



**STATE PROJECT IMPLEMENTATION UNIT
CHHATTISGARH**

*(A Unit of Ministry of Human Resource Development, Govt of India for
implementation of World Bank Assisted Projects in Technical Education)*

**Directorate of Technical Education, (C.G.)
Room No III/4/30, Block-3, 4th Floor, Indravati Bhavan,
Naya Raipur - 492002**

**INVITATION FOR
EXPRESSION OF INTEREST
FOR
INTERNAL AUDIT**

Issued by :

**State Project Administrator,
State Project Implementation Unit-Chhattisgarh
Indravati Bhawan, Naya Raipur 492002**

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**Invitation for Expression of Interest (EoI) for Appointment of
Internal Auditor for TEQIP- III For State Government,
Vishwavidyalaya Engineering Participating Institutions and**

SPIU-CG

1. BACKGROUND

TEQIP III is a Central Sector Scheme of the Ministry of Human Resources Development (MHRD) and is expected to cover around 26 States and 200 institutions. The Central Government will finance 100% cost.

The Ministry of Human Resource Development, Government of India, NPIU and The Department of Technical Education, is implementing Technical Education Quality Improvement Programme, Phase III (TEQIP-III) under the State Project Implementation Unit, Chhattisgarh (SPIU-CG). The State Project Administrator SPIU-CG on behalf of National Project Implementation Unit (NPIU), Govt. of India, Project Implementation Unit, invites Expression of Interest (EoI) from the Chartered Accountants empanelled with C&AG (Comptroller and Auditor General of India) with an average minimum turnover of Rs. 25 Lakh per annum for the last three years to conduct **Internal Audit** of the Project. The selected auditor shall conduct an assessment of the adequacy of the Project Management, Financial Management, and Procurement Procedures including internal controls thereof for **SPIU-CG, and the 5 Participating Institutes for F.Y. 2017-18** and to submit the reports as specified in ToR. The auditor shall provide the project institutes with timely information and recommendations on the financial aspects of the project to enable the institutes to take corrective measures, wherever necessary.

The interested consultants must provide the proof of information indicating that they are qualified to perform the services along with the following on or before **20-08-2018** before **03:00 P.M.** in a sealed envelope super scribed “**EOI for Internal Audit**” to the address as mentioned below:

The State Project Administrator,
State Project Implementation Unit (SPIU-CG),
Directorate of Technical Education, (C.G.) Room No III/4/30, Block-3, 3rd – 4th Floor
Indravati Bhavan, Naya Raipur - 492002

Sealed cover will be opened in the presence of Consultant (Room no III/4/30 4th floor)

SPIU Office (DTE, Indravati Bhawan, Naya Raipur at 4 pm on 20.08.2018.

- a) Name, address, phone number, e-mail id and website of the firm.
- b) Whether empanelled with the C&AG? If yes, give details.
- c) Number of partners and organizational structure of the firm.
- d) Number of branches/offices in the state with full addresses of the branches/offices.
- e) Number of professionally qualified staff working. Details of staff with their qualifications.
- f) Year-wise annual turnover of the Firm in INR for the last three years w.e.f. 2014-15 to 2016-17 (along with documentary evidence).
- g) Details of Audit and similar assignments undertaken during the last 5 (five) years.
- h) Details of relevant Audit assignments undertaken for large Public Sector/Government organizations.
- i) Details of experience in conducting audit of External funded projects e.g. World Bank, ADB etc.

A consultant will be selected in accordance with the World Bank's Guidelines and procedures given under Procurement Manual for TEQIP-III Project.

2. TERMS OF REFERENCE (ToR) FOR INTERNAL AUDITOR

Position : **Internal Auditor**
 Organization :
 Duty Station :
 Duration : Initially for 1 year (further extension for 2-years based on performance)

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 :

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:

I. Institutional and implementation Arrangements

Central Level

Overall responsibility for the project is with the Department of Higher Education of the Ministry of Human Resource Development (MHRD). MHRD constitutes a National Steering Committee assisted by a small National Project Directorate headed by the National Project Director. MHRD delegates day-to-day implementation to National Project Implementation Unit (NPIU). MHRD entered 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 coordinator.

