

**PROPOSED TERMS OF REFERENCE FOR FINANCIAL AUDIT
UNDER
TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME (TEQIP)**

OBJECTIVE

The objective of the audit of Financial Statements (Balance Sheet, Income and Expenditure and Receipts and Payments) is to enable the auditor to express a professional opinion on the financial position of the following institutions (Centrally funded/State funded and/or private) and SPFU

_____ located at _____
_____ located at _____
_____ located at _____
_____ located at _____

implementing the Technical Education Quality Improvement Programme (TEQIP) at the end of each financial year and of the funds/grants received and expenditure for the accounting period ended 31st March each year, as reported through the Financial Statements.

The **TEQIP** accounts (books of account) provide the basis for preparation of the Financial Statements and are established to reflect the financial transactions in respect of the Programme.

SCOPE

- (i) The audit will be carried out in accordance with the relevant Standards of Auditing and will include such tests and controls as the auditor considers necessary under the circumstances.
- (ii) While conducting the audit, special attention should be paid to the following:
 - a) All funds provided by GOI/ State Government as grant/loan have been used in accordance with the conditions as laid down in the Project Implementation Plan (PIP) and MOU signed between State Government and State Institutions/GOI and Centrally Funded Institutions, and only for the purposes for which the funds were provided.
 - b) All expenditure, including procurement of goods and services, have the necessary supporting documentation and have been incurred in accordance with the relevant provisions made in PIP and Project Appraisal Document (PAD).

- c) All the goods procured and issued are supported by valid receipt and issue documents and are recorded in the stock/inventory registers and the closing balances worked out correctly.
- d) The Statement of Expenditure (SOE) are verified for their eligibility within the legal agreements wherein such tests and controls as the auditor considers necessary under the circumstances are applied.
- e) The Programme accounts have been prepared in accordance with consistently applied relevant Accounting Standards and give a true and fair view of the financial position of the institution(s) (Centrally funded/State funded and/or Private)/SPFU for the financial year ending 31st March each year and of receipts and payments for the year ended as on that date.

COVERAGE

The Auditor must verify following:

- i) All necessary supporting documents, records, invoices etc. have been kept with Books of Accounts
- ii) Standard Books of Accounts such as Cash Book, Bank Book, Journal, Ledger, stock register, fixed assets register etc are maintained
- iii) Physical verification of Assets acquired from Programme funds has been carried out and reconciled at least once in each year
- iv) Cash and Bank payments & advances to suppliers, contractors, various institutes etc. and receipt of funds from other sources (through internal revenue under TEQIP), if any are properly made
- v) Adjustment of suppliers' advance against their bills etc., if any have been correctly accounted for
- vi) Expenditure limits on repair and maintenance of office building and maintenance of equipment etc. are as prescribed in PIP and/or in PAD

- vii) Process of tender evaluation and award of Goods and Civil Works and other work to Contractors/Parties/Consultants are as per prescribed procedures. This may be ensured by checking of comparative statement through which award of work made, checking of terms and conditions etc. with the Purchase Order/Job Order/Work Order
- viii) Recommendation to Finance for payment of R.A. bills/Architects bills, release of mobilization and secured advance, if any are correct
- ix) The reimbursement claims are lodged on monthly/quarterly basis against expenditure incurred on Programme activities in the appropriate forms
- x) Compliance of audit observation of previous financial year have been made
- xi) The interest accrued on grants received for the Programme has been retained by the institution and reflected in the Books of Accounts for use of institutional development activities
- xii) Institute is maintaining and operating separate Bank Account for Programme funds received from the State/Government of India
- xiii) The unspent balance as of 31st March of each financial year is carried forward to the next financial year and has not lapsed

FINANCIAL STATEMENTS

The financial statements should include:

- a) A summary of funds received under TEQIP/ any other sources under TEQIP (Example – Internal revenue generated etc through TEQIP activities)
- b) A summary of expenditure shown under the main Programme components and categories of expenditure for the current financial year and accumulated to date
- c) A Balance Sheet showing accumulated funds of the Programme, bank balances, other assets of the Programme

