

**ENERGIZENEPAL PROGRAMME
SCHOOL OF ENGINEERING
KATHMANDU UNIVERSITY**

Terms of Reference (TORs) for annual audit of ENEP Programme

Title: Annual Audit

Location: Kathmandu University

Background

EnergizeNepal Programme (ENEP) is established on 2016 to accelerate the hydropower and other renewable energy systems, develop new and innovative technologies to reduce cost, increase efficiency contextual to Nepalese conditions, and enhance human resource development to carry out research as well as effectively apply research results to solve challenges of hydropower and other renewable energy development in Nepal and the region.

Objective

The objective is to audit the financial report for the period 17th July 2018 to 16th July 2019. Individual financial auditing needs to be carried out for the operating unit and following components of ENEP:

1. Programme Management Unit (PMU) – EnergizeNepal Programme office
2. Establishment of centre for design, operation and maintenance of mechanical equipment for hydropower plants.
3. Renewable Nepal Phase-II projects:
 - 3.1 PID: ENEP-RENP-II-17-03
 - 3.2 PID: ENEP-RENP-II-17-04
 - 3.3 PID: ENEP-RENP-II-18-01
 - 3.4 PID: ENEP-RENP-II-18-02
 - 3.5 PID: ENEP-RENP-II-18-03
4. ENEP-CEPE-18-01
5. ENEP-CETRF-18-01

The objective of the audit of financial statements is to enable the auditors to express an independent professional opinion, comment and management response on the financial position of ENEP and its funded projects to ensure that the funds utilized for the activities have been used for their intended purposes.

Scope of Audit

- Holding meetings with KU/ENEP officials.
- Reviewing policies, procedures, manuals, reports, grant agreement and relevant laws and regulations.
- Obtaining an understanding of the accounting, administrative and internal control systems of KU.

- Verify all funds that have been used in accordance with the established rules and regulations of KU/Grant agreement and only for the purpose for which the funds were provided.
- Appropriate supporting documents, records and books of accounts relating to all activities have been kept. Clear linkages should exist between the book of accounts and the financial statements presented to.
- Audit opinion must be one of the following:
 - a) Qualified
 - b) Unqualified
 - c) Adverse

If the audit opinion is other than “unqualified” (favourable), the audit report must describe both the nature and amount of the possible effects on the financial statements.
- The auditors shall prepare a Management letter on the following:
 - a. Give comments and observations on the accounting records, procedures, systems and controls that were examined during the course of the audit.
 - b. Identify specific deficiencies and areas of weakness in systems and controls and make recommendations for improvement.
 - c. Report on the implementation status of recommendations pertaining to previous period audit reports.
 - d. Communicate matters that have come to their attention during the audit which might have a significant impact on the sustainability of the organization.
 - e. Bring to the KU/ENEP finance attention any other matters that the auditors consider pertinent.

Audit Standards

Financial audits shall be carried out in accordance with international audit standards (ISA). The audit shall be carried out by an external, independent and qualified auditor (Certified/chartered Accountant/Authorized Public Accountant) and follow the ISA 800/805 standard.

Financial Reporting

The financial report shall comprise financial statements with a **cumulative comparative budget and expenditure** for the reporting period, as well as an identification of any deviations from the budget. The financial statements shall be set up in a way that allows for direct comparison with the latest approved budget. They shall include:

- a) The accounting principles applied;
- b) Income from all sources, including bank interest;
- c) Expenses charged/ capitalized in the relevant reporting period;
- d) Expenses charged/capitalized in the relevant reporting period.
- e) Expenses charged/capitalized from start-up of the project to the end of the reporting period.

- f) Unused funds as per the reporting date.
- g) Deviations between the approved budget, contribution and the expenses charged/capitalized shall be highlighted with information on both nominal amounts and percentage of each deviation.
- h) Audit report shall be highlighted with information on both nominal amount and percentage of each project contribution.

Deliverables

- The Auditors on completion of the audit work shall submit 5 (five) original copies of the Audit report appended to the Financial statements.
- Management letter in accordance with the scope of work described here before.

Audit Duration

The final report should be submitted to KU/ENEP **by end of September 2019** and draft of report should be submitted one week before the submission date.

Audit Fee

Audit fee will be finalized on competitive basis.