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.

3. 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 suggestions to the management
- Review operation of 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.

4. 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.

5. SCOPE OF AUDIT:

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

- a) enable the auditor to confirm compliance with Financial Management Guidelines laid down for the project.
- b) provide SPIU-CG 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.

6. GENERAL:

The auditor should 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.

7. 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 (ICAI), 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-CG 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 institute 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 vouchers are supported by proper supporting documents.
- m) Whether the expenditure has been booked in proper head of account.
- n) Payment of taxes to government authorities 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.

8. TIMING AND COVERAGE:

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

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

9. REPORTING:

In addition to detailed internal audit report, the auditor should provide an Executive Summary highlighting critical issues which require the attention of the State Project Administrator of SPIU-CG and Board of Governor (BoG) of Institution and the status of action on the previous recommendations.

Sl. No.	Period	No. of Institutions	Audit to be Conducted in	Submission of Audit Report
1.	1 st April – 30 th September 2017	5 Institutes + 1 SPIU-CG	Aug-Sep 2018	30 th September 2018
2.	1 st October – 31 st March	5 Institutes + 1 SPIU-CG	Aug-Sep 2018	30 th September 2018
In addition Auditor will prepare one consolidated report for F.Y. 2017-2018 is also to be submitted				

10. LIST OF PARTICIPATING UNIVERSITIES/INSTITUTES

Universities in the state of Chhattisgarh under sub-component 1.2:

- 1- Chhattisgarh Swami Vivekanand Technical University, Bhilai

Government/ Engineering Colleges/Institutes under sub-component 1.1:

- 1- Government Engineering College, Raipur
- 2- Government Engineering College, Bilaspur
- 3- Government Engineering College, Jagdalpur
- 4- Vishwavidyala Engineering College, Lakhanpur

SPIU, Office

1. State Project Implementation Unit, Indravati Bhawan Naya Raipur, Chhattisgarh

11. PERIOD OF APPOINTMENT:

The auditor would be appointed for a period of 1 year and cover the Financial Year ending on **March 31st 2018**. The contract may be extended further to another two years on the basis of performance of the auditor.

12. 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 Financial Year for which the audit is to be done. The auditors may be appointed initially for a period of one 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 reappointment 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) 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 PIU.
 - 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.

(iii) 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

(iv) 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 (four)
2.	Turnover of the firm <i>(Average annual in last three financial years)</i>	Minimum Rs. 25 (twenty five) lakh
3.	No. of Years of Firm Existence	5 (five) years
4.	No. of assignments of Internal 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 (four)
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 (four)

13. SUPPORTING DOCUMENTS FOR ELIGIBILITY CRITERIONS:

Following supporting documents must be submitted by the firm along with the technical proposal:

- (i) A self-attested copy of the latest empanelment intimation letter issued by the C&AG.
- (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.

14. EVALUATION CRITERIA FOR SELECTION OF AUDITOR

Evaluation Criteria: Expression of Interest (EoI)

Sl. No.	Evaluation Criteria	Max Marks
1.	Number of Partners (2 marks up to 3 partners, 1 for each additional partner)	10
2.	Presence of the Firm in the operational area of SPIU-CG	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 mean any audit conducted by the firm for World Bank clients, and includes both external audit and internal audit.

15. APPLICATION FORMAT

1.	Name, address, phone number, e-mail ID and website address of the Firm	
2.	Whether empanelled with the C&AG? If yes, give details	
3.	Number of partners and organizational structure of the Firm	
4.	Number of branches/ offices in the state with full addresses of the branches/offices	
5.	Number of professionally qualified staff working. Details of staff with their qualifications	
6.	Year-wise annual turnover of the Firm in INR for the last three years w.e.f. 2014-15 to 2016-17 (along with documentary evidence).	
7.	Details of Audit and similar assignments undertaken during the last 5 years	
8.	Details of relevant audit assignments undertaken for large Public Sector/ Government organizations	
9.	Details of experience in conducting audit of external funded projects e.g. World Bank, ADB etc.	

NOTE: Enclose proof of evidence wherever necessary.

16. 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.