

**APPOINTMENT OF STATUTORY AUDITOR  
TERMS OF REFERENCE FOR STATUTORY AUDITOR**

Position: Statutory Auditor for 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 URL: [www.npiu.nic.in](http://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):

- 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
- 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

- 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:**

- iv. **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:**

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<sup>11</sup>, 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 internal unaudited Financial Reports (IUFR) 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:**

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

- (iv) An assessment of the adequacy of the project financial management arrangements, including internal 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;  
€ 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;  
€ 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 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.

#### **PROJECT FINANCIAL STATEMENTS:**

The Project Financial Statements should include-

(iv) 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 (refer format x).

€ 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 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:

- iv) 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. The format is attached at Annex-XXI € in Financial Management Manual.

#### **PERIOD OF APPOINTMENT:**

The auditor would be appointed for a period of 1 year beginning of the FY 2018-19 and cover the Financial Year ending on March 31<sup>st</sup> 2019. The contract may be extended to another two years on the basis of performance of the auditor.

#### **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 disbursement 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, 1<sup>st</sup> Floor, Administrative Block (New),  
National Institute of Technology Calicut  
NIT Campus(P.O),Calicut-673601,Kerala,India  
Email: [teqip@nitc.ac.in](mailto: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 Auditor of the project of the Institute which is also referred to as Project Implementing Agency(PIA).

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 PIA.

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

**Supporting Documents for Eligibility Criteria:**

- 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. A copy of the balance sheet 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

<b>S.No.</b>	<b>Evaluation Criteria</b>	<b>Maximum Marks</b>
<b>1</b>	Number of Partners (2 marks up to 3 partners, 1 for each additional partner)	10
<b>2</b>	Presence of the Firm in Project State	10
<b>3</b>	Number of Professionally Qualified Staff Between 10-25 staff-(5 marks) More than 25 Staff-(10 marks)	10
<b>4</b>	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
<b>5</b>	Number of Audit and similar assignments undertaken during last 5 years (5 marks for each assignment, maximum three)	15
<b>6</b>	Number of World Bank Project Audits** undertaken during the last 5 years (5 marks for each assignment, maximum seven assignments)	35
	<b>Total Marks</b>	<b>100</b>

**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: