



Jammu & Kashmir Economic Reconstruction Agency
(J&K ERA)

Invitation for Fresh Expression of
Interest for
Internal Audit

Ref: [ERA\Fin\Int Audit] for Internal Audit

Year 2015

CONTENTS

Invitation for Eoi 3
Introduction4
Eligibility Criteria for Chartered Accountant Firms7
General Conditions8
Annexure A: Instructions for Preparation and Submission of Proposals11
Annexure B: Technical Proposal Submission Forms13
Annexure C: Financial Proposal Submission Forms17
Annexure D: Terms of Reference for Internal Auditor18
.....

Invitation for Expression of Interest



J&K Economic Reconstruction Agency
ERA Commercial Complex,
Rambagh -Sgr.190015
13 C/C, Gandhi Nagar, Jammu -180004



Notice for Expression of Interest for Internal 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 - JKMPIR and JKUSDIP invites 'Expression of Interest' (EOI) from eligible Firms of Chartered Accountants for providing services of Internal Auditor for the financial years 2015-16 and 2016-17.

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

The EOI in the prescribed format in sealed envelope labeled as "Expression of Interest for Internal Audit" addressed to the CEO, ERA should reach ERA office latest by __ (21days from date of issue)__2015, 15.00 Hours at the following address:

Director Finance
J & K ERA. 2nd Floor, ERA Commercial Complex,
Rambagh-Srinagar-190008
13 C/c Gandhi Nagar, Jammu-180004.
Tel- 0194-2443920
Fax- 0194-2443922
Email- contact@jkera.org

SD
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. J&K Project Multisector Infrastructure Rehabilitation (JKMPIR) and J&K Urban Sector Development Investment Program (JKUSDIP), the Asian Development Bank (ADB) funded projects 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 Central and Director Finance. The project implementation is carried out under the supervision of "Project Implementation Units" (PIUs). There are two PIUs for Jammu and Srinagar under project JKUSDIP. Each PIU is headed by a Project Manager. 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 Chief Accounts Officer two Accounts Officers and nine accounts assistants support Director Finance at PMU. One Accounts officer, one Asst. Accounts Officer and three accounts assistants 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 two 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. Lahemyer consultants working as DSC Kashmir and New DSC for Jammu shall be in place shortly. Moreover, one consulting firm for assessment of Non Revenue Water (NRW) for Jammu is also in place and one more consulting firm for Capacity Building & Institutional Strengthening of PHED Jammu & Srinagar shall also be in place shortly.

Project Disbursements (JKUSDIP)

During 2013-14 project disbursements were to the tune of Rs. 55.85 crore & 79.52 crore for Tranche-I & Tranche-II respectively. Disbursements during the next two financial years are likely to be in the range of Rs. 100-115 crore (Tranche-I) & Rs. 700-750 crore (Tranche-II) further Rs. 564 crore (Tranche-III).

Audit Requirement

ERA intends to appoint Internal Auditor to carry out the audit of the project accounts for the financial years 2015-16 and 2016-17 for the ADB funded project JKUSDIP. The scope and terms of the assignment for the Internal Audit is described in Annexure D in this document.

Eligibility Criteria for Chartered Accountant Firms

The Chartered Accountant Firm should fulfill the following eligibility criteria:

1. Firm should be a partnership firm and in continuous existence for a period of at least 10 years as on 1st June 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 and at least 2 partners/full time employee Chartered Accountants must have experience of working for or auditing ADB/WB funded infrastructure projects.
4. Firm should have at least 3 full time employee Chartered Accountants and 10 audit assistants (excluding articles).
5. Firm should have conducted at least 3 internal/statutory audit of projects/entities comparable to ERA in nature and size during last five years (with annual turnover of not less than Rs. 100 crore, excluding bank and NGO audits). Preference will be given to Firms having experience of audit in urban infrastructure development entities.
6. Firm's average annual turnover for the last 3 financial years (2012-13 to 2014-15) 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. A firm can apply for appointment as Internal Auditor.
2. The assignment will be for a period of two financial years (2015-16 and 2016-17), however based on the performance of the Auditor the assignment may be terminated earlier on grounds of inadequate performance or extended for additional year without inviting fresh proposals.
3. 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.
4. The assignment will involve travel to Jammu and Srinagar as the Project offices are located at both these places.
5. Proposal prices should be quoted in Indian Rupees. All prices shall be valid for the duration of the contract. Price in the Financial proposal will be quoted for one financial year's audit and shall be fixed for the period of contract and will not be subject to variation on any account.
6. Firms submitting proposals for internal Audit should give financial proposal for the required duration of input as mentioned in the TOR for Internal Audit and form 'FIN 2'. Additional mandays/manpower, if required, will be paid according to the approved contract rates.
7. 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.
8. 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
9. 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.
10. 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 12 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.

