. and Balance Sheet with relevant annexure.
- Any additional work as assigned by the department

District level Audit reports

Consolidation on verification, preparation and Certification of Audited reports of Jal Jeevan Mission (JJM) for the year 2023-24 received from 32 Divisions at the Central Office.

- JJM is central sponsored scheme. The divisions have to audit their book of accounts from the CAG empanelled Chartered accountant as per the JJM scheme guidelines format and submit the same with certification of the auditor to the State Office. The audit reports to be verified and finalized as

- per the guidelines
- Auditing, verifying and tallying of grants received from Central and State Government and released to divisions.
 - Preparation, Reviewing and consolidation of the audit report and utilization certificate of all divisions received at State Office and also releases & expenditure incurred in the State office.
 - The consolidation of audit reports and UC received from the Districts shall be completed within 15 days from the date of audit reports handed over from State office.
 - Audit report & UC of one division of each 04 revenue divisions of the state shall verified and test as per JJM guidelines.
 - Expenditure at head office from JJM fund such as, Support Activity and WQMS shall be audited.

(ii) Swachh Bharat Mission (Gramin)

Auditing of SBM (G) funds release & Expenditure at State Office:-

- The grants released from Central and State Government and further released to Districts. Reports will be based on K2, PFMS & SNA bank account statement.
- Expenditure incurred towards IEC, HRD and Administrative expenses out of the fund received from Centre and State share.
- Financial transactions of all bank accounts for the year 2023-24 as per rules.
- Salary to outsourced Consultants and statutory deductions including ESI, PF, TDS & GST etc.,
- The reimbursement claimed from UNICEF for every quarter by submitting FACE form/SOE and all related bank transactions (SBM-G other project Bank Account)
- Scheme-wise & Fund-wise (General Budgetary Support Fund (GBS), Extra Budgetary Resources (EBR), Performance Based Incentive Grants (PBI)) and Swachh Bharat kosh consolidated Districts & State Office yearly Audit report statements and UC's in a Government of India guidelines prescribed format (Formats enclosed)
- Preparation and submission of SBM-G other projects (UNICEF) Audit Report.
- Submission of Scheme wise /Fund wise Utilization Certificate
- Prepare Yearly Statutory Audit Report and Financial Statements viz. Receipts & Payment Account, Income & Expenditure statement a/c. and Balance Sheet with relevant annexure as per Government of India guidelines prescribed format (Annexure-15).
- Preparation and submission of Annexure-1 to 14 as per the prescribed format.
- Any additional work as assigned by the department

The Reviewing, preparation, Consolidation and Certification of Audited reports of Swachh Bharat Mission (Gramin) for the year 2023-24 received from Districts at the Central Office.

- The districts have to audit their book of accounts from the CAG empanelled Chartered accountant as per the SBM-G scheme guidelines format and submit the same with certification of the auditor to the State Office. The audit reports to be verified and finalized as per the guidelines
- Auditing, verifying and tallying of grants received from Central and State Government and released to districts. The prescribed format is enclosed.
- Reviewing, preparation and consolidating of the audit report and utilization certificate of all districts received at State Office and also releases and expenditure incurred in the State office for IEC, HRD and administrative activities, Central and State grants available in State Office.
- Preparation & the consolidation of audit reports and UC received from the Districts shall be completed within 15 days from the date of audit reports handed over from State office.
- Audit report & UC of one District each from 4 divisions of the state shall be verified and test checked as per SBM-G guidelines Auditor to ensure.
- Effective program 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 needs 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 program transactions. Clear linkages should exist between the books of account and annual Program Financial Statements [PFS].
- The Program accounts have been prepared in accordance with accepted accounting principles and give a true and fair view of the financial position of the program at the year end and of resources and expenditures for the year ended on that date.

(iii) KSRWSP Audit Reports

- The essence of the World Bank audit policy is to ensure that the Bank receives adequate independent, professional audit assurance that the proceeds of World Bank loans were used for the purposes intended that the program financial statements are free from material misstatement, and that the terms of the loan agreement were complied with in all material respects.

