

CONTRACT AGREEMENT
OF
CONCURRENT AUDITOR FOR NEER NIRMAL PARIYOJNA, ASSAM
FOR
THE FY 2016-17

UNDER
WORLD BANK ASSISTED
NEER NIRMAL PARIYOJNA
RURAL WATER SUPPLY AND SANITATION PROJECT FOR LOW
INCOME STATES

IMPLEMENTED BY
THE STATE PROJECT MANAGEMENT UNIT (SPMU), ASSAM
PUBLIC HEALTH ENGINEERING DEPARTMENT
ASSAM (INDIA)



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08AA 829099

THIS CONTRACT "CONCURRENT AUDITOR OF NEER NIRMAL PARIYOJNA ASSAM FOR THE FY 2016-17" is entered into this 11th day of August, 2016, by and between THE STATE PROJECT MANAGEMENT UNIT (SPMU), ASSAM for Work Bank assisted NEER NIRMAL PARIYOJNA (Rural Water Supply and Sanitation Project for Low Income States) having its principal place of business at 5th Floor, Redstone Building, G.S Road, Guwahati-22, Assam and SANJAY HAZARIKA & CO. ("the Consultant") having its principal office located at G.N.B Road, Silpukhuri, Guwahati-781003.



WHEREAS, the Client wishes to have the Consultant perform the services hereinafter referred to, and

WHEREAS, the Consultant is willing to perform these services,

NOW THEREFORE THE PARTIES hereby agree as follows:

1. Services:

- (i) The Consultant shall perform the services specified in Annex A, "Terms of Reference and Scope of Services," which is made an integral part of this Contract ("the Services").
- (ii) The Consultant shall provide the personnel listed in Annex B, "Cost Estimates of Services, List of Personnel and Schedule of Rates" to perform the Services.

Sanjay Hazarika
Project Director
SPMU NNP, Assam
G.S. Road, Guwahati-22



(iii) The Consultant shall submit to the Client the reports in the form and within the time periods specified in Annex C, "Consultant's Reporting Obligations."

2. **Term:**

The Consultant shall perform the Services during the period commencing 11.08.2016 and continuing through 10.09.2017 or any other period as may be subsequently agreed by the parties in writing.

3. **Payment:**

A. **Ceiling:**

For Services rendered pursuant to Annex A, the Client shall pay the Consultant an amount not to exceed Rs. 11,57,303.00 (Rupees Eleven Lakh Fifty Seven Thousand Three Hundred and Three only). This amount has been established based on the understanding that it includes all of the Consultant's costs and profits as well as any tax obligation that may be imposed on the Consultant.

B. **Remuneration:**

The Client shall pay the Consultant for services rendered at the rate(s) per month spent in accordance with the rate agreed and specified in Annex B, "Cost Estimates of Services, List of Personnel and Schedule of Rates".

C. **Reimbursable Expenses:**

The Client shall pay the Consultant for reimbursable expenses, which shall consist of and limited to:

- i. Per Diem allowances.
- ii. Reproduction of reports.
- iii. Office Overheads (Cost of Camera etc.)

D. **Payment Conditions:**

Payment shall be made in INDIAN RUPEES, no later than 30 days following submission by the Consultant of invoices in duplicate to the Coordinator designated in paragraph 4.

Payments shall be made to the A/c No.: 19660200001006 of FEDERAL BANK LIMITED, Guwahati, Silpukhuri, Assam.

E. **Schedule of Payment:**

- 100% quarterly advance for Manpower Support (Remuneration).
- Reimbursable expenses (Per Diem allowances, reproduction of reports, office overheads etc.) will be paid against the voucher at the end of quarter.


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G.S. Road, Guwahati-22

4. **Project Administration:**

A. **Coordinator:**

The Client designates **Mr. Nupur Das, Financial Management Specialist, SPMU Assam** as Client's Coordinator; the Coordinator will be responsible for the coordination of activities under this Contract, for acceptance and approval of the reports and of other deliverables by the Client and for receiving and approving invoices for the payment.



