

**TECHNICAL EDUCATION QUALITY IMPROVEMENT
PROGRAMME [TEQIP] PHASE – II**

TERMS OF REFERENCE FOR INTERNAL AUDITOR

Duration: Initially for 1 year (further extension for 2 years based on performance)

BACKGROUND:

TEQIP II will be a Centrally Sponsored Scheme (CSS) of the Ministry of Human Resources Development (MHRD) and is expected to cover around 20 States and 200 institutions. The Central Government will finance 75% of the costs and the State Government the remaining 25%, unless the State is a Special Category State, in which case it finances 90% of the costs.

PROJECT COMPONENTS:

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

Component 1 : Improving Quality of Education in Selected Institutions

- Sub-Component 1.1** : Strengthening Institutions to improve learning outcomes and employability of graduates
- Sub-Component 1.2** : Scaling-up Post Graduate education and Demand-Driven Research & Development and Innovation
- Sub-Sub Component 1.2.1** : Establishing Centers of Excellence
- Sub-Component 1.3** : Faculty Development for Effective Teaching (Pedagogical Training)

Component 2 : Improving System Management

- Sub-Component 2.1** : Capacity Building to Strengthen Management
- Sub-Component 2.2** : Project Management, Monitoring and Evaluation

IMPLEMENTATION ARRANGEMENTS:

I. Institutional and implementation Arrangements

Central level: Overall responsibility for the project will lie 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 (Secretary or Joint Secretary in charge of higher/technical education). MHRD will delegate day-to-day implementation to National Project Implementation Unit (NPIU). MHRD will enter into a Memorandum of Understanding (MoU) with each State Government.

State Level: State Governments will oversee and facilitate implementation in the institutions in their State through the State Project Facilitation Unit (SPFU) 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 SPFUs. Each State will enter 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 Nodal Officer.

There will be expected 200 participating Project institutions sponsored by State Governments, including around 20 Centrally Funded Institutions (CFIs). These will be financed exclusively by the Central Government and will enter into a MoU directly with the MHRD under the supervision and facilitation of the NPIU.

II. Financial Management Arrangements

Budgeting: for project activities will be carried out as follows: (a) at the National Level, MHRD will be responsible for preparation of the budget for its own expenditure, releases to States as well as expenditure to be incurred at the Centrally Funded Institutions; and (b) at the State Level, the project budget will be prepared by the Department of Technical Education and submitted to the Finance Department for approval and inclusion in the overall budget for the State. This will be for total expenditure in the State, including GoI share. The share of GoI funds will be released by MHRD to States through GoI channels to the State Treasury, which will further release the funds to the Institutions.

Books of accounts for the project are maintained using double-entry bookkeeping principles. Standard books of accounts are maintained at the State and institutions. Most States/institutions use 'off-the-shelf' accounting software for recording/ compilation of information.

The Finance Function in NPIU will be headed by a Consultant Finance who will be assisted in his/her functions by an Associate Consultant and at least two Accounts Assistants. At the State level each SPFU is expected to have a full time person responsible for oversight of the FM function.

Disbursements from the World Bank will be made against quarterly Financial Monitoring Reports (FMRs), to be submitted within 45 days of close of each quarter. Expenditure as reported in the IUFs will be subject to certification as per the Annual Audit Reports submitted for each State/ NPIU/CFIs.

Audits of States will be conducted by firms of Chartered Accountants appointed by SPFU. The Audit will cover Project Financial Statements from all institutions and SPFUs. Audits will be carried out in accordance with TORs acceptable to the Bank. The MHRD will provide the Bank with a Consolidated Report on Audit of the Project, including a consolidation of project expenditure and key observations forming part of the State audit reports, audit report for CFIs and NPIU.

OBJECTIVE OF INTERNAL AUDIT:

The objectives of internal audit are as follows:

- To evaluate adequacy of internal control system
- To ensure compliance of laid down policies and procedures as 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.

NEED FOR INTERNAL AUDIT:

As laid down in Annex-7 of Project Appraisal Document (PAD), the SPFU has to appoint internal auditors for the project to perform audit on semi-annual basis at the institutions. Further, the Centrally Funded Institution will appoint internal auditors for carrying out internal audit of their institution on semi-annual basis.

SCOPE OF AUDIT:

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

- (i) Enable the auditor to confirm compliance with Financial Management Guidelines laid down for the project.
- (ii) provide SPFU 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.

COVERAGE OF AUDIT:

The audit would cover the entire project i.e., covering all sources and application of funds for the project, as considered necessary for the audit. The audit would also cover all consultancies or other contracts that may be entered into by the implementing agencies.

Specific areas of coverage of audit will include the following:

FINANCIAL TRANSACTIONS:

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), Project Appraisal Document (PAD), 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 SPFU and State and NPIU.
- d) Efficiency and timeliness of funds flow mechanism at the level of State and institutions for project activities.
- e) 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.
- f) That an appropriate system of accounting and financial reporting exists, on the basis of which claims are prepared and submitted for reimbursement.
- g) Adequate records are maintained regarding assets created and assets acquired by the project, including details of cost, identification and location of assets.
- h) Checking adherence to FM aspects of Disclosure Management requirement of the project by implementing agencies.
- i) 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. The Internal Audit firm will submit an Audit Schedule in advance to SPFU/CFIs and agree the schedule with the SPFU/CFIs.

REPORTING:

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 SPFU 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 – 30 th September		October	15 th November
2	1 st October – 31 st March		April	15 th May

PERIOD OF APPOINTMENT:

The auditor would be appointed for a period of 1 year beginning and cover the Financial Year ending on March 31st..... The contract may be extended to another two years on the basis of performance of the auditor.

GENERAL:

The auditor should be given access to all legal documents, correspondence, Books of Accounts, Finance Management Manual of the project, Project Implementation Plan (PIP), Project Appraisal Document (PAD), Development Credit Agreement, Memorandum of Understanding (MOU) between the State and the Institution, Government Orders and Office Orders and any other information associated with the Project and as deemed necessary by the Auditor.

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.

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP] PHASE – II

TERMS OF REFERENCE FOR AUDIT OF FINANCIAL STATEMENTS

BACKGROUND:

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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 intended⁵, 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 Financial Monitoring Reports (FMR) 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 Facilitation 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 so as to have a reasonable expectation of detecting material misstatements in the project financial statements.

SCOPE:

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

- (a) All external 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 Credit Agreement, the Project Appraisal Document, the Minutes of Negotiations and the Memorandum of Understanding;
- (b) Counterpart funds have been provided and used in accordance with the legal agreements and only for the purposes for which they were provided;
- (c) All necessary supporting documents, records, and accounts have been kept in respect of all project transactions including expenditures reported via FMRs. Clear linkages should exist between the books of account and FMRs presented to the Bank;
- (d) 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;

- 5 The Bank's charter [Article III Section V (b) of IBRD's Articles of Agreement and Article V Section 1(g) of IDA's Articles of Agreement] specify that: "The Bank shall make arrangements to ensure that the proceeds of any loan are 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."
- (e) Goods and services financed have been procured in accordance with the relevant credit agreement; and
 - (f) Review of outstanding previous years audit observations and their compliance.

PROJECT FINANCIAL STATEMENTS:

The Project Financial Statements should include-

- (a) Statement of Sources and Applications of Funds: An example is shown at Annex – XXIV (a).
- (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 FMR based method of reimbursement. An example is shown at Annex – XXIV (b).
- (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
- (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. An example of a Management Assertion Letter is shown at Annex – XXIV (c).

FINANCIAL MONITORING REPORTS:

In addition to the audit of the PFS, the auditor is required to audit all FMRs 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, these 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 FMR auditors should review the expenditure position before making the claim and provide reconciliation between the expenditure as per FMRs and as per the PFS for the period under audit examination.

AUDIT REPORT:

An audit report on the project financial statements 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 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 FMRs, 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. A sample audit report wording for an unqualified audit opinion is shown at Annex – XXIV (d).

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.

GENERAL:

The auditor should be given access to any information relevant for the purposes of conducting the audit. This would normally include all legal documents, correspondence, and any other information associated with the project and deemed necessary by the auditor. The information made available to the auditor should include, but not be limited to, copies of the Bank's Project Appraisal Document, the relevant Legal Agreements and a copy of Aide Memoires. It is highly desirable that the auditor become familiar with other Bank policy documents, such as OP/BP 10.02, the Bank's internal guidelines on Financial Management that include financial reporting and auditing requirements for projects financed by the World Bank. The auditor should also be familiar with the Bank's Disbursement Manual. Both documents will be provided by the Project staff to the auditor.