STATEMENT OF EXPENDITURE

In addition to the audit of Financial Statements, the auditor is required to audit all SOEs used as the basis for seeking reimbursement from Controller of Aid Accounts & Audit (CAA&A). The auditor should apply such tests and controls as the auditor considers necessary under the circumstances. These should be carefully compared for project eligibility with the relevant financing agreements and the Project Appraisal Document for guidance when considered necessary. The following are required to be annexed to the Project Financial Statements

1. When ineligible expenditure are identified as having been included in the SOEs, these should be noted separately by the auditor in an annexure
2. Annexed to the Project Financial Statement should be a schedule listing individual SOE and amount
3. The amount of expenditure claimed in the SOE (submitted for the eligible expenses incurred during the financial year under audit) should be reconciled with the amount appearing under the summary of expenditures of the Receipts and Payments statement

AUDIT OPINION & REPORT

Besides a primary opinion on the Financial Statements, the audit report should include a separate paragraph commenting on the accuracy and propriety of expenditures shown in the Statements of Expenditure and the extent to which the World Bank can rely on SOEs as a basis for reimbursement. The format of Audit Report is attached at **Annexure – I**.

SCHEDULE OF AUDIT AND SUBMISSION OF AUDIT REPORT

- (i) The audit will commence not later than 15th May, each year and should be completed by 31st July or earlier every year.
- (ii) The Audit Report will be submitted to _____ by the Auditor by 16th August of each financial year

MANAGEMENT LETTER

In addition to the audit reports, the Auditor should prepare a "management letter" in which the auditor should :

- a) Give comments and observations, if any, on the accounting records, systems and controls that were examined during the course of the audit;
- b) Identify specific deficiencies and areas of weakness (if any) in systems and controls and make recommendations for their improvement;
- c) Report on the degree of compliance with the financial/ internal control procedures as documented in the PIP;
- d) Communicate matters that have come to attention during the audit which might have a significant impact on the implementation of the Programme; and
- e) Bring to attention any other matter that the Auditor considers pertinent.

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.

GENERAL

The Auditor will be given access to all legal documents, correspondence, financial manual, notice from the NPIU/SPFU etc, and any other information associated with the Programme and deemed necessary by the auditor. It is desirable that the Auditor become familiar with a copy of the Bank's Guidelines on Financial Reporting and Auditing of Projects Financed by the World Bank', which summarizes the Bank's financial reporting and auditing requirements. The Auditor should also be familiar with the Bank's 'Disbursement Hand Book'.

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 **Annexure – II**.

AUDIT REPORT FORMAT**Technical Education Quality Improvement Programme (TEQIP)
(for Programme Financial Statement including SOE)**

To (Addressee)

Introduction

We have audited the accompanying expenditure statements/financial statement of the _____, implementing Technical Education Quality Improvement Programme (TEQIP) financed under World Bank Credit No. 3718 IN as on _____. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with relevant standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of materials misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the Sources and Application of Funds and the financial position of _____ for the year ended March 31 _____, in accordance with the standards issued by the Institute of Chartered Accountants of India.

In addition, (a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursement of expenditures incurred; and (b) which expenditures are eligible for financing under the Loan/Credit Agreement (Cr. 3718 IN)

(Name and Address of Audit Firm)

Seal of Chartered Accountant Firm
Signature

Date: _____ (Completion date of Audit)

Place: _____

Notes

1. A "Source and Application of Funds" statement is always required for each Programme. A balance sheet is also required where the Programme has assets and liabilities
2. In case a qualified opinion or disclaimer is given by the auditor, the Audit Report should state in a clear and informative manner all the reasons for such an opinion
3. Audit Report to be accompanied by
 - a) Management Letter
 - b) Listing of SOE withdrawal applications
 - c) Listing of ineligible claims, if any
 - d) Reconciliation of SOE claims with the actual expenditure as reported in the audited financial statements

