



Jammu & Kashmir Economic Reconstruction Agency  
(ERA)

Invitation for Expression of Interest  
For  
Statutory Audit

Ref: [ERA\Fin\Stat Audit]

December 2016

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## Invitation for Expression of Interest



J&K Economic Reconstruction Agency  
13 C/C, Gandhi Nagar, Jammu-180004



### Notice for Expression of interest for

#### Statutory Audit

J&K Economic Reconstruction Agency (ERA), an autonomous body under the Dept. of Planning and Development, Government of J&K, and Executing Agency (EA) for ADB/GOI funded projects –MPIRJK (Counter Part Funds only -Loan 2151-IND) and JKUSDIP (ADB/GOI Funds Loan 2331-IND, Loan 2925-IND & Loan 3132-IND), invites "Expression of Interest" (EOI) from eligible Firms of Chartered Accountants for providing services of Statutory Auditor for the financial years 2016-17 and 2017-18.

The Terms of Reference (TOR) and prescribed formats for EOI may be downloaded from opportunity section of our website <http://jkera.org>

The EOI in the prescribed format in sealed envelope labeled as "Expression of Interest for Statutory Audit" addressed to the Director Finance, J&K ERA should reach ERA office latest by 29-12-2016, 15.00 Hours at the following address:

Director Finance,  
J & K ERA.  
13 C/C, Gandhi Nagar, Jammu - 180004

Tel:- 0191-2455208  
Fax:-0191-2455153  
Email [directorfinancejkera@gmail.com](mailto:directorfinancejkera@gmail.com)

Director Finance,  
J & K ERA.

## Introduction

### **General Background**

J&K Economic Reconstruction Agency (ERA), an autonomous body under Dept. of Planning and Development, Government of Jammu & Kashmir, was established in December 2004, as a society registered under the J&K Societies Registration Act, 1941. The main aim of the society is to promote the economic, financial and social development of the State of Jammu & Kashmir and to plan, implement and execute policies and plans on behalf of the Government of Jammu & Kashmir.

ERA is the Executing Agency (EA) for externally aided projects in Jammu and Kashmir. ERA is implementing Asian Development Bank (ADB) funded projects- Multisector Infrastructure Rehabilitation in J&K (JKMPIR) Loan-2151-IND and J&K Urban Sector Development Investment Program (JKUSDIP), -(Loan 2331-IND, Loan 2925-IND & Loan 3132-IND), under tripartite agreements signed by the Government of India, Government of J & K and ADB are being implemented by ERA.

The projects target rehabilitating, reconstructing and improving infrastructure in the urban and transport sectors in J&K State. The projects are part of a broader economic turnaround plan defined by the central and state governments. This rehabilitation mandate is accompanied by a structured long-term capacity building plan for ERA.

### **Organization Structure of ERA**

The Governing Body of ERA is vested with the authority to manage the affairs of ERA. The Governing Body comprises of:

|   |                  |
|---|------------------|
| Hon'ble Chief Minister, J&K                             | Chairman         |
| Chief Secretary, J&K                                    | Member           |
| Commissioner/Secretary, Planning and Dev. Dept, J&K     | Member           |
| Commissioner/Secretary, Finance Dept, J&K               | Member           |
| 3 MLAs (one each from Kashmir, Jammu, Ladakh provinces) | Member           |
| 1 MLC   | Member           |
| Chief Executive Officer ERA                             | Member Secretary |

For day to day administration, the Chief Executive Officer (CEO) is guided by the Executive Committee consisting of:-

|  |          |
|--|----------|
| Chief Executive Officer, ERA               | Chairman |
| Principal Secretary, Tourism Dept          | Member   |
| Commissioner / Secretary Public Works Dept | Member   |
| Commissioner/ Secretary Housing & UD Dept  | Member   |
| Secretary to Govt. PHE/ Irrigation         | Member   |
| Secretary to Govt. Power Dev. Dept.        | Member   |
| Secretary to Govt..Planning and Dev.Dept., | Member   |

The CEO is assisted by Director Finance, Director Central Kashmir and Director Jammu. The project implementation is carried out under the supervision of "Project Implementation Units" (PIUs). There are two PIUs each for Jammu and Srinagar under project JKUSDIP. Each PIU is headed by a Director. Detailed organization chart of ERA is attached.