B. **Reports:**

The reports listed in Annex C, "Consultant's Reporting Obligations," shall be submitted in the course of the assignment, and will constitute the basis for the payments to be made under paragraph 3.

5. **Performance Standards:**

The Consultant undertakes to perform the Services with the highest standards of professional and ethical competence and integrity. The Consultant shall promptly replace any employees assigned under this Contract that the Client considers unsatisfactory.

6. **Confidentiality:**

The Consultants shall not, during the term of this Contract and within two years after its expiration, disclose any proprietary or confidential information relating to the Services, this Contract or the Client's business or operations without the prior written consent of the Client.

7. **Ownership of Material:**

Any studies reports or other material, graphic, software or otherwise, prepared by the Consultant for the Client under the Contract shall belong to and remain the property of the Client. The Consultant may retain a copy of such documents and software.2

Nupur Das
Project Director
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G.S. Road, Guwahati-22

8. **Consultant not to be Engaged in Certain Activities :**

The Consultant agrees that, during the term of this Contract and after its termination, the Consultant and any entity affiliated with the Consultant, shall be disqualified from providing goods, works or services (other than the Services and any continuation thereof) for any project resulting from or closely related to the Services.

9. **Insurance:**

The Consultant will be responsible for taking out any appropriate insurance coverage.

10. **Assignment:**

The Consultant shall not assign this Contract or sub-contract any portion of it without the Client's prior written consent.


11. **Law Governing Contract and Language:**

The Contract shall be governed by the laws of GOVERNMENT OF INDIA, and the language of the Contract shall be ENGLISH.

12. **Dispute Resolution:**

Any dispute arising out of the Contract, which cannot be amicably settled between the parties, shall be referred to adjudication/arbitration in accordance with the laws of the Client's country.

FOR THE CLIENT

Signed by 
Project Director
SPMU, NNP, Assam
Road, Guwahati-22

Title: PROJECT DIRECTOR

FOR THE CONSULTANT

For, SANJAY HAZARIKA & CO.
Chartered Accountants
Signed by 
Tribh P. B. Hazarika, Proprietor
M.No. : 0556417 FRN : 312075E


Title: PROPRIETOR



LIST OF ANNEXES

- Annex A:** Terms of Reference and Scope of Services
- Annex B:** Cost Estimates of Services, List of Personnel and Schedule of Rates
- Annex C:** Consultant's Reporting Obligations




Project Director
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ANNEX A

TERMS OF REFERENCE FOR APPOINTMENT OF A CONCURRENT AUDITOR FOR THE CONCURRENT AUDIT OF ACCOUNTS OF NEER NIRMAL PARIYOJANA, WORLD BANK PROJECT UNDER PHED OF ASSAM STATE FOR THE F.Y 2016-17



OBJECTIVE OF CONCURRENT AUDIT:

Concurrent Audit is a systematic examination of financial transaction on a regular basis to ensure accuracy, authenticity, compliance with procedures and guidelines. The emphasis under concurrent audit is not on test checking but on substantial checking of transactions. It is an ongoing appraisal of the financial position of an entity to determine whether the financial management arrangements (including internal control mechanisms) are effectively working and to identify areas of improvement to enhance efficiency.

Independent Chartered Accountants firms shall be appointed as Concurrent Auditors in the project to undertake periodical audit and report on vital parameters which would depict the true picture of financial & accounting positions of the project.

SCOPE:

Expenditure is incurred against various activities approved in the Annual Work Plan & Budget from funds released by the Government of India covering the Project cost. A monthly Interim Unaudited Financial Report (IUFR) based on actual amounts spent under various interventions is sent to Government of India and to the World Bank. The concurrent auditor is required to exercise tests of accounting records, internal checks and control and other necessary internal audit of the accounts as per general principles. The concurrent audit function shall be carried out Quarterly. In conducting the Audit, specific attention should be given to the following:

- (a) The concurrent audit activities should include payment audit as well as independent appraisals of the financial, operational and control activities of the Project.
- (b) The responsibilities of the concurrent auditor should include reporting on the adequacy of internal controls, the accuracy and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the level of compliance with PHE (PROJECT) financial norms and procedures.
- (c) 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.
- (d) Generally accepted accounting principles are followed by all entities that are authorized to incur expenditure under PHE (PROJECT).
- (e) Goods, works and services financed have been procured in accordance with relevant provisions of the Procurement Procedure prescribed for the purpose. Proper

Project Director
SF/MU, NWP, Assam
G.S. Road, Guwahati-22

documents, namely, purchase orders, tender documents, invoices, vouchers, receipts, pay bills, TA bills etc. are maintained and linked to the transactions and retained till the end of the Project.



- (f) All necessary supporting documents, records and accounts have been kept in respect of all Project expenditure including expenditure covered by Statement of Expenditure. Clear linkages should exist between the books of accounts and reports presented to the Government of India and the World Bank.
- (g) Expenditure incurred under the Project is strictly in accordance with the financial norms prescribed in the PHE (PROJECT) framework or any other clarifications issued from time to time. The expenditure statements / financial statements included in the statement of expenditure of the relevant period represent a true and fair view or implementation and operations of the Project at the end of the financial year and of resources and expenditure for the year ended on that date.
- (h) Expenditure is incurred with reference to the budget allocation approved. In case the budget allocation is exceeded proper re-appropriation duly approved by the competent authority has been obtained.
- (i) PHE (PROJECT) funds are used efficiently and economically to the purpose for which they are intended.
- (j) Reconciliation of Bank Statements and accounts is regularly carried out on a monthly basis.
- (k) The audit should cover the accounts of SPMU and all DPMUs.

S. Sanjay Hazarika
Project Director
SPMU, NNP, Assam
G.S. Road, Guwahati-22

COVERAGE:

The Concurrent Audit will include such tests and controls as the Internal Auditor considers necessary under the circumstances. Specific areas of coverage of the internal audit will include the following.

- An assessment of the effectiveness of and degree of compliance with the financial controls laid down in the FM and Procurement Manuals. Whether funds have been used with due regard to economy, efficiency and effectiveness and for the purposes for which they were provided.
- Whether realistic annual work plans and procurement plans are prepared and the approval process of AWP's followed as intended. Whether there are links between the AWP and Procurement Plan.
- Whether expenditures are incurred as per approved plans and variances if any are monitored, analysed and the learning used for preparing plans for subsequent years.
- Timeliness of flow funds to the spending units. Whether the fund flow arrangements are creating any bottlenecks for implementation and if so the possible remedies.

- Whether there is appropriate documentation of check measurement/inspection of works by technical agencies/SOs.
- Whether contract payments in case of Civil Works Contracts have been made as per the terms of the contract. In doing so the auditors should consider the reports of the technical supervision consultants.
- Whether an appropriate system of accounting and financial reporting exists by which expenditures are properly recorded and eligible expenditures are claimed from the Bank in a timely manner. Whether adequate supporting documentation is being maintained for all project expenditures
- Whether an adequate system is in place to ensure that goods, works and services are being procured in accordance with guidelines prescribed in the Procurement Manual.
- Whether there is an appropriate contract management system commensurate to the size and nature of the sub-project executed by the Technical Agencies/SWSM/GPWSC/MVSWSC. Whether payments are being made to contractors/suppliers/consultants after due verification of the deliverables and within the time limits stipulated in the contract documents by all implementing agencies.
- Whether appropriate controls as laid down in the FM/Procurement Manual are complied with for variation in contracts.
- Whether Bank balances are reconciled with the books by the SPMU.
- Anything else that the auditor considers pertinent.



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Project Director
SPMU / INP, Assam
G.S. Road, Guwahati-72

LOCATION: The Auditor will be based primarily at SPMU Office, Assam. However, the Auditor would visit the various field offices/ sites/ locations as considered necessary for achieving the objective.

DURATION: The auditor will be appointed for a period of one year for the financial year 2016-17 and may be further extended for two more years subject to satisfactory performance.