MANAGEMENT LETTER

Dear Sir,

We have audited the financial statements of **(Name of State)** for the year ending 31st March, _____ and have issued our report dated_____. In planning and performing our audit of **(Name of State)**, we considered its internal accounting control structure in order to determine our auditing procedure for the purpose of expressing our opinion of the financial statements and to provide assurance on the internal accounting control structure. The matters involving the internal accounting control structure and its operations that we consider to be material weakness in accordance with the standards referred to above have been dealt with in our audit report.

(Comments and observations, if any, on the accounting records, systems and controls that were examined during the course of the audit)

(Specific deficiencies and areas of weakness (if any) in systems and controls and make recommendations for their improvement)

(Degree of compliance with the financial/ internal control procedures as documented in the PIP)

(Matters that have come to attention during the audit, which might have a significant impact on the implementation of the Programme)

(Any other matter that the Auditor considers pertinent)
(Certify Whether Physical Verification of Assets was carried out by the Institution)

Suggestion/ Recommendation on above observation: -

Management Comments: -
(SPFU/Institution's comments on Audit Observation)

(Name and Address of Audit Firm)

Seal of Chartered Accountant Firm

Signature

Sign and Seal of SPFU Head

Date:_____

Place:_____

BALANCE SHEET

(FOR THE YEAR ENDED.....)

Amount in Rs.(Actuals)

Previous Year (Rs.)	Liabilities	Schedule	Current Year (Rs.)	Previous Year (Rs.)	Assets	Schedule	Current Year (Rs.)
	<u>Grant From State Government</u>				<u>Fixed Assets</u>	I	
	Opening Balance				<u>Current Assets, Loan & Advances</u>		
	Add: Grant Received During the Year				- Loan & Advances Recoverable	II	
	Less: Excess of Expenditure over Income				- TDS (including TDS on interest accrued)		
	<u>Loan from State Govt (for Private Institutions only)</u>				- Balance with Scheduled Bank	III	
					a) In Deposit Account		
					b) Savings Account		
					- Cash in Hand		
	<u>Current Liabilities</u>						
	Earnest Money	IV					
	Other Amount Payable	V					
	Total				Total		

Notes to accounts and significant accounting polices forming part of accounts (Schedule VI)

(Name and Address of Audit Firm)

Seal of Chartered Accountant Firm

Sign and Seal of SPFU Head

Place:

Date:

INCOME & EXPENDITURE FOR THE YEAR ENDED.....

Amount in Rs. Actuals

Previous Year (Rs.)	Expenditure	Current Year (Rs.)	Previous Year (Rs.)	Income	Current year (Rs.)
	<p><u>Promotion of Academic Excellence</u></p> <p>Investment Cost</p> <p>a) Consultancies Services & Research Studies (Including Audit fee)</p> <p>b) Training, Fellowship & Workshop Exp</p> <p>Incremental Operating Cost</p> <p>a) Salary for agreed Additional Key Faculty & Technical Staff Stipend/scholarship</p> <p>b) Consumables (Laboratory & Workshop Supplies, Printing & Stationary, Telephone, Electricity & Water Exp, etc)</p> <p>c) Operation & Maintenance (Maintenance Exp. of Equipment & Vehicles, Hiring Exp of Vehicle, Offices, Off Campus Building, Postage & Courier Exp, Office Exp including bank charges, etc.)</p>			<p>Interest Received</p> <p>a) Interest on Bank Deposits</p> <p>b) Interest on Savings Account</p> <p>Other Receipt</p> <p>(Please specify)</p> <p>Excess of Expenditure over Income</p>	

Contd...

INCOME & EXPENDITURE FOR THE YEAR ENDED.....