Finance Wing of Project Management Unit (PMU) ERA headed by Director Finance is located at ERA headquarters at Srinagar/Jammu. Finance Wing PMU moves with the Darbar movement of the Government of J&K to Jammu in winters and Srinagar in summers. One Accounts Officer, Four accounts assistants support Director Finance at PMU. One Accounts officer, one Asst. Accounts Officer and accounts assistants respectively are located at Jammu and Srinagar permanently and do not move with Darbar

All Project payments except for administrative expenses of PIUs are centralized at Finance Wing of PMU at ERA HQ. The administrative expenses of PIUs at Jammu and Srinagar are accounted for at their respective locations by the Accounts Officer.

ERA is supported by a two tier consulting system i.e. Project Management Consultants (PMC) and Design and Supervision Consultants (DSCs) at Jammu and Srinagar for JKUSDIP up to 31-03-17. CDM Smith consulting firm is working as PMC for JKUSDIP. GKW consultants are working as DSC Kashmir and Jammu, M/s IPE Global Pvt.Ltd DSC Jammu, M/s Eptisa Servicios de Ingenieria, S.L.Spain for Capacity Building & Institutional Strengthening of PHED Jammu & Srinagar, M/s PSP Financial Consultants P Ltd for Capacity Building Urban Local Bodies (ULB's) of Jammu/Srinagar (JMC/SMC) and M/s Ecorys India P Ltd in JV with Ecorys Nederland BV for implementation of Gender Action Plan and Community Awareness Program.

### **Project Disbursements**

#### **EOI FOR STATUTORY AUDIT 2016-17 AND 2017-18**

|       |          |         |                             | Project Disbursements |              |             |                       |                       |                |
|-------|----------|---------|-----------------------------|-----------------------|--------------|-------------|-----------------------|-----------------------|----------------|
|       |          |         |                             |                       |              |             |                       |                       |                |
|       |          |         |                             | (US \$)               | (US \$)      |             | INR                   | INR                   |                |
|       |          |         | Date of closing             | Disbursement Achieved | Disbursement |             | Disbursement Achieved | GOI Funds/Expenditure |                |
|       | Loan-I   |         |                             | Upto Sept.,2016       | 2016-17      | 2017-18     | Upto Sept.,2016       | 2016-17               | 2017-18        |
|       | 2151     | MPIRJK  | 27-03-14                    |                       |              |             |                       | 8,00,00,000           | 12,00,00,000   |
|       | Loan-II  |         |                             |                       |              |             |                       |                       |                |
| T-I   | 2331     | JKUSDIP | 31-12-16                    | 3,52,94,755           | 19,05,245    |             | 63,24,00,000          | 8,00,00,000           | 42,00,00,000   |
| T-II  | 2925     | JKUSDIP | 31-03-17                    | 4,63,45,026           | 2,30,00,000  | 3,49,86,001 | 2,33,76,00,000        | 70,00,00,000          | 80,00,00,000   |
| T-III | 3132     | JKUSDIP | 31-03-17                    | 2,21,19,846           | 1,60,00,000  | 3,00,55,822 | 41,50,00,000          | 50,00,00,000          | 1,26,00,00,000 |
|       |          |         |                             |                       |              |             |                       |                       |                |
|       | New Loan | JICA    | Loan Negotiation in process |                       |              |             |                       |                       |                |
|       |          | WB/ADB  |                             |                       |              |             |                       |                       |                |
|       |          | BRICKS  |                             |                       |              |             |                       |                       |                |

### **Audit Requirement**

ERA intends to appoint Statutory Auditor to carry out the audit of the project accounts for two financial years 2016-17 and 2017-18 for the ADB funded project JKUSDIP. The scope and terms of the assignment for the Statutory Audit is described in Annexure.

## **Eligibility Criteria for Chartered Accountant Firms for Statutory Audit.**

The Chartered Accountant Firm should fulfil the following eligibility criteria:

1. Firm should be a partnership firm and as on 1<sup>ST</sup> Nov., 2016, in continuous existence for a period of at least 10 years as on 1st November since its registration with the Institute of Chartered Accountants of India (ICAI), New Delhi.
2. Firm should be empanelled with Comptroller and Auditor General of India.
3. Firm should have at least 5 partners out of whom at least 3 partners should have a standing of 10 years in practice

Firm Should Have at least 2 partners/full time employee Chartered Accountants must have experience of working for or auditing externally funded infrastructure projects and should be with the firm for a continuous period of two years.

