

**Advertisement, brief of the project, fund flow arrangements, scope and objectives of the audit and terms of reference (TOR) for Auditor for IFAD assisted CAIM Project.**

## **Convergence of Agricultural Interventions in Maharashtra (CAIM) Inviting proposals for Expression of Interest by Auditors**

IFAD assisted convergence of Agricultural Interventions in Maharashtra (CAIM) programme is under implementation in six distressed districts of Vidrabha region of Maharashtra. The programme outlay is Rs. 593.23 Crores for the period of 8 years. We invite the Expression of Interest by Auditors for the programme audit. The brief of the programme, fund flow arrangements, scope and objectives of the audit, terms of reference (TOR) for audit is available on website: [www.msamb.com](http://www.msamb.com)

The hard copy of the completed proposal with its Capability Statement should be submitted in a sealed cover to the address below, within 15 days from the date of publication of this advertisement. Only short listed candidates/firms will be contacted.

### **The Project Director,**

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***Please scroll below to get the brief of the project, fund flow arrangements, scope and objectives of the audit and terms of reference (TOR) for Auditor.***

**Draft of the brief of the programme in regards with invitation of Expression of Interest for engagement of Auditor/s for Internal Audit of the Accounts of the International Fund For Agricultural Development (IFAD) assisted Convergence of Agricultural Interventions in Maharashtra's Distressed Districts Programme (CAIM), India**

The Government of Maharashtra has sought the International Fund for Agricultural Development (IFAD) assistance to provide additional support to help in reducing the incidence of poverty in the distressed districts of Vidarbha. The Project aims at social and economic empowerment of the poor people in Vidarbha region of Maharashtra by addressing the poverty, livelihoods and empowerment issues of the rural poor.

The total outlay of Convergence of Agricultural Interventions in Maharashtra's Distressed Districts Programme is about Rs. 593.23 crores and the project period is for eight years. The source of the fund will be IFAD Loan, IFAD grant, Government of Maharashtra, Sir Ratan Tata Trust, Banks, and Beneficiaries etc. The loan from IFAD came into effectiveness from 4th December, 2009.

The project area includes 1,200 villages in the districts of Akola, Amravati, Buldhana, Wardha, Washim and Yavatmal. The Government of India and the Government of Maharashtra state have asked IFAD to intervene in the region, where agricultural distress and farmers' suicides are pressing issues. Farmers' productivity and incomes are low, and they face food insecurity, partly as a result of inefficient water use, depleted soil fertility and indiscriminate use of fertilizers and hybrid seeds.

To reduce distress, the national and state governments will provide emergency packages to affected households and will shift the focus of agricultural development towards low input production systems.

IFAD financing in the form of a loan and a grant supports the project, which the organization will supervise directly through its country office. The project will have a multistakeholder approach, encouraging participants to build ownership of project activities. It will focus on establishing and strengthening inclusive grass-roots institutions, and on fostering community consensus for activities.

The project's objectives are to:

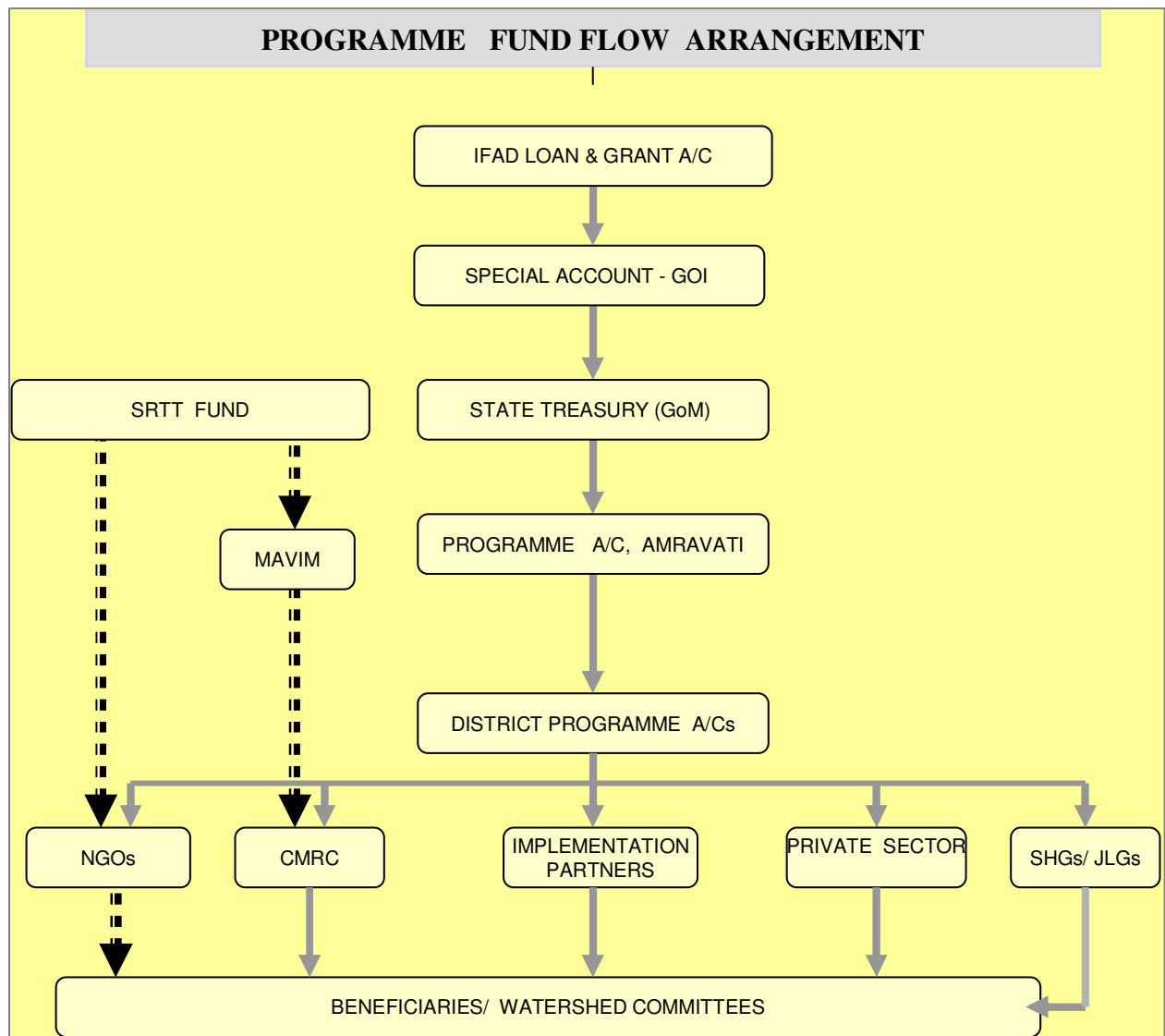
- improve household incomes through diversified farming and off-farm activities
- make farming systems resilient by introducing low external input and organic farming
- help farmers' groups become involved in primary processing, quality improvement and marketing
- empower women by improving their access to microfinance and to activities as micro entrepreneurs
- ensure convergence with ongoing government projects so that all projects are aligned with the common objective of restoring agricultural profitability

The aim of the project is to achieve increased productivity through water conservation and organic farming and sustainable, low external input agriculture. Combined with a reduction in production costs, this is expected to result in increased household incomes and improved food security. Diversification into fruit, vegetable and livestock products will contribute to better nutrition.

The project's innovative features include provisions for:

- fostering pro-poor partnerships with the private sector
- using the instrument of contract farming for production of organic cotton and other crops
- introducing an end-to-end subproject approach

## FUND FLOW ARRANGEMENTS UNDER THE PROJECT



## SCOPE AND OBJECTIVES OF THE AUDIT:

1. The borrower and the PMU must ensure that the independent auditor acceptable to the CI and IFAD is appointed in sufficient time to carry out the audit. This includes review of the financial Management system at the beginning of project implementation and periodically thereafter.
2. The PMU will have the annual financial statements audited in accordance with acceptable auditing standards. The auditor's report should indicate the standards used, and the extent, if any, to which the examination did not conform to those standards.
3. The audit report should contain a clear expression of the **auditor's opinion** regarding the financial statements. It should include a **financial statements audit** and a **compliance audit**, and should be accompanied by a **management letter**. It should also include a section on the project's compliance with loan covenants, particularly those dealing with financial matters. A full **operational audit** may be carried out if the CI and IFAD consider it necessary.
4. The auditor will review the project accounts, including annual financial statements, SOEs and SA(s), and present an opinion covering the three elements. In addition, the audit report will address:
  - the adequacy of accounting and internal controls, including the internal audit mechanism, for monitoring expenditures and other financial transactions and ensuring safe custody of project assets;
  - the adequacy of documentation maintained by the PIU for all transactions; and
  - any other matters the CI and IFAD may reasonably request.
5. Project accounts refer to the financial statements of the project, usually for a fiscal year. They must show the financial status of the project and consist of:
  - yearly and cumulative statements of sources and application of funds, which should disclose separately IFAD.s funds, counterpart funds (government), other donors' funds and beneficiaries' funds; and
  - the balance sheet, which should disclose bank and cash balances that agree with the statement of sources and application of funds, fixed assets and liabilities. Where the project consists of several entities, financial statements should be consolidated.
6. The auditor's opinion should deal with the adequacy of the procedures used by the project for preparing SOEs and should include a statement that amounts withdrawn from the loan account on the basis of such SOEs were used for the purposes intended under the loan agreement.

## **TERMS OF REFERENCE (TOR)**

### **Project Title : *Convergence of Agricultural Interventions in Maharashtra's Distressed Districts Programme***

Loan No. 779- IN and 1106-IN (Grant)

#### **Auditor's ToR**

The Government of India and the Government of Maharashtra state have approached to International Fund for Agricultural Development (IFAD) to intervene in the Vidarbha region of Maharashtra, where agricultural distress and farmers' suicides are pressing issues. Farmers' productivity and incomes are low, and they face food insecurity, partly as a result of inefficient water use, depleted soil fertility and indiscriminate use of fertilizers and hybrid seeds. The aim of the project is to achieve increased productivity through water conservation and organic farming and sustainable, low external input agriculture. Combined with a reduction in production costs, this is expected to result in increased household incomes and improved food security. Diversification into fruit, vegetable and livestock products will contribute to better nutrition. The project's innovative features include provisions for fostering pro-poor partnerships with the private sector, using the instrument of contract farming for production of organic cotton and other crops, introducing an end-to-end subproject approach with major focus on market linkages.

The implementation of Convergence of Agricultural Interventions in Maharashtra Project for the Vidarbha region of Maharashtra is being done in 1200 villages of six districts of Akola, Amravati, Buldana, Wardha, Washim and Yeotmal. For the implementation of the programme offices have been set up namely Programme Support Unit (PSU) within the MSAMB in Pune; Programme Management Unit (PMU) under MSAMB in Amravati, and six District Programme Management Teams (DPMTs) under the respective ATMA in each of the six Programme districts

The programme is being implemented mainly on the basis of following **three major** components –

