

## **TERMS OF REFERENCE FOR THE EXTERNAL AUDITOR National Agricultural Higher Education Project (NAHEP)**

National Agricultural Higher Education Project , NAHEP (Project ID:151072) approved on a 50:50 cost sharing basis between the World Bank and the Government of India(GOI), is being implemented at the Indian Council of Agricultural Research(ICAR), New Delhi with a total outlay of US\$ 165 million (Rupees 1100 Crore approximately) for five years starting from 2017-18, however there were no expenditure incurred during the financial year 2017-18, therefore audit will be started from FY 2018-19. The lending modality is Investment Project Finance. The NAHEP partners are State Agricultural Universities/Central Agricultural Universities/ICAR Deemed Universities/Central Universities with Agriculture Faculty. The 23 State Agricultural Universities were sanctioned in the FY 2018-19 and 25 more SAUs were sanctioned in FY 2019-20.

### **1. Objective:**

The objective of the audit of the Project Financial Statement (PFS) is to enable the auditor to express an opinion on the followings:

- Annual Project financial statements of NAHEP prepared by the participating entity (either Project Implementation Unit, ICAR DUs, Central Agricultural University/State Agricultural Universities) of NAHEP as at the end of each fiscal year. The auditor should give an opinion on whether the financial statements give a true and fair view of the receipts and expenditures incurred for the year ended on 31<sup>st</sup> March 20.....and the financial status of affairs as on that date.
- Whether the project funds have been utilized for the intended purposes as laid down in the Loan and Project Agreements as well as the Grant Agreement signed between ICAR and the grantee.
- Whether project expenditures reimbursed by the Bank are eligible for reimbursements.
- External Audit is expected to play significant role within the defined scope of work in improving the following:-
  - Quality of public expenditure
  - Proper implementation of rules and procedures (NAHEP/ICAR)as laid down by the Project FM Manual and financial rules applicable to the entity concerned.
  - Maintenance of proper records
  - Accuracy in expenditure reporting
  - Efficiency and Economy in Public Expenditure and compliance with Bank Procurement Guidelines including confirming that agreed procurement procedures have been followed as per the project procurement plan and relevant provisions of the guidelines.
  - Effectiveness of Expenditure
  - Internal Control Mechanism
  - Proper realization, accounting and reporting of Revenue Receipts

### **2. Scope:**

The audit will be carried out in accordance with auditing standards of Institute of Chartered Accountants of India (ICAI). Auditing exercise will include such tests and controls as the auditor considers necessary under the circumstances. In conducting the audit, special attention should be paid to the following:

- a) Whether all funds have been used for the purposes for which the financing was provided as laid down in the relevant financing agreements – the Loan Agreement, Project Agreement and other

documents like Minutes of Negotiations, the Project Appraisal document, and the Project Implementation Plan.

- b) Whether goods, works and services financed have been procured in accordance with the relevant financing agreements, as mentioned above as per world Bank guidelines/procedures.
- c) Whether all necessary supporting documents, records, and accounts have been kept in respect of all project expenditures; clear linkages exist between the books of account and the project financial statements prepared.
- d) Whether the project accounts have been prepared in accordance with consistently applied accounting policies laid down in the Financial Management Manual.
- e) Whether the management has conducted a physical verification of fixed assets during the financial year and major discrepancies, if any, have been adjusted in books. The auditor may undertake physical verification of fixed assets, as deemed necessary, as per the auditing standards.
- f) Conduct Procurement review and confirm if the procurement methods and procedures have been followed, as per the approved Project Procurement plan and relevant provisions of the procurement guidelines have been duly followed for each method and all other provisions, as appropriate.

### **3. The Annual Audit Reports consist of**

- A. Annual Audited Project Financial Statements
- B. The Audit Opinion: In case the Audit Report is qualified, the auditor should mention the reasons and quantify the impact on financial statements for such reasons. Where ineligible expenditures are identified to be included in withdrawal applications and reimbursement, and if so the magnitude of such expenditure. In doing so, the auditor should apply a materiality concept.
- C. The audit Report should also mention the Bank balance and expenditure for the Year as per PFMS.
- D. The Management Letter highlighting weaknesses if any identifying areas for improvement.

