

State Project Implementation Unit, J&K

(A Unit of MHRD Govt. of India)

No. SPIUJK/ADVT./18

Dated: 08 Aug 2018

Advertisement Notice

Ministry of Human Resource and Development, Govt. of India is implementing a Technical Education Quality Improvement Programme (TEQIP-III) in collaboration with World Bank to improve the quality of Engineering Education in existing institutions. Accordingly, SPIU J&K invites “Expression of Interest” (EOI) from the Chartered Accountants empanelled with C&AG with an average minimum turnover of 25 lakhs per annum for the last three years, to conduct Internal Audit of participating institutes and SPIU J&K.

The details of the EOI may be obtained from www.gcetjammu.org.in or by email from jkspiu@gmail.com w.e.f. 09th of August during office hours (9am to 5 pm). The EOI must be sent in a sealed envelope super scribed as “**EOI for Internal Audit**” and reach on or before 22nd August 2018 (5 pm) at the address mentioned below:

The

State Project Administrator,

State Project Implementation Unit (SPIU), J&K

Govt. College of Engineering & Technology, Chak Bhalwal, Jammu, 181122

Sd/-

Nodal Officer (Academics)

SPIU, J&K

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 INTERNAL AUDITOR

Notification No: SPIUJK/ADVT/18 dated 09 Aug 2018

Position : Internal 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 (further extension for 2 Years Based on Performance)

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 has 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 a senior faculty member as the TEQIP coordinator. There are around 200 participating Project institutions, including new Centrally Funded Institutions (CFIs). The institutes have signed MoU with State Govt. and State Govt. has signed with MHRD.

OBJECTIVE OF INTERNAL AUDIT:

The objectives of internal audit are as follows:

- Check accuracy and authenticity of records presented by management
- Ascertain that accounting policies are followed as per plans
- Analyse & improve internal check system
- Facilitate prevention and detection of misstatements

- Examine safeguarding of asset
- Conduct special investigation for management
- Provide new suggestion to management
- Review operation of overall internal control system
- To evaluate adequacy of internal control system
- To ensure compliance of laid down policies, procedures, accounting and financial reporting documented in Financial Management Manual of the project.

Internal audit provides project management with timely information and recommendations on financial management aspects to enable the management to take corrective actions, wherever necessary, in due time.

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:

The overall scope of Internal Audit in TEQIP III project will include:

- (i) Enable the auditor to confirm compliance with Financial Management Guidelines laid down for the project.
- (ii) Provide SPIU with timely and real time information on financial management aspects of the project, including internal controls, compliance with financing agreements and Institutions/areas in need for improvement and to enable follow-up action. This will involve regular and frequent visits to Institutions to check adherence with internal control requirements like bank reconciliations, timely maintenance of books/accounting software and accuracy of reporting.

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.

FINANCIAL TRANSACTIONS (Areas needed to be checked by Internal Auditor)

Internal audit of each implementing agency (IA) should be conducted on a semi-annual basis. It should be carried out in accordance with the Internal Auditing Standards of Institution of Chartered Accountants of India, and will include such substantive and control tests as the Internal Auditor considers necessary under the circumstances.

The internal auditor will conduct an assessment of the adequacy of the project Financial Management system, including internal controls. This would include aspects such as:

- a) Whether appropriate controls as specified by the Financial Management Manual (FMM), General Financial Rules (GFRs), Project Implementation Plan (PIP) and other relevant Central/State Government notifications are operating satisfactorily. The auditor should suggest methods for improving weak controls or creating them where these controls do not exist.
- b) That proper books of account/operation of accounting software as laid down in the Financial Management Manual and adequate documentation is being maintained for timely and accurate reporting for project activities.
- c) An assessment of compliance with provisions of the financing agreements (Grant Agreement; Project Agreements, Memorandum of Understanding (MoU) between Institution and SPIU and State and NPIU.
- d) Use of PFMS while making the payments.
- e) Reconciliation of PFMS expenditure amount with the books of accounts maintained at institutes level.
- f) That an adequate system is in place to ensure that goods, works and services are being procured in accordance with the procurement procedures prescribed for the project. The audit should report by exception any such cases found where these guidelines are not followed.
- g) That an appropriate system of accounting and financial reporting exists, on the basis of which claims are prepared and submitted for reimbursement.
- h) Adequate records are maintained regarding assets created and assets acquired by the project, including details of cost, identification and location of assets.
- i) Checking adherence to FM aspects of Disclosure Management requirement of the project by implementing agencies.
- j) Timely adjustment of the advances paid to suppliers/staff/etc.
- k) Checking petty cash book in regular intervals.
- l) The payment vouchers are supported by proper supporting documents.
- m) Whether the expenditure has been booked in proper head of account.
- n) Payment of taxes to Govt. authorities in time, such as professional tax, Income tax, GST and TDS.
- o) The expenditure should be checked as per permissible and non-permissible list issued by NPIU.

Verifying compliance with the recommendation of the internal audit report of the previous period(s) and provide comments thereon.

TIMING AND COVERAGE:

Internal audit will be carried out on a semi-annual basis and will include institutions and SPIUs. The Internal Audit firm will submit an Audit Schedule in advance to SPIU and agree the schedule with the SPIU.

The selection of the internal auditors in the project shall be as follows:

- a) SPIUs in focus States will appoint internal auditor for the institutions in their State as well as for SPIU.

The selection of the internal auditors will be as per procurement guidelines of the World Bank.

REPORTING:

The Internal Auditor will issue audit report (attached in Annexure-3) and In addition to detailed internal audit report, the auditor should provide an **Executive Summary** highlighting critical issues which require the attention of the Head of SPIU and Board of Governor (BOG) of Institution and the status of action on the previous recommendations.

S.No.	Period	No. of Institutions	Audit to be conducted in	Submission of Audit Report
1	1 st April 2017 – 31 st March 2018	As per Annex-1	August 2018	15 th September 2018
2	1 st April 2018 – 30 th September 2018	As per Annex-1	October 2018	15 th November 2018

PERIOD OF APPOINTMENT

The auditor would be appointed for a period of 1 year. The contract may be extended to another two years on the basis of performance of the auditor.

SELECTION CRITERIA FOR INTERNAL AUDITOR

1. SELECTION METHOD:

Selection is made following the 'Quality and Cost based Selection' [QCBS] as per paragraph 2.1 of the Guidelines: Selection and Employment of Consultants by World Bank Borrower, January 2011. This method uses a competitive process among short-listed firms that takes into account the quality of the proposal and the cost of the services in the selection of the successful firm. The final ranking will be done by applying a weightage of 75 percent and 25 percent respectively to the technical financial score of each evaluated qualifying Technical and Financial Proposal and then computing the relevant combined total score for each bidder.

The selection process shall include the following steps:

- (a) Preparation of the TOR;
- (b) Preparation of cost estimate and the budget, and short-listing criteria;
- (c) Advertising;
- (d) Preparation of the short list of consultants;
- (e) Preparation and issuance of the RFP (which should include: the Letter of Invitation (LOI), Instructions to Consultants (ITC), the TOR, and the proposed draft contract);
- (f) Receipt of proposals;
- (g) Evaluation of technical proposals: consideration of quality;
- (h) Public opening of financial proposals;
- (i) Evaluation of financial proposal;
- (j) Final evaluation of quality and cost; and
- (k) Award of the contract to the selected firm.

For this purpose of assessing the proposal, an Evaluation Committee needs to be formed by each SPIU.

Evaluation and appointment of the project auditor is done following a two stage process i.e. the Expression of Interest (EoI) stage and the Request for Proposal (RfP) stage. At each stage, the applicant private audit firms are evaluated on pre-determined parameters. In response to the EoI, audit firms may indicate their interest in one or more SPIUs. Separate shortlists will be prepared and evaluation process shall be followed for selecting the auditor therein for each SPIU.

2. APPOINTMENT OF AUDITORS

The auditors will be appointed in accordance with the guidelines for procurement of consultants as contained in the Procurement Manual of the Project.. The auditors may be appointed initially for a period of one year and then for another two year, subject to annual performance review. This will ensure continuity and the

auditors will be able to assess the progress over time. However, in case of re-appointment of the same auditor –

- ensure compliance with the Procurement Guidelines of the Manual; and
- re-confirm that the audit firm continues to satisfy the eligibility criteria as prescribed in the ToR.

3. ELIGIBILITY CRITERIA:

SPIU calls for EoIs from PAFs through advertisement. The EoI includes information on the required qualifications and experience of the firm, short listing criteria, and conflict of interest provisions. For any PAF to be considered for appointment as external auditors to audit Bank supported projects, it shall meet the Minimum Eligibility Criteria specified below. Failure to satisfy any of the Minimum Eligibility Criteria renders the firm not eligible for the assignment. The mandatory criterions are:

Criterion-1: The firm must be **empanelled with C&AG**, without which the application of the firm would not be considered.

Criterion-2: The applicant firm is **Independent of the entity** to be audited.

- The audit firm is not the incumbent Internal Auditor of the project or the SPIU.
- No partner of the audit firm or any qualified employee of the firm is related to any member of the Governing Body/Executive Committee/Board of Directors or the Project Director/Managing Director/any Director or any of the senior management (as applicable). Relative would mean husband, wife, brother, or sister or any lineal ascendant or descendant.
- Neither the firm nor its Partners or Associates have any interest in the business of the PIU.
- From the time of appointment and for one year after (to be counted from the date of issue of final audit report) the Firm ceases to be Auditor, no other assignment of any kind to the PIA/project (including consultancy) will be accepted, either by the firm or by its partners or relatives of partners of the firm or by its associates.
- The audit will not be done by a person who was either an employee in the project or a partner/employee of the retiring auditor, unless such person is employed with the firm for at least one year.

Criterion 3: The audit firm is not one against which disciplinary orders have been issued by the Public Companies Accounting Oversight Board and these orders are in force. Also, any partner/senior manager of the audit firm is not associated with the audit in any manner if he/she

- has been found guilty of professional/other misconduct by the Institute of Chartered Accountants of India under the First or Second Schedule of the Chartered Accountants Act, 1949; or
- is one against whom disciplinary sanction orders have been passed by the Public Companies Accounting Oversight Board.

Criterion 4: Firms must qualify following minimum criteria:

S.No.	Particulars*	Minimum Criteria
1	Number of Full Time Partners associated with the firm for not less than 3 years with at least one being a Fellow CA (As per Certificate of ICAI as on 1.1.2009)	4
2	Turnover of the firm (Average annual in last three financial yrs.)	Minimum Rs. 25 lakhs
3	No. of Years of Firm Existence	5 Years
4	No. of assignments of Statutory Audit of Corporate/PSUs entities except Bank Branch Audit having a turnover of not less than Rs. 25 crores in the last 3 years.	4
5	No. of assignments: Experience of audit of Externally Aided Projects/ Social Sector Projects (other than Audit of Charitable Institutions & NGOs) in the last 3 years	4

* The audit firms must be empanelled with the C&AG and eligible for major audits.

Supporting Documents for Eligibility Criteria: Following supporting documents must be submitted by the firm along with the technical proposal:

- A self-attested copy of the latest empanelment intimation letter issued by the CAG
- A certificate from the firm to the effect that no partner of the firm has been found guilty of professional/other misconduct by the Institute of Chartered Accountants of India under the First or Second Schedule of the Chartered Accountants Act, 1949 or is one against whom disciplinary sanction orders have been passed by the Public Companies Accounting Oversight Board. In case the firm has such partners, the firm provides details of such partners and certifies that they will not be associated with the audit in any manner
- A Declaration signed by an authorized partner of the audit firm verifying that the applicant is independent of the entity to be audited that they have no relationship with the entity to be audited (in particular, the auditor should not be employed by, serve as director for, or have any financial or

close business relationship with the entity during the period(s) covered by the audit or immediately thereafter for a period of two years);