#### **COMPONENT 1: Institutional Capacity Building & Partnerships (US\$ 11.16 million)**

1. First Component has two sub-components: (a) Partnerships and Capacity Development and (b) SHG & CMRC Development.
2. The objectives of the first component are to (i) assess the market opportunities and potential for establishing market linkages; (ii) improve the capacity of the staff and provide facilities for improving the capacity of the rural poor and the farmers' groups and (iii) prepare end-to-end subprojects to capture market opportunities. These objectives will be realised through the following activities: (i) assessing market opportunities and potential through publicity campaigns, advertisements and establishing contacts with the promising private sector players; (ii) inviting proposals from the private sector, NGOs and other institutions, corporate sector agencies; (iii) building awareness of the producers and capacity development; (iii) preparation of commodity profiles and end-to-end model projects and also area specific sub-projects based on convergence approach.
3. Objectives of the second sub-component are to organise women for their empowerment and building resilience in the households and will be achieved by: (i) forming/strengthening 9,000 SHGs of poor and ultra poor women and, when they have matured, enabling them to form 45 CMRCs; (ii) undertaking financial literacy and counselling covering some 158,400 households; (iii) initiating pilots on debt swapping, mutual crop insurance through CMRCs; and (iv) initiating pilots for graduation of ultra poor into regular micro-finance clients. The sub-component will be managed by MAVIM with the support of NGOs.

## **COMPONENT 2: Marketing Linkages & Sustainable Agriculture (US\$ 100.44 million)**

4. The second Component have three sub-components: (i) Market linkages; (ii) Sustainable Agriculture Development including in situ water conservation, organic farming practices and cattle breed improvement; and (iii) micro-enterprises and SME.

### **Sub-component (i): Market Linkages**

5. The objective of this subcomponent is to ensure that 'equitable and non-exploitative marketing facilities and develop value chains for selected commodities'. This objective is sought to be realised by the following activities: facilitation of the formation of 120 agri-business clusters in the Programme area villages with the support of the private sector agencies, providing technical and logistic support to farmers groups in the establishment of value-chains and contract farming for cotton, soy bean, vegetables, fruits, flowers etc, skill upgrading 3,600 rural youth through vocational training.

### **Sub-component (ii): Sustainable Agriculture**

6. In situ water conservation. The objective of this sub-component is to promote sustainable agriculture and provide the framework for increasing cropping intensities and crop productivity under rainfed conditions. Under the Programme, some 1,200 villages will be targeted and the activities will include in situ water conservation with construction of contour and graded bunds at INR 4500/ha, construction of 3600 water harvesting ponds and provision of water lifting pumps. In addition, the Programme will provide the services of NGO and wages for the locally recruited watershed volunteers. In-situ water harvesting and rainwater collection will be promoted through investments in bunding, micro-irrigation, farm ponds and wells, the latter also for drinking water.

7. Sustainable Agriculture. While the objective of this sub-component is to promote low-cost sustainable agricultural practices through the adoption LEISA methods, essentially the component will be demand driven, responding to the technological options demanded by the farmers. The focus will be on practices that will reduce the cost of production in a sustainable manner through LEISA and reduce the risks through diversification of the farming system. Major interventions to be undertaken under the sub-component are: (i) formation of farmers groups through the organisation of 4,800 JLGs and their orientation and training, (ii) technology demonstrations and dissemination covering 1,200 villages under Master Trainers each responsible for 10 villages, and (iii) extension support through farmer field schools (FFS) one in each village and facilitating technology transfer through farmer groups and demonstrations.

8. Breed Improvement of local cattle. The objectives of this sub-component are (i) to create gainful employment to the rural poor through dairy and livestock development; (ii) creation of awareness regarding socio-economic benefits of improving the local cattle and buffaloes; and (iii) income generation through enhanced production of milk. These objectives are to be realised through (i) setting up of some 60 well-equipped and self-sufficient cattle breeding centres operated by local youth with regular supply of LN<sub>2</sub> and other inputs; and (ii) setting up of area centres one per 10 cattle breeding centres with adequate staff and equipment and inputs. Each centre will cater to some 10 or 15 villages in clusters and cover some 2,000 breedable cows and buffaloes. Services like vaccination, de-worming etc will be provided at door-step at cost to the user.

