



## TERMS OF REFERENCE

AUDITING THE FINANCIAL STATEMENTS OF THE WATER SECTOR  
REGULATORY COUNCIL FOR THE YEAR 2018

September  
2018

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### PROJECT INFORMATION

<b>Project Title:</b>	<b>Regulating Towards Good Water Governance and Integrity</b>
<b>Project No.:</b>	30/Neth /Shop-9-2018

### INTRODUCTION

Since 2009 the water sector is in a process of legal and institutional reform. The anticipated outcomes of the reform included a revised institutional Water Sector Set-up into (1) PWA being responsible for policy functions for water resources, water supply and wastewater and for regulatory functions for water resources, (2) Water Sector Regulatory Council (WSRC) being responsible for regulatory functions for water supply and wastewater, (3) the current West Bank Water Department (WBWD) to be transformed into an independent public company being responsible for bulk water supply to water supply service providers.

In June 2014, a new Water Law was passed. A core issue of this Water Law is the establishment of a Water Sector Regulatory Council (WSRC). A Board of Directors made up of a Chairman and six members was recommended by the Cabinet of Ministers (CoM) to the President. On the 20th Of August 2014, the President issued the decision forming the BoD of WSRC representing the public and private sector.

The main objective of WSRC is to monitor all matters related to the operation of water service providers, including production, transportation, distribution, consumption, wastewater collection, treatment and disposal, and reuse of treated wastewater for irrigation with the aim of ensuring water and wastewater service quality and efficiency to consumers in Palestine at affordable prices.

A Road Map for the establishment and operation of the WSRC was prepared by the Board of Directors of WSRC on October 2014. It comprises a description of the overall implementation approach, the detailed WSRC implementation activities, the required donor support as well as a one-year work plan.

By the Law, the Council is mandated to publish the technical, financial and statistical information related to the service providers' performance. The council issues an annual report to fulfil this mandate.

Currently the Council is interested to contract an external auditing firm to audit the financial statements for the year 2018.

### MAIN OBJECTIVES

- 1- The objective of the external audit of the WSRC financial statements is to enable the auditor to express an independent professional opinion on the financial position of the WSRC and to ensure that the funds utilized to the WSRC activities have been used for intended purposes.
- 2- The books of account of the WSRC provide the basis for preparation of the WSRC Financial Statements. Proper books of accounts as required by law have been maintained adequate internal controls and supporting documentation for the transactions.

## SCOPE OF THE AUDIT

- The number of payment vouchers is approximately 150 and the number of journal vouchers is approximately 120.
- The auditing firm will audit the financial statements and activities from January till December 2018.
- The audit will be carried out in accordance with the International Auditing Standards and will include tests and verification procedures as the auditors deem necessary.
- Verify all funds have been used in accordance with the established rules and regulations of WSRC and only for the purposes for which the funds were provided.
- Goods, works and services financed have been procured in accordance with the WSRC established rules and procedures.
- Appropriate supporting documents, records and books of accounts relating to all activities have been kept. Clear linkages should exist between the books of accounts and the financial statements presented to.
- The financial statements have been prepared by WSRC management in accordance with applicable accounting standards and give a true and fair view of the financial position of WSRC and of its receipts and expenditures for the period ended on that date.
- Comprehensive assessment of the adequacy and effectiveness of the accounting and overall internal control system to monitor expenditures and other financial transactions.
- Express an opinion as to reasonableness of the financial statements in all material respects.
- Include in their reports opinion on compliance with procedures designed to provide reasonable assurance of detecting misstatements due to errors or fraud that are material in the financial statements.
- In addition to the audit report, the auditors will 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. Communicate matters that have come to their attention during the audit which might have a significant impact on the sustainability of the organization.
  - d. Bring to the BOD's attention any other matters that the auditors consider pertinent.
- Deadline for receiving the proposals is 27/9/2018

## AUDIT DURATION

The Audit work shall be completed within one month from the date of commencement of the audit.

## DELIVERABLES

- The Auditors on completion of the audit work will submit 4 (four) original copies of the Audit Report appended to the Financial Statements (two in English and two in Arabic) along with the reports to the attention of the Board of Directors.
- Management letter in accordance with the scope of work described here before.

## QUALIFICATION OF THE AUDIT FIRM

The audit firm has:

- To be based in Palestine and possess a Palestinian registration number at the MOF.
- To have a Palestinian registration and certification as an auditing firm.
- To have an affiliation/membership with an internationally reputed audit firm.
- To have a minimum of five-year experience in auditing.