

Invitation for Expression of Interest

for

INTERNAL AUDIT

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME

(TEQIP III – Sub Component 1.3)



GOVERNMENT COLLEGE OF ENGINEERING, BARGUR

Madhepalli Village, Bargur

Krishnagiri – 635 104

Tel: 04343 – 266 067

Website: www.gcebargur.ac.in

E-Mail: principal503@gmail.com

Opening date of submission of tender : 08.11.2018, 10.00 am

Closing date of submission of tender : 28.11.2018, 05.00 pm

Tenders to be addressed to: **The Principal, Government College of Engineering, Bargur, Krishnagiri - 635104** with the entry “EOI for Internal Audit due on **28.11.2018**” on the sealed cover.

GOVERNMENT COLLEGE OF ENGINEERING,
BARGUR

Technical Education Quality Improvement Programme[TEQIP] - Phase III

Short Notice

Expression of Interest (EoI) are invited from CAG approved Chartered Accountants for Appointment of Statutory and Internal Auditors for TEQIP III project. Interested Consultant may submit "EoI" in a sealed envelope clearly superscripted as EoI for any/each services.

Expression of Interest (EoI) must be delivered to the institute address within 21 days from the date of advertisement. For details visit our institute website gce-bargur.ac.in



PRINCIPAL

PRINCIPAL

Government College of Engg.,
BARGUR-635 104.

GOVERNMENT COLLEGE OF ENGINEERING, BARGUR

Objective:

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.

SCOPE:

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

- (a) 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;
- (c) 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;
- (e) 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


PRINCIPAL
Government College of Engg.,
BARGUR-635 104.

GOVERNMENT COLLEGE OF ENGINEERING, BARGUR

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.
- (a) An assessment of the compliance of previous audit observations raised, if any. The audit report should include a separate Para in this regard.

TERMS OF REFERENCE (ToR) FOR AUDIT OF FINANCIAL STATEMENTS (ANNUAL STATUTORY AUDIT)

Position : STATUTORY AUDITOR

Organization:

Duty Station:

Duration : Initially for 1 year (further extension for 2 years based on performance)

PERIOD OF APPOINTMENT:

The auditors may be appointed initially for a period of one year starting from June 2018 and cover the financial period ending 31st March 2019. The contract may get extended for another two years on the basis of the performance of the auditor.

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.

PROJECT FINANCIAL STATEMENTS:

The Project Financial Statements should include-

- (a) 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 in F M Manual of TEQIP III).
- (c) 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.


PRINCIPAL
Government College of Engg.,
BARGUR-635 104.

GOVERNMENT COLLEGE OF ENGINEERING, BARGUR

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:

- i) 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.


PRINCIPAL
Government College of Engg.,
BARGUR-635 104.

GOVERNMENT COLLEGE OF ENGINEERING, BARGUR

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:

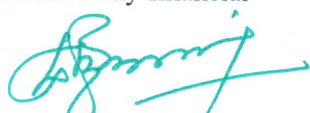
The Auditor is further required to provide a certificate giving details of unspent balance brought forward from the previous financial year, funds released during current financial year indicating sanction numbers and amount, funds utilized and unspent balance at the closing of financial year. Refer format in F M Manual of TEQIP III

Eligibility Criteria:

	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

Supporting Documents for Eligibility Criteria: 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 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


PRINCIPAL
Government College of Engg.,
BARGUR-635 104.

GOVERNMENT COLLEGE OF ENGINEERING, BARGUR

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.

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.

vi. 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 should be provided in this regard by the authorized person of the firm].

Annex

EVALUATION CRITERIA FOR SELECTION OF AUDITOR

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

* 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.

Criteria for Selection of Auditors – Request for Proposal (RFP)

The Evaluation Criteria for selecting the auditor are mentioned below:


PRINCIPAL
Government College of Engg.,
BARGUR-635 104.

GOVERNMENT COLLEGE OF ENGINEERING,
BARGUR

<i>Evaluation Criteria</i>	<i>Maximum Marks</i>
Number of External Audit / similar assignments undertaken during last 5 years (5 marks for each assignment, maximum of 4 assignment)	20
Number of World Bank project Audits*** undertaken during the last 5 years (5 marks for each assignment, maximum six assignments)	30
Based On Team proposed	
> Partner	15
> Audit Manager	15
> Audit Staff	20
Total Marks	100
The individuals shall be rated on the following sub-criteria, as relevant to the task:	
<u>General qualifications</u> : general education and training, length of experience, positions held, time with the firm as staff, experience in developing countries, and so forth;	20%
<u>Adequacy for the assignment</u> : education, training, and experience in the specific sector, field, subject, and so forth, relevant to the particular assignment; and	50%
Experience of working on World Bank projects	15%
Experience of working with Government departments/similar projects	15%

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


PRINCIPAL
 Government College of Engg.,
 BARGUR-635 104.

GOVERNMENT COLLEGE OF ENGINEERING, BARGUR

SPECIFIC INSTRUCTIONS FOR STATUTORY AUDIT OF FINANCIAL STATEMENTS

1. Coverage by Auditors

To ensure timely completion of audit, auditors should visit each project implementing agency (Institution/SPIU/NPIU) twice a year and, in total, review at least 50% of transactions by value.

2. Audit Observations

a. **Classification of audit observations:** For each of the audit observations, the auditor should classify it either as a Major or a Minor observation. To arrive at the classification, both the amount (quantity) and nature (quality) of misstatements need to be considered.

b. **Quantification of audit observations:** To the best extent possible, the auditor should quantify the impact of the misstatement, so that implication of the findings can be assessed.

c. Observations should be as **specific** as possible.

d. **Management Response:** Management must submit a response to the audit observations listed in the audit report.

3. Presentation of Financial Statements

a. Expenditure in Project Financial Statements may be grouped as per reporting heads in the internal unaudited financial reports (IUFR). This will facilitate reconciliation with the internal unaudited financial reports (IUFR).

b. Accounting Policies should clearly indicate, inter alia, the basis of recognition of expenditure for various activities i.e. basis and timing of expenditure recognition and nature of documents received to liquidate the advance and record expenditure e.g., Utilization Certificate, Statement of Expenditures or actual vouchers/bills etc.

c. The audit report shall contain an audited internal unaudited financial reports (IUFR) for the last quarter (^{year} ~~quarter~~ ending March 2009), showing cumulative and head wise expenditure for the complete financial year) along with the Audited Statement of Accounts. Further, it should include reconciliation between these two statements.


PRINCIPAL
Government College of Engg.,
BARGUR-635 104.