Outputs that will be required of the Concurrent auditor:

1. Management Letter with Executive Summary: In addition to the audit report, the auditor will prepare an Executive Summary, which should inter alia include:

- a) Comments & observations on the accounting records, systems and controls that were examined during the course of audit;
- b) Identify specific deficiencies and areas of weakness in systems & controls and make recommendations for their improvement;
- c) Report on the degree of compliance of each of the financial covenants on the financing agreements and give comments, if any, on internal and external matters affecting such compliance;

- d) Communicate matters that have emerged during the audit which might have a significant impact on the implementation of the Project; and
- e) Bring to the Project Director's (PD) attention any other matter that the auditor considers pertinent.



2. REPORTING & TIMING:

Reporting: Reporting would be done in accordance with the ISA standards. Reporting would be done on interim and final audits as given below:

- a) **Interim reporting (6 copies):** The Auditor will provide an interim report to the project management within sixty days of the end of the each quarter, highlighting findings during the interim audit, to enable the project management to take timely action. This will inter alia include an Executive Summary as stated above.
- b) **Annual Reporting (6 copies):** The Auditor should provide an annual report to the SPMU within six months of the end of the each financial year covering the issues cited under the scope above and the report should include:
- i) Project Financial Statement;
 - ii) Expenditure by Project Components;
- The auditor should submit soft copies of the audit report in a CD in the .pdf format to the SPMU.
 - Observations made and irregularities noticed (if any) in course of the audit must be intimated to the implementing agency and the PD in writing. The response of the implementing agency / PD shall be considered by the auditor before finalization of the audit report.
 - The auditors should submit a draft copy of their report to the SPMU before finalization. The SPMU will submit its response, if any, within 10 workingdays of receipt of the draft report. If no response is received by the auditors within the said time, the auditors should finalize the related report and submit the same within a week thereafter to the SPMU.
 - The auditor shall complete the assignment as per the time schedule to be mentioned in the agreement. A penalty clause will be included in the agreement to safeguard PHE (PROJECT) interest.

[Signature]
Project Director
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G.S. Road, Guwahati-22

3. Review of the final draft Report:

Final draft report may be reviewed to assess whether auditor delivered all reports and documents specified in the contract, in the desired form and manner and within the time period as specified; Assess whether the reports and documents are easily understandable or not; Has the auditor satisfied the expectations of service quality, such as adequacy,

applicability, effectiveness, innovativeness and impartiality; to examine whether auditors are covering the scope of work and achieving the objectives of assignment set forth in the description of service mentioned.



4. GENERAL:

The auditor should be given access to all legal documents, books of accounts, procurement documents, correspondence, and any other information associated with the Project 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 Project Appraisal Document, the relevant Legal Agreements, copy of Guidelines, a copy of the project financial manual and devolution of power. Project will provide relevant documents, if any, required by the auditor.

Pre Qualification Criteria for short listing of the agencies for the RFP Stage:

- a) The Agency Expressing Interest should be an Indian firm/company /institutions having independent legal existence, Audit Firms are generally partnership firms and not companies.
- b) The Agency expressing interest should have been in existence for at least 10 years, and should enjoy a good reputation.
- c) Average Annual Income (i.e. Average Gross Professional Fees earned during the 3 years) of the firm in the last 3 financial year ending on March'31, 2015 must be equal to or more than 50 Lakh. [Relevant documents viz, audited financial statements and a certificate from Chartered Accountant in support of satisfying the criteria should be submitted.]
- d) The Agency if found to have indulged in any corrupt or fraudulent practices will have their EOI document not taken up for consideration.
- e) The Agency should have experience of at least 5 years of having undertaken audit of rural/community development sector/ projects funded by Work Bank or other external/international funding agencies.
- f) Experience of having undertaken at least 3 similar assignments in areas specific to the proposed assignment, in last 5 years.
- g) The Agency should have a well qualified and sufficiently experienced faculty, in house or should be in a position to commit the requisite resources from outside, capable of handling the assignment.
- h) The agency should furnish the complete details along with CVs of key personnel who may be directly associated with the assignment. At least three personnel in the team who are expected to work on the assignment should be Chartered Accountants. Past experience of key professionals in handling similar assignment would be preferred and given weightage.
- i) Preference will be given to firms having local establishments.


