

State Project Facilitation Unit (SPFU), Punjab, Chandigarh
Technical Education Quality Improvement Programme-II (TEQIP-II)

TERM OF REFERENCE

1. Introduction:

The Government of Punjab has signed Memorandum of Understanding (MoU) with MHRD, Government of India for implementation of Technical Education Quality Improvement Programme Phase-II (TEQIP-II) in the State as Centrally Sponsored Scheme assisted by the World Bank. The Government of Punjab has established State Project Facilitation Unit (SPFU) Office at Chandigarh under Directorate of Technical Education and Industrial Training, Punjab, Chandigarh for facilitating, implementing, coordinating and monitoring the Project. Eight Engineering Institutions (6 in 1st cycle and 2 in 2nd cycle) of Punjab have been selected for the project. The funds received and expenses incurred by the Institutions and SPFU Office are to be accounted for in proper books of accounts of respective offices. The FMRs of each of them and accounts and records maintained by the Institutions and SPFU office are to be audited as per existing agreed audit procedures of the World Bank. The SPFU has to appoint internal auditors for the project to perform audit on semi-annual basis of the institutes and SPFU.

2. Project Institutions of Punjab:

1.	Thapar University, Patiala
2.	Beant College of Engg. and Technology, Gurdaspur
3.	Giani Zail Singh P.T.U Campus, Bathinda
4.	Shaheed Bhagat Singh College of Engg. and Technology, Ferozepur
5.	Guru Nanak Dev Engg. College, Ludhiana
6.	College of Agriculture Engg.& Technology, P.A.U, Ludhiana
7.	Guru Nanak Dev University, Amritsar
8.	Chandigarh Engineering College, Landran (Mohali)

3. Background:

TEQIP – II is a Centrally Sponsored Scheme (CSS) of the MHRD, Govt. of India and is expected to cover around 20 States and 200 institutions. The Central Government is financing 75% and the State Government is financing the remaining 25% of the costs for Govt. Funded / aided engineering institutions and this ratio is 60:20:20 for private unaided institutions, where remaining 20% is institution's share.

4. Objective:

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. (available on NPIU website www.npiu.nic.in)

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.

5. Scope:

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 frequent visits to institutions to check adherence with internal control requirements like bank reconciliations, timely maintenance of books/accounting software and accuracy of reporting.

6. General:

The auditor would be given access to any information relevant for the purposes of conducting the audit. This would normally include 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.

7. Coverage by Auditors:

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

8. Period of Appointment:

The auditor would be appointed for a period of 1 year beginning April 1st, 2015 and cover the financial year ending on March 31st, 2016. The contract may be extended to another two years or till completion of the project (whichever is earlier) on the basis of performance of the auditor. If the project is completed in the middle of the financial year, than the audit fee will be paid in proportion for that particular year.

9. 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:

Sr.No.	Particulars*	Minimum Criteria
1.	Number of full time partners associated with the firm for not less than three years with at least one being a fellow CA (As per Certificate of ICAI as on 01.01.2015.	4
2.	Turnover of the firm	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 three years	4
5.	No. of assignments: Experience of audit of Externally Aided Projects/Social Sector Projects (others than Audit of Charitable Institutions & NGOs) in the last 3 years	4

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

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

- i. For S. No. 1, The firm must submit an attested copy of Certificate of ICAI as on 1.1.2015.
- 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, the firm must submit a copy of the appointment letters issued by the organizations alongwith the evidences of their turnover. Branch Audit of any Bank shall not be considered while taking into account the total number of assignments.
- iv. For S.No. 5, the firm must submit a copy of the appointment letters issued by the organizations clearly indicating the genre of audit as Externally Aided Projects/Social Sector Projects.
- v. 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 of behavior. [Self attested affidavit on Rs. 100/- stamp paper to be given in this regard by the authorized person of the firm.
- vi. Copy of C & AG empanelment for the year 2015-16.

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

10. Financial Transactions:

Internal Audit of each implementing agency (IA) would be conducted on a semi-annual basis. It would be carried out in accordance with the Internal Audit standards of Institutions of Chartered Accountants of India, and will include substantive and control test 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 operation satisfactorily. The auditor would 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 agreements; project agreements, Memorandum of Understanding (MoU) between institutions 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 procedure prescribed for the project. The audit would report any 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 adhere 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.

11. Reporting:

In addition to detailed internal audit report, the auditor would provide an Executive Summary highlighting critical issues which require the attention of the Head of SPFU and Board of Governor (BoG) of the institution and the status of action on the previous recommendations.

Sr.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

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 would 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 would also be mentioned. In case there is any difficulty or problem in resolution of audit findings, these would be clearly highlighted.

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Financial Offer

Rates of Audit Fees : Please quote audit fee for the following :-

A	Financial Year 2015-16	Audit fee for State Project Facilitation Unit, Punjab and eight project institutions.	Audit Fee (Rs.)
			Service Tax @ (Rs.)
			Total (A) (Rs.)

Important Note :- For decision on offer the Total Amount “A” as quoted above will be considered.

**Signature and Seal
of C.A. firm.**