## 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:

Strengthening Institutions to improve learning outcomes and employability of graduates.

## 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.

## 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:

### i) 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.

## ii) 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.

## iii) 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 | Audit to be conducted in | Submission of Audit Report |
|---|---|---|---|
| 1 | 1st Oct 2013 to 31st March 2014 | April | 15th May 2014 |
| 2 | 1st April 2014 to 30 Sept 2014 | October | 15th November 2014 |
| 3 | 1st Oct 2014 to 31 Dec 14 | January | 15th February 2015 |

## iv) QUANTUM OF WORK:

| Period | Approximate amount to be audited in each audit |
|---|---|
| 1st Oct 2013 to 31st March 2014 | Up to 15 lacs |
| 1st April 2014 to 30 Sept 2014 | Up to 2.85 crores |
| 1st Oct 2014 to 31 Dec 14 | Up to 2 crores |

**Professional Fees/ costs towards Auditing**

The financial proposal shall contain period/audit wise breakup of the costs/fees towards Auditing & other professional services and tax in the prescribed format of Expression of Interest.

**PERIOD OF APPOINTMENT:**

The auditor would be appointed for a period of 1 year beginning **1st April 2014** and cover the Financial Year ending on March 31st , **2015..** 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.

**TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP] PHASE – 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 auditors may be appointed initially for a period of One year and further extension for another year will be subject to annual performance review.

## 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 |
|---|---|---|
| 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 Yrs. |
| 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 |

a) Any firm not qualifying these minimum criteria need not apply as their proposal shall be summarily rejected.

b) **Supporting Documents for Eligibility Criterions:** 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].