- The objective of the audit of the Program Financial Statement (PFS) is to enable the auditor to express a professional opinion as to whether (1) the PFS present fairly, in all material respects, the sources and applications of program funds for the period under audit examination, (2) the funds were utilized for the purposes for which they were provided, and (3) expenditures shown in the PFS are eligible for financing under the relevant loan agreement. In addition, the auditor will express a professional opinion as to whether the books of account that provide the basis for preparation of the PFS are established to reflect the financial transactions of the program and are maintained by the program implementation agency.
- In conducting the audit special attention shall be paid to the following: -
 - a) All external funds have been used in accordance with the conditions of relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided.
 - b) Counterpart Funds have been provided by Government are used in accordance with relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided;
 - c) Reimbursement as per Disbursement linked Indicator in accordance with the relevant financing agreements,
 - d) Goods and Services financed have been procured as per Government procurement rules.
 - e) All necessary supporting documents, records, and accounts have been kept in respect of all program expenditure.
 - f) The program accounts have been prepared in accordance with consistently applied national accounting standards and give a true and fair view of the financial situation of the program at the end of each financial year and the resources and expenditure for the year ended on that date.

(iv) Audit should be carried out in accordance with the Auditing Standards issued by the Institute of Chartered Accountants of India, to the extent relevant. The audit should include such tests and controls as the Auditor considers necessary under the circumstances. Specific areas of coverage of the audit will include the following:

- That all necessary supporting documents, contracts, records, and accounts have been kept in respect of all the activities of the department, and that clear linkages exist between the accounting records, books of account and Department's Financial Statements.
- That UC's are verified and signed on annually basis as per JJM/SBM (G)/KSRWSP guidelines
- Component wise PFMS and IMIS expenditure

4. Reporting requirement :

- An audit report on the program financial statements should be prepared in accordance with the Auditing Standards promulgated by ICAI and the format prescribed in the JJM& SBM-G Guidelines and KSRWSP.
- The audit report
 - Annual financial statements
 - Audit opinion and
 - Management letter highlighting weaknesses, if any, and identifying areas for improvement

The financial statements should consist of the following reports

- Sources and uses of funds
- Schedules for various items shown in the above statements as required

KSRWSP Program Financial Statements

- The Program Financial Statements should include-
 - a) Statement of Sources and Applications of Funds and schedules (annexure 17)
 - b) Notes to accounts (annexure 19)
 - c) Management Assertion: Management should sign the program financial statements and provide a written acknowledgement of its responsibility for the preparation and fair presentation of the financial statements and an assertion that program funds have been expended in accordance with the intended purposes as reflected in the financial statements. (annexure 18).
 - d) Independent Auditor's Report. (annexure 20).
- The auditor should apply such tests as the auditor considers necessary under the circumstances to satisfy the audit objective. These expenditures should be carefully examined for program eligibility by reference to the relevant financing agreements. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted and qualified by the auditor.
- Those standards require an audit opinion to be rendered related to the financial statements taken as a whole, indicating "unambiguously whether it is unqualified or qualified and, if the latter, whether it is qualified in certain respects or is adverse or a disclaimer of opinion." In addition, the audit opinion paragraph will specify whether, in the auditor's opinion, (a) adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to the audit report, expenditures are eligible for financing under the Loan/Credit Agreement.
- The annual audit report consists of (i) annual financial statements (ii) audit opinion and (iii) management letter highlighting weaknesses, if any, and identifying areas for improvement. The auditor would certify the entire program expenditure as per the formats agreed with PMU. The financial statements should consist of the following reports

The auditor should submit three original certified copies of the audited statement of accounts along with relevant annexures and audit report to RDW&S Dept., in hard copies

Jal Jeevan Mission(JJM)

32 Divisions & State office consolidated Audit Report & Component-wise Utilization Certificate

1. Auditor's Report
2. Receipt and Payment Account
3. Income and Expenditure Account
4. Balance Sheet along with concerned annexure
5. Notes Forming Part of Accounts (Reporting about physical output)
6. Auditor's observations as Annexure
7. Letter issued by O/o CAG in support of empanelment of the Chartered Accounts for the financial year 2023-24 & 2024-25(year in which the CA conducts audit of the account)
8. Component-wise Utilization Certificate (Centre and State Share)
9. Compare between GoI JJM IMIS and Audited Financial figures
10. Balance Sheet along with concerned annexure

JJM State Office – Audit Reports requirement

1. There are 3 Bank Accounts & Khajane-2, K2-PFMS operated at State Office.
2. Receipt and Payment Accounts
3. Income and Expenditure Account
4. Balance sheet along with concerned annexure

Swachh Bharat Mission (Gramin) - SBM-G:

Consolidated Audit Report of Swachh Bharat Mission (Gramin) (Districts + State office) must contain the following:

1. Auditor's Report (SBM-G General Budgetary Support Fund (GBS), Extra Budgetary Resources (EBR), Performance Based Incentive (PBI) & Swachh Bharat koshfund separately.
2. Receipt and Payment Account
3. Income and Expenditure Account
4. Balance Sheet along with concerned annexure
5. Notes Forming Part of Accounts (Reporting about physical output)
6. Auditor's observations as Annexure
7. Letter issued by O/o CAG in support of empanelment of the Chartered Accounts for the financial year 2023-24 & 2024-25(year in which the CA conducts audit of the account)
8. Utilization Certificate (Centre and State Share)
9. Annexure 1 to 14
10. Other annexure related to Audit report

SBM-G State Office – Audit Reports requirement

1. There are 4 Bank Accounts operated at State Office.
2. Fund-wise (GBS, EBR, PBI, Swachh Bharat kosh& SBM-G other projects fund) Auditor reports separately
3. Receipt and Payment Account
4. Income and Expenditure Account
5. Balance sheet along with concerned annexure.

5. Areas to be covered

- Continuous review of terms of contract with any agency, adherence to deliverables as per the stipulated timeline and verification of payments under the contract.
- Verification of all other receipts, including scheme advance/working capital from the Govt. etc., their utilization and payments under all other heads.
- Statutory compliance including deduction of tax at source and remittance, filing of periodical returns and related aspects.
- Maintenance of records relating to assets acquired/received by the Department, their upkeep, physical verification & reconciliation with books at regular intervals and segregation of unserviceable assets.

6. Qualification Criteria:

- The Chartered Accountant firm should be empanelled under C& AG 2023-24
- The firm should have registered Head office at Bangaluru
- The firm should have audited experience of minimum 5 year for Schemes of Government of Karnataka/ Centrally sponsored Schemes.
- The firm should not be blacklisted and should not have any litigation/negative feedback from any Government/Private firm during the period of service.
- The firm should be CAG empanelled.
- JJM and SBM-G schemes audit at District/division level auditor will not be applied or considered in Technical proposal evaluation.

Note : Supporting documents against the qualification criteria above must be submitted along with the technical proposal.

Evaluation of Financial Proposals:

- a. The financial proposal will be evaluated on Least Cost Selection basis(LCS).

7. Key personnel:

Key personnel in the audit team, their minimum qualifications, and anticipated inputs are indicated below:

- Audit team should be led by a CA with a minimum of 5 years of post-qualification experience in the accounts and audit of PSUs with good exposure to social sector schemes, Govt. system of budgeting and accounting under Govt. sponsored schemes.
- Day to day management of the audit should be the responsibility of one Audit Assistant having qualification of B.com and more than 5 years of post-qualification experience in accounts and at least 3 years' experience in the audit of Govt. system or PSUs social sector schemes.

8. General:

The Auditor would be given access to all documents, correspondence, and any other information relating to the Department and deemed necessary by the Auditor. Auditor should also become familiar with the relevant policies and guidelines of the GoK, Goland World Bank including related financial management & reporting requirements. Auditors should obtain satisfactorily documentary evidence to support their conclusions.

To prevent conflict of interest, auditors or any of their associates (including associates of the firm's partners) would not be eligible to be appointed to carry out any other assignment in the Department.

The contract will be for initial one(1) year , further extendable year or year basis for a maximum of three(3) years based on mutual consent and satisfactory report from the Department.

9. Review Committee

The audit reports will be reviewed by Commissioner/Director, RDWSD in consultation with Chief Accounts Officer.

10. Checklist of areas to be covered

- a. The auditor is required to cover the following as a part of the audit:
 - The audit activities should include payment audit as well as independent appraisals of the financial, operational and control activities of the scheme.
 - Funds have been used in accordance with the condition of the relevant financial norms and regulations with due attention to economy and efficiency, and only for the purpose for which it was provided.
 - Whether there is adequate segregation of duties and controls?
 - Applicable accounting principles have been followed while incurring expenditure.
 - There is a proper financial & administrative delegation and expenditure incurred/advances paid are properly authorized, as per the existing delegation. If need be, comment on the adequacy or otherwise of the delegation of powers at various levels.
 - Goods, works and services including procurement of assets are in

- accordance with the accepted procurement procedures - compliance with KTPP Act, 1999 and rules framed there under and where funds of other external agencies have been utilized for such procurement.
- Adequate and proper supporting documents viz. tender documents, purchase orders, invoices, vouchers, receipts, pay bills, TA bills, vouchers etc., are maintained in respect of all the procurement of goods & services, expenditure booked/incurred and properly linked to the transactions.
 - Whether Bank accounts are reconciled regularly and timely action taken to reconcile the differences/unlinked debits & credits and confirmation is being obtained from Bank/s on a regular basis.
 - Monitoring and maintenance of accounts in double entry system.
 - Accounting is as per standards of ICAI and GOI.

b. Specific areas shall include but not limited to the following:

Cash and Bank balance

Urgent office expenditure and other contingencies shall be met out of a pre-determined imprest amount, which shall be recouped from time to time. Imprest limit shall be need based and it shall be ensured that:

- Amount is drawn/recouped as per authorization/delegation;
- Cash on hand at any point of time shall tally with the Cash Book balance;
- All cash realizations/proceeds are remitted to the Bank account on the next working day, without being mixed up with imprest cash and adequate controls exist for safe keeping of cash including insurance cover;
- Only office contingency, training/workshop and other petty expenditure are met out of the imprest;
- All other payments shall be made through account payee crossed cheques only;
- Bank accounts are reconciled at monthly intervals and list of outstanding entries shall be prepared and followed up for timely clearance.

Vouchers

All the vouchers have to be scrutinized and verified to check whether proper sanction/approval is there for all the payments, payment has been properly authorized and expenditure is correctly booked in the accounts.

Verification of Registers

Audit should verify and comment on the up to date maintenance of relevant registers and records in connection with the activities & expenditure of the Department, including Fixed Assets Register Physical verification of cash, assets and other items

Process of audit should also include surprise verification of cash at least two times during each spell of audit and confirmation to the effect that physical balance tallies with the cash book balance. Physical verification of assets shall be undertaken at regular intervals during the course of the audit followed by comparison of the physical balance with book balance and commenting upon variations, if any, as also segregation of unserviceable/damaged assets from sound assets.

Suggestions and recommendations

Audit should review existing systems internal control, their efficacy/effectiveness and come up with suggestions/recommendations for improvements in the system of internal controls, MIS and related aspects leading to more effective functioning and achievement of the Department objects.

c. Contents of yearly report :

Findings - Under each head of Account and Bank Accounts, comments of the Auditors along with Management replies/explanations/clarifications in relation to the audit observations.

Issues and Suggestions - Auditor should identify specific issues/areas of weaknesses, which need to be addressed and suggest steps & strategies to overcome them.

