

**GOVERNMENT OF INDIA
MINISTRY OF HUMAN RESOURCE DEVELOPMENT
STATE PROJECT IMPLEMENTATION UNIT (SPIU), J&K
TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME
(TEQIP) PHASE – III**

TERMS OF REFERENCE FOR APPOINTMENT OF STATUTORY AUDITOR

Notification No: SPIUJK/SA/ 2020 **Dated: 10 Feb 2020**
Position : Statutory Auditor
Organization : State Project Implementation Unit (SPIU) J&K
Duty Station : TEQIP-III Institutions and SPIU, J&K as listed in Annexure 1
Duration : Initially for 1 year.

BACKGROUND:

TEQIP III is a Central Sector Scheme of the Ministry of Human Resources Development (MHRD) and is expected to cover around 26 States and 200 institutions. The Central Government is financing 100% cost.

PROJECT COMPONENTS:

The Third Phase of the Technical Education Quality Improvement Programme is composed of the following components and sub-components:

Component 1: Improving quality and equity in low-income and special category state (LIS/SCS):

Sub-component 1.1: Institutional Development Grants to Government and Government-aided Institutes

Sub-component 1.2: Widening Impact through ATUs in LIS and SCS:

Component 2: System-level initiatives to strengthen sector governance and performance

Component 3: Sustaining excellence in engineering education and widening impact through competitively-selected institutes in non-LIS/SCS

Sub-component 3.1: Incubating, Sustaining and Spreading Excellence through Competitively-selected Government and Government-aided Institutes

Sub-component 3.2: Widening Impact through ATUs in non-LIS

IMPLEMENTATION ARRANGEMENTS:

Institutional and implementation Arrangements

Central Level

Overall responsibility for the project lies with the Department of Higher Education of the Ministry of Human Resource Development (MHRD). MHRD will constitute a National Steering Committee assisted by a small National Project Directorate headed by the National Project Director. MHRD has delegated day-to-day implementation to National Project Implementation Unit (NPIU). MHRD has entered into a Memorandum of Understanding (MoU) with each State Government.

State Level

State Governments oversee and facilitate implementation in the institutions in their State through the State Project Implementation Unit (SPIU) under the department responsible for technical education. The Secretary in -charge of technical education is overall responsible for project implementation in that State, assisted by the Director of Technical Education and the team in the SPIUs. Each State will entered into a MoU with each participating institution.

Institutional Level

At the institutional level, the Board of Governors (BOG) is the body responsible for institutional project design, reform and project implementation. The day-to-day implementation is coordinated by a TEQIP unit headed by the institutional Director and assisted by the senior faculty member as the TEQIP Nodal Officer.

There are around 200 participating Project institutions, including new Centrally Funded Institutions (CFIs). The institutes will sign MoU with State Govt. and State Govt. will sign with MHRD. The Centrally Funded Institutions/CFI's shall sign MoU with MHRD.

OBJECTIVE

The essence of the World Bank audit policy is to ensure that the Bank receives adequate independent, professional audit assurance that the proceeds of World Bank credit were used for the purposes intended, that the annual project financial statements are free from material misstatement, and that the terms of the credit agreement were complied with in all material respects.

The objective of the audit of the Project Financial Statement (PFS) is to enable the auditor to express a professional opinion as to whether (1) the PFS present fairly, in all material respects, the sources and applications of project funds for the period under audit examination, (2) the funds were utilized for the purposes for which they were provided, and (3) expenditures shown in the PFS are eligible for financing under the credit agreement. In addition, the auditor will express a professional opinion as to whether the Statutory Unaudited Financial Reports (IUFRR) submitted by project management may be relied upon to support any applications for withdrawal.

The books of account that provide the basis for preparation of the PFS are established to reflect the financial transactions of the project and are maintained by the project implementation agency

namely the National Project Implementation Unit (NPIU) at the national level, State Project Implementation Unit at the State level and implementing institutions at national and State level.

STANDARDS:

The audit will be carried out in accordance with the Engagement and Quality Control Standards promulgated by the Institution of Chartered Accountants of India (ICAI). The auditor should accordingly consider materiality when planning and performing the audit to reduce audit risk to an acceptable level that is consistent with the objective of the audit. Although the responsibility for preventing irregularity, fraud, or the use of credit proceeds for purposes other than as defined in the legal agreement remains with the borrower, the audit should be planned to have a reasonable expectation of detecting material misstatements in the project financial statements.

SCOPE OF AUDIT:

In conducting the audit, special attention should be paid to the following:

- (a). An assessment of the adequacy of the project financial management arrangements, including statutory controls. This would include aspects such as (i) adequacy and effectiveness of accounting, financial and operational controls and needs for revision of the same, if any; (ii) level of compliance with established policies, plans and procedures; (iii) reliability of accounting systems, data and financial reports; (iv) methods of remedying weak controls or creating them where there are none, and; (v) verification of assets and liabilities. This assessment is required to be carried out for each every year of project implementation and specific comments on these aspects are required be provided by the auditor annually in the Management Letter;
- (b) All project funds have been used in accordance with the conditions of the relevant legal agreements and only for the purposes for which the financing was provided. Relevant legal agreements include the Loan/Credit Agreement, the Project Appraisal Document, the Minutes of Negotiations and the Memorandum of Understanding;
- (c) All expenditure, including procurement of goods and services has been procured in accordance with relevant provisions of the Procurement Procedures prescribed for the program. Proper documents, namely, purchase orders, tender documents, invoices, vouchers, receipts, pay bills, TA bills etc. are duly maintained and linked to the transactions.
- (d) All necessary supporting documents, records, and accounts have been kept in respect of all project transactions including expenditures reported via Interim Unaudited Financial Reports (IUFR). Clear linkages should exist between the books of account and IUFR presented to the Bank;
- (e) The expenditures reported as per the quarterly IUFR/ PFMS are in agreement with the audited expenditure/ books of accounts and variances are documented.
- (f) Expenditure incurred, with reference to the budget allocation approved by NPIU/MHRD. In case the budget allocation is exceeded, proper re-appropriation duly approved by the competent authority has been obtained.
- (g) An assessment of closing advances including staff advances. Present an ageing report of the outstanding advances for more than one year.