Amount in Rs. Actuals

Previous Year (Rs.)	Expenditure	Current Year (Rs.)	Previous year (Rs.)	Income	Current Year (Rs.)
	<u>Networking of Institutions</u> a) Training & Workshop b) Consumables (Laboratory & Workshop Supplies, etc) c) Operation & Maintenance Exp. of Equipment purchased for Networking, TA/DA of faculty for expert lecture, etc. <u>Services to Community & Economy</u> a) Training & Workshops, b) Consumables c) Operation & Maintenance Exp. of Equipment purchased for service to community, Local transport charges, etc. Excess of Income over Expenditure				
	Total			Total	

Notes to accounts and significant accounting polices forming part of accounts (Schedule VI)

(Name and Address of Audit Firm)

Seal of Chartered Accountant Firm

Sign and Seal of SPFU Head

Place:

Date:

RECEIPT & PAYMENT FOR THE YEAR ENDED.....

Amount in Rs. Actuals

Previous Year (Rs.)	Receipt	Current Year (Rs.)	Previous Year (Rs.)	Payment	Current Year (Rs.)
	<p><u>Opening Balance</u></p> <p>i) Cash in Hand ii) Cash at Bank</p> <p>Grant Received during the year</p> <p>Loan Received from State Govt (for Private Institutions only)</p> <p>Maturity of Bank Deposits</p> <p>i) Principle amount ii) Interest received (including TDS on interest accrued)</p> <p>Interest Received on Saving Account</p> <p>Earnest money (Refundable)</p> <p>Other receipt</p>			<p><u>Promotion of Academic Excellence</u></p> <p>Investment Cost</p> <p>a) Civil Works b) Equipment c) Furniture d) Vehicle e) Books & Learning Resources f) Consultancies Services, Research Studies & Audit fee g) Training, Fellowship & Workshop Exp</p> <p>Incremental Operating Cost</p> <p>a) Salary for agreed Additional key Faculty & Technical Staff Stipend/scholarships b) Consumables (Laboratory & Workshop supplies, Printing & Stationary, Telephone, Electricity, water, etc.) c) Operation & Maintenance (Expenses on Operation & Maintenance of Equipment and Vehicle, Hiring of Vehicle, Office, Off Campus building, Non technical Man Power, Postage and Courier, etc.</p>	

Contd..

RECEIPT & PAYMENT FOR THE YEAR ENDED.....

Amount in Rs. Actuals					
Previous Year (Rs.)	Receipt	Current Year (Rs.)	Previous Year (Rs.)	Payment	Current Year (Rs.)
				<u>Networking of Institution</u> a) Equipment b) Training & Workshops c) Consumables (Laboratory & Workshop Supplies, etc) d) Operation & Maintenance Exp. of Equipment purchased for Network. TA/DA of faculty for expert lecture, etc <u>Services to Community & Economy</u> a) Equipment b) Training & Workshops, c) Consumables d) Operation & Maintenance Exp. of Equipment purchased for service to community, Local transport charges, etc. <u>Other Payments</u> Deposits in Bank Earnest Money Payment towards Advances TDS on FD (including TDS on interest accrued) <u>Closing Balances</u> i) Cash in Hand ii) Cash at Bank	
	Total			Total	

Notes to accounts and significant accounting polices forming part of accounts (Schedule VI)

(Name and Address of Audit Firm)

Seal of Chartered Accountant Firm

Sign and Seal of SPFU Head

Place:

Date:

SCHEDULE-I

SCHEDULE FOR FIXED ASSETS

Amount in Rs. Actuals

S.No	Particulars	Gross Balance as on 01/04/_____	Addition during the year	Deletion during the year	Gross Balance as on 31/03/_____
	<p><u>Promotion of Academic Excellence</u></p> <p>Investment Cost</p> <p>1 Civil Works</p> <p>2 Equipment</p> <p>3 Furniture</p> <p>4 Vehicles</p> <p>5 Books & Learning Resources</p> <p><u>Networking of Institutions)</u></p> <p>Equipment (especially purchased for Networking purpose)</p> <p><u>Services to Community & Economy</u></p> <p>Equipment (especially purchased for services to community & Economy purpose)</p>				
	Total				

SCHEDULE-II

Loans & Advances Recoverable

Amount in Rs.

