

(EoI on Website)

No.A-11012/3/2011/Internal-Audit-PMG/NGRBA
Government of India
Ministry of Environment and Forests
National Ganga River Basin Authority
(Project Management Group)

Notice Inviting Expression of Interest (EOI) for Internal Audit of PMG under National Ganga River Basin (NGRB) Project.

1. The Government of India has *availed* a credit/loan to facilitate implementation of a multi-sectoral National Ganga River Basin Authority (NGRBA) programme in the five States of Uttarakhand, Uttar Pradesh, Bihar, Jharkhand and West Bengal, from International Development Association (IDA), and the International Bank for Reconstruction and Development (IBRD) and intends to apply part of the loan/credit proceeds to make payments under the contract for the following services:

Internal audit of PMG under World Bank assisted “National Ganga River Basin (NGRB) Project”

2. The NGRBA is responsible for planning, financing, monitoring and co-ordination of activities for effective abatement of pollution and conservation of the river Ganga. The major objectives of the NGRBA are to maintain the desired water quality in Ganga and to ensure minimum ecological flows, especially in the critical stretches.

A Project Management Group (PMG) has been set up under the MoEF to co-ordinate & implement at the national level the various activities of the NGRBA programme, including those supported under the World Bank assisted National Ganga River Basin Project. MoEF now invites eligible Consultants to indicate their interest in providing the services. A Consultant will be selected in accordance with the procedures set out, in the World Bank's Guidelines: Selection of Employment of Consultants by World Bank Borrower (January 2011 3edition). Eligibility and Conflict of Interest provisions as per the Guidelines will be applicable.

3. **Scope of Work:** The Internal Auditor would be responsible for the following:
The Internal audit will cover the audit of Project Management Group (Central level- New Delhi) and Central level EA receiving funds from PMG.. The estimated expenditure of the PMG and the Central EA during the first two years of Project implementation would be around INR 500 crore. Internal audit should play a role in assisting management in bringing a systematic, disciplined approach to

evaluate and improve the effectiveness of the internal control system. In conducting the audit, special attention should be paid to assessing whether adequate controls have been established and complied with to ensure:

- (a) All project funds have been used in accordance with the conditions of the relevant legal agreements and only for the purposes for which the financing was provided;
 - (b) Project assets are adequately safeguarded and used solely for their intended purposes; and
 - (c) All necessary supporting documents, records, and accounts have been kept in respect of all project transactions; including expenditures reported in the Interim Unaudited Financial Reports (IUFR).
 - (d) Procurements for the Project have been done in accordance with the agreed Procurement procedures.
4. The assignment would be for two years (Initially for one year and could be extended for a further period of one year based on performance and mutual agreement).
5. MoEF invites 'Expression of Interest' (EOI) from C.A. firms to indicate their interest in providing services for the above mentioned audit work. The interested firms must provide information indicating their past experience in related sectors, experience of key personnel and financial strength to perform the services under the following heads:

Mandatory Criteria:

- A minimum financial turnover of 1.5 crores for the last 3 Financial Years;
- A minimum of 10 number of professionally qualified CAs in the firm (excluding partners)
- At least 3 audits (external or internal) carried out in the Govt. sector and/or projects supported by International agencies like World Bank in the last 8 years.
- Establishment in Delhi NCR
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The final short list will be arrived at based on relative strengths and suitability of the firms in the following aspects:

(a) Composition of C.A. Firm

- No. of Partners and number of qualified Chartered Accountants (excluding partners).

(b) Past Experience of the firm

- Relevant Experience including their participation in the projects referred above. Specifically, the firms should provide information showing their experience in the field of Internal audit work.
- Number of audits of Govt. Deptt./PSUs in the last 8 years.

- No. of Internal audits of World bank/ International donor funded projects in the last 8 years.
- No. of Single Contracts value of 30 lakh or more of such during last 5 years.

(C) Financial Strength of the C.A. Firm

- Turnover of firm for last 3 years

The firms should provide information on the above-mentioned aspects.

Interested C.A. firm may submit 'Expression of Interest' in an sealed envelope clearly superscripted as "**Expression of Interest for Internal audit of PMG under National Ganga River Basin (NGRB) Project**" in one original and five copies to Project Officer (Procurement), National Ganga River Basin Authority ,First floor, Mini Shopping Complex, NBCC Place, B.P.Marg, Lodhi Road ,New Delhi-110003 within one month from the date of publishing.

6. The Ministry reserves the right to reject all or any of the proposals without assigning any reason thereof.

Director, MoEF

Terms of Reference of Internal Audit

Project Background

The Ministry of Environment & Forests (MoEF), Government of India is implementing a World Bank assisted project to facilitate implementation of a multi-sectoral National Ganga River Basin Authority (NGRBA) programme in the five States of Uttarakhand, Uttar Pradesh, Bihar, Jharkhand and West Bengal. The NGRBA is responsible for planning, financing, monitoring and co-ordination of activities for effective abatement of pollution and conservation of the river Ganga.