Recommendations - Overall opinion on the audit conducted shall be given under this head. Lack/inadequacy of systems of internal control can be highlighted under this chapter along with recommendations and best practices followed, elsewhere.

11. Penalty for Non-performance/Non-Satisfactory:

If the services were not performed as per the ToR/Scope of work, the fees to such portion of non-carrying / non-performance of work may be deducted from the contract value. If there any professional negligence is observed by the department on carrying out of the work by the Chartered Accountant firms, the name of such firms will be referred to Central Govt, State Govt and ICAI for taking suitable disciplinary actions against the firms.

12. Submission of response:

- i. The original Proposal (Technical Proposal and Financial Proposal) shall be prepared in indelible ink.
- ii. An authorized representative of the Consultant initials all pages of the Proposal.
- iii. The representative's authorization is confirmed by a written power of attorney accompanying the Proposal.
- iv. The Technical Proposal shall be placed in a sealed envelope clearly marked "Technical Proposal," and the original and all copies of the Financial Proposal in a sealed envelope clearly marked "Financial Proposal" and warning: "Do Not Open with the Technical Proposal." Both envelopes shall be placed into an outer envelope and sealed. This outer envelope shall bear the submission address and "Expression of Interest for Monitoring, Evaluation of Accounts, preparation of Audited Financial Accounts, Audit reports, Utilisation Certificate and Certification Of JJM, SBM (G) & KSRWSP Audit report for the year 2023-24 of Rural Drinking Water And Sanitation Department"

Interested service provider shall submit their response to EOI in (hard copy) in to Commissioner RDWSD, 2nd Floor, KHB Complex, Cauvery Bhavan, K.G. Road, Bengaluru-560 009 on or before ~~15-12~~ 15-12-2023.

For any clarifications, the queries can be sent to E-mail-id: caordwsd@gmail.com


Director,

Rural Drinking Water and Sanitation
Department, Bengaluru

ANNEXURE-A
Technical Proposal

(To be submitted in letter head of the firm)

Sl.no	Description	Details to be submitted.
1.	Name of the Firm	
2.	Contact person details Phone Mobile Email	
3.	Details of registration	
4.	Financial Turnover details	
5.	Work Done experience and its certificates	
6.	CV-Chartered Accountant	
7.	CV-Account Assistant	
8.	Best practices	

ANNEXURE-B

Financial Proposal

(To be submitted in letter head of the firm)

We, the undersigned, offer to provide the consulting services for the above in accordance with your Request for Proposal dated [Date], and our Proposal (technical and Financial Proposals). Our attached financial proposal is for the sumo [Amount in words and figures] per year.

Our financial proposal shall be binding upon us subject to the modifications resulting from contract negotiations.

We undertake that, in competing for (and, if the award is made to us, in executing) the above contract, we will strictly observe the laws against fraud and corruption in force in India namely "Prevention of Corruption Act 1988".

We understand you are not bound to acceptance Proposal you receive. Were main,

Yours sincerely,

Authorized Signature:

Name and Title of Signatory:

Name of the Consultant:

Annexure C : Undertaking on Being Not Black - Listed
(To be submitted in letter head of the firm)

This is to certify that..... .. (Name of the bidder Company) is not blacklisted by the Government of Karnataka or any of its agencies for any reasons what so ever and the bidder should not be blacklisted by Central / any other State / UT Government or its agencies for indulging in corrupt or fraudulent practices or for indulging in unfair trade practices as on 15* June 2022.

Company Secretary / Authorized Signatory Name of
Signatory :

Bidder Name:

Date

Place

Annexure D : Undertaking on litigation (s)

(To be submitted in letter head of the firm)

This is to certify that..... (Name of the bidder company) does not have any litigation / Arbitration History with any Government department / Public sector undertaking / Private sector or any other agency for which we have executed / undertaken the works / services during last 5 years.

Company Secretary / Authorized

Signatory Name of Signatory:

Bidder Name:

Annexure 17 – Source and Use of funds (Component wise) - KRWSP

(Amount in INR)

Particulars	State	Centre	Total
	FOR the year	FOR the year	
Sources	1	2	(3) = (1) + (2)
Expenditure by Activities:			
In-village water supply infrastructure - FHTC			
Staffing, PMU, and office improvement			
Lab construction and O&M			
Tanks rejuvenation			
Energy efficiency			
M&E and IVA			
Training, capacity building, and exposure visits			
Other program related activities including IEC			
Total program expenditure			

(provide schedules as required)

Head of Finance

Program Director

Notes:

1. This financial statement is prepared on _____ basis of accounting.
2. Any other Program specific Note.

Annexure 18: Management Assertion Letter² (to be issued by KRWSP)

To,

XXXXXXX

This assertion letter is provided in connection with your audit of the financial statements of the KRWSP for the year ended _____. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with the **cash/accrual** basis of accounting, and we confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

1. The Program financial statements are free of material misstatements, including omissions.
2. Program funds have been used for the purposes for which they were provided.
3. Program expenditures are eligible for financing under the Loan/Credit agreement.
4. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the Program financial statements.
5. We have made available to you all books of account and supporting documentation relating to the Program.
6. The Program has complied with the conditions of all relevant legal agreements, including the Financing Agreement, the Program Appraisal Document, and the Minutes of Negotiations.

[Program Director(s)]

(Head of Finance)

Annexure 19:

SCHEDULE OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES

A. CONVENTION

The financial statements of the Program are prepared under the historical cost convention in accordance with generally accepted accounting principles, on cash basis.

B. FIXED ASSETS

Fixed assets are shown as work in progress in the balance sheet till it is completed and handed over. Once it is handed over it is nullified against the grant. Fixed assets which comprises of purchase price (net of rebates and discounts) duties, levies (net of duty drawbacks and subsidies) and any attributable cost of bringing the assets to their working condition.

C. DEPRECIATION

The entities are following a policy of charging depreciation on the fixed assets. For the Program financial statements no depreciation is charged as it is made out of grants and transferred to GPs.

NOTES TO ACCOUNTS

1. Interest received on Program funds upto the financial year _____ aggregating to Rs. _____ is to be deposited in State Government fund.
2. Previous Year figures have been regrouped and reclassified wherever necessary.
3. The program reporting requirements are outlined in the Loan Agreement and Program Agreement. The financial reporting requirements including audit submission is outlined in the DFIL dated _____.
4. As this is a PforR, the overall program expenditure will be reconciled to the overall disbursements from the IBRD and adjustments, if any will be carried out in the last year of the Program.
5. During FY _____, the overall Program expenditure was Rs. _____ Crores, which is more than/less than the disbursement of USD _____ (equivalent to Rs. Crore) for achievements of DLIs.

Sl. No.	Category	Year of Achievement	Amount Reimbursed		
			DLI	Amount (In US\$)	Equivalent Amount (In INR)
1					
2					
Total					

Annexure 20:

Audit Report format

<on the letter head of the auditor>

Sample Audit Report—Unqualified Opinion

Independent Auditor's Report

To,

<appropriate addressee the Program Director>

Report on the Audit of the Program Financial Statements

Opinion

We have audited the accompanying special purpose financial statements of Karnataka Rural Water Supply Program financed by the International Bank for Reconstruction and Development (IBRD) Loan No. _____ and implemented by RDWSD. These financial statements comprise of the source and uses of funds³, and notes to these financial statements⁴, including a summary of significant accounting policies (collectively referred to as the "Program Financial Statements").

In our opinion, the aforesaid special purpose Program Financial Statements give a true and fair view of thereceipts and disbursements of the Program for the year ended on March 31, 20XX and the expenditure of the Program for the year ended on March 31, 20XX, in accordance with the financial reporting provisions of Section 5.09 of the General Conditions of the World Bank read with the Loan Agreement and Program Agreement both dated <insert date of the agreement> described in Note XXX.