(h) The project accounts have been prepared in accordance with consistently applied Accounting Standards issued by the ICAI and present fairly, in all material respects, the financial situation of the project at the year end and of resources and expenditures for the year ended on that date.

(i) Physical verification of the assets created out of project funds, as required under the applicable assurance standards.

(j) An assessment of the compliance of previous audit observations raised, if any. The audit report should include a separate Para in this regard.

GENERAL:

The auditor should be given access to all legal documents, correspondence, financial manual, procurement manual, NPIU/MHRD guidelines and any other information associated with the project and deemed necessary by the auditor.

PROJECT FINANCIAL STATEMENTS:

The Project Financial Statements should include-

(a) Statement of Sources and Applications of Funds.

(b) Reconciliation of Claims to Total Applications of Funds. The PFS includes reconciliation between expenditure reported as per the Statement of Sources and Applications of Funds and expenditure claimed from the World Bank through Interim Unaudited Financial Reports (IUFR) based method of reimbursement

(c) Other Statements or Schedules such as:

A statement showing appropriate major heads of expenditure by Project Component/Sub components

A summary of cumulative expenditures

A summary of advances along with ageing

(d) Management Assertion: Management should sign the project financial statements and provide a written acknowledgement of its responsibility for the preparation and fair presentation of the financial statements and an assertion that project funds have been expended in accordance with the intended purposes as reflected in the financial statements.

Interim Unaudited Financial Reports (IUFR):

In addition to the audit of the PFS, the auditor is required to audit all IUFR for withdrawal applications made during the period under audit examination. The auditor should apply such tests as the auditor considers necessary under the circumstances to satisfy the audit objective. In particular, the expenditures should be carefully examined for project eligibility by reference to the credit agreements. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor. For the fourth quarter disbursement against IUFR, auditors should review the expenditure position before making the claim and provide reconciliation between the expenditure as per IUFR and as per the PFS for the period under audit examination.

AUDIT REPORT:

An audit report on the PFS should be prepared in accordance with the Engagement and Quality Control Standards promulgated by the Institute of Chartered Accountants of India (ICAI). Those standards require a clear written expression of opinion on the financial statements taken as a whole. An unqualified opinion indicates the auditor's satisfaction in all material respects with Financial Management Manual the matters laid down under the relevant agreement. When a qualified opinion, adverse opinion or disclaimer of opinion is to be given or reservation of opinion on any matter is to be made, the audit report should State the reasons thereof. In addition, the audit opinion paragraph will specify whether, in the auditor's opinion, (a) with respect to Interim Unaudited Financial Reports (IUFR) adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to the audit report, expenditures are eligible for financing under the Credit Agreement.

The project financial statements and the audit report should be received by the Bank not later than 6 months after the end of the fiscal year. The auditor should also submit two copies of the audited accounts and audit report to the Implementing Agency.

MANAGEMENT LETTER:

In addition to the audit report on the project financial statements, the auditor will also prepare a management letter highlighting findings during the audit, which will inter alia include:

- i) Comments and observations on the financial management records, systems and controls that were examined during the course of the review;
- ii) Deficiencies and areas of weakness in systems and controls and recommendation for their improvement;
- iii) Matters that have come to attention during the audit that might have a significant impact on the implementation of the project; and
- iv) Any other matters that the auditor considers pertinent to report in relation to the financial management of the project.

The observations in the Management Letter must be accompanied by a suggested recommendation from the Auditor and Management Comments on the observations/ recommendations from the Management.

MANAGEMENT ASSERTION:

In addition, the auditor is expected to ensure that a management assertion in the format below is provided in the project financial statements and signed by the management.

“It is certified that the proceeds of the loan provided by the World Bank have been used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations”

UTILIZATION CERTIFICATE:

The Auditor is further required to provide a certificate giving details of unspent balance brought forward from the previous financial year, funds released during current financial year indicating sanction numbers and amount, funds utilized and unspent balance at the closing of financial year.

APPLICATION FORMAT

1.	Name , address , Phone no, e-mail ID, and website address of the firm	
2.	Whether empanelled with C&AG? If yes, give details	
3.	Number of partners & organizational structure of the Firm	
4.	Number of branches/offices in the state with full addresses of the branches/offices	
5.	Number of professionally qualified staff working. Details of staff with their qualifications	
6.	Year-wise annual turnover of the firm in INR for the last five years (along with documentary evidence)	
7.	Details of Audit and similar assignments undertaken during the last 5 years	
8.	Details of relevant audit assignments undertaken for large Public Sector/Government Organizations	
9.	Details of experience in conducting audit of external funded projects e.g. World Bank, ABD etc.	

Note: *Enclose proof of evidence wherever necessary.*

Institutions under TEQIP-III and SPIU, J&K

01	Govt. College of Engineering & Technology, Chak Bhalwal, Jammu
02	Baba Ghulam Shah Badshah University, Rajouri
03	Shri Mata Vaishno Devi University, Katra
04	Islamic University of Science and Technology, Srinagar
05	SPIU J&K, Jammu