4. Firm should have at least 3 full time employee Chartered Accountants and 10 audit assistants (excluding articles).
5. Firm should have conducted internal/statutory audit of projects/entities comparable to ERA in nature and size with annual turnover of not less than Rs. 100 crore, (excluding bank and NGO audits) during last five years.
6. Firm's average annual fee from Internal/Statutory for the last 3 financial years (2013-14 to 2015-16) should be Rs. 50 lakh or more.
7. Firm should not have been debarred by RBI or any other Statutory/Regulatory Authority.
8. No disciplinary action should have been taken or pending with the Institute of Chartered Accountants of India, against the firm or any of its partners or employees.

## **General Conditions**

1. The assignment will be for a period of two financial years (2016-17 and 2017-18), however based on the performance of the Auditor the assignment may be terminated earlier on grounds of inadequate performance or extended for additional years without inviting fresh proposals.

2. Firms will bear all costs associated with the preparation and submission of proposals. ERA will, in no case, be responsible or liable for those costs, regardless of the outcome of the process.

3. The assignment will involve travel to Jammu and Srinagar as the Project offices are located at both these places.

4. Proposal prices should be quoted in Indian Rupees. All prices shall be valid for the duration of the contract. Price in the Financial proposal shall be fixed for the period of contract and will not be subject to variation on any account.

5. The Proposals shall remain valid for the period of 120 days from the deadline for submission of Technical and Financial Proposals. A Proposal valid for a shorter period shall be considered non-responsive and will be rejected.

6 The Employer will not consider any Proposal that arrives after the deadline prescribed by the Employer for submission of Proposals. Any Proposal received after the respective deadline for submission shall be declared late and rejected.

7 Proposal submitted by telex/telegram/fax/email or any manner other than specified in Annexure 'A' - Instructions for preparation and submission of Proposals shall not be considered. No correspondence will be entertained on this matter.

8 Central Service Tax is not applicable in the state of Jammu & Kashmir.

#### **9. Opening and Evaluation of Proposals**

Technical Proposals will be opened in the presence of Firms' representatives who choose to attend, at the address, date and time specified as the deadline for submission of Proposals.

Technical Evaluation committee shall evaluate the Technical Proposals on the basis of pre-set eligibility criteria.

After the technical evaluation is completed, the Employer shall notify, in writing, to Firms whose Technical Proposals qualify, indicating the date, time, and location for opening of Financial Proposals.

Financial Proposals of all qualifying Technical Proposals shall be opened at the notified date, time, and location for opening of Financial Proposals.

All Financial Proposals shall be scrutinized for any non-conformity, and modifications, if any, shall be made in accordance with Clause I2 of the General Conditions.

Least Cost Selection (LCS) method shall be used for Financial Evaluation. The Client will select the lowest Financial Proposal of those Firms whose Technical Proposals have qualified, subject to clearance and a no objection' by the ADB.

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#### **10. Employer's right to accept any Proposal, and to reject any or all Proposals**

The Employer reserves the right to accept or reject any Proposal, and to annul the bidding process and reject all Proposals at any time prior to Contract award, without thereby incurring any liability to the Firms.

#### **11. Clarification of Proposals**

To assist in the examination, evaluation, and comparison of Proposals, the Employer may, at its discretion, ask any Firm for a clarification of its Proposal. Any clarification submitted by a Firm that is not in response to a request by the Employer shall not be considered. The Employer's request for clarification, and the response, shall be in writing. No change in the prices or substance of the Proposal shall be sought, offered, or permitted, after the opening of Financial Proposals, except to confirm the correction of arithmetic errors discovered by the Employer in the evaluation of the Proposals, if required.

#### **12. Non-conformities, errors and omissions**

The Employer may waive any non-conformity or omission in a technically qualifying Proposal that does not constitute a material deviation.

- a) The Employer will correct arithmetical errors during evaluation of Financial Proposals on the following basis, if there is a discrepancy between the unit price and the total price that is obtained by multiplying the unit price and quantity, the unit price shall prevail and the total price shall be corrected, unless in the opinion of the Employer there is an obvious misplacement of the decimal point in the unit price, in which case the total price as quoted shall govern and the unit price shall be corrected;
- b) If there is an error in a total corresponding to the addition or subtraction of subtotals, the subtotals shall prevail and the total shall be corrected; and
- c) If there is a discrepancy between words and figures, the amount in words shall prevail, unless the amount expressed in words is related to an arithmetic error, in which case the amount in figures will prevail.

In case of discrepancies between the soft copy and the hard copy, the hard copy will be considered the binding version. Any interlineations, erasures, or overwriting shall be valid only if signed or initialed by the person signing the Proposal. In the event of any discrepancy between the original and the copy, the original shall prevail.