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 dosing of financial year. The format is attached at Annex – XXIV (e).

Annex – XXIV (a)

EXAMPLE OF A STATEMENT OF SOURCES AND APPLICATION OF FUNDS

Name of the Project Credit/ No.

Statement of Sources and Applications of Funds

Report for the year ended

In Rs. Lakhs

Particulars	Current Year	Previous Year	Project to date
Opening Balance (A)			
Receipts			
Funds from Government through Budget (These will include external assistance received by Government for the project.)			
Funds received directly by Project Implementing authority through external assistance			
Cost share by Private Unaided Institutions for Component 1			
Total Receipts (B)			
Total Sources (C = A + B)			
Expenditures by Component			
A.			
B.			
C.			
Total Expenditures (D)			
Closing Balance, (C-D)			
Notes : (1) The above figures will be based on accounts prepared by the accounts compiling officers, duly reconciled, with details of un-reconciled amounts to be furnished. (2) Name of accounting units whose financial statements are aggregated to prepare the consolidated accounts. (3) Any other specific Note.			

SAMPLE RECONCILIATION OF CLAIMS TO TOTAL

APPLICATIONS OF FUNDS Name of the Project
 Credit
 No.
Reconciliation of Claims to Total
Applications of Funds
 Report for the year ended _____

Bank Funds claimed during the year
(A) Total Expenditure made during the year
(B) Less: Outstanding bills
(C) Ineligible expenditures
(D) Expenditures not claimed
(E) Total Eligible Expenditures Claimed
(F) = (B) - (C) - (D) - (E)

World Bank Share @ x% of (F) above (G)

Schedules	Amt (Rs. Lakhs)		
	Current Year	Previous Year	Project to date
I			
II			
III			
IV			

 CFAO

 Project Director

 Date

 Date

Notes:

1. Total expenditure made during the year (B above) must be the same as the Total Expenditures shown on the Statement of Sources and Applications of Funds (D on the Statement of Sources and Applications of Funds)
2. Expenditures not claimed (E above) may reflect timing differences for eligible expenditures incurred during the year but claimed after the year end.
3. Amounts A and G above must be equal.

**EXAMPLE OF A MANAGEMENT
ASSERTION LETTER⁶**
(Project Letterhead)

(To Auditor)

(Date)

This assertion letter is provided in connection with your audit of the financial statements of the _____ Project for the year ended _____. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with the cash basis of accounting followed by the Project, and we confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

- The project financial statements are free of material misstatements, including omissions.
- Project funds have been used for the purposes for which they were provided.
- Project expenditures are eligible for financing under the Credit agreement.
- There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the project financial statements.
- We have made available to you all books of account and supporting documentation relating to the project.
- The project has complied with the conditions of all relevant legal agreements, including the Credit Agreement, , the Project Appraisal Document, the Minutes of Negotiations, the Borrower’s Project Implementation Plan, and Memorandum of Understanding

(Senior Executive Officer)

(Senior Financial Officer)

⁶This sample management assertion letter is based on ISA 580,

“Management Representations”, *Handbook of International Auditing, Assurance and Ethics Pronouncements*, International Federation of Accountants, 2007.

SAMPLE AUDIT REPORT — UNQUALIFIED OPINION

Auditor’s Report:

Addressee⁷

Report on the Project Financial Statements:

We have audited the accompanying financial statements of the _____ Project financed under World Bank Credit No. _____, which comprise the Statement of Sources and Applications of Funds and the Reconciliation of Claims to Total Applications of Funds⁸ for the year ended _____. These statements are the responsibility of the Project’s management. Our responsibility is to express an opinion on the accompanying financial statements based on our audit.

We conducted our audit in accordance with the Engagement and Quality Control Standards promulgated by the Institute of Chartered Accountants of India (ICAI). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the sources and applications of funds of _____
Project for the year ended _____
in accordance with accounting principles generally accepted in India.

In addition, in our opinion, (a) with respect to FMRs, 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 this audit report, expenditures are eligible for financing under the Credit Agreement. During the course of the audit, FMRs (period and amount to be indicated) and the connected documents were examined and these can be relied upon to support reimbursement under the Loan/Credit Agreement.

[Auditor’s Signature]

[Auditor’s

Address][Date⁹]

7 The auditor’s report should be addressed to the person stipulated in the underlying loan agreement as responsible for providing audited project financial statements.