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.

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

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 initialled by the person signing the Proposal

In the event of any discrepancy between the original and the copy, the original shall prevail.

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.

15. Full-time employees

It is desirable that the proposed Audit Team Leader is a partner or a regular full-time employee of the firm. A regular full-time employee is defined as a person who, on the date of submission of the proposal:

- a) Is currently employed under a contract or agreement of employment with the firm;
- b) Has been employed by the firm for the 12 consecutive months immediately preceding the date of submission of the proposal; and
- c) Is entitled to receive regular remuneration and benefits from the firm.

16. Payment

Payment of Internal Audit fee and expenses will be made on monthly basis within 15 days of submission of Monthly Audit Report as per TOR. An amount equivalent to 5% of monthly fee will be retained and the same will be paid on submission of Annual consolidated Internal Audit Report.

All payments will be subject to statutory deductions as may be applicable.

17. 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.

18. 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.

19. 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.

Annexure A: Instructions for Preparation and Submission of proposals

1. Proposals must be submitted to the specified address on or before the date and time specified in the Invitation for Expression of Interest.
 2. 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 in charge and Audit Team Leader,
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 Jan 2015.
 - 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 2012-13 to 2014-15.
 - 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.
3. The **Financial Proposal** shall contain the Pricing details in the prescribed forms FIN1 and FIN2. Form FIN 2 is to be submitted only with proposals for Internal Audit.
 4. 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.
 5. Firms are required to submit their Technical and Financial Proposals in hard 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.
 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.

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 Internal Audit" and addressed to Chief Executive Officer, J&K Economic Reconstruction Agency, 3rd Floor, Shopping Complex, Rambagh, Srinagar.

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.

Annexure B: Technical Proposal Submission Forms

Tech 1: Covering Letter

Location, Date]

To: [Name and address of Employer]

Dear Sir

We, the undersigned, offer to provide the services as **Internal 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 understand you are not bound to accept any Proposal you receive.

Yours faithfully,

Authorised Signature

Name and Title of Signatory: [In full]

Seal of the Firm:

Name of Firm:

Address:

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. No.	Name	ACA/ FCA Date	Mem No	Date of Joining Firm	Practice Experience (yrs)	Qualifications	CISA/ISA Qualified

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

Sr. No.	Name	ACA/ FCA Date	Mem No	Date of Joining Firm	Practice Experience (yrs)	Qualifications	CISA/ISA 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 Lakh)

Year	Audit Fees		Other Fees	Total
	Statutory	Internal		
2012-13				
2013-14				
2014-15				

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.

Sr. 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)

Annexure C: Financial Proposal Submission Forms

Fin 1: Summary of Costs

Assignment Title: **Internal Audit**

S. No.	Item	Cost (INR)
1	Total Professional Fees	
2	Out of Pocket Expenses	
	TOTAL	

(Please also indicate Amount in Words):

Notes:

1. Financial Proposal should be for one year's fee and expenses.
2. Details in 'Fin 2' are required only for Internal Audit Proposals.

Fin 2: Personnel Inputs and Professional Fee Rates (only for Internal Audit Proposals) Rs.

Sr. No.	Particular	Unit	No.	Rate	Amount
A	Professional Fees				
1	Partner In charge	Man days	30		
2	Audit Team Leader	Man days	180		
3	Inter CA/Article/Audit Staff	Man Month	24		
	Total A				
	Out of Pocket Expenses				
1	Travel to and from Jammu/ Srinagar				
2	Per diem				
3	Other out of Pocket Expenses				
	Total B				
	Total A+B				

Annexure D: Terms of Reference for Internal Audit

1. Objectives of Internal Audit

The primary objectives of the Internal Audit are to:

1. Enable the Management of ERA to take timely corrective action for any deficiencies / lacunae in the financial management, accounting, internal controls and monitoring system.
2. Review the adequacy of the financial management arrangements, including adherence to the operational manuals, guidelines, and delegation of powers and compliance with the financing agreements with the Asian Development Bank (ADB) and Government of India (GoI).

2. Period of Internal Audit

The period of internal audit would be two financial years - 2015-16 and 2016-17. The audit will be carried out on monthly basis.

3. Scope of Internal Audit

The scope of work for the assignment is to audit, and express an opinion on and to suggest appropriate measures to improve and strengthen the financial management, accounting, internal controls, monitoring system and compliance with project financing agreements and will cover all areas of financial management and fiduciary arrangements.

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

A. Internal Control Systems

The auditor will assess the adequacy of financial management systems and 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 specially whether bank accounts, advances to contractors, suppliers, consultants, and employees and inter unit accounts are reconciled every month and balances are confirmed with external parties.
- (d) Adequate documentation and an audit trail is retained to support transactions.
- (e) Transactions are allowable under the agreements governing the projects.
- (f) Errors and omissions are detected and corrected in the normal course, and Management is informed of recurring problems or weaknesses.
- (g) Management does not override the normal procedures and the internal control structure.
- (h) Assets are properly accounted for, safeguarded and used solely for their intended purposes and are physically inspected annually.

B Compliance with Financial Covenants and Assurances

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

The Auditor should also provide recommendation for improvement in the processes carried out by ERA for complying with agreements with ADB.

C Statements of Expenditures (SOE).

The auditor will audit all SOEs used as the basis for the submission of credit with drawal 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 audit report should include a separate paragraph commenting on the accuracy and propriety of expenditures withdrawn under SOE procedures. The auditor will also check and reconcile that the SOEs submitted with the expenditures reports submitted to the ADB/Gol. The auditor should recommend improvement in the process followed by ERA for complying with ADB's process of submitting SOEs

D 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) Reconciliations, including 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.

E. While conducting internal audit, the auditor will pay special attention to:

- a) Ensure that the accounting and financial management systems remain reliable and effective in design;
- b) Review the efficacy, adequacy and application of accounting, financial and operating controls to ensure accuracy of the books of accounts;
- c) Verify that the system of internal checks is effective in design and operation in order to ensure prevention of and early detection of defalcations, frauds, misappropriations and misapplications;
- d) Identify areas of significant inefficiencies in existing systems and suggest necessary remedial measures;
- e) Confirm the existence of financial propriety in all decisions and verify compliance to statutory requirements
- f) Confirm that the approved procurement procedures and arrangements have been followed for works, goods and services.
- g) Confirm that funds given to PIUs for incurring expenditure under the Projects are used for the purposes intended.
- h) Check that the Essentiality certificates issued to contractors are in accordance with the approved Bill of Quantity and the benefit availed by the contractors conform to the executed BOQ based on reconciliation of the theoretical material consumption and actual material consumption as per site records.
- i) Report that tax deduction at source is being made in all cases, under the applicable statutes at prescribed rates and deposits of the same are being made within the prescribed time and all statutory requirements under the applicable laws are complied with.

- j) Report that the computerized accounting system is updated on daily basis with adequate access control and security and the PIU expenditures are consolidated on a monthly basis at PMU level.
- k) Check that (i) all advances to contractors and consultants are released against valid Bank guarantees as per the terms of contract (ii) timely action is taken for renewal/ extension/ encashment of bank guarantees till recovery/adjustment of the advances (iii) retention money is release against bank guarantee valid for the defect liability period as per terms of contract (iv) proper records are maintained and the guarantees are kept in safe custody.
- l) Undertake budgetary analysis and report on budget deviations, timeliness of the funds flow mechanism, efficiency and economy in utilisation of funds.
- m) Report on audit compliances and persisting irregularities, if any, using previous internal and external audit reports.
- n) Report on compliance. of contract conditions and approved procedures with reference to contract payments, economy and efficiency in contract variations, rate analysis for extra quantities / new items etc.
- o) Confirm that the Financial Reports are prepared and submitted timely and are realistic and based on books of accounts.
- p) Provide hand holding support to finance wing staff of PMU and PIUs to build their understanding and capacity.