### **4. Project Financial Statements:**

It will be the responsibility of the Implementing Unit to prepare the project financial statements which will include,

- A. Balance Sheet
- B. Receipts and Payments Account
- C. Income and Expenditure Account ( for agencies following accrual basis of accounting),

The following statements should be annexed to the project financial statements:

- i) A statement of Reconciliation between expenditure as per accounts and expenditure eligible for reimbursement from the Bank
- ii) Bank Reconciliation statement/s for the Project Bank Account.

### **5. Management Letter:**

The auditor may include such observations during the course of audit which do not affect the audit opinion but deserves the management's attention. - Matters that have come to attention during the audit which might have an impact on the implementation of the project and any other matter that the auditor considers pertinent.

### **6. Timing:**

The Project Financial Statements should be submitted by every implementing unit to PI/Grantee Entity which has signed the Grant Agreement by July 31. Based on these financial statements of the implementing units, PI/Grantee Entity should prepare a consolidated financial statement. The grantee entity will get the consolidated financial statements audited by the auditor and obtain a single audit opinion on the consolidated financial statement. The Audited Financial Statements should be submitted to the NAHEP PIU no later than 8 months after the end of the financial year under audit i.e. November 30. PIU should ascertain that audit reports are prima-facie complete as required by the ToR and forward the same to the

Bank not later than December 31.

However, for FY 19-20, Project Financial Statements should be submitted by every implementing unit to PI/Grantee Entity which has signed the Grant Agreement by October 15, 2020. The Grantee entity will get the consolidated financial statements of the subproject audited and submit the audited financial statements to PIU NAHEP by November 30, 2020.

**7. General:**

The auditor should be given access to all legal documents, the Project Implementation Plan and any other information associated with the project and deemed necessary by the auditor. It is highly desirable that the auditors become familiar with Bank’s Guidelines on Disbursements and Procurements. All these documents will be provided to the auditor by the PIU.

**8. Constitution of Audit Team**

The Chartered Accountant firms shall undertake the External Audit of entities which have received grants under NAHEP for the financial year within the period stipulated for conducting the External Audit.

The Audit Team shall consist of one Principal, One Qualified Assistant and one Semi-Qualified Assistant. The presence of External Audit Team consisting of the above three personnel throughout the period of audit is a must in the auditee unit. Mere visits of any of the team members for few hours/durations during the period of audit will not be considered for payment and considered as negligence and may lead to disqualification from the panel of Audit Team of Chartered Accountants in future.

No payment for any additional man-power engaged by the Chartered Accountant firm during the course of audit will be made unless prior financial sanction was obtained from the PIU NAHEP exclusively on justified grounds.

<b>Key Person</b>	<b>Qualification / Experience</b>	<b>Number</b>

**9. No. of Financial years to be covered under External Audit**

The CA firms shall cover transactions from financial year 2018-19 till the project closure or till any disqualification of the CA firm by NAHEP, as indicated in the work order for External Audit.

**10. Period allotted for conduct of audit of a unit**

SAUs	4 working days
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The Audit Team should follow the official timings and working days of the auditee unit during the period of External Audit.

The Chartered Accountant Firm should ensure that before sending an External Audit team to field:

- a. Whether advance intimation of a minimum period of 5 working days have been given to the officer in charge of the office to be audited.
- b. Whether, the advance intimation has been acknowledged by the auditee.
- c. Whether, the list of basic records to be kept ready has also been sent to the auditable entity.

## 11. Preparation and Submission of Audit Report

On completion of audit, the Audit Team shall prepare an Audit report and Audit Utilization Certificate. Audit team ensure that all the formats of Annual Accounts SOE, IUFRC comprises along with audit report and Audit utilization Certificate as prescribed by NAHEP.

