

## **TERMS OF REFERENCE**

### **FOR THE AUDIT OF BMZ- PT PROJECT**

“Global program for the sustainable realization of the human right to water and sanitation through the innovative combination of rights-based and WASH system approach in India, Nepal and Uganda”

#### **Introduction**

**Malteser International** is the worldwide relief agency of the Sovereign Order of Malta for Humanitarian aid. Its mission is not only to provide emergency relief, but also to implement rehabilitation measures and to facilitate the link between Emergency relief and Development. In its projects, Malteser International concentrates on the five sectors Relief and Rehabilitation, Health and Nutrition, Water, Sanitation and Hygiene, Livelihoods, and social programs.

**UNNATI:** Indian non-governmental organization (NGO) with experience in rights-based program work with urban poor and capacity building of Urban Local Bodies (ULBs). UNNATI began its work in this area in 1998 in Gujarat and expanded to Rajasthan in 2000. UNNATI uses a systemic approach, enabling poor and marginalized communities to identify and claim their rights, while building the capacity of municipalities to design and implement support programs from an equity and social justice perspective.

#### **1. PROJECT SUMMARY**

The current project, “Global WASH Program.” (MI PN 0213-14, Donor PN 5991)

The implementing partner is UNNATI-Organization for Development Education, located at G-1/200, Azad Society Ahmedabad; 380015 Gujarat.

The project contributes to improving health by increasing clean water and sanitation services for human rights holders through strengthened WASH systems: water and sanitation services are available, accessible, affordable, safe and acceptable for everyone.

The project duration is 01.06.2022 – 31.05.2025 with an initial total direct project budget of 543,905.00 EUR dedicated to UNNATI.

## 2. OBJECTIVES OF THE AUDIT

The objective of the audit is to express an opinion on the financial statements and report that all statutory compliances are carried out in accordance with the Generally Accepted Accounting Standards in India and the regulations according to the Partner Project Agreement.

The specific objectives are as follows:

- ✓ Giving a judgment of the financial performance and position particularly whether correct and reliable reflection is given of the receipts and expenditure in these financial statements.
- ✓ Analyzing and evaluating the financial management and internal control system.
- ✓ Making observation to assess whether MI and Partner organizations have complied with all conditions of the existing rules and regulations.

## 3. DESCRIPTION OF SERVICES

### 3.1 GENERAL MANDATE

Carry out an audit in accordance with appropriate professional standards of auditing as applicable in India and the regulations defined in the Partner Project Agreement and express an independent professional opinion on the financial statements of **Global WASH Program** for the financial year for the period from

- 01.06.2022 to 31.12.2023,
- 01.01.2024 to 31.12.2024,
- 01.01.2024 to 31.05.2025 (project end), subject to potential extension.

Annex 1 and 2 must be prepared separately for each calendar year, 2022, 2023, 2024 and 2025.

Produce a report on the evaluation of the financial management of Malteser International's implementing partner indicating the strengths and weaknesses, as well as corrective measures needed to ensure proper financial management.

### 3.2 Give particular attention to:

The external audit should include the following auditing and control measures.

- ✓ Verifying accounting records for correctness and completeness.
- ✓ Verifying the financial report in which all project-related income and expenditure must be shown and for which it must be confirmed that receipts are provided for all income and expenditure.
- ✓ Verifying how the provided project funds have been managed. This includes:
  - Project funds transferred to the project partner in the current budget year or during the project duration.
  - Interest earned in the current budget year or during the project duration from project funds transferred to the project partner, if existing.
  - Other income from the project activity.
- ✓ Verifying to what extent the funds have been used appropriately in line with the planned project objectives and activities.
- ✓ Verifying the cost-effectiveness of expenditure with regard to financial resources (to be used economically and as effectively as possible).
- ✓ Verifying the personnel costs and social security contributions to ensure that they are in line with local standards, legal in the respective project country and, above all, that they comply with contracts and that the contributions required by law are being withheld.
- ✓ Verifying that the cost plan is being adhered to by means of a comparison of objectives and effects (based on the most recent valid budget).
- ✓ Verifying the economic use of project equipment.
- ✓ Verifying the procured inventory, where it is being held and whether it has been/is being used appropriately for the purpose of carrying out the planned project objectives and activities.
- ✓ Verifying and confirming that project-relevant documentation is complete and correct.
- ✓ Verifying that all agreements fundamental to the project are being adhered to