### **Sub-component (iii): Micro-enterprises and SMEs**

9. **Micro-enterprises and SMEs.** The micro enterprise sub component will dovetail with the value chain approach of the Programme but at the same time encourage individual enterprises as well. The objective of the sub component is to improve the income of the households by graduating them from subsistence/income generation activity to micro enterprise by improving their access to improved inputs, technology, credit and marketing. Indicative activities under this subcomponent will be (i) farmer training; (ii) support to 15,000 agri-enterprises and about 5,000 livestock enterprises; (iii) facilitating the establishment of some 45 SME units and (iv) facilities for NGO support for implementation. The core principles for micro enterprise development are producing for

the markets, diversification of activities to reduce risks and cluster approach to ensure quality and specifications.

### **COMPONENT 3: Programme Management (US\$ 7.0 million)**

10. The objective of the Programme Management component is to strengthen the capacity and staff expertise to provide better services to stakeholders and the beneficiaries. Accordingly, the PMU component will have the following major activities: (i) establishing the State Programme Support Unit (PSU) within the MSAMB in Pune; (ii) setting up of a Programme Management Unit (PMU) under MSAMB in Amravati, and six District Programme Management Teams (DPMTs) under the respective ATMA in each of the six Programme districts; (iii) building the capacity of the executing and the implementing agencies; (iv) establishing a Monitoring and Evaluation system including the facilities for Results Impact Management System (RIMS); and (v) carrying out baseline surveys, RIMS surveys, surveys for Main Reviews, special studies, sensitization workshops on gender and poverty issues and special workshops for all districts and Block level staff and Programme Completion surveys; (vi) providing office facilities, computers and other support and also adequate provisions for vehicle hiring and office operating costs including facilities for compliance audits. Facilities will also be provided for hosting an exclusive, dynamic website for the Programme and installation and O&M of software for monitoring.

### **Objective**

The objective of the audit of the project financial statements is to enable the auditor to express a professional opinion on the financial position of the Project at the end of each fiscal year and of the funds received and expenditure incurred for the accounting period 1<sup>st</sup> of April 2009 to 31<sup>st</sup> March, 2010, as reported in the project financial statements, including an opinion on the statements of expenditure (SOEs) and the special account (SA).

The audit should be carried out in accordance with Standard Auditing practices prescribed by the Institute of Chartered Accountants of India in line with the International Standards on Auditing and the Fund's Guidelines on Project Audit and includes such tests and reviews as the auditor considers necessary under the circumstances. The auditor while auditing the financial statements of the project should indicate the basis of accounting applied by the Project while paying special attention

- To check whether the funds received from IFAD have been used in accordance with the conditions stipulated in the IFAD Loan agreement with due attention to economy and efficiency and solely for the purpose for which the financing was provided.
- To verify whether the share of Government of Maharashtra (counterpart funds) have been released and utilized in accordance with the rules and regulations with due attention to economy and efficiency and solely for the purpose for which they were provided.
- To confirm whether the goods, consultancy and other services, and civil works financed out of project funds have been procured in accordance with stipulations in the IFAD loan agreement.
- To ensure whether all necessary supporting documents, records and accounts have been kept in respect of all projects.
- To form an opinion as to the preparation of project accounts in accordance with consistently applied standard accounting practices and give a true and fair view of the financial status of the project at the end of the financial year and the resources and expenditure for the year.

- To verify the fixed asset registry and accuracy of the assets maintained by the Project, including any changes to the fixed assets register, such as deletions or additions and also verify frequency of physical verification of assets.
- To verify and provide clearances as applicable on the status of prior years audit observation and the actions taken by the Project and report on the outstanding observations and actions to be taken.

**The audit of Project financial statement should also ensure the following:**

- yearly and cumulative statements of sources and application of funds discloses separately the IFAD's funds, IFAD's Grant, Government of Maharashtra, SRTT, Banks/MFI and Beneficiaries funds
- balance sheet discloses fixed assets and liabilities and bank and cash balances agreeing with the statement of sources and application of funds
- yearly and cumulative Statement of Expenditure by withdrawal application and category of expenditure
- reconciliation of the Special Account and
- consolidated financial statements including all PSU, PMU & DPMTs.

