Draft

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME (TEQIP) PHASE-III

FINANCIAL MANAGEMENT MANUAL

GOVERNMENT OF INDIA
DEPARTMENT OF HIGHER EDUCATION
MINISTRY OF HUMAN RESOURCE DEVELOPMENT
NEW DELHI

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(The contents of this document are subject to change)

I N D E X

I N D E X

ABBREVIATIONS

AICTE	:	All India Council for Technical Education
ATU	:	Affiliated Technical University
BOG	:	Board of Governor
CSS	:	Central Sector Scheme
CFI	:	Centrally Funded Institutions
CAA&A	:	Controller of Aid, Accounts and Audit
CAG	:	Comptroller & Auditor General
CA	:	Chartered Accountant
DEA	:	Department of Economic Affairs
EEP	:	Eligible Expenditure Programme
FMR	:	Financial Monitoring Report
FMM	:	Financial Management Manual
FD	:	Fixed Deposit
GoI	:	Government of India
IA	:	Internal Audit
IDA	:	International Development Association
IDP	:	Institutional Development Plan
IDG	:	Institutional Development Grant
IPF	:	Investment Project Financing
INR	:	Indian Rupees
LIS	:	Low Income States
MoF	:	Ministry of Finance
MoU	:	Memorandum of Understanding
MHRD	:	Ministry of Human Resource Development
MIS	:	Management Information System
NBA	:	National Board of Accreditation
NIT	:	National Institute of Technology
NPIU	:	National Project Implementation Unit
NEQIP	:	North East Quality Improvement Plan
NSC	:	National Steering Committee
NPD	:	National Project Director
SSC	:	State Steering Committee
PFMS	:	Public Financial Management System
DSC	:	Digital Signature Certificate
DFT	:	Direct Transfer of Fund

DISCLAIMER

While all care has been taken to bring conformity with the General Financial Rules (GFR), Fundamental Rules (FR) and Supplementary Rules (SR) of Government of India. In case of any dispute or ambiguity, regarding any provision or content of this manual, the GFR, FR & SR will take precedence over the provisions of this manual.

SECTION–1

GLOSSARY TO THE KEY WORDS USED IN THE MANUAL

“Accounting Year”, “Year”, or “Financial Year” means the year commencing on 1st of April and ending on 31st of March.

“Auditor” means a firm of qualified Chartered Accountants appointed by National Project Implementation Unit and State Project Implementation Unit and by Centrally Funded Institutions for auditing the project accounts.

“Bank” means a Scheduled Bank in which a separate account is opened to operate the project funds.

“NPIU” means National Project Implementation Unit created by Ministry of Human Resource Development for facilitating, implementing, coordinating and monitoring project activities at National level.

“Project” means Phase – III of Technical Education Quality Improvement Programme, (TEQIP-III).

“PIP” means Project Implementation Plan, including action plans, procedures and criteria for implementation of project.

“Project Institutions” means engineering education institutions, as defined in PIP, duly selected for support under the project.

“SPIU” means State Project Implementation Unit to provide support to the Secretary in charge of Technical Education in facilitating, implementing, coordinating and monitoring the project at the State level.

“MOU” means Memorandum of Understanding, which contains the terms and conditions between the Ministry of Human Resource Development and the States, Ministry of Human Resource Development and Centrally Funded Institutions and between State and Institutions selected by State.

SECTION–2

INTRODUCTION

2.1 Overview:

The TEQIP-III Project will be implemented as a "**Central Sector Scheme**" (CSS) which means 100% funding by the Government of India. An around 190 engineering institutions will be participating in the Project.

It is aimed at (1) Improving Quality and equity in low-income and special category state (2) System-level initiatives to strengthen sector governance and performance (3) Sustaining excellence in engineering education and widening impact through competitively-selected institutions in non-LIS/SCS.

The TEQIP-III Project will have a span of **three years** and shall cover the following financial years which may be further divided into Quarters for reporting as well as monitoring purposes:

- 2017-2018
- 2018-2019
- 2019-2020
- 2020-2021

2.2 Purpose of the Manual:

The prime objective of evolving this manual is to bring in uniformity in Financial Management arrangement of the project such as accounting, financial reporting, audit etc. and to make participating CFIs / States Institutes / SPIUs familiar with the guidelines and standards to be adopted while implementation of the project task, and, in particular, to provide broad guidelines to them in respect of different issues concerning financial management. It is also hoped that this manual will provide supportive information in complying with the rules set henceforth.

2.3 Project Description:

The Project will support two components: (1) Improving quality and equity in engineering institutes in focus states and (2) System-level initiatives to strengthen sector governance and performance.

Component 1: Improving quality and equity in engineering institutes in focus states

This component will focus on improving quality and equity in engineering education in all government and government-aided colleges and technical universities, including ATUs, in seven LIS, eight states in the North-East of India, two Hill states and Andaman and Nicobar Islands (a union territory (UT)).

- **Sub-component 1.1: Institutional Development Grants to Participating Institutes**

All government and government-aided colleges, new National Institutes of Technology (NIT) and non-affiliating technical universities in Component 1, totaling about 80 institutes, will receive funds once they have the **enabling mechanisms** required for project success in place. Institutes with these mechanisms in place will receive **Institutional Development Grants** (IDG) as determined by their plans for improvement articulated in Institutional Development Plans (IDP). The ultimate goal of these plans should be either improving the learning outcomes and employability of undergraduates and/or the research pursued under post-graduate programs. In structure, the IDPs will specify the key needs of an institute, activities, timelines and measures of success. Key activities will include:

(1) improving student learning;
(2) improving student employability; and
(3) increasing faculty availability, productivity and motivation

Each IDP will contain a Twinning Plan with a high-performing TEQIP I/II institute, to be formalized into a Twinning Agreement. The project will fund procurement expenses, including refurbishment, minor civil works and equipment, up to a maximum of 60 percent of an institute's fund allocation. Which particular activities an institute undertakes will be set out in its IDP. Each institute will receive specialized support from NPIU, SPIU and mentors in framing their IDPs, which will be based upon iterative consultations with a range of stakeholders, including faculty, administrators, students, parents and industry. AICTE will provide mentorship support to all colleges in the North East, given its experience implementing the North East Quality Improvement Program (NEQIP). **Autonomous colleges under this sub-component will receive INR 15 cr, and non-autonomous colleges will receive INR 10 cr (which will be increased to INR 15 cr if they attain autonomy). NITs will receive INR 15 cr under this sub-component**. Funding will be linked to performance. Poorly-performing institutes will be mentored intensively, but receive reduced funding from the project if they fail to make serious efforts to improve.

Institutes which do not have the enabling mechanisms in place will benefit from **"seed persons"** (expert mentors), non-financial assistance and **seed money** from MHRD to motivate and facilitate these institutes to obtain the mechanisms. Only institutes that build the enabling mechanisms listed by October 2018 will receive IDGs. Seed money will be used for activities as specified in the PIP with the aim of motivating faculty and students to work toward improvement of their institute, and provide some immediate support to students' learning. **These will include: training of staff in financial management and procurement processes; campus wi-fi; e-library; campus environment plan and smart classrooms. *<u>These funds will be managed by MHRD/NPIU</u>*.**

- **Sub-component 1.2: Widening Impact through ATUs**

Sub-component 1.2 will provide financial support to all ATUs in focus states, based upon certain enabling mechanisms relevant to ATUs being in place. **Each ATU will receive INR 20 cr.** This sub-component will pilot reforms with ATUs in the following areas to address the above challenges: academic reforms; learning assessment and examination reforms; student placement; and improving data management and administration. Project ATUs are expected to assist all affiliated colleges through opportunities for accessing modern teaching and research facilities (access to IT-facilities, e-learning courses and laboratories). For instance, ATUs could administer merit-based research grants for faculty and students that encourages interdisciplinary and inter-collegial/departmental collaborations. The goal of these pilot interventions will be to demonstrate mechanisms through which ATUs can improve the performance of all the colleges affiliated to them — government, government-aided and private unaided — and thereby catalyze profound changes in the engineering education system. Importantly, project ATUs will be expected to pilot reforms in assessment of student learning outcomes as described in Component 2.

Institutes in sub-component 1.1 and ATUs in sub-component 1.2 will sign MOUs, which will set out annual (or semi-annual) performance benchmarks to be met, in order for successive rounds of funding to be released. Commitment from the state finance department, technical education department and ATU will be sought through a state-level steering committee (SSC) with representatives from these bodies and the lead mentor.

- **Sub-component 1.3: Twinning Arrangements to Build Capacity and Improve Performance of Participating Institutes and ATUs**

  This sub-component will support twinning arrangements between institutes and ATUs in focus states/UT with high-performing TEQIP I/II state-government engineering institutes and ATUs in other states. The primary objective of the twinning arrangements will be to support the priorities identified by Sub-component 1.1 and 1.2 institutes in their IDPs and Action Plans respectively. Sub-component 1.3 institutes and ATUs will provide training and guidance to build the capacity of participating institutes and ATUs. Twinning arrangements will be formalized through Twinning Agreements between the two institutes. The focus of these Agreements will be knowledge transfer, exchange of experience, optimizing the use of resources and developing long-term strategic partnerships. The exact nature of twinning activity would be determined mutually between the two institutes, but could include activities at four levels: board of governors (BoG); institute's management/leadership; staff (teaching and non-teaching) and students. For instance, activities could entail faculty and student exchange, joint conferences, and management coaching between the members of the two BoGs, the two principals, and the deans.

  Institutes/ATUs under Sub-component 1.3 will be chosen on a competitive basis, depending upon their performance under TEQIP I/II and their Plans for twinning activities. Sub-component 1.3 institutes – all of whom will have obtained academic autonomy from UGC – **will receive an initial allocation of INR 7 crores** so that they have the incentive to participate effectively in twinning activities as well as continue their own institutional development, upon which such twinning depends. These institutes will be eligible for additional resources depending upon how effectively they meet obligations identified in their Twinning Agreements.

- **Component 2: System-level initiatives to strengthen sector governance and performance**

  This component will support MHRD and key apex bodies in engineering education, including AICTE and NBA, to strengthen the overall system of engineering education. This Component will work closely with the National Testing Agency, and will support **the design and implementation of a low-stakes assessment system** to track student learning at different points of the undergraduate program. The assessment system will track key academic skills in engineering, such as proficiency in mathematics, physics and computer science, as well as higher order thinking skills. In addition to this, students' non cognitive and behavioral skills will also be tracked. Finally, surveys of students, faculty, non-teaching staff and administrators will deepen insight into how institutes address specific problems related to student learning. Assessments will be designed to provide feedback to institutes on how and where to improve, without putting undue pressure on students.

  This Component will also provide **technical assistance to AICTE** to: undertake tasks to mentor colleges, especially in the North East; design MOOCs for faculty and students; create benchmarks for institutes; promote industry collaboration in research and placement; and streamline data management across all institutes. AICTE's e-governance cell will lead an effort to harmonize data management by AICTE, the All India Survey of Higher Education (AISHE), NBA and TEQIP. Technical assistance will also be available to **NBA to help strengthen its analytical and institutional capacity** to use planning, information and data to manage the organization in a more efficient way. This component will support a major push to drive innovations in technology-based learning and research, including linking government and government-aided engineering institutes and ATUs in all states to the National Knowledge Network. Finally, this Component will seek to **strengthen project management** by supporting a web-based project MIS, and building the capacity of technical education policy planners, administrators and implementers at the central, state, and institutional levels. Technical assistance will be available to the respective Departments of Technical Education and State Project Implementation Units (SPIU) to build their capacity to support institutional development and technical education reform in institutes and states.

2.4 Project Financing

Lending instrument: The project will use an Investment Project Financing (IPF) lending instrument using a results based financing (RBF) modality. Funding for Component 1 will be results-based, and project funds would be disbursed against an eligible expenditure program (EEP) (up to a capped amount and against achievement of agreed DLIs). EEP is defined as expenditures on all project funded activities under TEQIP-III project as incurred by GOI, eligible project States/ UT and institutes. This will include salary expenditures. Component 2 would use direct reimbursement of project expenditures. Total project costs are estimated to be US$400m, of which IDA will finance US$200m.

Project Cost and Financing

Project Components	Project cost US$m	IDA Financing US$m	% Financing
1. Eligible Expenditure programme ("EEP") under Part A of the Project	318	159	50
2. Goods, works, non consulting services consultants' services, incremental Operating Costs, Training and Workshops under Part B of the Project	85	42.50	50
Total Costs	**403**	**201.50**	**50**

1.5 Project Implementation arrangements:

The implementation arrangements for TEQIP III will build upon the well-functioning implementation arrangements for TEQIP I and II, with appropriate improvements. TEQIP III is a Central Sector Scheme, which means MHRD will fund 100 percent of project costs. Overall responsibility will lie with the Department of Higher Education of MHRD. MHRD will constitute a National Steering Committee (NSC) assisted by a small National Project Directorate headed by the National Project Director (NPD). MHRD will delegate the day-to-day implementation to the National Project Implementation Unit (NPIU). NPIU will operate state-level implementation units, called State Planning Implementation Unit (SPIU), in each focus state/UT. SPIUs will be professionally competent and dedicated state-level implementation structures, with the objective of enhancing program implementation capacity in participating institutes and strengthening the engineering education system in focus states. SPIUs will work closely with the State Steering Committee and the State Department of Technical Education in focus states, seeking guidance as necessary and providing regular updates to the Secretary of Technical Education in the state. Since TEQIP III is a Central Sector Scheme, with full funding from the Central Government, each SPIU will be accountable to MHRD/NPIU against a pre-determined set of performance goals as described in the PIP and their Terms of Reference. In non-focus states, a skeletal version of SPIUs will operate, with the primary objective of ensuring that activities, outputs and outcomes in the Twinning Agreement are met, and all related supporting activities are undertaken as per the PIP.

MHRD will enter into an MoU with each state, and each state will enter into an MoU with each participating institute. At the institutional level, the BoG will be the body with overall accountability, while the principal and senior management are responsible for institutional project design and implementation. Day-to-day implementation will be coordinated by an Institutional Development Unit headed by the institute director and assisted by a senior faculty member as the Institutional Development nodal officer.

At national level for facilitating, implementing, coordinating and monitoring of the project, National Project Implementation Unit (NPIU) has been constituted and at State level each State Project Implementation Unit (SPIU).

A. Results Monitoring and Evaluation

Following on TEQIP I, TEQIP II built a strong web-based MIS, which has helped in project monitoring and evaluation, specifically in using performance information to provide incentives to institutes. TEQIP III will build on existing MIS systems, and ensure the MIS is adapted to each institute's needs, allowing it to report on TEQIP III Issues and other Issues deemed useful for the institute's own internal decision-making. The MIS system will also be designed to generate the data required for the AICTE approval and NBA accreditation processes, to enable institutes to meet all demands for data through an integrated system. In addition, the project will work with the AICTE, the NBA and ATUs to harmonize their reporting requirements, to further simplify the reporting process for institutes. The MIS will be funded through Component 2. Training provided to M&E staff at the national, state and institutional levels will strengthen M&E capacity.