4. Extent of Internal Audit

The extent of internal audit will be as follows:

A. Award of Contracts:

- Award of contracts for subprojects : 100 %
- Award of contracts for project consultants : 100 %
- All other contracts : 50 %
- Contract Variations : 100 %

B. Checking of Accounting records and Statements

- Payments and adjustments to contractors and consultants including price variation bills with reference to contract and work schedules : 100%
- Payments and adjustments for salaries and staff costs : 100%
- Payments and adjustments for other Incremental Exp. : 50%

- Final bills of contractors and consultants : 100%
- Bank reconciliation statements : 100%
- Issue of Essentiality certificates : 100%
- Bank guarantees : 100%
- Receipts : 100%
- Physical verification of fixed assets and inventories - Based on ABC classification.

These are indicative and Auditor is free to extend to any area and to any extent as required or as may be necessary to cover the objectives of the assignment.

5. Auditing Standards and Program

The audit will be carried out in accordance with the relevant national standards of auditing, including professional or general standards, standards of fieldwork, and reporting standards and will include such tests and controls as the auditor considers necessary under the circumstances. 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.

6. Duration of Inputs for Internal Audit

Partner In charge of the internal audit shall visit ERA office at least once in a quarter or as and when required. Audit Team Leader's on-site inputs should be at least for 15 days in a month and two full time Audit Staff should be posted at ERA.

7. Delivery of Opinion and Reports

The Internal Auditor will provide monthly audit reports (two hard copies and a CD) to the Chief Executive Officer / Director Finance, ERA within 15 days of the end of a month. All reports will be in the English language.

The report should be structured in a manner to provide the following:

- (a) Audit observations - Any material weaknesses in the accounting and internal control systems that were identified during the audit, including those regarding SOEs and Imprest Accounts
- (b) Implications of the observations.
- (c) Recommendations to rectify identified weaknesses.
- (d) Management's comments/agreed actions
- (e) Status of actions on the previous recommendations.
- (f) Any other matters that the auditor considers should be brought to the attention of ERA's management.

The auditor will also prepare and submit a consolidated report on a quarterly basis, for first three quarters and annual report at the year end within 15 days of the close of the quarter/ year and highlight the critical issues which require the immediate attention of ERA management. The auditor will also make a presentation of findings to the Audit Committee every quarter after submission of quarterly/annual report.

The auditor should discuss results of audit with the concerned officer in-charge in PMU and PIUs and important observations should be brought to their notice for taking timely corrective action. Routine errors of omissions or commissions noted during the course of internal audit may be rectified on the spot.

While conducting internal audit in a subsequent month, the auditor will ensure that the compliance report on audit observations pointed out in the reports relating to earlier audit is made and corrective actions taken on those points are furnished in the Audit Report of the subsequent month.

8. Monitoring Performance of Internal Auditor

Director Finance, ERA will be the Nodal officer to co-ordinate with other officers of ERA and discuss the preliminary findings of Internal Auditor. An Audit Committee comprising of CEO, ERA; Director Finance, ERA; Team Leader and Financial Analyst PMC will review the performance of Internal Auditor.

9. Description of Materials and Statement of Access

All documents, books and records including vouchers and relevant supporting documents will be available at three locations i.e. PIU Jammu, PIU Srinagar and PMU at Jammu/ Srinagar.

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. The auditor will be assured right of access to banks, consultants, contractors, and other persons or firms hired by ERA.

10. 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 the period covered by the audit, be employed by, or serve in any capacity, or have any 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.

11. 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.

12. 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 to ERA in nature, size, and complexity.

13. 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.

14. Working Papers

Internal Auditor shall take adequate measures to safe keeping of the working papers, query sheets and reports etc. collected during the course of audit and the same must be preserved for a minimum period of 8 years and should be available to ERA as and when required.

15. Terms and Definitions

This section defines the terms used in this document:

a) '**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.

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