If the winning Firm does not accept the correction of errors, its Proposal shall be disqualified and another Firm shall be invited for negotiations.

#### **13. Award of Contract and Availability of personnel**

The successful Firm will be informed in writing of the date, place and time for negotiations/ clarifications, if any. The Firm shall confirm the availability of all personnel as indicated in its proposal.

The Employer will not consider substitutions unless both parties agree that undue delay in the selection process makes such substitution unavoidable, or for reasons such as death or medical incapacity. Any proposed substitute shall have equivalent or better qualifications and experience than the original candidate.

#### **14. Start date**

The Firm is expected to commence the Services within 30 days of appointment.

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#### **15. Payment**

Payment of Statutory Audit fee and out of pocket expenses will be made within one month of completion of Audit, submission of Audit Report and Management letter as per the TOR. All payments will be subject to statutory deductions as may be applicable.

#### **16. Language**



The Proposal and all related correspondence exchanged between the Firm and the Employer shall be in the English language. Supporting documents and printed literature that are part of the Proposal may be in another language provided they are accompanied by an accurate translation of the relevant passages in English, in which case, for the purposes of interpretation of the Proposal, the translated version shall govern.

**17. Undue influence**

Any attempt by a Firm to influence the Employer in the examination, evaluation, comparison, and post-qualification of the Proposals or Contract award decisions may result in the rejection of its Proposal.

**18. Applicable law**

The contract shall be governed by the laws of the State of Jammu & Kashmir and subject to jurisdiction of courts in J&K.

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**Annexure A: Instructions for Preparation and Submission of proposals**

1. Firms are required to submit their Tehnical and Financial Propsals in hard copy (Original and one copy), and in soft copy in separate CDs in Adobe Acrobat (PDF)

format only. The CDs should be enclosed in the respective sealed envelopes for Technical Proposal and Financial Proposal.

2. Proposals must be submitted to the specified address on or before the date and time specified in the Invitation for Expression of Interest.

3. The **Technical Proposal** shall contain the following:

a) **Section 1:** Covering Letter, (Form Tech 1);

b) **Section 2:** Experience/ Capacity of Firm to undertake the assignment, and a work plan to provide audit services (restricted to maximum eight pages);

c) **Section 3:** Information Sheet for the Firm (Form Tech 2);

d) **Section 4:** CVs of the proposed Partner incharge and Audit Team Members, (Form Tech 3) restricted to maximum of three pages per CV.

(please include in the CV - name, nationality, designation, whether employee

of the firm, number of years with the firm, key qualifications, education, audits carried out, experience and language known).

e) **Section 5:** Matters not appropriate in any other section. This includes:

- written confirmation authorizing the signatory of the Proposal

- Certificate of constitution issued by the ICAI as on 1st Sept., 2016.

- Latest Partnership deed.

- Empanelment certificate issued by C&AG

- Acknowledgement for the Income Tax Return of the firm for last three financial years i.e 2013-14 to 2015-16.

- Details of litigation, arbitration, professional misconduct or disciplinary action/proceeding against the firm and partners, if any.

- Other documents required to be submitted.

Section 5 should not include any promotional material, brochures, etc.

No mention of commercial response should be made anywhere in the Technical Proposal; non-confirmation of this will result in automatic disqualification of the Proposal.

4. The **Financial Proposal** shall contain the Pricing details in the prescribed forms FIN1.

5. Firm shall submit both Technical and Financial Proposals using the appropriate submission sheets provided in Annexure B: Technical Proposal Submission Forms and Annexure C: Financial Proposal Submission Forms. These forms must be completed without any alteration to their format, and no substitutes will be accepted. All fields shall be completed with the information requested.

6. The original and copy of both the Technical and Financial Proposals shall be typed or written in indelible ink.

7. An authorized representative of the Firm shall initial all pages of the Technical and Financial Proposal except for unamended printed literature. The authorization for signing the proposals shall be attached to the Technical Proposal. The name and position of each person signing the authorization must be typed or printed below the signature.

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8. Technical Proposal (original plus the one copy) shall be placed in an envelope clearly marked 'TECHNICAL PROPOSAL' and proposal copies marked as 'ORIGINAL' or 'COPY'. The Financial Proposal shall be placed in an envelope clearly marked 'FINANCIAL PROPOSAL'. These two envelopes should then be sealed separately in an outer single envelope. If the Financial Proposal is enclosed in the envelope marked

'Technical Proposal', and vice versa, or is not sealed, the Proposal will be rejected.