Scope:

The Internal audit will cover the audit of National Programme Management Group (Central level- New Delhi). Internal audit should play a role in assisting management in bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the internal control system. In conducting the audit, special attention should be paid to assessing whether adequate controls have been established and complied with to ensure:

- (a) All project funds have been used in accordance with the conditions of the relevant legal agreements and only for the purposes for which the financing was provided;
- (b) Project assets are adequately safeguarded and used solely for their intended purposes; and
- (c) All necessary supporting documents, records, and accounts have been kept in respect of all project transactions; including expenditures reported in the Interim Unaudited Financial Reports (IUFR).
- (d) Procurements for the Project have been done in accordance with the agreed Procurement procedures.

Objective

The objective of internal audit is to provide management with an independent, objective and professional assessment that implementing entity's internal control systems are operating satisfactorily. Internal audit will provide project management with information on financial risk management and controls to enable the management to take timely corrective actions, wherever necessary. The internal auditor would recommend cost-effective methods for strengthening controls to prevent or detect significant financial irregularities or losses due to insufficient attention to economy, efficiency and effectiveness in the use of project funds.

Coverage

The internal audit will include such tests and controls as the Internal Auditor considers necessary under the circumstances. Specific areas of coverage of the internal audit will include the following.

- An assessment of the effectiveness of and degree of compliance with the financial controls laid down in the FM and Procurement Manuals. Whether funds have been used with due regard to economy, efficiency and effectiveness and for the purposes for which they were provided.
- Whether realistic annual work plans and procurement plans are prepared and expenditures are incurred as per approved plans and variances if any are monitored, analyzed and the learning used for preparing plans for subsequent years.
- Timeliness of flow funds to the spending units.

- Whether the selection criteria for EAs as documented in the “Implementation Arrangements for the Program” have been assessed by SPMGs and complied with in selection of EAs.
- Whether there is appropriate documentation of check measurement/inspection of works by EA as agreed and documented by SPMG at the time of EA selection;
- Whether contract payments have been made as per the terms of the contract. In doing so the auditors should consider the reports of the technical supervision consultants.
- Whether an appropriate system of accounting and financial reporting exists by which expenditures are properly recorded and eligible expenditures are claimed from the Bank in a timely manner. Whether adequate supporting documentation is being maintained for all project expenditures
- Whether an adequate system is in place to ensure that goods, works and services are being procured in accordance with guidelines prescribed in the Procurement Manual.
- Whether there is an appropriate contract management system commensurate to the size and nature of the sub-project executed by the EAs. Similarly whether there is an appropriate contract management system commensurate the size and number of contracts managed by the PMG/SPMG .Whether payments are being made to contractors/suppliers/consultants within the time limits stipulated in the contract documents.
- Whether appropriate controls as laid down in the FM/Procurement Manual are complied with for variation in contracts.
- Whether Bank balances are reconciled with the books by the PMG and the five SPMGs
- Anything else that the auditor considers pertinent.

Timing

The Internal Audit will be conducted on a **quarterly basis**, although the auditor will not cover all spending units every quarter. Internal audit at the PMG and each SPMG will cover the entire project on a sample basis i.e., the Internal Auditor of the PMG will cover samples from all spending units namely PMG and the Central EAs , Similarly the Internal Auditor of each SPMG, will cover samples from all spending units namely the SPMG and the EAs in that State. The auditor will draw up an audit plan for each quarter at the beginning of the financial year in consultation with the respective management. The audit plan should indicate sample coverage at each level of implementation. The sample selection would be based on an assessment of the risks applicable to the operation.

Reporting

The Internal Auditor will provide a report to the project management highlighting findings within 45 days of the end of the quarter to enable the management to take timely corrective action. Copies of the Internal Audit Report together with actions taken by management to address the audit observations will be submitted to the Bank on annual basis. One of the most serious concerns is that despite widespread knowledge of control weaknesses there is limited response from implementing agencies by way of timely remedial actions on the findings of audits. This will need to be improved by continued follow-up and monitoring of resolution of audit observations by the Project Audit Committees both at the levels of SPMG and PMG.

At the State level, an Audit Committee will be formed chaired by the Project Director, SPMG and having representation of participating EAs, ULBs and the State Finance Secretary or his designate, These Audit Committees will consider the key findings of

both external and internal audits and monitor timely action on these findings by the implementing agencies. Similarly an Audit Committee will be formed & chaired by Mission Director at the level of PMG.

General

The internal auditor should be given access to all relevant documents (Loan Agreement and Project Agreements, Minutes of Negotiation, Project Appraisal Document, Project Implementation Plan, Financial Management Manual, Procurement Manual and Bank Procurement Guidelines, M&E assessments, technical assessment, Aide-memoires and relevant correspondences, 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, Procurements and Financial Reporting. These documents will be provided to the Internal Auditor by the PMG/SPMG.