Project Director
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G.S. Road, Guwahati-22

The criteria that would be adopted for short listing the Agency for the next stage would be based on three parameters, namely, Past experience of the firm/agency, Experience and qualifications of key personnel and Annual Turnover/financial strength of the firm/ agency.



5. REVIEW:

A review committee consisting of Director, Project Director, Financial Controller Financial Management Specialist of SPMU will review the concurrent audit report submitted by the concurrent auditor and take further remedial measures on the discrepancies pointed out in concurrent audit.

[Handwritten Signature]
Project Director
SPMU, NNP, Assam
G.S. Road, Guwahati-22

ANNEX B

COST ESTIMATES OF SERVICES, LIST OF PERSONNEL AND SCHEDULE OF RATES



COST ESTIMATES OF SERVICES:

Cost component	Cost (INR)
Remuneration (Sub-total 1)	6,15,750/-
Reimbursable Expenses (Sub-total 2)	3,90,600/-
Service Tax @ 15% of Total Cost	1,50,953/-
Grand Total	11,57,303/-

LIST OF PERSONNEL:

Name/s	Position/Designation/ Task
Tridib P Barua	Head
Alakesh Medhi	Team Leader
Dhrubajit Rajkhowa	Team Leader
Meha Shah	Co-ordinator
Kabyanuj Khound	Sr. Asstt.
Safikul Khan	Sr. Asstt.
Debajit Barman	Articled
Ranjit Das	Articled


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SCHEDULE OF RATES:



1. Remuneration:

Name/s	Position/ Designation/ Task	Rate	Time Input in Person/Month	Amount (INR Rs)
Tridib P Barua	Head	50,000/-	3	1,50,000/-
Alakesh Medhi	Team Leader	25,000/-	7	1,75,000/-
Dhrubajit Rajkhowa	Team Leader	25,000/-	7	1,75,000/-
Meha Shah	Co-ordinator	20,000/-	2	40,000/-
Kabyanuj Khound	Sr. Asstt.	9,500/-	4	38,000/-
Safikul Khan	Sr. Asstt.	8,500/-	3.5	29,750/-
Debajit Barman	Articled	2,000/-	2	4,000/-
Ranjit Das	Articled	2,000/-	2	4,000/-
<u>Sub-total-1</u>			30.5	6,15,750/-

2. Reimbursable Expenses:

No.	Description	Unit	Quantity	Unit Cost (INR Rs)	Amount (INR Rs)
1	Per diem allowances	Day	407	800/-	3,25,600/-
2	Reproduction of reports	Quarter	4	10,000/-	40,000/-
3	Office Overheads (Cost of Camera etc.)	Lump sum	N.A	25,000/-	25,000/-
<u>Sub-total-2</u>					3,90,600/-

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Project Director
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ANNEX C

CONSULTANT'S REPORTING OBLIGATIONS



Reporting: Reporting would be done in accordance with the ISA standards. Reporting would be done on interim and final audits as given below:

- a) **Interim reporting (6 copies):** The Auditor will provide an interim report to the project management within sixty days of the end of the each quarter, highlighting findings during the interim audit, to enable the project management to take timely action. This will inter alia include an Executive Summary as stated above.
- b) **Annual Reporting (6 copies):** The Auditor should provide an annual report to the SPMU within six months of the end of the each financial year covering the issues cited under the scope above and the report should include:
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 - The auditors should submit a draft copy of their report to the SPMU before finalization. The SPMU will submit its response, if any, within 10 working days of receipt of the draft report. If no response is received by the auditors within the said time, the auditors should finalize the related report and submit the same within a week thereafter to the SPMU.
 - The auditor shall complete the assignment as per the time schedule to be mentioned in the agreement. A penalty clause will be included in the agreement to safeguard PHE (PROJECT) interest.


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