In addition, the project will also support the development of ERP/MIS at selected ATUs to promote more effective administration and decision-making. To avoid duplication, the ATU ERP/MIS will be linked to the institutional MIS of TEQIP III institutes. For non-TEQIP III institutes, data will be collected thorough web-based systems linked to the ATU ERP/MIS. The development of the ATU ERP/MIS will be funded through Sub-component 1.2.

B. Sustainability

The overall project focus on institutional development is with sustainability in mind. The project's emphasis on well-functioning government bodies, more delegated authority to manage their affairs, and capacity to generate own revenues, involve changing behavior of key players at a fundamental level. TEQIP I and II required institutes to put aside specific funds for the ongoing maintenance and development of the institute once the project period ended; this will continue in TEQIP III. The activities related to ATUs target significant improvements in the way the ATUs function, for all their affiliated colleges, such that project reforms spread to other institutes. Finally, the emphasis on all engineering institutes in focus states versus other states is intended to change the way the system operates, and enable them to utilize other funding more effectively.

C. Project Implementation Agencies

1. The implementation arrangements for TEQIP-III will build upon the well-functioning implementation arrangements for TEQIP I and II, with appropriate improvements. TEQIP III is a Central Sector Scheme, which means MHRD will fund 100 percent to project costs.
2. At the National level, the project will be guided by a National Steering Committee (NSC) and managed by a National Project Directorate, assisted by National Project Implementation Unit (NPIU). The NSC will provide overall policy directions for project activities and for implementation of systemic policy reforms.
3. At the **State** level, the project will be guided by State Steering Committees (SSCs) assisted by their respective State Project Implementation Unit (SPIUs) located in the State Directorates concerned with Technical Education.
4. At the **Institutional** level, the project will be implemented by the Institutional TEQIP Units under the overall guidance of their respective Board of Governors (BoGs).

2.6 Key Project Documents for reference:

In order to obtain comprehensive guidelines about other related procedures of the project, the following may also be referred to :

1. Project Implementation Plan (PIP)
2. Project Appraisal Document (PAD) of the World Bank
3. Project Agreement
4. Memorandum of Understanding (MoU)
5. Procurement Manual
6. Disbursement Guidelines of the World Bank
7. MoUs with SPIU and institutes

2.7 Financial Management Manual:

The "Financial Management Manual" (FMM) developed for the Project provides the essential information, to enable the SPIUs, the NPIU and project institutions to carry out effectively the financial operations in the Project. It is a guide to the implementation agencies for understanding the detailed Financial Management of the Project. **.**

2.8 Purpose of the Manual:

The prime objective of evolving this manual is to bring in uniformity in Financial Management arrangement of the project, such as accounting, financial reporting, audit etc., and to make participating CFIs / ATUs/States Institutes / SPIUs familiar with the guidelines and standards to be adopted while implementing the project. It is also hoped that this manual will provide supportive information in complying with the rules set henceforth.

2.9 Applicability of the Manual:

This manual shall be applicable to all participating agencies, such as Govt. Aided/Funded/Centrally Funded Institutes; National Project Implementation Unit (NPIU) at National Level; State Institutes and State Project Implementation Units (SPIUs) at State Level; including ATUs, IITs/IIMs etc.

SECTION–3

OVERVIEW OF FINANCIAL MANAGEMENT SYSTEM

3.1 Scope:

The Project will be implemented as in pursuance of the National Policy on Education (NPE-1986 revised in 1992) through the Ministry of Human Resource Development (MHRD) of the Government of India. The Project will be implemented as a **Central Sector Scheme (CSS)** with 100% funding by Government on India.

India comprises apart from 07 Union Territories, 29 States in the general and 11 States in the Special category. The Special category states are Arunachal Pradesh, Assam, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand. These states have some distinct characteristics like international boundaries, hilly terrains and have distinctly different socio-economic development parameters. These States also have geographical disadvantages in their effort for infrastructural development and hence these States deserve special assistance.

3.2 Grouping of Expenditures:

Under the project, the Expenditure has been grouped into components and sub-components in line with the objectives of the project. There are three broad components consisting of various sub-components. Expenditures incurred by each unit under any/all of the heads have to be booked accordingly for the project. The Expenditure components are as follows:

Component 1: Improving quality and equity in Engineering institutes in focus states

- **Sub-component 1.1 :** Institutional Development Grants to Participating Institutes
- **Sub-component 1.2:** Widening Impact through ATUs
- **Sub-component 1.3:** Twinning Arrangements to Build Capacity and Improve Performance of Participating Institutes and ATUs

Component 2: System-level initiatives to strengthen sector governance and performance

3.3 Budgeting & Flow of Funds: TEQIP-III is implemented as a Central Sector Scheme, implying that it is 100% funded by the Government of India, through MHRD's budget. With this background, MHRD has suggested that funds under the project be transferred directly to the participating institutes/ implementing units rolling out direct fund transfer system. This system will ensure that funds are electronically transferred directly to the bank accounts of SPIUs/ participating institutes/, minimizing tiers involved in fund flow, thereby reducing delay in payment and minimizing cost of holding money. The FM arrangements for funding under the Faculty Plan will be designed and agreed separately, post feasibility study, relevant assessments and finalization of implementation arrangements

3.4 Accounting: It is envisaged that the computerized direct fund transfer system will also have a separate module for accounting under the project. Presently, most states/ institutions use an off-the-shelf accounting software for recording/ compilation of information. Books of accounts for the project will be maintained using double-entry book keeping principles. Standard books of accounts (cash and bank books, journals, ledgers, etc.) will be maintained at the state and institutes. A Chart of Accounts (standard activity list) will be used to enable data to be captured and classified by expenditure center and type of expenditure.

3.5 Reporting: the project will have a system of Financial Management Reports (FMRs) on reports on FM Issues. Project expenditures will be reported by Institutes to SPIUs and by SPIUs to NPIU. NPIU will submit consolidated Interim Unaudited Financial Reports (IUFRs): for component 1 in quarter 4 and for component 2 after completion of six months. The IUFRs will include state-wise and activity-wise expenditure for the previous reporting period and year to date.

3.6 Internal Control Framework: The FM Manual of the Project will set out the FM framework and procedures to be followed by all implementing agencies. Internal controls in the Project will at minimum include authorization and approvals in accordance with the approved delegation of powers; verifications of supporting documents for payments in compliance with approved policies by competent authority; segregation of Duties i.e. FM function being independent of procurement and administration; dual signatories for approval of expenditures at all level of implementation; and physical controls for assets procured from credit proceeds.

3.7 Statutory Audit:

Consolidated Audit Report for Project:
The NPIU will consolidate the audit reports of the States, ATUs, CFIs and the NPIU. There will be one single audit report for the entire project which will be submitted by the NPIU to the World Bank by 31st December of every financial year.

NPIU: Annual audit of the NPIU by a firm of chartered accountants will be completed by **30th June** of every financial year.

State: The SPIU will appoint a firm of chartered accountants for audit of the SPIU and project institutions within the State by following the World Bank norms and procedure for appointment of auditors.

Audit at the SPIU: The audit at the SPIU level will include audit of Financial Monitoring Report (FMRs), and project accounts. The SPIU will be required to maintain the records of FMRs and the project accounts separately to enable the auditor to carry out necessary checks and verification effectively.

Audit of Institutes: The auditor will audit the project accounts of the institutions. For this purpose, the institutions are required to furnish all documents/records to the auditors to facilitate timely audit. Each institution will put up the audit report to Board of Governors within a reasonable period of completion of audit.

Consolidated Audit Report of State: The SPIU will be required to submit a consolidated audit report for the State to the NPIU by **31st July** of every project year.

CFIs: Centrally Funded Institutions will appoint a firm of Chartered Accountant to audit the accounts and the audit will be completed by 30th June of every financial year. For this purpose, the institutions are required to furnish all documents/records to the auditors to facilitate timely audit. Audit of Centrally Funded Institutions will be as per the Terms of Reference mentioned in the Manual.

Audit Committees: Every SPIU/ATUs/CFI will set up an Audit Observation Committee.

3.9 Role of NPIU in Financial Management:

National Project Implementation Unit (NPIU) has been constituted for facilitating, implementing, coordinating and monitoring of the project at national level. Its role is to monitor and co-ordinate with States/UT/CFI/other recipients, provide them support in Financial Management issues.

The role of NPIU/SPIU/Institute are given as follows in the tabular form:

Key Functions	NPIU	SPIU	Institute
Preparation of FM Manual for guiding on various issues of FM	Preparation of FM Manual	Adhering to the procedure and instructions given in the FM	Adhering to the procedure and instructions given in the FM

Key Functions	NPIU	SPIU	Institute
Budget	NPIU shall collect the data of budget from all the States/CFIs/NPIU and MHRD will make budget provisions accordingly	The SPIU shall collect the data of budget from all the institutions and submit the budget of State including SPIU expenses to NPIU	The institute shall submit the budget of institute to SPIU
Flow of fund	MHRD shall release fund direct to NPIU for its expenses out of MHRD TEQIP-III budget	MHRD shall release fund directly to SPIU for its expenses related to TEQIP-III through DBT	MHRD shall release fund directly to institutions for its expenses related to TEQIP-III through DBT
Release of fund	Shall release the fund to the SPIU/Institutions as per the flow of fund directly under DBT	The SPIU shall receive the fund directly under DBT	The institutions shall receive the fund directly under DBT
Monitoring and Support	NPIU will provide support on adherence to fiduciary guidelines and financial management arrangements by working in close coordination with the WorldBank/MHRD/CAAA and Provide support to the Financial Management/accounting staff for issues related to Financial Management aspects of the Project	Provide guidance on financial, accounting and reporting aspects to the project institutions at the State level/ Ensure full knowledge and systematic application of the Project procedures and requirements for financial Management	To provide full support to the staff working in Finance department on various issues concerning to the financial management.
Reporting	Prepare consolidated Project Financial Monitoring/Management Reports (FMRs) and ensure timely submission of FMRs to the World Bank/CAAA and also consolidate FM Issues/quarterly reports and also consolidation of FM issues report of States /institutions	Accept and review Quarterly Financial Monitoring/Management Reports (FMRs) from the participating institutions and Consolidate FMRs for submission to the NPIU, so as to facilitate disbursement of funds within the required timeframe and also submit the consolidation of FM issues of institutions and the State	To submit Financial Monitoring/Management Report to SPIU To submit FM issue report to the State
Accounting	NPIU will ensure proper accounting in NPIU/SPIUs/institutions	SPIU will ensure proper accounting in SPIU/institutions	Institutions will prepare proper accounting books and records
Auditing	Coordinate receipt of annual audit reports from the States/UTs/CFIs and other recipients and audit of the NPIU Prepare and submit Consolidated Audit Report to the World Bank through National Project Directorate on a timely basis	Hire Internal and External Auditors and Monitor quality of audit arrangements in all agencies in the State which will be funded under the project. Timely submit consolidated Audit Report of Project Institutions and the SPIU to the NPIU	Facilitate timely completion of statutory, internal audit of the accounts as per the project norms

Key Functions	NPIU	SPIU	Institute
Audit Observations	Ensure timely compliance of audit observations by all the States, UTs, CFIs and other recipients; and coordinate timely response from all concerned on audit observations and also ensure setting up audit observation Committee in the state	Regularly monitor compliance of audit observations by institutions and setting up of audit observation Committee in the state	Timely compliance of audit observations of the auditors
Monitoring of expenditure	NPIU will monitor the expenditure of all States/institutions as per indicative funding and guide the state/institutions to achieve the desired goals of the project.	SPIU will monitor the expenditure of States/institutions as per indicative funding and guide the institutions to achieve the desired goals of the project	To ensure the activity wise expenditure to achieve the desired goals of the project.
Training	NPIU will conduct training on Financial Management of SPIUs/institutes and other participants and also prepare training plan and training road map	SPIU will attend the training programmes conducted by NPIU from time to time also SPIU will conduct similar training programmes for institutions under their control	To participate in the training programmes which shall be arranged by NPIU / SPIU
Resolving FM issues	Guide the Finance Officers in the SPIUs through advice and operate as a clearing house for issues (problems and solutions) raised by States/UTs, Act as a support and reference person for all project-related financial management tasks and also undertake state/institutions visit for the work related to resolving of FM issues etc.	Provide support to Financial Management/accounting staff of institutions for resolving various issues related with accounting/Financial Management aspects, reporting system etc. Facilitate implementation of the project and providing advisory services and support for financial management and other allied issues,	To resolve financial management issues promptly without delay, if necessary with the help of SPIU/NPIU
Revision of FM Manual	Carry out revision of Financial Management Manual as may be required	To give the updates for revision if necessary	To give the updates for revision if necessary
Disclosure of FM Information	Monitor disclosure of FM information at National Level	Monitor disclosure of FM information at State Level	Monitor disclosure of FM information at Institute Level

3.10 Internal Audit:

Internal audit system is one of the important parts of financial management to examine and verify the adequacy and effectiveness of the inherent internal control system of an organisation/project. As there are multiple institutions in the project, financial management of the project can be strengthened by establishing a system of internal audit.

SECTION–4

STAFFING AND TRAINING

4.1 Staffing:

Adequate finance staff needs to be provided by all implementing agencies (SPIU/Institute) from the very beginning, so as to ensure that the project work does not suffer. The staff deputed for work relating to maintenance of project accounts and reports should be well versed with accounting system and preferably acquainted with externally aided projects of the World Bank or some other agency.

The accounting/financial staff should not be changed/transferred at frequent intervals, unless and until required to do so on administrative grounds but with information to the NPIU/MHRD.

4.1.1 Finance cell of **NPIU** will be headed by a qualified finance professional as Consultant (Finance). He/She will be a Chartered Accountant/ICWA. The Consultant (Finance) will be assisted by Associate Consultant (Finance). The Consultant (Finance) will be responsible for establishment of agreed financial management arrangements, providing timely financial reports, facilitating smooth and timely flow of funds and providing overall guidance in respect of financial management issues, including monitoring of expenditures, audit and internal control to SPIUs and project institutions. A separate **ToR for Consultant (Finance) at NPIU** is attached at **Annex-VI.**

4.1.2 **SPIU** will have a Finance Coordinator to head the finance function, who will be assisted by adequate support staff. He/she will be responsible for providing timely consolidated financial reports to the State authorities and the NPIU, monitoring of expenditures, providing overall guidance to the institutions, facilitating smooth flow of funds to all institutions and timely conduct of audit. A separate **ToR for Head of the finance wing of SPIU** is attached at **Annex-VII**.

4.1.3 At the **institutional** level, a senior faculty will be designated as in-charge of the accounts function of project funds. He/she will be responsible for complying with requirements of accounting, disbursement, financial reporting, monitoring of Programme expenditures and audit. He/she will be assisted by Senior Accounts Officer of the institution. Accounts personnel will be identified to work exclusively on the Programme. A separate **ToR for Head of the finance wing of the project at Institution** (State Level or CFI) is attached at **Annex-VIII** .