8 Insert titles of other required statements and schedules included in or annexed _____ to the project financial statements, if any.

9 The report should be dated as of the date to which the auditor has become aware of and considered the effects of events and transactions. This is generally the final date of fieldwork, as opposed to the date of signing the audit report.

UTILIZATION CERTIFICATE

- a) Opening Balance as on 1st April Rs ____

- b) Funds received from
 Vide letter No _____ dated Rs _____

- c) Interest earned on grant available for TEQIP
 only during the year (31st March 200....) Rs ____

- d) Other Income Rs _____

- e) Expenditure Rs _____

Unspent Balance Rs. ____

Certified that a sum of Rs. _____ (Rupees _____) only was received by _____, from State Government as per letter number and date mentioned above.

It is also certified that out of the above-mentioned funds of Rs _____ (Rupee _____) only, a sum of Rs. _____ (Rupees _____) only has been utilized by the Institution for the purpose for which it was sanctioned. It is further certified that an unspent balance of Rs. _____ (Rupee _____) only is being carried forward for utilization in the next year.

We further certify that the conditions on which the grant was sanctioned have been fulfilled and where there have been any deviation from the sanctioned amount it is with prior approval of the concerned authority. We have exercised reasonable checks to see that money has been actually utilized for the purpose for which it was sanctioned.

(Name and Address of Chartered Accountants Firm)

Seal of Chartered Accountants Firm

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP] – II**SELECTION CRITERIA FOR AUDIT OF FINANCIAL STATEMENTS****1. 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 process of appointment should be completed before the commencement of the FY for which the audit is to be done. The auditors may be appointed initially for a period of two year and then for another 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.

2. Eligibility Criteria:

I. The firm must be empanelled with C & AG, without which the application of the firm would not be considered.

II. Firms must qualify following minimum criteria:

Sl. No.	Particulars*	Minimum Criteria
01	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
02	Turnover of the firm (Average annual in last three financial yrs.)	Minimum Rs.25 La khs
03	No. of Years of Firm Existence	5 Yrs.
04	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
05	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

- a) Any firm not qualifying these minimum criteria need not apply as their proposal shall be summarily rejected.
- b) **Supporting Documents for Eligibility Criteria:** Following supporting documents must be submitted by the firm along with the technical proposal:
- i. For S. No. 1 above, the firm must submit an attested copy of Certificate of ICAI as on 1.1.2009.
 - ii. For S. No. 2, the firm must submit, a copy of the balance sheet for the last three years.
 - iii. For S. No. 4 & 5, the firm must submit 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.
- III. The firm or any partners of the firm should not be black listed by any PSUs or Govt. Co. or any other organization in respect of any assignment or behavior. [Self attested affidavit on Rs.100/- stamp paper to be given in this regard by the authorised person of the firm].

EVALUATION CRITERIA FOR SELECTION OF AUDITOR

Evaluation Criteria: Expression of Interest (EOI)

The Evaluation Criteria for selecting the auditor are mentioned below:

<i>S.No.</i>	<i>Evaluation Criteria</i>	<i>Maximum Marks</i>
1	Number of Partners (2 marks up to 3 partners,1 for each additional partner)	10
2	Presence of the Firm in Project State	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

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

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

Criteria for Selection of Auditors – Request for Proposal (RFP)

The Evaluation Criteria for selecting the auditor are mentioned below:

S. No.	<i>Evaluation Criteria</i>	<i>Maximum Marks</i>
1	Number of External Audit / similar assignments undertaken during last 5 years (5 marks for each assignment, maximum of 4 assignment)	20
2	Number of World Bank project Audits*** undertaken during the last 5 years (5 marks for each assignment, maximum six assignments)	30
3	Based On Team proposed	
	> Partner	15
	> Audit Manager	15
	> Audit Staff	20
	Total Marks	100
	The individuals shall be rated on the following sub-criteria, as relevant to the task:	
	<u>General qualifications:</u> general education and training, length of experience, positions held, time with the firm as staff, experience in developing countries, and so forth;	20%
	<u>Adequacy for the assignment:</u> education, training, and experience in the specific sector, field, subject, and so forth, relevant to the particular assignment; and	50%
	Experience of working on World Bank projects	15%
	Experience of working with Government departments/similar projects	15%

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