

Ref: NITC/TEQIP III/PMU/AUDITOR/2019

Date: 23.01.2019

APPOINTMENT OF INTERNAL AUDITOR

TERMS OF REFERENCE (ToR) FOR INTERNAL AUDITOR

Position: **Internal Auditor TEQIP-III Funds**
Organization: National Institute of Technology Calicut
Duty station: National Institute of Technology Calicut, Kozhikode
Duration: Initially 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 covers around 26 States and 200 institutions. The Central Government will finance 100% cost. National Institute of Technology Calicut has been selected for the TEQIP III as a centrally funded Institute. Audit is to be carried out as per the Project guidelines. For details see www.npiu.nic.in.

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):

Subcomponent 1.1: Institutional Development Grants to Government and Government-aided Institutes

Subcomponent 1.2: Widening Impact through ATUs in LIS and SCS

Sub-component 1.3 : Twinning activities

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

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

Subcomponent 3.2: Widening Impact through ATUs in non-LIS

IMPLEMENTATION ARRANGEMENTS:

I. 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 (Additional 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 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 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 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/CFIs shall sign MoU 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 for 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. Reporting shall be governed by the Finance management Manual of TEQIP-III

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 of TEQIP-III.
- (ii) Provide the Institute 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 shall 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), 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 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 voucher 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 to 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. The Internal Audit firm will submit an Audit Schedule in advance to the Institute and agree the schedule with the Institute.

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

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 SPIU and Board of Governor (BOG) of Institution and the status of action on the previous recommendations.

S.N	Period	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 for the FY 2018-19 and cover the Financial Year ending on March 31st, 2019. The contract may be extended to another two years on the basis of performance of the auditor or till the TEQIP-III project is closed whichever is earlier.

PAYMENT TO AUDITORS:

100% payment, in Indian Rupees, after successful acceptance of the audit report by NPIU, will be made through online remittance to the bank account for which details need to be furnished along with the proposal, using the PFMS of Government of India. Statutory deductions shall be applied wherever necessary as per the Government of India norms for Income Tax, GST, etc. at the time of disbursal of payment.

SUBMISSION OF RESPONSE:

Respondent must submit one hard copy by post of their response, so as to reach the Institute at the address mentioned below by the date and time specified in the Notice.

DIRECTOR, Attention TEQIP Coordinator
TEQIP Office, 1st Floor, Administrative Block (New),
National Institute of Technology Calicut
NIT Campus(P.O), Calicut-673601, Kerala, India

Email: teqip@nitc.ac.in, Phone: 0495-2286137(O)

GENERAL TERMS & CONDITION:

1. NIT Calicut reserves the right of rejecting any offer without assigning reasons. Decision of the Director shall be final and binding on all.
2. NIT Calicut will provide infrastructure like, internet facility, Computer, Workspace etc.

Sd/-
DIRECTOR

ELIGIBILITY CRITERIA OF THE FIRMS FOR THE ASSIGNMENT

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 **empaneled 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 NPIU.

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) of the PIA. 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:

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 1.1.2019)	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

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

Supporting Documents for Eligibility Criterions:

- i. A self-attested copy of the latest empanelment intimation letter issued by the CAG

- ii. 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
- iii. 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);
- iv. 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.
- v. Copies of the Balance Sheet of the firm for the last three years.
- vi. 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.

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

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

**NATIONAL INSTITUTE OF TECHNOLOGY CALICUT, KOZHIKODE – 673601
TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAM (TEQIP – III)**

**INVITATION FOR EXPRESSION OF INTEREST (EOI) FOR APPOINTMENT OF
STATUTORY FINANCIAL AUDITOR FOR TEQIP-III PROJECT FOR THE FY2018-2019**

FORMAT FOR EXPRESSION OF INTEREST (EOI)

Sl. No.	Particulars*	Fulfilling Eligibility/ (Firm Details)
1.	Name, Postal Address, Contact No., Mobile No. Fax. No. & e-mail id. of the Auditing Firm	
2.	Is the firm empanelled with C&AG; If yes, Empanelment Number with C&AG of India.	
3.	No. of Years of Existence of the Firm	
4.	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 1.1.2019)	
5.	Number of Professionally Qualified Staff. Details of the Staff with their qualifications	
6.	Turnover of the firm in INR for the last five years-Give year wise from 2013-14 to 2017-2018	
7.	Presence of the Firm in Kozhikode(North Kerala) (Postal Address in Kozhikode)	Yes/No
8.	Number of Audit and similar assignments undertaken during last 5 years (5 marks for each assignment, maximum three)	
9.	Number of World Bank Project Audits** undertaken during the last 5 years (5 marks for each assignment, maximum seven assignments)	
10.	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.	
11.	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	

* The audit firms must be empaneled 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.

* Supporting Documents should be enclosed for particulars from 3 to 11

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

Signature & Seal of the Authorized Signatory

Place:

Date: