

STATE PROJECT IMPLEMENTATION UNIT, J&K
Technical Education Quality Improvement Programme (TEQIP)-III
(World Bank Assisted Project of MHRD, Govt. of India)

Advertisement for invitation of Expression of Interest (EOI) for Statutory Audit.

Ministry of Human Resource & Development, Government of India is implementing a Technical Education Quality Improvement Programme (TEQIP-III) in collaboration with World Bank to improve the quality of Engineering Education in existing institutions. Accordingly, State Project Implementation Unit (SPIU) J&K invites Expression of Interest (EOI) from the reputed Chartered Accountants/ Firms empanelled with C&AG having minimum turnover of Rs 25 Lakhs , 5 years of Firms Existence and having minimum 4 Number of Full Time Partners associated with the firm for not less than 3 years with at least one being a Fellow CA, to conduct the Statutory Audit of Participating Institutes & SPIU of J&K State. The interested firms should meet the eligibility criteria available on www.gcetjammu.org.in

The EOI is required to be submitted in two bid format i.e “ **Technical Bid**” & “**Financial Bid**” duly sealed in separate envelopes. Both these envelopes are required to be further sealed in a single envelope super scribed with the words “**EOI for Statutory Audit under TEQIP-III Project in J&K**” to the address mentioned below by or before 10-10-2018, (3:00 PM). The bid shall be opened on next day (11-10-2018) at 11:00 AM. The detailed TOR & Criteria for selection may be obtained from www.gcetjammu.org.in or by e-mail from jkspiu@gmail.com

Address

The State Project Administrator,
State Project Implementation Unit (SPIU)
Government College of Engineering & Technology
Chak Bhalwal, Jammu, J&K
Contact: 7006324470

No: SPIUJK/ADVT./18/12/2018

Dated: 28/09/2018

Sd/-
Nodal Officer (Finance)
SPIU, J&K

**GOVERNMENT OF INDIA
MINISTRY OF HUMAN RESOURCE DEVELOPMENT
STATE PROJECT IMPLEMENTATION UNIT (SPIU), J&K
TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME
(TEQIP) PHASE – III**

TERMS OF REFERENCE FOR APPOINTMENT OF STATUTORY AUDITOR

Notification No: SPIUJK/ADVT/ 18/12/1018 dated 28 Sep 2018
Position : Statutory Auditor
Organization : State Project Implementation Unit (SPIU) J&K
Duty Station : TEQIP-III Institutions and SPIU, J&K as listed in Annexure 1
Duration : Initially for 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 is expected to cover around 26 States and 200 institutions. The Central Government is financing 100% cost.

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:

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. MHRD has delegated day-to-day implementation to National Project Implementation Unit (NPIU). MHRD has entered into a Memorandum of Understanding (MoU) with each State Government.

State Level

State Governments 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 entered 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 the senior faculty member as the TEQIP Nodal Officer.

There are 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/CFI's 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, 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 Statutory Unaudited Financial Reports (IUFRR) 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 OF AUDIT:

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 statutory 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 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 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

(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.

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 Financial Management Manual 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.

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.

SELECTION CRITERIA FOR STATUTORY AUDITOR

1. SELECTION METHOD:

Selection is made following the 'Quality and Cost based Selection' [QCBS] as per paragraph 2.1 of the Guidelines: Selection and Employment of Consultants by World Bank Borrower, January 2011. This method uses a competitive process among short-listed firms that takes into account the quality of the proposal and the cost of the services in the selection of the successful firm. The final ranking will be done by applying a weightage of 75 percent and 25 percent respectively to the technical financial score of each evaluated qualifying Technical and Financial Proposal and then computing the relevant combined total score for each bidder.

The selection process shall include the following steps:

- (a) Preparation of the TOR;
- (b) Preparation of cost estimate and the budget, and short-listing criteria;
- (c) Advertising;
- (d) Preparation of the short list of consultants;
- (e) Preparation and issuance of the RFP (which should include: the Letter of Invitation (LOI), Instructions to Consultants (ITC), the TOR, and the proposed draft contract);
- (f) Receipt of proposals;
- (g) Evaluation of technical proposals: consideration of quality;
- (h) Public opening of financial proposals;
- (i) Evaluation of financial proposal;
- (j) Final evaluation of quality and cost; and
- (k) Award of the contract to the selected firm.

For this purpose of assessing the proposal, an Evaluation Committee needs to be formed by each SPIU.