Training: NPIU will **:** (i) develop training modules (online) for encouraging need based training of FM staff; (ii) develop annual training schedules based on consolidated analysis of observations raised by internal and external auditor; and (iii) conduct training of trainers for FM staff of SPIUs.

SECTION–5

BUDGETING AND FLOW OF FUNDS

5.1 Budgeting:

The project will follow the budgeting cycle of GoI i.e. April to March and the process will be completed when project's expenditure (IBRD financing and counterpart financing) estimates are included in the Union government's budget presented and approved by Parliament. The project will be budgeted on the expenditure side at the Union (centre) level, as externally aided project under an identifiable budget head item (demand no. XX) of the MHRD.

Separate budget line shall be open for TEQIP-III in MHRD budget.

5.2 Budgeting Process: For project activities will be as follows:

- **National Level:** NPIU will be responsible for preparation of the budget for its own expenditure, releases to states as well as expenditure to be incurred at the Central Institutions.

- **State Level:** Basis for project activities in each state will be the Institutional Proposals prepared by each institution which will include financing requirements. The quantum of expenditure at the SPIU level is relatively insignificant. The Institutional Proposal will be reviewed by the State government and recommended to the NPIU for evaluation by one of the two National Evaluation Committees. Proposals that are selected for funding will form the basis for preparation of the budget.

5.3 Fund Allocation:

Indicative funding by components, funding pattern and cost sharing details with respect are indicated in

Indicative Funding for Original Cost

Costing Parameters	No. of Institutions/ Entities (estimated)	Cost per Institution/ Entity (in Rs. Crores)	Original Cost (Amount in Rs. Crores)
Component 1: Improving quality and equity in focus states (i.e. North-East, Hill & LIS States and in Andaman and Nicobar Islands - a Union Territory (UT))			
Sub-component 1.1 : Institution Development Grant in focus States/UTs			
Autonomous Institutions by UGC	27	15	405.00
Non-Autonomous Institutions or University faculty/ department/ constituent institution	53	10	530.00
New NITs/IIITs	10	15	150.00
Faculty Reforms	-	189	284.00
Sub-component 1.2 : ATUs in focus States/UTs	9	20	180.00
Sub-component 1.3 : Grants towards twinning arrangements	95	7	665.00
Sub-total (1)			**2214.00**
Component 2: System-level initiatives to strengthen sector governance and performance			
NPIU operating costs and studies	1	76	76.00
SPIU operating costs	12	15	180.00
MIS/DBT	1	10	10.00
AICTE	1	10	10.00
NBA	1	10	10.00
Student Learning assessment and examination reform	-		60.00
(a) IITs	-		30.00
(b) IIMs	-		30.00
National Knowledge Network	40	1	40.00
Sub-total (2)			**446.00**
Grand Total (1 + 2)			**2660.00**

Table – 2
Indicative Funding for Additional Financing for Third Phase of Technical Education Quality Improvement Programme (TEQIP-III)

Costing Parameters	**No. of Institutions/ Entities (estimate)**	**Cost per Institution/ Entity (in Rs. Crores)**	**Additional Financing (Amount in Rs. Crores)**
Component 1: Improving quality and equity in focus states (i.e. North-East, Hill & LIS States and in Andaman and Nicobar Islands - a Union Territory (UT))			
Sub-component 1.1 : Institution Development Grant in focus States/UTs			
Well Performing Institutions	50	5	250.00
Well Performing New NITs/IIITs	7	5.5	38.50
Faculty Reforms	-	110	110.00
Sub-component 1.2 : Well-performing ATUs in focus States/UTs	5	5.5	27.50
Sub-component 1.3 : Well-performing institutions/ATUs under twinning arrangement	62	5	310.00
Sub-total (1)			**736.00**
Component 2: System-level initiatives to strengthen sector governance and performance			
NPIU operating costs and studies	1	30	30.00
SPIU operating costs	12	10	120.00
MIS/DBT	1	4	4.00
AICTE	1	2	2.00
NBA	1	2	2.00
Student Learning assessment (implementation)	-		5.00
(a) IITs	-		10.00
(b) IIMs	-		10.00
National Knowledge Network	20	1	21.00
Sub-total (2)			**204.00**
Grand Total (1 + 2)			**940.00**

Indicative Category-wise Funding for Key Activities per Project Institution (Centrally Funded, Government Funded and Government Aided Institution) selected under Sub-component 1.1

S. No.	Key activities	Category of Expenditure (Head of expenditure)	Percentage (%)	Cost (Rs. in crore) for non-autonomous Institution or University faculty/ department/ constituent institution	Cost (Rs. in crore) for autonomous institution status by UGC/ CFIs
1	Procurement of Goods (equipment, furniture, books LRs, software and minor) and minor civil works for improvement in teaching, training and learning facilities	Procurement	Up to 60%	6.00	9.00
2	Improvement in Teaching, Learning and Research competence' ▪ Improve student learning ▪ Student employability ▪ Increasing faculty productivity and motivation ▪ Establishing a twinning system o Twining arrangements with high performing institutions under Sub-component 1.3 to build capacity and improved performance	Academic	At least 30%	3.00	4.50
3	Incremental Operating Cost	IOC	Up to 10%	1.00	1.50
TOTAL			**100**	**10.00**	**15.00**

Note:

- The expenditure on minor civil works should not exceed 5% of the institutional project life allocation.
- The Incremental Operating Cost means the costs of operation and maintenance of equipment, office expenses, hiring of vehicles, consumables, salaries and allowances of regular and contract faculty and staff against posts created under the Project. It will also include travel costs incurred for the Project Management activities i.e. visit to the NPIU, the SPIU, Universities, etc.
- Procurement of consultant services, if required, for the activities bulleted at Sr. No. 2 are permitted. The expenditure on procurement of consultant services is to be booked against the "Academic" head of expenditure. The services of consultant are to be procured by following the World Bank norms and procedures through the PMSS.
- Fund from Procurement and IOC Head of expenditure can also be re-appropriated to Head of expenditure for academic activities but not vice versa.

Indicative Category-wise Funding for Key Activities per ATUs selected under Sub-component 1.2 & 1.3

S. No.	Key activities	Category of Expenditure (Head of expenditure)	Percentage (%)	Cost (Rs. in crore) for ATUs under Sub-component 1.2	Cost (Rs. in crore) for ATUs under Sub-component 1.3
1	Procurement of Goods (equipment, furniture, books LRs, software and minor items) and minor civil works • Centralized Research hubs opened to all faculty • Establishing/improving ERP/management information system for student, staff and faculty data • Improving financial management and procurement • A modern HR system for efficient personnel management	Procurement	Up to 40%	8.00	2.80
2	Improvement in Teaching, Learning and Research Competence of affiliated institutions • Mentoring of affiliated institutions and promoting of applications to UGC/NBA • Increasing faculty productivity and motivation • Twinning arrangements with ATUs under Sub-component 1.3 to build • capacity and improved performance • Preparation of massive open online courses (also referred to as MOOCs), facilitating access of institutions to MOOCs • Filling up of faculty vacancies • Developing credit-based systems such that students in institutions could use select e-learning courses as part of their degree programs • Greater access to digital resources • Improving institutional governance • Improve student learning • Student employability	Academic	At least 50%	10.00	3.50
3	Incremental Operating Cost	IOC	Up to 10%	2.00	0.70
TOTAL			**100**	**20.00**	**7.00**

Note:

- The expenditure on minor civil works should not exceed 3% of the institutional project life allocation.
- The Incremental Operating Cost means the costs of operation and maintenance of equipment, office expenses, hiring of vehicles, consumables, salaries and allowances of regular and contract faculty and staff against posts created under the Project. It will also include travel costs incurred for the Project Management activities i.e. visit to the NPIU, the SPIU, Universities, etc.
- Procurement of consultant services, if required, for the activities bulleted at Sr. No. 2 are permitted. The expenditure on procurement of consultant services is to be booked against the "Academic" head of expenditure. The services of consultant are to be procured by following the World Bank norms and procedures through the PMSS.
- Fund from Procurement and IOC Head of expenditure can also be re-appropriated to Head of expenditure for academic activities but not vice versa.

Indicative Category-wise Funding for Key Activities per Project Institution (Centrally Funded, Government Funded and Government Aided Institution) selected under Sub-component 1.3

S. No.	Key activities	Category of Expenditure (Head of expenditure)	Percentage (%)	Cost (Rs. in crore)
1	Procurement of Goods (equipment, furniture, books LRs, software and minor items) and minor civil works for improvement in teaching, training and learning facilities	Procurement	Up to 50%	3.50
2	Improvement in Teaching, Learning and Research competence' ▪ Improve student learning ▪ Student employability ▪ Increasing faculty productivity and motivation ▪ Establishing a twinning system o Twining arrangements with institutions under Sub-component 1.1 to build capacity and improved performance o Individual institutional mentors	Academic	At least 40%	2.80
3	Incremental Operating Cost	IOC	Up to 10%	0.70
TOTAL			**100**	**7.00**

Note:

- The expenditure on minor civil works should not exceed 5% of the institutional project life allocation.
- The Incremental Operating Cost means the costs of operation and maintenance of equipment, office expenses, hiring of vehicles, consumables, salaries and allowances of regular and contract faculty and staff against posts created under the Project. It will also include travel costs incurred for the Project Management activities i.e. visit to the NPIU, the SPIU, Universities, etc.
- Procurement of consultant services, if required, for the activities bulleted at Sr. No. 2 are permitted. The expenditure on procurement of consultant services is to be booked against the "Academic" head of expenditure. The services of consultant are to be procured by following the World Bank norms and procedures through the PMSS.
- Fund from Procurement and IOC Head of expenditure can also be re-appropriated to Head of expenditure for academic activities but not vice versa.

Funding Pattern:

The activities of the National Steering Committee (NSC), the National Evaluation Committees (NECs), the National Project Directorate (NPD), the National Project Implementation Unit (NPIU) will be funded through the NPIU. The activities of the State Steering Committee, State Project Implementation Unit (SPIU) will be funded through the respective SPIUs. The expenses on BoG activities will be met through the Institutional project funds.

5.4 Fund Flow:

Centralized system for Fund flow : The project is implemented as a Central Sector Scheme, implying that it is 100% funded by the Union government and implemented by the Central Government machinery. In addition, under TEQIP-II substantial delays were observed in the flow of funds following the State treasury route. With this background, MHRD has developed **Direct Fund Transfer System** in the PFMS.

5.5 About PFMS

For the support of Central Sector Scheme, the Public Financial Management System (PFMS) which is administered by the Controller General of Accounts in the Department of Expenditure is an end-to-end solution for processing payments, tracking, monitoring, accounting, reconciliation and reporting. It provides the schemes managers a unified platform for tracking releases and monitoring their last mile utilization.

All Implementing Agencies (IAs) receiving and utilizing funds need to be mandatorily registered on PFMS and the usage would be as per financial limits at different levels/stakeholders. For all agencies which will draw funds from Central Pool Account digital Signatures of the designated officials shall be required. There will be one, Maker (Data Operator) and One, Checker (Data Approver) for effecting the payments through digital Signatures uploaded in the system. The project institutions will be informed to formulate action plans with quarterly budget requirement in each component and sub component. Excel uploaded facility would be made available instead of manual entry for each component/sub-component/expenditure activity. The authority for upload would be at NPIU level. Also the edit facility would be available to NPIU only.

Objectives of PFMS

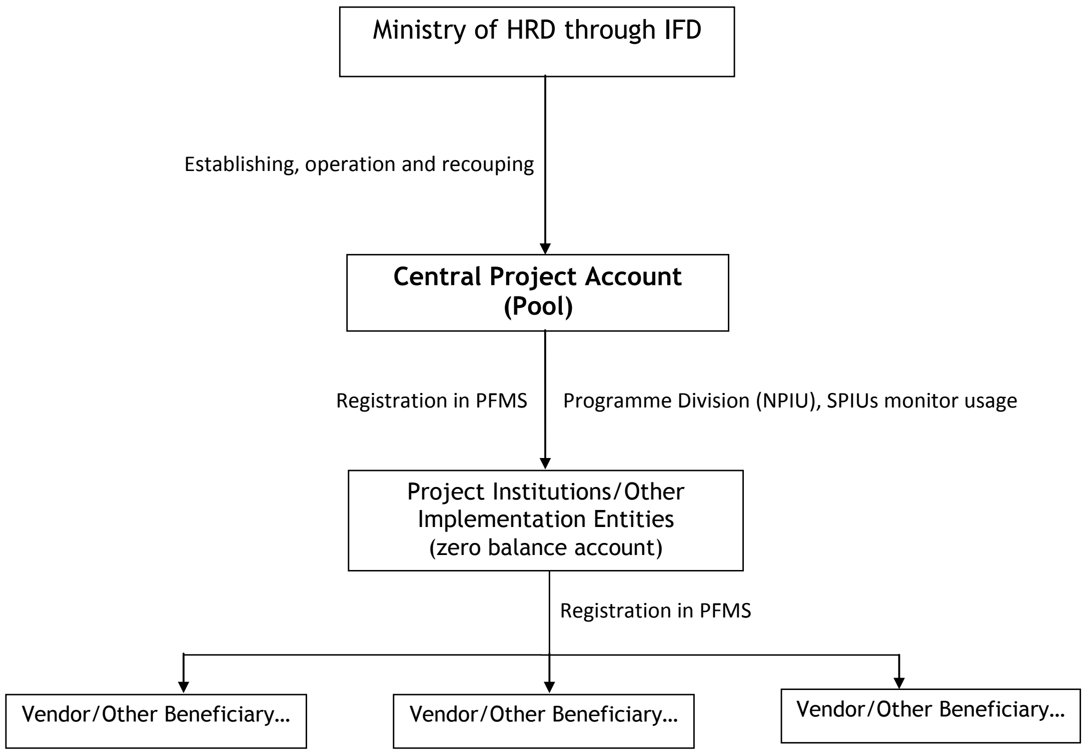
- **Monitoring of flow of funds** from Centre to the lowest level of implementation-
- **Registration,** alongwith their **bank accounts,** of all agencies receiving plan funds - at all tiers of operation.
- **Payment to ultimate beneficiaries** through banking channel
- **Reduction of float/ funds** in the agencies' bank accounts
- **"Just in time"** provision of funds to agencies, based on floats/ funds available.
- Capturing **component-wise expenditure** on real time basis at all tiers of implementation
- **Decision Support System (DSS)** to all levels of programme administration
- **Enhance transparency & accountability** in public expenditure.

Benefits of PFMS

- PFMS is a web based software – no requirement of any hardware or software
- It is not platform specific – works on any operating system
- Transfer funds directly without manual intervention
- Monitor the float at various levels
- Monitor expenditure posted by last mile
- Component/Activity wise report
- Centralised System

Flow of funds: The diagram below reflects the anticipated authorization and flow of funds:

TEQIP Phase-III: Direct Fund Transfer System



TEQIP Payment Procedure:

1. **Programme Division:** In addition to the normal sanction issuing procedure adopted by the Programme Division, the following action shall be taken by the PD to operationalise the TEQIP-III scheme through PFMS

   (a) **Setting IFD limit:** Programme Division (PD) of the Ministry has to enter the details of quarterly Mother Sanction approved by IFD in this module.,
   <u>Go to sanction>IFD Limit.</u> Select scheme and State from the Dropdown. Enter IFD number, Date and Amount in the respective columns. Submit the details. Sanction issued for that quarter cannot exceed the limit set in the mother sanction. Unused amount in the previous quarter may be allowed to carry forward to the next quarter with the approval of Ministry.