#### 4. PROCESS OF THE AUDIT

Activity	Actors involved	Frequency of activity	Timeline (annually)	Timeline (project start)
submission of offer (one amount including travel, food and accommodation, taxes, etc.)	auditor	Once, in the first project year		February
signature of tri-partite agreement by all parties  (optional: First Instalment payment)	MI + partner + auditor	Once, in the first project year		End of February / Beginning of March
provision of project contract with all annexures, amendments etc. to the auditor	partner	Once, in the first project year.  If project amendments are approved during the project, these must be shared with the auditor.		
workplan: partner and auditor decide dates for documents verification at partner office and field visit	partner + auditor	Each project year		
conduct of audit	partner + auditor	Each project year		

auditor shares draft audit report	MI + partner + auditor	Each project year	Latest 01.03.	optimistic: 30.04.
review of audit report and sharing of comments	MI (via partner) + partner	Each project year		
revision process of audit report to be continued until provision of clearance	MI + partner + auditor	Each project year		
signing of the stamped audit report, provision of the soft copy and the 3 hard copies to MI and partner	auditor	Each project year	20.04.	31.07.
Instalment payment	partner	Each project year		

## 5. AUDITOR'S REPORT

The report of the external audit must include the following:

- ✓ Presentation of the audit assignment and scope with extensive comments on the audit findings. The auditor must also state which documents were used for the audit of appropriate use of funds and compliance within the project term.
- ✓ Recommendations in case of complaints
- ✓ Comment on how audit observations from previous years were followed up on, if required
- ✓ Budget (most recent version), with the structure used for the financial report, provided for the final report, and presented like the Annex 1. The comparison of planned and actual expenditure is shown in the currency in which the expenditure was incurred. The audit will not convert these amounts to EUR.
- ✓ For deviations of actual expenditure from the planned expenditure in the current budget that exceed 30% of individual budget sub-categories, reasons must be given.

- ✓ The final audit opinion in the audit certificate must state the following (minimum requirement), which is to be worded clearly by the external auditor and adapted if appropriate: “We hereby certify that we have audited the statement of accounts of **Global WASH Program** regarding the financing of the project “Global program for the sustainable realization of the human right to water and sanitation through the innovative combination of rights-based and WASH system approach in India, Nepal and Uganda”. Our audit was carried out on the basis of the following requirements pertaining to the use of funding:

- project agreement including all annexures and amendments if applicable,
- partner reports
- budget control incl. voucher list, vouchers with supporting documents, cash books, ledger books, bank passbook/ deposit slips/ certificate of deposits, bank reconciliation statement, monthly trial balance allocations of shared costs (staff, office rent, water, communications, and electricity, etc.),
- income overview/ receipt documents: instalments of MI incl. exchange rate calculation, interest received on bank account, local contribution documentation
- staff list, staff contracts, time sheets,
- logistic documents incl. inventory list, handover documents, procurement documents, logbook, vehicle registration etc.
- training documentation: participants list, training flow etc.
- MOUs/ agreements/ contracts with governmental partners/ local authorities, community-based organisations (self-help groups, federations, etc.), service providers, etc.
- in case of project-funded constructions: land title documents, agreements between landowner and project holder/ beneficiaries for long-term utilization
- others: to be specified

To this end, we have inspected the books and receipts. Based on our audit, we confirm that:” Following this, the audit should provide specific statements on the following questions:

1. To what extent has all income and expenditure been properly documented by means of receipts?
2. To what extent has documented expenditure complied with its application and project approval and to what extent is it in keeping with the appointed purpose and the most recent budget? Have any deviations from the most recent budget been explained separately?

3. To what extent has documented income, that is accounted for as contributions made by the local project partner, the target group and/or other agencies in the project country been specified correctly and its origin explained in accordance with specifications?
4. To what extent were the donor's conditions that were specified in the project agreement? What response was there to these conditions? Which of these conditions were not adhered to and were reasons given for this?
5. Which special aspects – positive or negative – should be mentioned with regard to this project?

The audit report should draw a clear conclusion regarding adherence to the binding arrangements made in the project agreement.

The auditor is required to provide information in the audit report about any special aspects (relating to project in question). Specific statements on the audit conducted on the project in question (i.e. which income and expenditure were examined, whether planned project activities were implemented) and on the individual audit findings must be made. If there were no findings, this must also be explicitly mentioned in the report.

### Annex 1: Statement of Accounts by Chartered Accountants

1. The chartered accountant shall structure his auditor's certificate according to the quantitative documentary proof of the statement of application of funds (cf. Annex 2). He must record the commissions and documents which make up the terms of use made available on which the audit is based.
2. Expenditure which exceeds the budget appropriations by more than 30% shall be explained separately if the approval of the BMZ has not previously been obtained.
3. The final auditor's certificate shall contain the following (minimum requirement):

"We hereby certify that we have audited the statement of accounts of (name of the project-executing agency in the developing country) in respect of the financing of the project (name) on the basis of the following terms of use made available to us (list of commissions and documents). To this end, we have inspected the books and vouchers and report that:

1. Proofs of receipts and expenditure have been properly furnished in the form of vouchers.
2. The expenditures, for which evidence has been supplied, are in keeping with the appointed purpose as set out in the Financing Plan. Any deviations from the Financing Plan are described and explained separately.
3. The amount and origin of documented income which is accounted for as counterpart contributions made by the project executing agency, the target group and/or other agencies in the project country have been specified.
4. The terms set by the donor have been observed/have not been observed in the following points.
5. Special notes:

List of findings of current year

Finding of the auditor	Recommendation of the auditor	Feedback of the partner

List of findings of previous year

Finding of the auditor	Recommendation of the auditor	Status of implementation

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**Quantitative documentary proof****Annex 2: Statement of application of funds**

BMZ project number

**Statement of accounts for 20 to 20**

Financial statement as at

<b>4.1</b>	<b><u>Expenditure</u></b>	Appropriation according to Financing Plan of ..... [date] in local currency	Actual expenditure in local currency	Actual expenditure in EUR	Deviation – as a % –
<b>4.1.1</b>	<b><u>for investments</u></b>				
4.1.1.1.					
4.1.1.2					
4.1.1.3					
4.1.1.4					
<b>4.1.2</b>	<b><u>for operating expenditure</u></b>				
4.1.2.1					
4.1.2.2					
4.1.2.3					
4.1.2.4					
<b>4.1.3</b>	<b><u>for personnel</u></b>				
4.1.3.1					
4.1.3.2					
4.1.3.3					
4.1.3.4					
<b>4.1.5</b>	<b><u>for evaluation or study</u></b>				
	Project expenditure				
<b>4.1.6</b>	<b><u>Reserve funds</u></b> (appropriations only)		----	----	
	<b><u>Total expenditure</u></b>				

<b>4.2.</b>	<b>Receipts</b>	Budgeted receipts according to Financing Plan of ..... [date] –in local currency–	Actual receipts –in local currency–	Actual receipts –in EUR–	Deviation – as a % –
4.2.1	BMZ grant and financial contribution from private executing organisation				
4.2.2	Contribution from project-executing agency, target group and/or other source in developing country				
4.2.3	Additional resources (e.g. interest, sales revenue)				
<b>Total receipts</b>					

<b>4.3</b>	<b>Financial statement as at</b>	
	– in local currency –	– in EUR –
Total receipts		
Total expenditure	./.	
Balance	<hr/>	
Overspending <sup>1</sup>		

It is confirmed that no funds were available for the financing of the project other than the receipts detailed above. It is also confirmed that all expenditure was necessary, that funds were utilised efficiently and economically, and that the information given conforms with the books and vouchers.

.....  
(Place)

.....  
(Date)

.....  
(Signature and stamp)

<sup>1</sup> Overspending = Actual total expenditure – Appropriation total expenditure according to Financing Plan