**Reconciliation of Utilization of Funds:**

The project will prepare a statement showing a reconciliation between the amounts shown as received by the project and those shown as being disbursed by IFAD and attach as an annexure to the project financial statement. As part of that reconciliation, the auditor should indicate the procedure used for disbursement — Special Account funds, letters of credit, special commitments, reimbursement or direct payment and indicate whether the expenditure is fully documented.

**Statement of Expenditures**

In addition to the audit of the PFS, the audit will include a review of SOEs used as the basis for submitting withdrawal applications. The auditor will carry out tests and reviews as necessary and relevant to the circumstances. SOE expenditures will be carefully compared for eligibility with relevant financial agreements, and the disbursement letter, and with reference to the project appraisal report, and AWPB for guidance when necessary.

Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed, auditors will note these separately. A schedule listing individual SOEs withdrawal applications by reference number and amount should be attached to the PFS. The total withdrawals under the SOE procedure should be part of the overall reconciliation of IFAD disbursements described above.

**Special Account**

The auditor is also required to audit the activities of the SA(s) associated with the project, including the Authorized Allocation or Initial Deposit, replenishments, interest that may accrue on the outstanding balances, and the year-end balances. The auditor must form an opinion as to the degree of compliance with IFAD procedures and the balance(s) of the SA(s) at year end.

The audit should examine:



- (i) the eligibility of withdrawals from the SA during the period under review;
- (ii) the operation of the SA in accordance with the relevant financing agreement(s);
- (iii) the adequacy of internal controls within the project appropriate for this disbursement mechanism;
- (iv) the use of correct exchange rate(s) to convert local currency expenditures to United States dollars.

(In case of India, the audit of the Special Account maintained in the Reserve Bank of India is done by the office of Comptroller General of India and Office of the Controller of Aid, Accounts & Audit will submit the audited certificates to IFAD).

### **Management Letter**

The auditor will provide a management identifying any deficiencies in the project accounting records, procedures, systems, and internal controls and make appropriate recommendations for improvement. The management letter will also include any other significant matters that come to the auditor's attention and might have material impact on project implementation.

### **Reporting**

The audit report should include an opinion on Project Financial Statements, and separate opinions on SOEs and SAs indicating the procedures and internal control involved in their preparation can be relied upon as a basis for withdrawal claims under the project. The auditor should submit a certificate covering all these aspects and submit his report on or before end of July 2010.

In case there are certain observations in the report and in the management letter, the project should prepare an Action taken report. The audit report and the Action taken report should be submitted to IFAD before end of September, 2010.

### **General**

The auditor will be given access to all legal documents, correspondence, and other information in connection with the project as deemed necessary for audit. It is desirable that the auditor be familiar with the IFAD audit guidelines and financial reporting (relevant extract will be provided).

*Interested audit firms with required experience are requested to provide information indicating their qualifications to perform the services (brochures, description of similar assignments, experience in similar conditions, no. of officers / staff available and availability of appropriate skills among staff, Balance Sheet of the last three years etc.).*

*A consultant will be selected in accordance with the procedures set out in the IFAD Guidelines on Project Audits (for Borrowers' Use) available on <http://enrap.org.in/PDFFILES/IFAD%20Guidelines%20on%20Project%20Audits.pdf>.*

*Expression of Interest including capability statement may be delivered or mailed to the address given below not later than 14 days from the date of advertisement (including the date of advertisement):*

**The Project Director,  
Convergence of Agricultural Interventions in Maharashtra (CAIM),  
C/o. Divisional Commissionerate,  
Kanta Nagar, Camp, Amravati (M.S.)  
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email: [caim.pmu@gmail.com](mailto:caim.pmu@gmail.com)**