   (b) **<u>Upload Agency Expenditure Allocation</u>:** PD has to upload the quarterly budget allocation to NPIU from this link.
   Go to Masters>Agency wise allocation. Select the scheme and the quarter to which allocation is made. Download the template. Fill up the template as per the instruction given and save it in desired location. Go to the same location in PFMS and upload the excel file from the saved location. Details of the uploaded file will be shown in a grid. The status should be shown as "Successfully Uploaded" in the status column. If any validation error is shown click on Validation Error hyper link and see the error mentioned. Rectify the excel file and upload again.

2. **<u>Central Agency (NPIU):</u>** The additional features that to be adopted by NPIU is explained below:

   (a) <u>Agency wise Budget Allocation</u>: Go **Masters>Agency wise allocation.** Select the scheme and Download the template. Fill up the excel sheet in the desired location. From the same location (masters>Agency wise Allocation) select scheme and quarter to which allocation is made. Already allocated amount, expenditure made so far and balance available for allocation fields will filled up. Enter the amount of present allocation. Choose the file from the saved location and upload. The status of uploaded file should be "Successfully Uploaded".

   (b) Approval of Request from Child Agency for Account Mapping. The child Agencies (institutes) will be drawing money from NPIU account for meeting the expenditure of the scheme as per the allocation made of them. The institutes are required to submit a request to NPIU for allowing them to draw money from NPIU account. This request has to be approved by NPIU to enable the institutes to draw money from the pool account maintained by NPIU. This is a one time process.

Log in with the Data Administrator Log in and Go to My Scheme>Approve Parent Account Mapping. Select the Scheme and Search. Requests submitted by child agencies will be displayed. Select the agency by clicking on the check box and enter a remark and accept or reject as the case may be.

3. **Child Agency (Institutes) Level:** The institute has to submit a request for using the pool account maintained by NPIU for debiting that account. Institutes has to log in with the Data Administrator user credential to execute the request.

   Go to My Scheme>Agency Account parent Mapping. Select the scheme. Select Parent Agency name or enter the parent agency unique code in the box provided and click on search button. Parent Agency Account/s details with balance available will be displayed. Select the account by clicking the check box at the extreme left and enter a remark and submit. Once the request is approved by the Parent Agency (NPIU), child Agency will be able to debit the account at the time of booking expenditure.

SECTION–6

FINANCIAL ACCOUNTING

6.1 Accounting System:

The Project Implementing Agency is supposed to maintain a Financial Management System including adequate accounting and financial reporting, to ensure that it can provide to the World Bank and the Government of India, accurate and timely information regarding the project resources and expenditures.

Financial reports generated from the above accounting system will be comparable to Programme allocations, yearly budgets, forecasting and utilization of funds relating to physical and academic achievement as targeted under the Programme.

Accounting Centers:

The main accounting centers are:

a. Basic/Advanced institutions
b. Participating SPIU
c. Participating CFIs
d. Participating ATUs
e. NPIU
f. IITs/IIMs

6.2 Method of Accounting/Accounting Policies/Basis of Accounting System:

(i) Each accounting unit i.e. NPIU, SPIU, and Basic Fund Institutions/Advanced Fund Institutions would adopt Double Entry System of book keeping on Cash basis.

(ii) All payments will be charged off to relevant project activity account head at the time of making the payments, except advance payment.

(iii) Advance payments will be charged off to the relevant project activity account head on adjustment.

(iv) Assets created out of project will be accounted at cost.

(v) No depreciation will be provided on Fixed Assets acquired under the project.

(vi) Materials purchased for project activities will be charged off to the relevant project expenditure head at the time of purchase itself.

6.3 Project Accounting & Standard Books of accounts to be maintained:

To ensure a transparent and accurate accounting system, the following actions are required:

- Separate books of accounts and record of fund flow for the project funds will be maintained by each management structure at institutional, State and National levels i.e. by Basic Institutions, Advanced Institutions, SPIU, NPIU and participating ATUs. Each of these management structures will maintain standard Books of Account (Cash Book, Bank Book, Journal, Ledgers, etc.)

- **Chart of Accounts:** The Chart of Accounts provides the detailed list of ledger accounts that are required to be maintained by the project participants. The Chart of Account is mandatory for all project participants. Each accounting unit i.e. NPIU, SPIUs and project institutions would maintain a detailed chart of accounts for booking of expenditure under the project

  As the said chart of accounts comprehensively covers all the account heads that would be required to account for transactions under the project, it is expected that no additional accounts will be required to be opened. However, in case additional accounts are required to be opened, the same may be done in consultation with NPIU, in order to ensure uniformity across the project.

  Chart of Accounts is placed at Annex-IX

- **Mapping of Expenditure:** The Mapping of Expenditure provides the information about the permissible expenditure of the project under different components and sub-components to be reported under respective accounting head.

  Since accounting is in the nature of project accounting, it is more important to account and report on the project activities. Information on traditional accounting heads like civil works, consultancy etc. may be recorded by using "cost centre" functionality which is commonly available in all financial accounting software.

  Mapping of Expenditure chart is placed at Annex-X

  To ensure transparency in the system, accurate records will be kept at Institutes, SPIU, NPIU and ATUs. These records will have to be supported by documents/vouchers, etc. in order to establish accuracy and authenticity of expenditures.

(i) Cash Book:

- The cash Book should contains the following details :

  Under Receipt

  b) Month & Date
  c) Receipt No.
  d) Particulars
  e) Head of Accounts
  f) L.F. No.
  g) Amount (Cash column)
  h) Amount (Bank column)

  Under Payment

  a) Month & Date
  b) Voucher No.
  c) Cheque No.
  d) Particulars
  e) Head of Accounts
  f) L.F. No.
  g) Amount (Cash column)
  h) Amount (Bank column)

- Each management structure at institutional, State, ATUs, and National level will maintain Cash Book with Cash and Bank columns. The transactions of Cash and Bank will be recorded in the Cash Book along with classification as and when transactions take place. The Cash Book will be closed monthly and attested by the In-charge (Finance).

- There will be a surprise verification of Cash at least once in a month by an appropriate authority and result of such verification will be recorded in the Cash Book under his date and signature.

(ii) Petty Cash Book:

- The Petty Cash Book shall be maintained by containing the following details :

  Receipt Side

  a) Receipt (Date / Amount)
  b) Payment (Date / Voucher. Number / Amount)
  c) Balance
  d) Particulars of Expenditure
  e) Signature

- A reasonable amount of Cash will be fixed as Imprest to meet routine office expenses and it will be in the custody of the Cashier.

- The Cashier will obtain the approval of In-charge (Finance) on the Petty Cash Voucher before making payment out of the imprest cash. He will maintain proper accounts for the amounts spent. Expenditure from the imprest will be reimbursed as per the requirements, but in any case on the last working day of the month.

- Petty Cash Book will be closed at the end of each working day and verified and attested by In-charge (Finance).

(iii) Journal Book and Journal Voucher:

- Journal Voucher should contain the following details :

  a) Particulars with Head of Accounts
  b) Debit / Credit

- Journal Voucher will be prepared for any adjustment entry and the same will be posted to Journal Book.

- The entries from Journal Book will be posted to General Ledger as and when recorded in the Journal Book, giving full details of transactions, Journal Voucher number and amount.

- The Journal Book shall contain the following details :

  a) Particulars with Head of Accounts
  b) Journal Voucher No.
  c) L.F. No.
  d) Debit / Credit

(iv) General Ledger:

- The entries from Cash Book will be posted to General Ledger as the transactions occur. It will be balanced quarterly. The General Ledger shall contain the following details :

  a) Date & month
  b) Particulars
  c) V. No. / Receipt No. / J.V. No.
  d) Cash Book Folio / J.V. Folio No.
  e) Debit / Credit
  f) Balance

(v) Stock Register:

- The Stock Register shall contain the following details :

  a) Date
  b) Particulars
  c) Bill No. / Indent No.
  d) Quantity
  e) Receipt
  f) Issue
  g) Balance

(vi) Fixed Asset Register:

- The implementing entities will maintain a separate Fixed Asset Register to record the assets acquired and created out of project funds. Individual asset-wise entries will be recorded in the Fixed Asset Register. The Fixed Asset Register shall contain the following details :

  a) S. No.
  b) Date of Purchase
  c) Voucher No.
  d) Bill No.
  e) Supplier's name
  f) Details of Asset
  g) Type & Make
  h) Quantity
  i) Amount
  j) Location
  k) Identification
  l) Date of Physical Verification
  m) Signature
  n) Remarks

- An **identification number** would be assigned to each item of asset for easy identification. These identification numbers would be painted on each item prominently, and the same would be recorded in the Fixed Assets Register.

- There will be an **annual physical verification** of fixed assets. The result of such verification will be recorded in Fixed Asset Register under date and signature of verifying officer. Any significant difference will be dealt with in the books of accounts properly.

(vii) Advances Register:

- The Institutions shall maintain advances register separately, which shall contain the following entries :

  a) Date of advance paid
  b) Amount of advance
  c) Adjustment made, Amount / Bill No. / Voucher No.
  d) Amount paid
  e) Amount Recovered

(viii) Register of Contracts:

- There should be separate Register of Contracts. (Refer to format of **Register of Contracts for Consultancy Services in Annex –XII)**

  The institutions will follow the applicable statutory procedures for maintaining accounts.

(vii) Cheque Issue Register : will be maintained and updated regularly.

(viii) Register of Audit Objection

- The NPIU/SPIU/institute shall maintain a separate register for audit objections as pointed out in the audit report by the auditor, which shall contain the following entries :
  a) Audit report for Financial year on dated
  b) Details of audit objection
  c) Submission made on audit objection dated ....
  d) Details of audit objection resolved dated .....
  e) Reason for pending audit objection

6.4 Accounting Entries for the Project:

The guidance for passing accounting entries for certain transactions is given below:

- Common accounting entries for NPIU / SPIU / Project Institution / CFI/ATUs
- Accounting entries only for NPIU
- Accounting entries only for SPIU
- Accounting entries only for Project Institution
- Accounting entries only for CFI
- Accounting entries only for ATUs

- **COMMON ACCOUNTING ENTRIES FOR NPIU / SPIU / PROJECT INSTITUTION / CFI/ATUs:**

(i) Expenditure under the project

Debit [*Respective Project Activity Head*] A/c
Credit To Bank A/c

Explanation: All the expenditure incurred under the project shall be debited to respective project activity head as detailed in the chart of accounts.

(ii) Advances for goods

Debit [*Advances for goods – supplier's name*] A/c
Credit To Bank A/c

Explanation: Payment made as advance of goods.

(iii) Advances for services

Debit [*Advances for services – service provider's name*] A/c
Credit To Bank A/c

Explanation: Payment made as advance for the services.

(iv) Advances for works

Debit [*Advances for works – package/contractor's name*] A/c
Credit To Bank A/c

Explanation: Payment made as advance for the works.

(v) Advances to staff

Debit [*Advances to staff – staff's name*] A/c
Credit To Bank A/c

Explanation: Amount of advance paid to the staff for incurring expenditure under the project.

(vi) Adjustment of advances for goods / services / staff

Debit [*Respective Project Activity Head*] A/c
Credit To [*Respective Advance Account*] A/c

Explanation: Amount of advance for goods/services/staff adjusted against receipt of goods/service or expenditure reported by staff vide statements of expenditure and invoices/bills.

(vii) Regular payment of work / adjustment of advances

Debit [*Respective Project Activity Head*] A/c
Credit To Bank* A/c
To Retention Money A/c
To Security Deposit A/c
To [*Respective Tax Deducted Account*]
To [*Advances for works – package/contractor's name*] A/c

Explanation: Entry made for payment to the contractor (net after deduction of taxes /retention money/security deposit) and part/full adjustment of advances given earlier.

* *paid net of taxes*

(viii) Regarding interest income

Debit Bank A/c
Credit To Interest Earned A/c

Explanation: It may be noted that interest earned shall be deemed to be receipt from the MHRD and is to be used only for TEQIP-III activities during project period.

(ix) Regarding Stale cheques

a. When case of stale cheque is identified and recorded

Debit Bank A/c
Credit To Stale Cheques A/c

b. When stale cheque is revalidated/reissued

Debit Stale Cheques A/c
Credit To Bank A/c

c. When amount of stale cheque is not claimed upto time of finalization of accounts

Debit Stale Cheques A/c
Credit To Project Activity Head A/c

Explanation: Cheques issued and not en-cashed for three months or more are considered stale and shall be recorded as per journal entry ix(a) above. Entry ix(b) is to be passed for reissue of stale cheques. If the said stale cheques are not reissued by the time of finalization of accounts, as per journal entry ix(c) above, the respective expenditure may be credited back in the project activity head.

- **ACCOUNTING ENTRIES ONLY FOR NPIU :**

(i) Receipt of grant by NPIU from MHRD

Debit Bank A/c
Credit To Grant received from MHRD

Explanation: The amount of grant received by NPIU from MHRD for expenditure to be incurred by NPIU.

(ii) Release of grant by MHRD to SPIU

Debit [*Respective SPIU*] A/c
Credit To Grant released by MHRD to SPIUs A/c

Explanation: This entry is to be passed whenever MHRD releases funds to the State.

(iii) Release of grant by MHRD to ATUs

Debit [*Respective ATU*] A/c
Credit To Grant released by MHRD to ATUs A/c

Explanation: This entry is to be passed whenever MHRD releases funds to the ATUs

(iv) Adjustment of expenditure against funds released as depicted in entry (ii) above

Debit [*Respective Project Activity Heads*] A/c
Credit To [*Respective SPIU*] A/c

Explanation: This entry shall be passed **once every year** on the basis of expenditure of the State as audited. Respective project activity heads of accounts are to be debited on the basis of expenditure reported.

(v) Release of grant by MHRD to CFIs

Debit [*Respective CFI*] A/c
Credit To Grant released by MHRD to CFIs A/c

Explanation: This entry is to be passed whenever MHRD releases funds to the CFIs.

(vi) Adjustment of expenditure against funds released as depicted in entry (v) above

Debit [*Respective Project Activity Heads*] A/c
Credit To [*Respective CFI*] A/c

Explanation: This entry shall be passed **once every year** on the basis of expenditure of the CFIs as audited. Respective project activity heads of accounts are to be debited on the basis of expenditure reported.

- **ACCOUNTING ENTRIES ONLY FOR SPIU:**

(i) Regarding receipt of grant from GoI

Debit Bank A/c
Credit To Grant received from MHRD
To Grant received from State Government

Explanation: The amount of grant received from GoI & State Government by SPIU.