## 12. Terms of Payment

Payment will be made by the SAUs (Grantee entity of NAHEP) from the institutional Charges sanctioned under NAHEP on bill basis subject to acceptance of Audit Report at NAHEP. The bill shall be processed for payment within two months from the date of receipt. The agency will be required to obtain a certificate from the auditee unit(s) with respect to conduct of audit including duration and details of audit personnel conducted the audit. Also, the pre-receipted bill should have Rupee One Revenue Stamp as per the statutory requirement. GSTIN also required to be mentioned in the Bill of firm. However, if the firms do not comply any of the provisions mentioned in the TOR, the payment will not be made till the receipt of compliance.

## 13. Rates

Following rates have been decided on the basis of minimum recommended rates by ICAI for 'Audit and other assignments.

Rates	*Metro Cities (per day)	Non-Metro Cities (per day)
Principal	7500.00	5000.00
Qualified Assistant	3750.00	2500.00
Semi-qualified Assistant	1500.00	1000.00
Total	12750.00	8500.00

\*Metro cities: Delhi, Mumbai, Kolkata, Chennai, Pune, Hyderabad, Bangalore and Ahmedabad.

**The above rates are inclusive of all overheads but exclusive of Goods & Services Tax. No other cost like, travelling cost from one city/state to another, local transport charges, stay, food charges, stationary and other consumables and any other overhead, would be paid separately. TDS would be deducted as per rules/rates.**

**However, Local transport/logistics will be arranged by the project implementing university if the auditors want to visit a place where project is running i.e any college/ School.**

#### **14. Facilities to be provided by Universities/Implementing Units to the visiting audit teams**

1. Dedicated room with computer/printer facility and furniture for official works.
2. An attendant for bringing records/sending audit memos/tea, etc.
3. Telephone facility (only internal phone – EPABX)
4. Minimum office stationery for smooth conduction of audit work.

#### **15. Confidentiality**

The information/observation in the Audit Report will not be shared with any individual/organization/institution without specific approval of PIU NAHEP.

However, all the audit observation shall be discussed by the auditor with the PI & his team (including the implementing units representatives where funds are flowing to other units) and their view shall be taken before finalizing the audit observations.

#### **16. Validity of Contract**

Work order will be placed with the shortlisted firms, initially for a period of one year and may be extended upto another year on satisfactory services.

17. As empanelled External Auditors of NAHEP, the audit teams should guide the staff/officers of the concerned units to rectify the shortcomings/lacunae and offer suggestions during the Exit Conference.
18. National Director, NAHEP reserves the right to revoke/cancel the work order, without assigning any reason in writing.

#### **19. Documents to be submitted by the Audit Team to NAHEP.**

- a. Proceedings of opening Conference with the Universities.
- b. Audit Report duly signed and sealed by the C.A. Firm with relevant annexures, extracts and calculation sheets, if any.
- c. Replies of old outstanding paras and current paras along-with the supporting documents submitted by the Unit to the Audit Team. All the replies submitted should bear the signature of the appropriate authority of the Unit.
- d. Proceedings of Exit Conference with the Universities.
- e. Bill in triplicate on the letter head with revenue stamp, duly signed and sealed with certificate on the back side of the bill.

#### **20. Formats of Financial Statement and Annexures as per Financial Management Manual, NAHEP. The formats may be downloaded at Point No. 11 <https://nahep.icar.gov.in/FinanceDoc.aspx>**

**21. Acceptance of CA firm (To be furnished by 20.07.2020)**

\_\_\_\_\_ (name and address of the firm) has gone through the Terms of Reference given in preceding paragraphs. The firm agrees to undertake the External Audit of the grantee SAU, as allocated by NAHEP/ICAR from time to time, as per the above Terms of Refer

**Certificate**

The particulars i.e. Dates of Audit, No. of days, Name of Auditors, given in the bill No. \_\_\_\_\_ dated \_\_\_\_\_ are correct. The presence of Auditors during the entire period of audit is certified and Implementing Unit (SAUs) may process the bill, as per the rates finalized by NAHEP with the firm.

Finance & Accounts Officer  
(With seal)

**22. Undertaking to be Submitted**

\_\_\_\_\_ (name and address of the firm) that the firm is empanelled with C&AG as a major firm for the Audit for FY 2019-20.

(Signature & stamp)