9. The outer envelope should be marked as "Expression of Interest for Statutory Audit" and addressed to Director Finance, J&K Economic Reconstruction Agency, 13 C/C Gandhi Nagar, Jammu - 180 004.

10. The Technical Proposals will be opened immediately after the expiry of the deadline for submission of proposals. The Financial Proposal will remain sealed and will be opened only for the qualifying Technical Proposals.

## Tech 1: Covering Letter

Location, Date]

To: [Name and address of Employer]

Dear Sir

We, the undersigned, offer to provide the services as **Statutory Auditor** in accordance with your Invitation for Expression of Interest dated [Insert Date]. We are hereby submitting our Proposal, which includes Technical Proposal and a Financial Proposal sealed under a separate envelope.

We hereby declare that we have read the General Conditions, Instructions for preparation and submission of proposals, and Terms of Reference included in the Invitation, and abide by the same.

We hereby declare that all the information and statements made in this Proposal are true and accept that any misleading information contained in it may lead to our disqualification.

We confirm that all personnel named in the proposal will be available to undertake the services.

We undertake, if our Proposal is accepted, to initiate the services related to this assignment within one month of award.

We undertake that our proposal will be valid for 120 days from the deadline for submission of proposal.

We understand you are not bound to accept any Proposal you receive.

Yours faithfully,

Authorized Signature

Name and Title of Signatory: [In full]

Seal of the Firm:

Name of Firm:

Address:

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Tech 2: Information Sheet for the Chartered Accountant Firm

1. Name : .....
2. Constitution : .....
3. a) Date of formation .....
- b) Date of conversion from proprietary to partnership firm .....
4. Whether partnership is continuous without break, if so since when? .....
5. Registration with ICAI No..... Date...
6. Empanelment with CAG No ..... Date...
7. Details of Partners

| Sr. | Name | ACA/ FCA<br>Date | Mem<br>No | Date of<br>Joining<br>Firm | Practice<br>Experien<br>ce (yrs) | Qualificati<br>ons | CISA/ISA<br>Qualified |
|-----|------|------------------|-----------|----------------------------|----------------------------------|--------------------|-----------------------|
|     |      |                  |           |                            |                                  |                    |                       |
|     |      |                  |           |                            |                                  |                    |                       |
|     |      |                  |           |                            |                                  |                    |                       |
|     |      |                  |           |                            |                                  |                    |                       |
|     |      |                  |           |                            |                                  |                    |                       |

8. Details of full time Chartered Accountants (other than partners)

| Sr.<br>No. | Name | ACA/ FCA<br>Date | Mem<br>No | Date of<br>Joining<br>Firm | Practice<br>Experien<br>ce (yrs) | Qualificati<br>ons | CISA/ISA<br>Qualified |
|------------|------|------------------|-----------|----------------------------|----------------------------------|--------------------|-----------------------|
|            |      |                  |           |                            |                                  |                    |                       |
|            |      |                  |           |                            |                                  |                    |                       |
|            |      |                  |           |                            |                                  |                    |                       |
|            |      |                  |           |                            |                                  |                    |                       |
|            |      |                  |           |                            |                                  |                    |                       |

9. Details of Employees (No.)

- a) Inter CA.....
- b) Articles.....
- c) Audit Staff.....
- d) Other professionals .....

10.a) No. of branches :.....

b) Location of branches :.....  
(please indicate location name and address)

**11. Fee earned during last 3 financial years**

(Rs. In Lac)

| Year    | Audit Fees |          | Other Fees | Total |
|---------|------------|----------|------------|-------|
|         | Statutory  | Internal |            |       |
| 2013-14 |            |          |            |       |
| 2014-15 |            |          |            |       |
| 2015-16 |            |          |            |       |

**12. Details of assignments during last 5 years.**

**A. Externally funded infrastructure projects.**

| Sr. No. | Name of Entity | Period | Annual Turnover (Rs. Crore) | Nature of Assignment | Fee |
|---------|----------------|--------|-----------------------------|----------------------|-----|
|         |                |        |                             |                      |     |
|         |                |        |                             |                      |     |
|         |                |        |                             |                      |     |
|         |                |        |                             |                      |     |

**B. Government funded infrastructure projects.**

| S.NO. | Name of Entity | Period | Annual Turnover (Rs. Crore) | Nature of Assignment | Fee |
|-------|----------------|--------|-----------------------------|----------------------|-----|
|       |                |        |                             |                      |     |
|       |                |        |                             |                      |     |
|       |                |        |                             |                      |     |
|       |                |        |                             |                      |     |