(ii) Regarding fund transfer from SPIU to Project Institution

Debit [*Respective Project Institution*] A/c
Credit To Bank A/c

Explanation: This entry is to be passed whenever SPIU releases funds to the Project Institutions.

(iii) Adjustment of expenditure against funds released as depicted in entry (2) above

Debit [*Respective Project Activity Heads*] A/c
Credit To [*Respective Project Institution*] A/c

Explanation: This entry shall be passed **once every year** on the basis of expenditure of the Project Institutions as audited. Respective project activity heads of accounts are to be debited on the basis of expenditure reported.

- **ACCOUNTING ENTRIES ONLY FOR PROJECT INSTITUTION:**

(i) Regarding receipt of grant from SPIU

Debit Bank A/c
Credit To Grant received from SPIU A/c

Explanation: On receipt of grant from SPIU.

- **ACCOUNTING ENTRIES ONLY FOR CFI:**

(i) Regarding receipt of grant from MHRD

Debit Bank A/c
Credit To Grant received from MHRD

Explanation: On receipt of grant from MHRD.

SECTION–7

FINANCIAL REPORTING

7.1 Financial Reporting:

Project expenditures will be reported on monthly quarterly, half yearly and annual basis by State Institutes to SPIUs, SPIU to NPIU & CFIs to NPIU. There will be 3 major types of financial reports in the project which are as follows:

(a) IUFRs

(b) Financial Management Issues and

(c) Audit Reports

7.2 Financial reporting System:

(a) Interim Unaudited Financial Reports (IUFRs):

NPIU will submit Interim Unaudited Financial Report (IUFRs) of TEQIP-III Project as per the following time period to World Bank/CAAA to get the disbursement from the World Bank.

(Refer to Format of IUFRs at Annex- XI)

Component 1: Yearly
Component 2: Half yearly

(b) Financial Management Issues (FMIs):

Financial Management Issues (FMIs) is a set of parameters which have been developed to monitor whether Financial arrangements are working satisfactory or not in **implementing agencies**. NPIU will submit consolidated Financial Management Issues on a half yearly basis to World Bank to monitor Financial Management arrangements at Project Institutions.

- **With regard to State Institutes / SPIU:**

  - FMIs of Institute/SPIU: The institutions will update their Financial Management Issues on six monthly basis and send it to SPIU within 15 days of completion of every six months. (Refer to **Format of FMI in Annex–XIII**)

- **With regard to NPIU:**

  FMIs of NPIU: NPIU will also prepare Financial Management Issues on six monthly basis.

  Consolidated FMIs of Project: NPIU will further prepare one consolidated half yearly Financial Management Issues and send it to World Bank within 45 days of completion of each six month.

(c) Audit Reports:

A. Statutory Audit Report:

NPIU will submit consolidated Audit Report for the project on an annual basis to World Bank/CAAA which will include State-wise, CFI-wise and all project institutions financial details/statement and statement of accounts such as Balance sheet, Income and expenditure A/c and other schedules.

- **With regard to State Institutes / SPIU:**

  Consolidated Audit Report of State: SPIUs Auditor will prepare one consolidated annual Audit Report for the State by 31st July of every project year and send it to NPIU.

- **With regard to CFIs:**

  Consolidated Audit Report of CFIs: A consolidated audit report will be prepared for CFIs by auditor appointed by NPIU. It will be signed by the Auditor / CA and will be completed by 31st July of every project year and send it to NPIU.

- **With regard to NPIU:**
  - Audit Report of NPIU: NPIU will also prepare an annual Audit Report which will be signed by the Auditor.

Consolidated Annual Audit Report of Project:

NPIU will further prepare one consolidated annual Audit report of all States / CFIs and NPIU and send it to World Bank before 31st December of every project year.

D. Summary of Internal Audit Report and Action Taken from SPIU to NPIU:

Within 45 days of end of every six months, SPIU will submit a summary of Internal Audit report of the previous six months to NPIU. The summary will be of 2-3 pages and include systemic issues and action taken by SPIU/Project Institutions regarding the issues.

SECTION–8

DISBURSEMENT PROCEDURES

8.1 External Assistance and Disbursement Procedure:

- **Disbursement Arrangements:** The project will be pre-funded by budgetary allocations. On Component 1 and Component 2, once the Disbursement Linked Issues are met and verified, the project will initiate claims with the office of the Controller of Aid Accounts and Audit (CAAA). However the claim will be restricted to the cumulative EEP (as defined below). No disbursements will be made under the DLI based components until DLIs set forth have been met and verified. On Component 2, the disbursement will be on the basis of actual expenditure against the agreed activities. The reporting to the Bank will be made through agreed formats in form of IUFR. The disbursements shall be 50 percentage of the Eligible Expenditures as reported through IUFR.

- The applicable disbursement method will be "reimbursement". Disbursements from the World Bank will be made against quarterly interim unaudited financial reports (IUFRs) to be submitted within 60 days of close of each quarter. The disbursements shall be 50 percentage of the eligible expenditures as reported through IUFR. The expenditures reported in IUFRs will be subject to subsequent confirmation/certification by the annual audit reports of all state implementing agencies.

- Project expenditures will be reported by Institutions to SPIUs and by SPIUs to NPIU and Centrally Funded Institutions to NPIU directly. NPIU will submit consolidated Interim Unaudited Financial Reports (IUFRs)– to be submitted within 60 days of close of each quarter to the Bank. The IUFRs will include state-wise and activity-wise expenditure for the previous quarter and year to date.

- Eligible Expenditure Program (EEP): will be defined as expenditures on all the activities under TEQIP-III project as incurred by NPIU, eligible project States/ UTs and institutions.

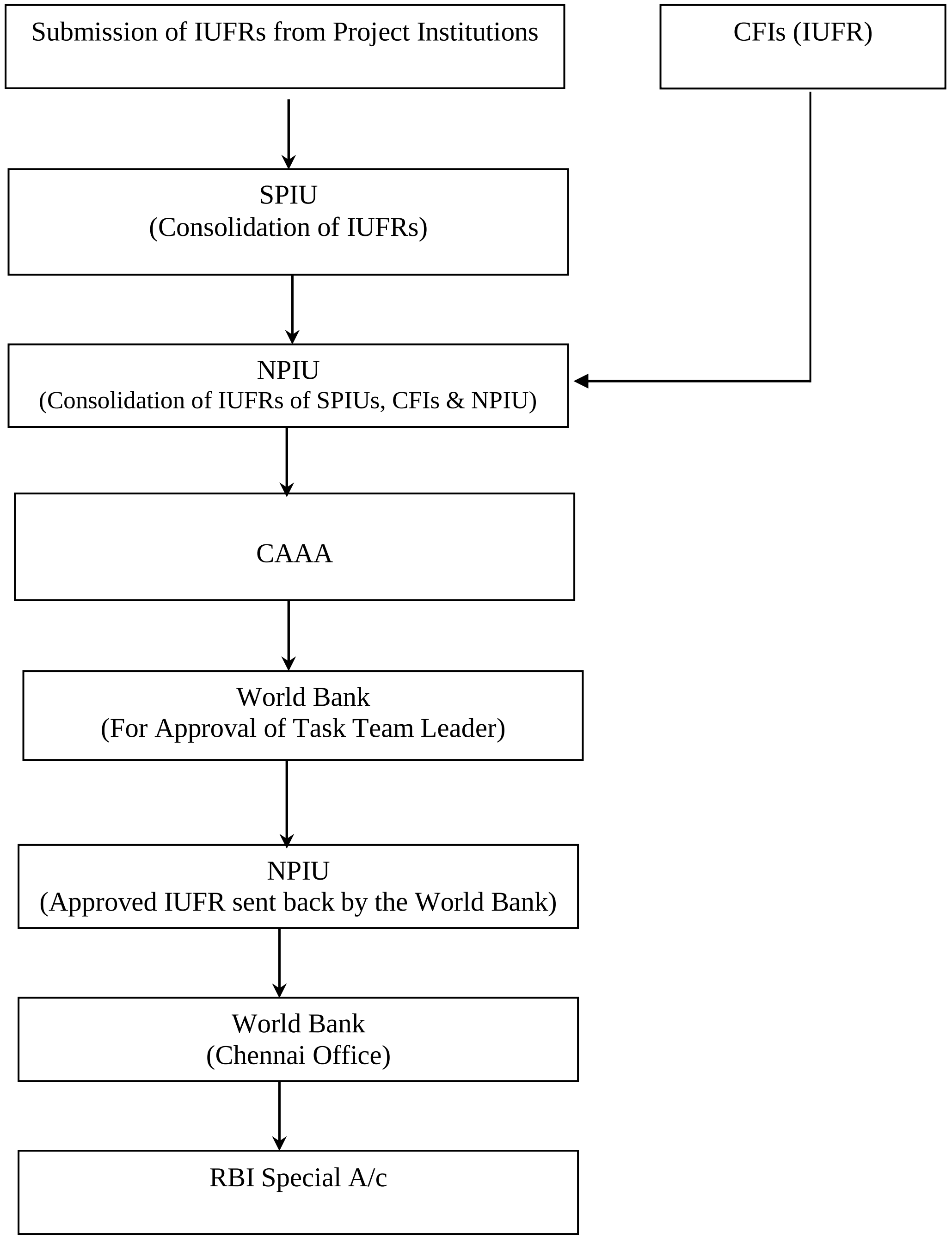
8.2 Disbursement Linked Indicators :

DISBURSEMENT LINKED INDICATORS

Disbursement-Linked Indicators	Disbursement-Linked Targets				
	Baseline*	**Targets to be Achieved in TY2017 (Year 1) (July 2016 – June 2017)**	**Targets to be Achieved in TY2018 (Year 2) (July 2017 – June 2018)**	**Targets to be Achieved in TY2019 (Year 3) (July 2018 – June 2019)**	**Targets to be Achieved in TY2020 (Year 4) (July 2019 – June 2020)**
DLI#1 Number of undergraduate (UG) programs offered in Participating Institutes in Focus States that are NBA accredited	243 programs in 34 institutes out of 703 programmes in 86 institutes are accredited	N/A	At least 250 UG programs accredited: US$ 10 million US$ 1 million for every additional 10 programs accredited, up to a maximum of 280 programs	At least 320 UG programs accredited: US$ 15 million US$ 1 million for every additional 18 programs accredited, up to a maximum of 374 programs	At least 464 UG programs accredited or for which accreditation has been applied for.
DLI Values		N/A	US$13 million	US$18 million	US$23 million
DLI# 2 Percentage of Participating Institutes in Focus States with UGC autonomy	42.5% (37)	N/A	At least 48% (41)	At least 55% (48)	At least 66% (57)
DLI Values		N/A	US$ 13 million	US$17 million	US$19 million

Disbursement-Linked Indicators	**Disbursement-Linked Targets**				
	Baseline*	**Targets to be Achieved in TY2017 (Year 1) (July 2016 – June 2017)**	**Targets to be Achieved in TY2018 (Year 2) (July 2017 – June 2018)**	**Targets to be Achieved in TY2019 (Year 3) (July 2018 – June 2019)**	**Targets to be Achieved in TY2020 (Year 4) (July 2019 – June 2020)**
DLI #3 Percentage of students in the final year of UG program from Participating Institutes in Focus States who achieved the qualifying score in the GATE exam	Below 13% at National level		At least 15%	At least 20%	At least 25%
DLI Values		N/A	US$7 million	US$9 million	US$11 million
DLI #4 Development and implementation of GATE as a mandatory exit examination for students of engineering colleges	---	N/A	AICTE passes an order requiring all final year UG students in AICTE-recognized engineering institutes to take GATE	At least 60% (52) of Participating Institutes assist at least 70% of their graduating students in preparing for the GATE	At least 90% (78) Participating Institutes assist at least 75% of their graduating students in preparing for the GATE
DLI Values			US$5 million	US$10 million	US$14 million

8.3 Diagram depicting Disbursement Mechanism on IUFR basis :



SECTION–9

INTERNAL CONTROLS AND INTERNAL AUDIT

9.1 All the institutions to be funded under the project would be well performing institutions. Annual report containing audited accounts and audit report of all centrally funded institutions under the Programme will be laid on the table of both Houses of Parliament. Similarly, all State funded institutions will lay their accounts on the table of their respective Legislative Assembly.

9.2 In addition, **internal control mechanism at Institutional, State and National levels** would include the following:

(i) Establishment of appropriate budgeting systems.

(ii) Regular monitoring of actual financial performance with budgets and targets.

(iii) Monitoring of physical and financial progress.

(iv) Establishment of procedures and systems for ensuring standard internal controls such as checking of expenditures, appropriate documentation, levels of authorization, bifurcation of duties, joint signature of two officers on all payments, periodic bank reconciliation and physical verification.

9.3 For the purpose of proper checks and control at the **Institutional level**, the institutions will ensure the following:

(i) Maintain basic day-to-day transactions on a regular basis in separate registers and ledgers.

(ii) Generation of **Trial Balance, Bank Reconciliation statements, Receipts and Payment Account, Income and Expenditure statements, Balance Sheet** etc.

(iii) Comparison of Statement of expenditure with the annual budgetary allocations, Programme components and categories of disbursement.

(iv) Periodic checks on delay in payments of pending bills and immediate corrective action to be taken.

(v) Periodical review and /or internal audit of the Bank Reconciliation Statement and Stock Registers by ensuring the preparation of Bank Reconciliation statement and Stock Registers.

- **Bank Reconciliation Statement:**
  - ➢ Bank statement will be obtained from the bank within 5 days after the close of the month.
  - ➢ Closing balance appearing in Bank statement would be reconciled with that shown in the Cash Book by preparing the Bank Reconciliation Statement (BRS). BRS will be checked and signed by an official authorized for this purpose.
  - ➢ Stale cheques will be immediately reversed in accounts.

- **Fixed Asset Register (FAR)/Stock Register:**
  - The person in charge of Stores will maintain a FAR/Stock Register to account for stores items purchased and issued. The details regarding date of purchase, quantity and value of items purchased will be recorded in the register based on the bills, while the issues will be based on the indents approved by competent authority. Identification mark should be mentioned on assets and in Asset Register. All entries in FAR will be authenticated.
  - Central accounting of unit of TEQIP will maintain records in Fixed Asset Register of assets received at user department and materials received directly by the user department
  - Details of assets as per FAR must reconcile with books
  - Head of Institute will depute an independent team for verification of assets and stores.
  - There will be a physical verification of assets and stores on yearly basis and the same will be completed within 15 days after the end of the year. Result of such verification will be noted in the stock register under dated signature of verifying officer.

- **Advances**
  - Regular monitoring and settlement of advances is one of the main internal control measures. Advances registers will be regularly updated, advances will be settled within prescribed time limit and further advance will not be made without settlement of previous advance. Advances to staff will not be made in cash

9.4 Internal Audit:

Internal audit system is one of the important parts of financial management to examine and verify the adequacy and effectiveness of the inherent internal control system of an organisation/project. As there are multiple institutions in the project , financial management of the project can be strengthened by establishing a system of internal audit.

- **Frequency of Internal Audit System:**
  - A six monthly internal audit will be conducted by a “C.A Firm” appointed by Centrally Funded Institution for carrying out internal audit of their institution as per the Terms of Reference mentioned in Annex No. XX of the Financial Management Manual.

- **Scope of Internal Audit:**
  - (Refer to **ToRs of Internal Audit in Annex – XX)**.

- **Internal Audit Reporting:**
  - The Report of Internal Auditor should be prepared and submitted according to the ToR as finalized between the Internal Auditor and the competent authority. The audit report should be prepared and forwarded within the timeframe as stipulated in the ToR to SPIU.

- Report to Statutory Auditor: SPIU will provide a copy of six monthly internal audit report, including compliances to statutory auditor.
- Report to NPIU: SPIU will also submit a brief summary of report (2-3 pages) to NPIU, mentioning systemic issues and action taken, within 45 days of end of every six months.

9.6 Additional Control Measures:

The following control measures can be adopted from time to time for effective and proper functioning of the project

- **Surprise check/audit:**
  - Surprise check of transactions, records and books of accounts of different accounting centers and institutions may be carried out periodically.

The following Internal control to be exercised while making payments : The Project Institutions (PIUs) need to ensure that:

- The expenditure or advance pertains to an activity under the project.
- A competent sanction to incur the expenditure or making an advance along with the budget provision is available .
- A proper and formal statement of claim/Bill/invoices from the concerned Person/Party/Firm in the name of the project/PIU is raised for making payment and advance adjustment.
- All bills/invoices/claims and receipts should be of a recent date and at the same the name, address and tax registration numbers of the payee and serial number should be pre-printed on these documents.
- The purchases made of services rendered are in accordance with the approved work order/contract/purchase order.
- The particulars of the claim i.e. specifications, rates, calculations, net payable amount, deductions etc. and compliance with the terms and conditions of the contract/agreement must be examined/checked by the authorized technical and finance personnel of the PIUs before making payments.
- Expenditure is duly supported with original invoices and approved by the competent authority before it is actually paid.
- The payment against procurement of goods and services or works done or adjustment against advance has been duly approved in writing by the competent authority and the claim/bill/Invoice has been marked “Passed for payment/Adjustment”.
- All paid claims/bills/Invoices and supporting documents should be stamped with the seal “Paid & Cancelled” and reference to the paying instrument has been recorded on the claim/bill/Invoice.
- Cash payments will not exceed the prescribed limit for cash payments.
- Statutory taxes as per law must be deducted at applicable rates at the time of making the payment. PIUs should ensure that it has a valid PAN and/TIN number as the case may be, and taxes are remitted to the Government Account timely.

SECTION–10

STATUTORY AUDIT

10.1 Objective:

The essence of the World Bank audit policy is to ensure that the Bank receives adequate independent, professional audit assurance that the proceeds of World Bank credit were used for the purposes intended, that the annual project financial statements are free from material misstatement, and that the terms of the credit agreement were complied with in all material respects.

The **objective** of the audit of the Project Financial Statement (PFS) is to enable the auditor to express a professional opinion as to whether (1) the PFS present fairly, in all material respects, the sources and applications of project funds for the period under audit examination, (2) the funds were utilized for the purposes for which they were provided, and (3) expenditures shown in the PFS are eligible for financing under the credit agreement. In addition the auditor will express a professional opinion as to whether the Financial Monitoring Reports (FMR) submitted by project management may be relied upon to support any applications for withdrawal.

The books of account that provide the basis for preparation of the PFS are established to reflect the financial transactions of the project maintained by the project implementation agency namely the National Project Implementation Unit (NPIU) at the national level, State Project Implementation Unit at the State level and implementing institutions at national and State level.

All accounts maintained by implementing agencies (institutions/SPIU/NPIU) in respect of funds released under the project would be audited as per agreed audit procedure(s).

A firm of Chartered Accountants empanelled with the Comptroller & Auditor General of India will audit accounts of NPIU, SPIUs and CFIs.

(Refer to TORs of Audit of Financial Statements in Annex-XXI)
(Refer to Selection Criteria for Audit of Financial Statements in Annex-XXII)
(Refer to Specific instructions for Statutory Audit of Financial Statements in Annex-XXIII)

10.2 Statutory Audit at State Level:

The SPIU will appoint a firm of chartered accountants for audit of SPIU and project institutions within the State.

<u>Audit at SPIU:</u> The audit at SPIU level will include audit of Financial Monitoring Report (FMRs), and project accounts. The SPIU will be required to maintain the records of FMRs and the project accounts separately to enable the auditor to carry out necessary checks and verification effectively.

<u>Audit of Institutes:</u> Further, the auditor will audit the project accounts of the institutions. For this purpose, the institutions are required to furnish all documents / records to the auditors to facilitate timely audit. Each institution will put up the audit report to Board of Governors within a reasonable period of completion of audit.

<u>Consolidated Audit Report of State</u>: The SPIU will be required to submit a consolidated audit report for the State to the NPIU by **31st July** of every project year.

10.3 Statutory Audit at CFIs:

Centrally Funded Institutions shall appoint a firm of Chartered Accountant to audit the accounts and the audit will be completed by 30th June of every financial year. For this purpose, the institutions are required to furnish all documents / records to the auditors to facilitate timely audit.

10.4 Statutory Audit at NPIU:

Annual audit of NPIU by a firm of chartered accountants will be completed by **31st July** of every financial year.

10.5 Consolidated Audit Report for Project:

NPIU will consolidate the audit reports of states, CFIs and NPIU. There will be one single audit report for the entire project which will be further submitted by NPIU to the World Bank by **31st December** of every financial year.

(Refer to Consolidated Audit Report on Annual Statutory Audit in Annex-XIV)

10.6 Audit Observations:

Each implementing agency will monitor and ensure timely settlement of Audit Observations.

All implementing agencies (institutions/SPIUs/NPIU) will maintain and retain records of such queries and their settlement.

10.7. Audit Observation Committee

Every SPIU/CFI/Institutions will set up Audit Observation Committee for which the following ToR is proposed:

1. To study and examine the Audit Report of Financial Year (Statutory and Internal Audit)
2. To find out the factual position which has resulted to record the audit observations in the audit report by the auditor.
3. To give the comments on the audit observations and further suggestions for non occurrence/prevention for such audit observations in future.
4. To give proper information/details/proof to the auditor for declaring ineligible expenditure as eligible expenditure.
5. To study the internal audit weaknesses and give suggestions for improving internal checks and supervision.
6. To keep a proper record of audit observations and its compliance on financial year basis.
7. Any other point

10.8. Audit Observation Register:

- The NPIU/SPIU/institute shall maintain a separate register for audit objections as pointed out in the audit report by the auditor, which shall contain the following entries :
  a) Audit report for Financial year on dated
  b) Details of audit objection
  c) Submission on audit objection dated ....
  d) Details of audit objection resolved dated .....
  e) Reason for pending audit objection

10.9 Ineligible expenditure incurred at Institutions, SPIUs or NPIU:

Any expenditure incurred by the institutions, SPIUs or NPIU under the project identified by NPIU/SPIU or auditors as ineligible shall not be considered as valid expenditure of the concerned institute and to that extent, the concerned institutes shall have to refund back the amount of audit disallowances to MHRD.

SECTION–11

DISCLOSURE OF INFORMATION

11.1 Objective:

To ensure accountability & transparency in all aspects of Financial Management during the project implementation and achievements, including fiduciary aspects.

11.2 Scope:

SPIU and NPIU will be responsible to ensure adherence to disclosure management policies.

11.3 Strategy:

SPIU and NPIU will implement the disclosure management framework under the project to ensure high level of transparency and accountability. The project progress in all areas, such as procurement, financial progress, will be made available to the public through website.

11.4 Information to be Disclosed for Financial Management by SPIU:

- Annual Audited Financial Statements.
- Financial Monitoring Reports (FMRs).
- Status of Release of Funds.

11.5 Information to be Disclosed for Financial Management by NPIU:

- Project FM guidelines, including Financial Management Manual.
- Annual Audited Financial Statements.
- Financial Monitoring Reports (FMRs).
- Status of Release of Funds.
- Specific information on key Financial Management aspects, like staffing, training etc.

ANNEXES

Annex-I

MEMORANDUM OF UNDERSTANDING
BETWEEN
MINISTRY OF HUMAN RESOURCE DEVELOPMENT
GOVERNMENT OF INDIA
AND
STATE/UNION TERRITORY OF ______________________
FOR IMPLEMENTATION OF
TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME PHASE III

PARTIES

This Memorandum of Understanding (hereinafter referred to as 'MOU') is made and entered into on this ________________day of ________________2016 between the State/Union Territory of ___________ through _____________________, Principal Secretary, Department of Technical/Higher Education (hereinafter referred to as the 'STATE/UT') and the Ministry of Human Resource Development–Government of India through ______________ Secretary, Higher/Technical Education (hereinafter referred to as the 'MHRD'). (Place of signing).

PURPOSE

WHEREAS the objective of the TECHNICAL EDUCATION QUALITY IMPROVEMENT PROJECT III (hereinafter referred to as the 'PROJECT') is to improve quality and equity in selected engineering education institutes and improve the efficiency of the engineering education system.

AND WHEREAS the Government of India and the World Bank have signed a Loan Agreement dated XX 2016, under which the World Bank shares financing to support the PROJECT.

AND WHEREAS the comprehensive description, implementation and operating conditions for the Project are contained in the document entitled the Project Implementation Plan (hereinafter referred to as the 'PIP'), as may be revised from time to time.

AND WHEREAS at least one institute in the STATE/UT has been selected for participation in the PROJECT.

AND WHEREAS the MHRD will establish the National Project Implementation Unit (hereinafter referred to as the 'NPIU'), which will be in charge of the day-to-day project implementation at the national level.

NOW THEREFORE the parties agree as follows.

SECTION I

The STATE/UT agrees to:

a) Establish a State Project Facilitation Unit (hereinafter referred to as the ‘SPFU’) in the Department of the State Government responsible for Technical Education/State Directorate of Technical Education, headed by Director of Technical Education or the equivalent officer responsible for Technical Education in that department. The SPFU will carry out the overall supervision and facilitation of PROJECT implementation in participating institutes in the STATE/UT. The structure, functions and responsibilities of the SPFU are set out in the PIP.

b) Constitute a State Steering Committee (hereinafter referred to as the ‘SSC’) chaired by the Principal Secretary responsible for Technical Education in the STATE/UT. The State Steering Committee will primarily be responsible for guiding and overseeing the work of the SPFU. The composition of the SSC is set out in the PIP.

c) Follow the PROJECT guidelines and procedures prescribed in the PIP and as may be prescribed from time to time by the Government of India for implementation of the PROJECT.

d) Enable and facilitate all reforms and activities as committed under the PROJECT and contained in the PIP, through appropriate actions and orders, including the greater delegation of academic, administrative and financial powers to participating institutes in the STATE/UT. Ensure the implementation of all reforms and activities as committed under the PROJECT in participating institutes in the STATE.

e) Ensure that the SPFU follows the guidelines and processes described in the Financial Management Manual and the Procurement Manual, contained in the PIP. Ensure that the SPFU follows the procedures for Procurement of all Goods, Works and Services in accordance with the World Bank guidelines titled: Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014) (Procurement Guidelines); and Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014) (Consultant Guidelines); and the agreed procedures and limits described in the Financing Agreement.

f) Sign Memoranda of Understanding with participating institutes in the STATE/UT in the formats prescribed in the PIP.

g) Ensures that the SPFU submits to the MHRD/NPIU all reports and documents related to the PROJECT as specified in the PIP and at such frequency as may be required by the MHRD/NPIU.

h) Ensures that the SPFU support and participates in the support systems developed for the PROJECT such as the Management Information System.

i) Implement the Disclosure Management Framework, Environment Management Framework and Equity Action Plan as described in the PIP.

j) Issue orders to participating institutes in the STATE/UT to seek and obtain autonomous status as per the University Grants Commission’s norms and procedures.

k) Provide all necessary support to participating institutes in the STATE/UT through the institutes’ affiliating university to achieve the objectives of the institutes’ Institutional Development Plan and the

PROJECT, including, but not limited to facilitating autonomous status from the University Grants Commission.

l) Direct participating institutes in the STATE/ UT to put aside 8% of all revenue (as defined by the PIP) into Sustainability Funds, to be used to sustain project activities after the project closes, subject to the provisions of the PIP.

m) Constitute a Board of Governors at each participating institute in the STATE/UT, with composition and powers as set out in the PIP, and ensure that the positions on the Board of Governors to be filled by the STATE/UT continue to be filled throughout the PROJECT and that these members attend all meetings of the BoG.

n) Permit participating institutes in the STATE/UT to retain and utilize all revenue generated, including 100% of tuition and other fee and charges from students without adjusting the revenue retained in their non-plan grants.

o) Ensure that the participating Affiliating Technical University(s) in the STATE/UT, if any, permits all affiliated colleges to participate in activities undertaken under the University's Development Plan and to utilise facilities created under the project on equal terms, including eligibility, fees etc., regardless of the management type (government, private aided, and private unaided) and whether the college is participating in the PROJECT.

p) Ensure the constitution of a suitably empowered Faculty/Department/College Management Committee in the participating faculties/departments/non-autonomous constituent colleges of universities in the STATE/UT. The Faculty/Department/College Management Committee will be responsible for the overall strategic direction to the department/faculty/non-autonomous constituent college. The composition and powers of the Department/College Management Committee are set out in the PIP.

q) Ensure that the bank accounts of the SPFU and the participating institutes in the STATE/UT are audited as indicated in the PIP and that the SPFU furnishes the audited accounts along with a copy of the audit reports to the MHRD/NPIU as per the schedule indicated in the PIP.

r) Ensures that the SPFU meets all necessary and incidental expenses for the performance of responsibilities like expenses for meetings, travel, professional fees, cost for pre-poject activities, etc., which will not be the liability of the MHRD unless specifically mentioned in this MOU or otherwise agreed in writing.

s) Use of the Direct Benefit Transfer System for facilitating transfer of funds to participating institutes in the STATE/UT for their use under the PROJECT.

SECTION II

The MHRD agrees to:

a) Provide all necessary support and assistance to the STATE/UT, including to the SPFU and the Department/Directorate of Technical/Engineering Education, through the NPIU. The functions and responsibilities of the NPIU are set out in the PIP.

b) Provide mentoring and support to participating institutes in the STATE/UT, through individual mentors and institutional mentors, as per the scheme set out in the PIP.

c) [Applicable to Low Income and Special Category States Only] Provide to all government and government-aided engineering colleges (as declared by the AICTE) in the STATE/UT that do not meet the enabling mechanisms for participation in the PROJECT set out in the PIP, support, guidance, and capacity enhancement through expert mentors and seed money to be used for the provision of campus Wi-Fi, e-libraries, staff training etc. as per the provisions of the PIP. Institutes that meet all the above-mentioned enabling mechanisms by October 2018 will be eligible for Institutional Development Grants in accordance with their Institutional Development Plans.

d) Provide to the STATE, as per the schedule and provisions set out in the PIP, all establishment and running costs of the SPFU.

e) Provide University/Institutional Development Grants to participating institutes in the STATE/UT as described in SECTION III.