- A self-attested copy of the latest firm constitution certificate issued by the ICAI (this certificate shall also act as evidence for verifying the Date of Constitution of the firm). This certificate should not be older than 30 days as on the date of the EoI.
- A copy of the balance sheet for the last three years.
- A copy of the appointment letters from the auditee organizations. Branch Audit of any Bank shall not be considered while taking into account the total number of assignments.
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EVALUATION CRITERIA: EXPRESSION OF INTEREST (EOI)

S. No.	Evaluation Criteria	Maximum Marks
1	Presence of Firm in Project State	10
2	Number of Partners associated with the firm for not less than 3 years with at least one being a Fellow CA (As per Certificate of ICAI as on 1.1.2009) (02 marks upto 03 partners, 01 for each additional partner)	10
3	Number of Professionally Qualified Staff Between 10-25 staff-(5 marks) More than 25 Staff-(10 marks)	10
4	Turnover for the last five years (More than 50 lacs and up to 75 lacs -2 marks for each year) (More than 75 lacs-4 marks for each year)	20
5	Number of Audit and similar assignments undertaken during last 5 years (5 marks for each assignment, maximum three)	15
6	Number of World Bank Project Audits** undertaken during the last 5 years (5 marks for each assignment, maximum seven assignments)	35
	Total marks	100

** World Bank audits means any audit conducted by the firm for World Bank clients, and includes both external and internal audit.

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 three w.e.f. 2014-15 to 2016-17 (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

SUGGESTED FORMAT OF INTERNAL AUDIT REPORT

Part A: Brief details of the Auditee and Audit:

- a. Name and address of the Auditee :
- b. Names of Office bearers :
- c. Name/s of Audit Team Members :
- d. Days of audit :
- e. Period covered in the previous audit :
- f. Period covered in the current audit :

Part B: Executive Summary:

The Executive Summary should normally cover the following items:

- a) Objectives of audit
- b) Methodology of audit
- c) Status of implementation of the financial management system
- d) Status of compliance of previous audit reports, including major audit observations pending compliance
- e) Key areas of weaknesses that need improvement, classified into the following areas:
 - i. Disallowance of expenditure as per the World Bank rules
 - ii. Procedural Lapse
 - iii. Accounting Lapse
 - iv. Accounting books & records not maintained.

f) Recommendations for improvements

Executive Summary to include the following format:-

Para No.	Observations	Implications with risks involved	Recommendations for improvement	Auditee's Comments/ Agreed Action	Agreed Timeline For Compliance

Part C: Compliance to previous Audit Reports

In this part, provide status of compliance with previous reports and detail pending audit observations. The views of the auditee should also be mentioned. In case there is any difficulty or problem in resolution of audit findings, these should be clearly highlighted.

Part D: Serious Observations:

In this part, provide details of serious audit observations, such as ineligible expenses, major lapses in internal controls, systemic weaknesses, procurement procedures not followed, incorrect information submitted for reimbursements, difference between cash drawn and expenditure reported, procedural lapse, accounting lapse, accounting books & records not maintained etc.

Part E: Other Observations:

Observations that are not serious in nature, but nonetheless require the attention of the Project should be detailed in this part.

Part F: Executive Summary and Suggestions/Recommendations:

Provide an Executive Summary of the observations mentioned in Part C and D along with suggestions/recommendations. Provide specific recommendations on internal control and systemic weaknesses. In addition to audit reports, the auditor will provide a report to Project Management

highlighting findings during the period under review. This will be in the form of a **consolidated Management Letter**, which will inter-alia include:

- a) Comments and observations on the financial management records, systems and controls that were examined during the course of the review.
- b) Deficiencies and areas of weaknesses in systems and controls and recommendation for their improvement.
- c) Compliance with covenants in the financing agreement and comments, if any, on internal and external matters affecting such compliance.
- d) Matters that have come to attention during the review and might have a significant impact on the implementation of the Project.
- e) Any special review procedures required of a compliance nature (for example, compliance of procurement procedures and procedure for selection of consultants etc. recommended by the World Bank).
- f) Any other matters that the auditor considers pertinent.