C.Others.

| Sr. No. | Name of Entity | Period | Annual Turnover (Rs. Crore) | Nature of Assignment | Fee |
|---------|----------------|--------|-----------------------------|----------------------|-----|
|         |                |        |                             |                      |     |
|         |                |        |                             |                      |     |
|         |                |        |                             |                      |     |
|         |                |        |                             |                      |     |

(Please attach additional sheets, if required)

13. Whether any disciplinary action by the ICAI was taken or pending against the firm or any of the partners or employees?  
(if yes, give detail)
14. Whether debarred by RBI or any other Statutory/Regulatory Authority (If yes, give detail?)
15. Whether related to or have any Business/professional relationship with any member of ERA's management/employee?  
(if yes, give detail)

### **1. Objectives of Audit**

The primary objective of the audit is to enable the auditor to express an independent opinion on:

- a) Whether the financial statements present fairly, in all material respect the financial position of ERA as of 31st March of 2017 and 2018, and of the results of its operations and its cash flows for the financial years 2016-17 and 2017-18, in accordance with the agreed accounting standards.
- b) The financial position of the project as of 31st March of 2017 and 2018, and on the funds received and expenditures for the period then ended.
- c) The eligibility of claims made in Statements of Expenditure (SOE) and on the Imprest Account Statement.

Secondary objectives include confirming compliance, or otherwise, with covenants and financial assurances contained in the loan agreement for the project

### **2 Scope of Audit**

The scope of work for the assignment is to audit and express an opinion on the financial statements of ERA and project accounts for the financial years 2016-17 and 2017-18 in accordance with the agreed auditing standards consistently applied, including expressing an opinion on the use of loan proceeds as well as on the procedures for the imprest account, second generation imprest account and statement of expenditures.

The scope of audit will also include but not be limited to the following

#### **2.1 Internal Control Systems:**

The auditor will assess the adequacy of financial management systems, including internal controls, including whether:

- a) Proper authorizations are obtained and documented before transactions are entered into;
- b) Accuracy and consistency are achieved in recording, classifying, summarizing, and reporting transactions;
- c) Reconciliations with internal and external evidence are performed on a timely basis by the appropriate level of management;
- d) Balances can be confirmed with external parties;
- e) Adequate documentation and an audit trail is retained to support transactions;
- f) Transactions are allowable under the agreements governing the project;
- g) Errors and omissions are detected and corrected by project personnel in the normal course of their duties, and management is informed of recurring problems or weaknesses;
- h) Management does not override the normal procedures and the internal control structure; and
- i) Assets are properly accounted for, safeguarded and can be physically inspected.
- j) Approved procurement procedures and arrangements have been followed.
- k) Statutory deductions at source are being made and deposited in time.

#### **2.2 Accounting Policies and Changes:**

The auditor should comment on ERA's accounting policies, and confirm the extent to which the agreed accounting standards have been applied. In particular, the auditor should note the impact on the financial statements arising from any material deviations from agreed accounting standards

#### **2.3 Compliance with Financial Covenants and Assurances**



The auditor will confirm compliance with each financial covenant/assurance contained in the financing agreements. Where present, the auditor should indicate the extent of any non-compliance by comparing required and actual performance measurements for each financial covenant/assurance.

#### **2.4 Imprest Account :**

The auditor will examine whether the Imprest Account has been maintained in accordance with the provisions of the financing agreements and form an opinion on whether the Imprest Account was used in compliance with ADB procedures, and the fairness of the presentation of Imprest Account activity and the year-end balance. The auditor should examine the eligibility and correctness of financial transactions during the period under review, account balances at the end of the period, the operation and use of the Imprest Account in accordance with the financing agreement, and the adequacy of internal controls for this particular disbursement mechanism.

#### **2.5 Statements of Expenditures (SOE):**

The auditor will audit all SOEs used as the basis for the submission of credit withdrawal applications to ADB. These expenditures should be compared for project eligibility with the relevant financing agreements (and, with reference to the RRP and other project documents for guidance when considered necessary). Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor. The annual audit report should include a separate paragraph commenting on the accuracy and propriety of expenditures withdrawn under SOE procedures, and the extent to which ADB can rely on those SOEs as a basis for credit disbursement. A schedule listing individual SOE withdrawal applications by specific reference number and amount should be annexed to the project accounts

#### **2.6 Use of Funds for the Purpose Intended**

The auditor will confirm, or otherwise, that:

- a) All external funds have been used in accordance with the financing agreements for the project, with due attention to economy and efficiency, and only for the purpose for which the financing was provided.
- b) Counterpart funds have been provided and used in accordance with the financing arrangements and only for the purpose for which the financing was provided.
- c) Goods and services financed have been procured in accordance with the financing agreements.