SECTION III

a) The MHRD will provide University/Institutional Development Grants to participating institutes in the STATE/UT through a Direct Benefit Transfer System. The Finance Manual describes the functioning of the Direct Benefit Transfer System, the rules and procedures governing its use, and the roles and responsibilities of the MHRD and the STATE/UT.

b) Fund release to participating institutes in the STATE/UT will be dependent on the satisfactory performance against PROJECT performance benchmarks as set out in the PIP/notified by NPIU from time to time. More details about how satisfactory performance is to be assessed can be found in the PIP.

SECTION IV

a) Amendments can be made to the MOU only (a) under exceptional circumstances, and (b) presentation of reasonable cause. The amended MOU will come into force only after due approval, and through written agreements duly authenticated and executed by the authorized representatives of all Parties to the original MOU.

b) This MOU will become effective when signed by duly authorized representatives of all parties, and shall remain in force until the completion of the activities covered by the MOU, or until it is duly terminated by the Parties.

c) Notwithstanding the provisions of this MOU, if the PROJECT is suspended or terminated, this MOU will be automatically considered null and void from the date of such suspension or termination.

SECTION V

The Project implementation schedule:

a) The Project became effective on _______________2016.

b) The Project is expected to proceed over six years commencing on ______________ 2016, and is expected to be completed by _________________ 2022.

SECTION VI

- By this MOU all parties affirm their commitment to carry out the activities and achieve the objectives mutually agreed upon.
- Any dispute between the parties shall always be resolved by mutual consultation without any resort to arbitration or other form of legal remedy including Court of Law.
- This Memorandum of Understanding will continue to be effective up to the closure of the Project.

Signed at _____________on this ______________ day of _____________ 2016.

FOR AND BEHALF OF THE STATE/UT OF _________________	FOR AND BEHALF OF THE MINISTRY OF HUMAN RESOURCE DEVELOPMENT, GOVERNMENT OF INDIA
______________________________	______________________________
Principal Secretary, Department of Technical Education	Secretary, Higher/Technical Education

Annex-II

MEMORANDUM OF UNDERSTANDING
BETWEEN
(NAME OF CENTRALLY FUNDED INSTITUTION UNDER COMPONENT 1.1/1.3)
AND
MINISTRY OF HUMAN RESOURCE DEVELOPMENT
GOVERNMENT OF INDIA
FOR IMPLEMENTATION OF THE INSTITUTIONAL DEVELOPMENT PLAN
UNDER
TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME PHASE III

PARTIES

This Memorandum of Understanding (hereinafter referred to as 'MOU') is made and entered into on this ________________day of ________________2016 between (name of centrally funded institution) through ______________________ Chairman, Board of Governor (hereinafter referred to as the 'INSTITUTE') and the Ministry of Human Resource Development–Government of India through ______________ Secretary, Higher/Technical Education (hereinafter referred to as the 'MHRD'). (Place of signing).

PURPOSE

WHEREAS the objective of the TECHNICAL EDUCATION QUALITY IMPROVEMENT PROJECT III (hereinafter referred to as the 'PROJECT') is to improve quality and equity in selected engineering education institutes and improve the efficiency of the engineering education system.

AND WHEREAS the Government of India and the World Bank have signed a Loan Agreement dated XX 2016, under which the World Bank shares financing to support the PROJECT.

AND WHEREAS the comprehensive description, implementation and operating conditions for the Project are contained in the document entitled the Project Implementation Plan (hereinafter referred to as the 'PIP'), as may be revised from time to time.

AND WHEREAS at least one institute in the STATE/UT has been selected for participation in the PROJECT.

AND WHEREAS the MHRD will establish the National Project Implementation Unit (hereinafter referred to as the 'NPIU'), which will be in charge of the day-to-day project implementation at the national level.

NOW THEREFORE the parties agree as follows.

SECTION I

The INSTITUTE agrees to:

a) Follow the Project guidelines and procedures prescribed in the PIP and as may be prescribed from time to time by the Government of India for implementation of the PROJECT, in pursuance of the obligations set forth or referred to in the Financing Agreement dated XXX signed between the Government of India and the World Bank.

b) Adhere to the IDP and take all necessary actions to achieve the goals set out in the IDP, including, but not limited to: entering into contracts or agreements for civil works, goods and services (including consulting services and training/development) and managing those contracts or agreements such that to the extent possible they are completed on time, within budget and to the desired standards.

c) Ensure that the [enabling mechanisms] [eligibility criteria] applicable for the INSTITUTE, and which are within the responsibility of the INSTITUTE, continue to be fulfilled for the duration of implementation of the IDP.

d) Assign responsibility for implementation of the IDP to an appropriate unit within the INSTITUTE (or establish such a unit) with powers, functions and structures as set out in the PIP.

e) Implement all reforms and activities as committed by the INSTITUTE in its IDP under the Project and contained in the PIP including through any amendments required to the rules, policies and guidelines under the jurisdiction of the INSTITUTE.

f) Take all necessary actions to achieve the PROJECT performance benchmarks as notified by NPIU from time to time; and such benchmarks which need to be met in a timely fashion in order to continue to receive funding under the PROJECT for implementation of the IDP as set out in the PIP and/or notified by NPIU from time to time.

g) Apply for and complete the procedures required for NBA accreditation of the INSTITUTE's undergraduate and post-graduate programs. Apply for reaccreditation before the current accreditation lapses, in the case of programs the NBA has already accredited.

h) Publish each year INSTITUTE's annual reports on its website, including information on Issues listed in the PIP, in the format and as per the timetable suggested in the PIP.

i) Carry out monitoring and evaluation and data collection activities as set out in the PIP, and provide documents and data to the SPFU and NPIU, as and when requested, in the agreed format and within stipulated timelines.

j) Participate in all systems set up to facilitate the implementation of the Project, such as the management information system and procurement management support system.

k) Participate in all supervision and coordination activities conducted by the SPFU and NPIU.

l) Facilitate the participation of faculty, technical and administrative staff and students in training sessions, seminars and conferences planned so as to achieve the objectives of the IDP.

m) Follow the guidelines and processes described in the Financial Management Manual and the Procurement Manual, contained in the PIP. Follow the procedures for Procurement of all Goods, Works and Services in accordance with the World Bank guidelines titled: Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014) (Procurement Guidelines); and Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014) (Consultant Guidelines); and the agreed procedures and limits described in the Financing Agreement.

n) Each year put aside 8% of total revenue (as defined by the PIP) earned by the INSTITUTE into a Sustainability Fund (Four Funds), to be used to sustain project activities after the project closes, subject to the provisions of the PIP.

o) Comply with the Social Management Framework and Equity Action Plan, contained in the PIP.

p) Comply with the Environment Management Framework, contained in the PIP.

q) Mentor a PROJECT institution through activities specified in the IDP (applicable for the institutes under subcomponent 1.3).

SECTION II

The MHRD agrees to:

a) Provide all necessary support and assistance to the INSTITUTE through the NPIU for PROJECT implementation. The functions and responsibilities of the NPIU are set out in the PIP.

b) Provide mentoring and support to the INSTITUTE, through individual mentors and institutional mentors, as per the scheme set out in the PIP.

c) Provide project funds to the INSTITUTE as described in SECTION III.

SECTION III

a) The MHRD will provide project funds to the INSTITUTE through a Direct Benefit Transfer System. The Finance Manual describes the functioning of the Direct Benefit Transfer System, the rules and procedures governing its use, and the roles and responsibilities of the MHRD and the INSTITUTE.

b) Fund release to the INSTITUTE will be dependent on the satisfactory performance against PROJECT performance benchmarks as set out in the PIP/notified by NPIU from time to time.

SECTION IV

a) Amendments can be made to the MOU only (a) under exceptional circumstances, and (b) presentation of reasonable cause. The amended MOU will come into force only after due approval, and through written agreements duly authenticated and executed by the authorized representatives of all Parties to the original MOU.

b) This MOU will become effective when signed by duly authorized representatives of all parties, and shall remain in force until the completion of the activities covered by the MOU, or until it is duly terminated by the Parties.

c) Notwithstanding the provisions of this MOU, if the PROJECT is suspended or terminated, this MOU will be automatically considered null and void from the date of such suspension or termination.

SECTION V

The Project implementation schedule:

a) The Project became effective on _______________2016.

b) The Project is expected to proceed over six years commencing on ______________ 2016, and is expected to be completed by _________________ 2022.

SECTION VI

- By this MOU all parties affirm their commitment to carry out the activities and achieve the objectives mutually agreed upon.
- Any dispute between the parties shall always be resolved by mutual consultation without any resort to arbitration or other form of legal remedy including Court of Law.
- This Memorandum of Understanding will continue to be effective up to the closure of the Project.

Signed at _____________on this ______________ day of _____________ 2016.

FOR AND BEHALF OF (NAME OF INSTITUTE)	FOR AND BEHALF OF THE MINISTRY OF HRD, GOVERNMENT OF INDIA
Chairman, Board of Governor	Secretary, Higher/Technical Education

Annex-III

MEMORANDUM OF UNDERSTANDING
BETWEEN
STATE/UNION TERRITORY OF ______________________
AND
(NAME OF THE AFFILIATING UNIVERISTY UNDER COMPONENT 1.1/1.3)
FOR IMPLEMENTATION OF UNIVERSITY DEVELOPMENT PLAN
UNDER
TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME PHASE III

PARTIES

This Memorandum of Understanding (hereinafter referred to as 'MOU') is made and entered into on this ________________day of ________________2016 between the Department of Technical/Higher Education, Government of ____________________ through ______________ Principal Secretary, (hereinafter referred to as the 'DEPARTMENT') and (name of the university) through _____________________, Vice-Chancellor (hereinafter referred to as the 'UNIVERSITY'), established by (name of the university act, date). Registration number ______________, (place of signing).

PURPOSE

WHEREAS the objective of the TECHNICAL EDUCATION QUALITY IMPROVEMENT PROJECT III (hereinafter referred to as the 'PROJECT') is to improve quality and equity in selected engineering education institutes and improve the efficiency of the engineering education system.

AND WHEREAS the Government of India and the World Bank have signed a Loan Agreement dated XX 2016, under which the World shares financing to support the PROJECT.

AND WHEREAS the comprehensive description, implementation and operating conditions for the Project are contained in the document entitled the Project Implementation Plan (hereinafter referred to as the 'PIP'), as may be revised from time to time.

AND WHEREAS the DEPARTMENT will establish a State Project Facilitation Unit (hereinafter referred to as the 'SPFU'), to carry out overall supervision and facilitate project implementation in the state.

AND WHEREAS the UNIVERSITY has been selected to receive a conditional financing of [XXX] INR to pursue the goals set out in its UNIVERSITY Development Plan (UDP), as approved by the UNIVERSITY's Executive Council, such financing which may be increased or decreased conditional upon the performance of the UNIVERSITY in accordance with the procedures set out in the PIP.

NOW THEREFORE the parties agree as follows.

SECTION I

The UNIVERSITY agrees to:

a) Follow the Project guidelines and procedures prescribed in the PIP and as may be prescribed from time to time by the Government of India for implementation of the PROJECT, in pursuance of the obligations set forth or referred to in the Financing Agreement dated XXX signed between the Government of India and the World Bank.

b) Adhere to the UDP and take all necessary actions to achieve the goals set out in the UDP, including, but not limited to: entering into contracts or agreements for civil works, goods and services (including consulting services and training/development) and managing those contracts or agreements such that to the extent possible they are completed on time, within budget and to the required standards.

c) Ensure that any [enabling mechanisms] [eligibility criteria] applicable to the UNIVERSITY, and which are within the responsibility of the UNIVERSITY, continue to be fulfilled for the duration of implementation of the IDP.

d) Assign responsibility for implementation of the UDP to an appropriate unit within the UNIVERSITY (or establish such a unit) with powers, functions and structures as set out in the PIP.

e) Take all necessary actions to achieve the PROJECT performance benchmarks as notified by NPIU from time to time; and such benchmarks which need to be met in a timely fashion in order to continue to receive funding under the PROJECT for implementation of the UDP as set out in the PIP and/or notified by NPIU from time to time.

f) Publish each year an Annual Report on its website, including information on Issues listed in the PIP, in the format and as per the timetable suggested in the PIP.

g) Carry out monitoring and evaluation and data collection activities as set out in the PIP, and provide documents and data to the SPFU and NPIU, as and when requested, in the agreed format and within stipulated timelines.

h) Participate in all systems set up to facilitate the implementation of the Project, such as the management information system and procurement management support system.

i) Participate in all supervision and coordination activities conducted by the SPFU and NPIU.

   (i) Facilitate the participation of faculty, technical and administrative staff and students in training sessions, seminars and conferences planned so as to achieve the objectives of the UDP.

   (ii) Permit all affiliated colleges to participate in activities undertaken under the UDP and utilise facilities created under the project on equal terms, including eligibility, fees etc., regardless of the management type (government, private aided, and private unaided) and whether the college is participating in the Project.

(iii) Follow the guidelines and processes described in the Financial Management Manual and the Procurement Manual, contained in the PIP. Follow the procedures for Procurement of all Goods, Works and Services in accordance with the World Bank guidelines titled: Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by

World Bank Borrowers" dated January 2011 (revised July 2014) (Procurement Guidelines); and Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014) (Consultant Guidelines); and the agreed procedures and limits described in the Financing Agreement.

(iv) Comply with the Social Management Framework and Equity Action Plan, contained in the PIP.

(v) Comply with the Environment Management Framework, contained in the PIP.

(vi) Mentor a PROJECT Affiliating Technical University in another State as set out in the UNIVERSITY's UDP (applicable for the institutions under subcomponent 1.3).

(vii) Take all actions necessary to facilitate reforms and activities being pursued by colleges affiliated to the UNIVERSITY who are participating in the PROJECT and contained in the PIP including through any amendments required to the rules, policies and guidelines under the jurisdiction of the UNIVERSITY, including but not limited to student assessment.

SECTION II

The DEPARTMENT agrees to:

a) Provide all necessary support to the UNIVERSITY through the SPFU. The functions and responsibilities of the SPFU are set out in the PIP.

b) Facilitate all reforms and activities as committed under the Project and contained in the PIP, through appropriate actions and orders, including the greater delegation of academic, administrative and financial powers to the UNIVERSITY as and when required.

c) Maintain the [enabling mechanisms] [eligibility criteria] for the UNIVERSITY, which are within the responsibility of the DEPARTMENT, for the duration of the PROJECT.

d) Use of the Direct Benefit Transfer System for facilitating transfer of funds to the UNIVERSITY for its use under the PROJECT.

SECTION III

a) Ministry of Human Resource Development, Government of India will provide the project funds to the UNIVERSITY through a Direct Benefit Transfer System. The PIP describes the functioning of the Direct Benefit Transfer System, the rules and procedures governing its use, the schedule and conditions for release of the project funds, and the roles and responsibilities of the UNIVERSITY and the DEPARTMENT.

b) Fund release to UNIVERSITY will be dependent on satisfactory performance against PROJECT performance benchmarks as set out in the PIP/notified by NPIU from time to time. More details about how satisfactory performance is to be assessed can be found in the PIP.