Basis for Opinion

³ Indicative given in annexure 17

⁴ Indicative notes given in annexure 19

We conducted our audit in accordance with the Standards on Auditing issued by Institute of Chartered Accountants of India (ICAI). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the implementing agency in accordance with the ICAI's Code of Ethics for undertaking this assignment, and we have fulfilled our ethical responsibilities in accordance with ICAI's Code of Ethics⁵. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter⁶

We draw attention to Note XXX to the PFS describing the basis of accounting. The PFS is prepared to assist the Program to meet the financial reporting requirements of the Program's Financing Agreements <select as applicable>for Program for Results dated _____ in respect of preparation of the Program Financial Statements in a manner to reflect the operations, resources and expenditures related to the Program. As a result, these special purpose financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and those charged with Governance for the Program Financial Statements

The Management of the implementing agency is responsible for the preparation and fair presentation of the Program Financial Statements in accordance with the financial reporting framework⁷ described in Note XXX to these financial statements, and for such internal control as management determines is necessary to enable the preparation of Program Financial Statements that are free from material misstatement, whether due to fraud or error.

The Management and those charged with governance are responsible for overseeing the implementing agency's financial reporting process.

Auditor's Responsibilities for the Audit of the Program Financial Statements

Our objectives are to obtain reasonable assurance about whether the Program Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and

⁵ In case the implementing agency is a company, mention that ethical requirements of the Companies Act, 2013 have been complied, as illustrated in the Standard of Auditing 700

⁶ The auditor may add other points on which it wishes to draw emphasis

⁷ Refer to Standard on Auditing 700 (revised), para 7(b)

to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Standards of Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standard of Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the Program Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the Program Financial Statements, including the disclosures and whether these financial statements present the Program's operations and underlying transactions and events in a manner that achieves fair presentation in accordance with the financial reporting provisions described in Note XXX to the Program Financial Statements.
- communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter

*<where a separate entity report is required to be issued, this para may be inserted>*The implementing agency/ies <name of the implementing agency/s> has prepared a separate set of entity financial statements for the year ended March 31, 20xx on which we *<OR write the name of the audit firm which issued the audit report>* have issued a separate auditor's report to the

Governing Body/Shareholders <select as applicable>dated <date of the audit report>and expressed an unmodified/modified <select as applicable>audit opinion.⁸

Report on Other Legal and Regulatory Requirements <select/modify the below as applicable per the terms of reference >

Further to our opinion on the Program Financial Statements we further report that:

- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) in our opinion, proper books of accounts have been kept by the implementing agency for Program purposes so far as appears from our examination of those books;
- c) the Program Financial Statements dealt with by this report is in agreement with the books of accounts;
- d) the Program funds were utilized for the purposes for which they were provided;
- e) expenditures, including assets created under the Program, shown in the PFS are eligible for financing under the Program Financing Agreements;
- f) Withdrawal applications submitted by the Program management can be relied upon to support applications for withdrawal of the Loan, and adequate supporting documentation has been maintained to support these claims;
- g) Procurement has been carried out in line with the agreed procedures as detailed in the Legal Agreements; and
- h) the Program has an adequate internal financial control system (including IT controls) and such controls were operating effectively as at March 31, 20XX and the Program complies with the provisions on financial management contained in the Operations Manual/ Program Implementation Plan/ Financial Management Manual, in all material aspects.

For XYZ & Co
Chartered Accountants
<Firm's Registration No. XXXX>
Signature
< name of CA signing the audit report>
<Proprietor/Partner>
(Membership No. XXXXX)

Place of Signature:

Date:

UDIN⁹: (UDIN number to be provided for the certificate)

⁸This para may be modified in case separate audit report has been issued for the year other than the year of current audit. The auditor is also expected to consider the key qualifications made by the auditors on the entity financial statements and decide if these affect the opinion of the auditor on the Program Financial Statements.

⁹The auditor should enter the total Program expenditure during the year and additionally select from the following for entering in UDIN Portal: total funds received during the year; closing balance in Program bank account; cumulative Program expenditure.