- 1 _____
- 2 _____
- 3 _____

SCHEDULE-III

BALANCE WITH SCHEDULE BANK

Balance
as on
31.03.200 _____

In Deposit A/c

Saving A/c

(Also enclosed balance confirmation certificate, issued by bank)

Note: Chartered Accountant should sign only when balance confirmation certificate is received

SCHEDULE-VI

Earnest Money

SCHEDULE-V

Other Amount Payable

Significant Accounting Policies & Notes to Accounts

A) Significant Accounting Policies:-

1. Basis of Accounting : -

The SPFU and Programme Institutions follows cash system of accounting and recognizes Income & Expenditure, assets and Liabilities on cash basis. The financial statements are prepare under historical cost convention and are in according to generally accepted accounting principles in India.

2. Fixed Assets: -

Fixed Assets are stated at cost including all the incidental expenses incurred till the assets are ready for use.

3. Depreciation on Fixed Assets: -

No Depreciation is charged on Fixed Assets.

4. Inventories: -

Inventories are valued at cost, however since the Material Purchased for the Project activities is fully charged to the relevant project expenditure at the time of its purchase, therefore generally, there is no stock in hand.

B) Notes to Accounts: -

1. Only the eligible expenditure incurred on the Project activities is claimed. Expenditure not in accordance with the Project agreement are not to be claimed.
2. As the SPFU and Programme Institutions are Non-Profit making Autonomous established for academic purposes, hence, no provision for taxation has been made in the accounts.
3. Any other note.

UTILIZATION CERTIFICATE

- a) Opening Balance as on 1st April Rs _____
 - b) Funds received from Rs _____
Vide letter No _____ dated _____
 - c) Interest earned on grant available for TEQIP only during the year (31st March 200....) Rs _____
 - d) Other Income Rs _____
 - e) Expenditure Rs _____
- Unspent Balance Rs.**

Certified that a sum of Rs. _____ (Rupees _____) only was received by _____, from State Government as per letter number and date mentioned above.

It is also certified that out of the above-mentioned funds of Rs _____ (Rupee _____) only, a sum of Rs. _____ (Rupees _____) only has been utilized by the Insitution for the purpose for which it was sanctioned. It is further certified that an unspent balance of Rs. _____ (Rupee _____) only is being carried forward for utilization in the next year.

We further certify that the conditions on which the grant was sanctioned have been fulfilled and where there have been any deviation from the sanctioned amount it is with prior approval of he concerned authority. We have excercised reasonable checks to see that money has been actually utilized for the purpose for which it was sanctioned.

(Name and Address of Audit Firm)

Seal of Chartered Accountant Firm

Signature

Date: _____
Place: _____

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME

(IDA CREDIT NO – 3718-IN)

Details of Statement of Expenditure submitted for Reimbursement Claims

Rs in Million

S.No	Period	Total Expenditure Incurred	Expenditure claimed out of Total Expenditure
1	01/04/___ to 30/04/___		
2	01/05/___ to 31/05/___		
3	01/06/___ to 30/06/___		
4	01/07/___ to 31/07/___		
5	01/08/___ to 31/08/___		
6	01/09/___ to 30/09/___		
7	01/10/___ to 31/10/___		
8	01/11/___ to 30/11/___		
9	01/12/___ to 31/12/___		
10	01/01/___ to 31/01/___		
11	01/02/___ to 28/02/___		
12	01/03/___ to 31/03/___		
Total:			

This is to certify that the above Statement has been verified with books of Accounts/ vouchers and Monthly Progress Report submitted by the Institution.

(Name and Address of Audit Firm)

Seal of Chartered Accountant Firm

Signature

Sign and Seal of SPFU Head

Date: _____

Place: _____