Evaluation and appointment of the project auditor is done following a two stage process i.e. the Expression of Interest (EoI) stage and the Request for Proposal (RfP) stage. At each stage, the applicant private audit firms are evaluated on pre-determined parameters. In response to the EoI, audit firms may indicate their interest in one or more SPIUs. Separate shortlists will be prepared and evaluation process shall be followed for selecting the auditor therein for each SPIU.

2. 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 auditors may be appointed initially for a period of one year and then can be further extended for another two 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 re-appointment 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.

3. ELIGIBILITY CRITERIA:

SPIU calls for EoIs from PAFs through advertisement. The EoI includes information on the required qualifications and experience of the firm, short listing criteria, and conflict of interest provisions. 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 **empanelled 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 Statutory Auditor of the project or the SPIU.
- 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). 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.

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:

| S.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 |
| 2 | Turnover of the firm (Average annual in last three financial yrs.) | Minimum Rs. 25 lakhs |
| 3 | No. of Years of Firm Existence | 5 Years |
| 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 |

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

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

- A self-attested copy of the latest empanelment intimation letter issued by the CAG
- 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
- 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);
- 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.
- 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.

EVALUATION CRITERIA: EXPRESSION OF INTEREST (EOI)

| S. No. | Evaluation Criteria | Maximum Marks |
|---------------|--|----------------------|
| 1 | Number of Partners (2 Marks upto 3 Partners , 1 for each additional partner) | 10 |
| 2 | Presence of 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 empanelled 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:

| S. No. | Evaluation Criteria | Maximum Marks |
|--------|---|---------------|
| 1 | Number of External Audit / similar assignments Number of External Audit / similar assignments undertaken during last 5 years (5 marks for each assignment, maximum of 4 assignment) | 20 |
| 2 | Number of World Bank project Audits*** undertaken during the last 5 years (5 marks for each assignment, maximum six assignments) | 30 |
| 3 | Based On Team proposed | |
| | Partners | 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.

APPLICATION FORMAT

| | | |
|----|--|--|
| 1. | Name , address , Phone no, e-mail ID, and website address of the firm | |
| 2. | Whether empanelled with C&AG? If yes, give details | |
| 3. | Number of partners & 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 five years (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, ABD etc. | |

Note: Enclose proof of evidence wherever necessary.

Financial Bid should comprise of:

- i. Financial Bid may comprise of the Professional Fee to be charged from each unit for a Financial Year 2017-18 including all taxes.
- ii. The minimum bid price for the job has been fixed at Rs.12,000/- (Rupees Twelve Thousand only) per year per unit including all taxes.

General Conditions

1. Selection of firm will be done only after detailed scrutiny of the credentials of the firm, their competency, no. of qualified Chartered Accountants & employees to be engaged for the Audit work experience etc. Suitable weightage will be given to firms / organizations, which have relevant experiences in Department's audit. The appointment is initially for 1 year, which can be extended to further period 2years.
2. The selected Firm will have to start the audit within 3 days from the date of issuance of the letter of appointment from the Unit.
3. The Audit party will consist of sufficient number of experienced and qualified professionals.
4. The selected firm will be required to comply with the instructions if any issued by the Unit.
5. The Audit work to be undertaken must be as per norms of NPIU/World Bank.
6. The successful tenderer shall not be entitled to claim any additional amount for any reason whatsoever for the above audit work.
7. These are only proposed draft terms and conditions and can be modified at any time by SPIU at its sole discretion.
8. Firm selected by the SPIU, shall have to give an undertaking to follow all ethics of faith and the information provided by unit shall be kept 'strictly confidential' all assignments shall be carried out with due diligence maintaining quality of work done and in least possible time.
9. In case of any dispute, the decision of SPIU Administrator shall be final and binding.

Institutions under TEQIP-III and SPIU, J&K

| | |
|----|--|
| 01 | Govt. College of Engineering & Technology, Chak Bhalwal, Jammu |
| 02 | Baba Ghulam Shah Badshah University, Rajouri |
| 03 | Shri Mata Vaishno Devi University, Katra |
| 04 | Islamic University of Science and Technology, Srinagar |
| 05 | SPIU J&K |

SUGGESTED FORMAT OF STATUTORY 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 |
|----------|--------------|----------------------------------|---------------------------------|-----------------------------------|--------------------------------|
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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 statutory 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 statutory 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 statutory 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.