#### **2.7 Record Keeping:**

The auditor will pay particular attention to whether all necessary supporting documents, records, and accounts have been kept in respect of all project activities, with clear linkages between the accounting records and the project accounts. This will include:

- a) Computation and recalculation, including checking the mathematical accuracy of estimates, accounts, or records;
- b) Reconciliation, including reconciling related accounts to each other, subsidiary records to primary records and internal records to external documents;
- c) Physical observation, including inspecting or counting tangible assets, such as materials, inventory, land buildings, property, or equipment;
- d) Confirmation, including directly confirming balances or transactions with external third parties, such as cash balances, accounts receivable, or accounts payable;
- e) Sampling, including vouching or examining supporting documentation to determine if balances are properly stated; and
- f) Tracing, including tracing journal postings, subsidiary ledger balances, and other details to corresponding general ledger accounts or trial balances

### **3. Auditing Standards and Program:**

The audit will be carried out in accordance with the agreed auditing standards, including professional or general standards, standards of fieldwork, and reporting standards. The audit program will consider the risk of material misstatements resulting from fraud or error. It should include procedures that are designed to provide reasonable assurance that material misstatements (if any) are detected.

### **4. Delivery of Opinions and Reports**

The auditor will provide the following opinions and reports to CEO/Director Finance, J&K ERA (with copies to ADB), for each of the Loan/Project, based on the scope and detail of the audit as set out in this document, not later than three months after the close of each financial year:

**a) Audit Opinion on the Financial Statements and on the Project Accounts.** Audit opinion has to be provided on use of:-

- i) Loan proceeds
- ii) Use of imprest account if any;
- iii) Appropriate use of SOE procedures:

### **b) Management Letter**

All reports will be provided in the English language (Two hard copies and a softcopy on CD).

### **5. Management Letter**

The management letter shall include the following details:

- a) Any material weaknesses in the accounting and internal control systems that were identified during the audit, including those regarding SOEs and Imprest Accounts.
- b) Recommendations to rectify identified weaknesses;
- c) Practical recommendations on the steps that ERA could take to become materially compliant with the agreed accounting standards, together with a time frame for making these changes;
- d) The degree of compliance with each of the financial covenants in the financing agreements and recommendations for improvement;
- e) Matters that have come to the auditor's attention during the course of the audit which have a significant impact on project implementation;
- f) Any other matters that the auditor considers should be brought to the attention of ERA's management; and
- g) Any significant matters that the auditor considers should be brought to ADB's attention.

### **6. Description of Materials**

The financial statements, project accounts for the relevant financial year and supporting documentation will be provided to the auditor. All documents books and records including vouchers and relevant supporting documents will be available at three locations i.e. PIUs at Jammu and Srinagar and the Head Office at Jammu/Srinagar.

### **7. Statement of Access**

The auditor will have full and complete access, at all reasonable times, to all records and documents including books of account, legal agreements, bank records, invoices, and any other information associated with the project and deemed necessary by the auditor. The auditor will be provided with full cooperation by all employees of ERA, whose activities involve, or may be reflected in, the annual financial statements. The auditor will be assured right of access to banks, consultants, contractors, and other persons or firms hired by ERA.

## **8. Independence**

The Auditor shall maintain complete independence of interest in relationships with ERA. The auditor will be impartial and independent from any aspects of management or financial interest in ERA. The auditor should not have any close personal relationships with any senior participant in the management of ERA. The auditor should not, during period covered by the audit, be employed by, or serve in any capacity, or have any the financial or close business relationship with any senior participant in the management of ERA or any of its consultants/contractors. The auditors must disclose any issues or relationships that might compromise their independence.

## **9. Confidentiality**

The Auditor (partners and staff) shall strictly adhere to the ethical rules of their profession in all aspects of practice and shall maintain a standard of confidentiality towards information which is obtained during the course of carrying out the audit.

## **10. Auditor and Audit Staff Competence**

The auditor must be authorized to practice in India and be capable of applying the agreed auditing standards. The auditor should have adequate staff, with appropriate professional qualifications and suitable experience, including experience in auditing the accounts of entities comparable in nature, size, and complexity to ERA.

## **11. Submission of Proposal and Work Plan**

The auditor will submit a proposal and a work plan to provide the audit services as described in this document before commencing the audit.

## **12. Terms and Definitions**

This section defines the terms used in this document:

**c) 'Agreed Accounting Standards'** are the Generally accepted accounting standards in India, and the relevant accounting standards issued by The Institute of Chartered Accountants of India.

**d) 'Agreed Auditing Standards'** are the relevant Auditing Standards of The Institute of Chartered Accountants of India.

### **12. Others**

- a) Relevant accounting standards issued by Institute of Chartered Accountants

### Annexure C: Financial Proposal Submission Form

#### Form Fin 1: Summary of Costs

Assignment Title: **Statutory Audit**

| S.No | Item                   | Cost (INR) |        |       |
|------|------------------------|------------|--------|-------|
|      |                        | Year 1     | Year 2 | Total |
| 1.   | Professional Fees      |            |        |       |
| 2.   | Out of Pocket Expenses |            |        |       |
| 3.   | Travel Expenses        |            |        |       |
|      | <b>TOTAL</b>           |            |        |       |

(Please also indicate Amount in Words):

#### Notes:

1. Travel cost shall be paid based on actual against proof of journey like used ticket/boarding pass, purchase receipt and will be subject to the amount specified in Fin-1. In case of air travel only economy class fare of low cost airlines will be reimbursed.

**Form TECH 3: Curriculum Vitae (CV) for Proposed Partner Incharge and Audit Team Members**

1. **Proposed Position** *[only one candidate shall be nominated for each position]:* \_\_\_\_\_
2. **Name of Firm** *[Insert name of firm proposing the expert]:* \_\_\_\_\_
3. **Name of Expert** *[Insert full name]:* \_\_\_\_\_
4. **Date of Birth:** \_\_\_\_\_ **Citizenship:** \_\_\_\_\_
5. **Education** *[Indicate college/university and other specialized education of expert, giving names of institutions, degrees obtained, and dates of obtainment]:* \_\_\_\_\_
6. **Membership of Professional Associations:** \_\_\_\_\_
7. **Other Training** *[Indicate significant training since degrees under 5 - Education were obtained]:* \_\_\_\_\_
8. **Countries of Work Experience:** *[List countries where expert has worked in the last ten years]:* \_\_\_\_\_
9. **Languages** *[For each language indicate proficiency: good, fair, or poor in speaking, reading, and writing]:* \_\_\_\_\_
10. **Employment Record** *[Starting with present position, list in reverse order every employment held by expert since graduation, giving for each employment (see format here below): dates of employment, name of employing organization, positions held.]:*  
  
From [Year]: \_\_\_\_ To [Year]: \_\_\_\_  
Employer: \_\_\_\_\_  
Positions held: \_\_\_\_\_





|   |   |
|---|---|
| <p><b>11. Detailed Tasks Assigned</b></p> <p>[List all tasks to be performed under this assignment]</p> | <p><b>12. Work Undertaken that Best Illustrates Capability to Handle the Tasks Assigned</b></p> <p>[Among the assignments in which the expert has been involved, indicate the following information for those assignments that best illustrate the expert's capability to handle the tasks listed under point 11.]</p> <p>Name of assignment or project: _____</p> <p>Year: _____</p> <p>Location: _____</p> <p>Client: _____</p> <p>Main project features: _____</p> <p>Positions held: _____</p> <p>Activities performed: _____</p> |
|---|---|

### 13. Certification:

I, the undersigned, certify to the best of my knowledge and belief that:

- (i) This CV correctly describes my qualifications and my experience.
- (ii) I am not employed by the Executing /Implementing Agency.
- (iii) I am/I am not in regular full-time employment with the Firm.
- (iv) In the absence of medical incapacity, I will undertake this assignment for the duration and in terms of the inputs specified for me, provided team mobilization takes place within the validity of this proposal or any agreed extension thereof.
- (v) I am committed to undertake the assignment within the validity of Proposal.
- (vi) I did not write the terms of reference for this assignment.

I understand that any willful misstatement described herein may lead to my disqualification or dismissal, if engaged.

\_\_\_\_\_  
[Signature of expert or authorized representative of the firm]<sup>1</sup> Date: \_\_\_\_\_  
Day/Month/Year

Full name of authorized representative: \_\_\_\_\_

<sup>1</sup> This CV can be signed by a senior representative of the Firm provided that if the Firm's proposal is ranked first, a copy of the CV signed by the expert and/or specialist must be submitted to the Client prior to the commencement of contract negotiations. ?

## PROGRAM ORGANISATION STRUCTURE