SECTION IV

Amendments can be made to the MOU only (a) under exceptional circumstances and (b) presentation of reasonable cause. The amended MOU will come into force only after due approval, and through written agreements duly authenticated and executed by the authorized representatives of all Parties to the original MOU.

This MOU will become effective when signed by duly authorized representatives of all parties, and shall remain in force until the completion of the activities covered by the MOU, or until it is duly terminated by the Parties.

Notwithstanding the provisions of this MOU, if the Project is suspended or terminated, this MOU will be automatically considered null and void from the date of such suspension or termination.

SECTION V

The Project implementation schedule:

a) The Project became effective on ________________2016.

b) The Project is expected to proceed over six years commencing on ________________ 2016 and is expected to be completed by __________________ 2022.

SECTION VI

- By this MOU both parties affirm their commitment to carry out the activities and achieve the objectives mutually agreed upon.
- Any dispute between the parties shall always be resolved by mutual consultation without any resort to arbitration or other form of legal remedy including Court of Law.
- This Memorandum of Understanding will continue to be effective up to the closure of the Project.

Signed at ______________on this _______________ day of ______________ 2016.

FOR AND BEHALF OF (NAME OF THE UNIVERSITY)	FOR AND BEHALF OF DEPARMENT OF TECHNICAL HIGHER EDUCATION
Vice Chancellor	Principal Secretary, Department of Technical/Higher Education, Government of ________________

Annex-IV

MEMORANDUM OF UNDERSTANDING
BETWEEN
STATE/UNION TERRITORY OF ______________________
AND
(NAME OF THE INSTITUTE UNDER COMPONENT 1.1/1.3)
FOR IMPLEMENTATION OF INSTITUTIONAL DEVELOPMENT PLAN
UNDER
TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME PHASE III

PARTIES

This Memorandum of Understanding (hereinafter referred to as 'MOU') is made and entered into on this ________________day of ________________2016 between the Department of Technical/Higher Education, Government of __________________ through ______________ Principal Secretary, (hereinafter referred to as the 'DEPARTMENT') and (name of the institute) through _____________________, Chairman, Board of Governors (hereinafter referred to as the 'INSTITUTE') affiliated to/ department of ________________ University. AICTE Approval number ______________ , (place of signing).

PURPOSE

WHEREAS the objective of the TECHNICAL EDUCATION QUALITY IMPROVEMENT PROJECT III (hereinafter referred to as the 'PROJECT') is to improve quality and equity in selected engineering education institutes and improve the efficiency of the engineering education system.

AND WHEREAS the Government of India and the World Bank have signed a Loan Agreement dated XX 2016, under which the World Bank shares financing to support the PROJECT.

AND WHEREAS the comprehensive description, implementation and operating conditions for the Project are contained in the document entitled the Project Implementation Plan (hereinafter referred to as the 'PIP'), as may be revised from time to time.

AND WHEREAS the DEPARTMENT will establish a State Project Facilitation Unit (hereinafter referred to as the 'SPFU'), to carry out overall supervision and facilitate project implementation in the state.

AND WHEREAS the INSTITUTE has been selected to receive a conditional financing of [XXX] INR to pursue the goals set out in its Institutional Development Plan (hereinafter referred to as the 'IDP'), as approved by the INSTITUTE's Board of Governors (hereinafter referred to as the 'BOG'), such financing which may be increased or decreased conditional upon the performance of the INSTITUTE in accordance with the procedures set out in the PIP.

NOW THEREFORE the parties agree as follows.

SECTION I

The INSTITUTE agrees to:

(i) Follow the Project guidelines and procedures prescribed in the PIP and as may be prescribed from time to time by the Government of India for implementation of the PROJECT, in pursuance of the obligations set forth or referred to in the Financing Agreement dated XXX signed between the Government of India and the World Bank.

(ii) Adhere to the IDP and take all necessary actions to achieve the goals set out in the IDP, including, but not limited to: entering into contracts or agreements for civil works, goods and services (including consulting services and training/development) and managing those contracts or agreements such that to the extent possible they are completed on time, within budget and to the desired standards.

(iii) Ensure that the [enabling mechanisms] [eligibility criteria] applicable for the INSTITUTE, and which are within the responsibility of the INSTITUTE, continue to be fulfilled for the duration of implementation of the IDP.

(iv) Assign responsibility for implementation of the IDP to an appropriate unit within the INSTITUTE (or establish such a unit) with powers, functions and structures as set out in the PIP.

(v) Implement all reforms and activities as committed by the INSTITUTE in its IDP under the Project and contained in the PIP including through any amendments required to the rules, policies and guidelines under the jurisdiction of the INSTITUTE.

(vi) Take all necessary actions to achieve the PROJECT performance benchmarks as notified by NPIU from time to time; and such benchmarks which need to be met in a timely fashion in order to continue to receive funding under the PROJECT for implementation of the IDP as set out in the PIP and/or notified by NPIU from time to time.

(vii) Apply for and complete the procedures required for NBA accreditation of the INSTITUTE's undergraduate and post-graduate programs. Apply for reaccreditation before the current accreditation lapses, in the case of programs the NBA has already accredited.

(viii) Publish each year INSTITUTE's annual reports on its website, including information on Issues listed in the PIP, in the format and as per the timetable suggested in the PIP.

(ix) Carry out monitoring and evaluation and data collection activities as set out in the PIP, and provide documents and data to the SPFU and NPIU, as and when requested, in the agreed format and within stipulated timelines.

(x) Participate in all systems set up to facilitate the implementation of the Project, such as the management information system and procurement management support system.

(xi) Participate in all supervision and coordination activities conducted by the SPFU and NPIU.

(xii) Facilitate the participation of faculty, technical and administrative staff and students in training sessions, seminars and conferences planned so as to achieve the objectives of the IDP.

(xiii) Follow the guidelines and processes described in the Financial Management Manual and the Procurement Manual, contained in the PIP. Follow the procedures for Procurement of all Goods, Works and Services in accordance with the World Bank guidelines titled: Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014) (Procurement Guidelines); and Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014) (Consultant Guidelines); and the agreed procedures and limits described in the Financing Agreement.

(xiv) Each year put aside 8% of total revenue (as defined by the PIP) earned by the INSTITUTE into a Sustainability Fund (Four Funds), to be used to sustain project activities after the project closes, subject to the provisions of the PIP.

(xv) Comply with the Social Management Framework and Equity Action Plan, contained in the PIP.

(xvi) Comply with the Environment Management Framework, contained in the PIP.

(xvii) Mentor a PROJECT college through activities specified in the IDP (applicable for the institutes under subcomponent 1.3).

SECTION II

The DEPARTMENT agrees to:

a) Provide all necessary support to the INSTITUTE through the SPFU. The functions and responsibilities of the SPFU are set out in the PIP.
b) Facilitate all reforms and activities as committed under the Project and contained in the PIP, through appropriate actions and orders, including the greater delegation of academic, administrative and financial powers to the INSTITUTE for all the INSTITUTE's activities (not limited to PROJECT activities), adopt a Block Grant pattern for fund releases of at least the non-salary non-Plan component of grants to the INSTITUTE, permit the INSTITUTE to retain and utilize the revenue generated, including 100% of tuition and other fee and charges from students without adjusting the revenue retained in their non-Plan grants, authorize the INSTITUTE to fill up the faculty vacancies (over and above the benchmark value) to 100% on 11 month or longer contracts till such time that these vacancies are filled-up on a regular basis, constitute Board of Governors at the INSTITUTE, and maintain [enabling mechanisms] [eligibility criteria] for the INSTITUTE, which are within the responsibility of the DEPARTMENT, for the duration of the PROJECT.
c) Provide all necessary support to the INSTITUTE through the INSTITUTE's affiliating university to achieve the objectives of the IDP and the PROJECT, including, but not limited to facilitating autonomous status from the University Grants Commission.
d) Use of the Direct Benefit Transfer System for facilitating transfer of funds to the INSTITUTE for its use under the PROJECT.

SECTION III

a) Ministry of Human Resource Development, Government of India will provide the project funds to the INSTITUTE through a Direct Benefit Transfer System. The PIP describes the functioning of the Direct Beneficiary Transfer System, the rules and procedures governing its use, the schedule and conditions for release of the project fund, and the roles and responsibilities of the INSTITUTE and the DEPARTMENT.
b) Fund release to INSTITUTE will be dependent on satisfactory performance against PROJECT performance benchmarks as set out in the PIP/notified by NPIU from time to time.

SECTION IV

Amendments can be made to the MOU only (a) under exceptional circumstances and (b) presentation of reasonable cause. The amended MOU will come into force only after due approval, and through written agreements duly authenticated and executed by the authorized representatives of all Parties to the original MOU.

This MOU will become effective when signed by duly authorized representatives of all parties, and shall remain in force until the completion of the activities covered by the MOU, or until it is duly terminated by the Parties.

Notwithstanding the provisions of this MOU, if the Project is suspended or terminated, this MOU will be automatically considered null and void from the date of such suspension or termination.

SECTION V

The Project implementation schedule:

a) The Project became effective on ________________2016.

b) The Project is expected to proceed over six years commencing on ________________ 2016 and is expected to be completed by __________________ 2022.

SECTION VI

- By this MOU both parties affirm their commitment to carry out the activities and achieve the objectives mutually agreed upon.
- Any dispute between the parties shall always be resolved by mutual consultation without any resort to arbitration or other form of legal remedy Court of Law.
- This Memorandum of Understanding will continue to be effective up to the closure of the Project.

Signed at ______________on this _______________ day of ______________ 2016.

FOR AND BEHALF OF (NAME OF THE INSTITUTE)	FOR AND BEHALF OF DEPARMENT OF TECHNICAL/HIGHER EDUCATION
________________________________	________________________________
Chairman, Board of Governors	Principal Secretary, Department of Technical/Higher Education, Government of ________________.

Annex-V

MEMORANDUM OF UNDERSTANDING
BETWEEN
STATE/UNION TERRITORY OF ______________________
AND
(NAME OF THE UNIVERSITY)
FOR IMPLEMENTATION OF INSTITUTIONAL DEVELOPMENT PLAN
IN THE UNIVERSITY's
(NAME OF THE FACULTY/DEPARTMENT/NON-AUTONOMOUS CONSTITUTENT COLLEGE UNDER COMPONENT 1.1/1.3)
UNDER
TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME PHASE III

PARTIES

This Memorandum of Understanding (hereinafter referred to as 'MOU') is made and entered into on this ________________day of ________________2016 between the Department of Technical/Higher Education, Government of ___________________ through ______________ Principal Secretary, (hereinafter referred to as the 'DEPARTMENT') and (name of the UNIVERSITY) through _____________________, Vice-Chancellor (hereinafter referred to as the 'UNIVERSITY') established by (name of the university act, date). (Place of signing).

PURPOSE

WHEREAS the objective of the TECHNICAL EDUCATION QUALITY IMPROVEMENT PROJECT III (hereinafter referred to as the 'PROJECT') is to improve quality and equity in selected engineering education institutes and improve the efficiency of the engineering education system.

AND WHEREAS the Government of India and the World Bank have signed a Loan Agreement dated XX 2016, under which the World Bank shares financing to support the PROJECT.

AND WHEREAS the comprehensive description, implementation and operating conditions for the Project are contained in the document entitled the Project Implementation Plan (hereinafter referred to as the 'PIP'), as may be revised from time to time.

AND WHEREAS the DEPARTMENT will establish a State Project Facilitation Unit (hereinafter referred to as the 'SPFU'), to carry out overall supervision and facilitate project implementation in the state.

AND WHEREAS the [NAME OF THE FACULTY/DEPARTMENT/NON-AUTONOMOUS CONSTITUTENT COLLEGE] of the UNIVERSITY has been selected to receive a conditional financing of [XXX] INR to pursue the goals set out in its Institutional Development Plan (hereinafter referred to as the 'IDP'), as approved by the Vice-Chancellor/Executive Council, such financing which may be increased or decreased conditional upon the performance of the [DEPARTMENT/FACULTY/NON-AUTONOMOUS CONSTITUTENT COLLEGE] in accordance with the procedures set out in the PIP.

NOW THEREFORE the parties agree as follows.

SECTION I

The UNIVERSITY agrees to:

(a) Constitute a suitably empowered Faculty/Department/College Management Committee in the [NAME OF THE FACULTY/DEPARTMENT/ NON-AUTONOMOUS CONSTITUTENT COLLEGE]. The Faculty/Department/College Management Committee will be responsible for the overall strategic direction of the department/faculty/non-autonomous constituent college. The composition and powers of the Department/College Management Committee are set out in the PIP.

   a. Ensure that the project fund is utilised to pursue the goals set out in the [NAME OF THE DEPARTMENT/FACULTY/NON-AUTONOMOUS CONSTITUTENT COLLEGE]'s Institutional Development Plan in accordance with the procedures set out in the PIP.

   (i) Implement all reforms and activities, within the responsibility of the UNIVERSITY, as required for the implementation of the [NAME OF THE DEPARTMENT/FACULTY/NON-AUTONOMOUS CONSTITUTENT COLLEGE]'s IDP.

   (ii) Ensure that the [NAME OF THE DEPARTMENT/FACULTY/NON-AUTONOMOUS CONSTITUTENT COLLEGE]:

i. Follows the PROJECT guidelines and procedures prescribed in the PIP and as may be prescribed from time to time by the Government of India for implementation of the PROJECT, in pursuance of the obligations set forth or referred to in the Financing Agreement dated XXX signed between the World Bank and Government of India.

ii. Adheres to the IDP and takes all necessary actions to achieve the goals set out in the IDP, including, but not limited to: entering into contracts or agreements for civil works, goods and services (including consulting services and professional development) and managing those contracts or agreements such that to the extent possible they are completed on time, within budget and to the desired standards.

iii. Assigns responsibility for implementation of the IDP to an appropriate unit within the [NAME OF THE DEPARTMENT/FACULTY/NON-AUTONOMOUS CONSTITUTENT COLLEGE] (or establishes such a unit) with powers, functions and structures as set out in the PIP.

iv. Ensures that the [enabling mechanisms] [eligibility criteria] applicable for the [NAME OF THE DEPARTMENT/FACULTY/NON-AUTONOMOUS CONSTITUTENT COLLEGE], and within its responsibility, continue to be fulfilled for the duration of implementation of the IDP.

v. Takes all necessary actions to achieve the PROJECT performance benchmarks as notified by NPIU from time to time; and such benchmarks which need to be met in a timely fashion in order to continue to receive funding under the PROJECT for implementation of the IDP as set out in the PIP and/or notified by NPIU from time to time.

vi. Publish each year an Annual Report on its website, including information on Issues listed in the PIP, in the format and as per timetable suggested in the PIP.

vii. Carries out monitoring and evaluation and data collection activities as set out in the PIP, and provides documents and data to the SPFU and NPIU, as and when requested, in the agreed format and within stipulated timelines.

viii. Participates in all systems set up to facilitate the implementation of the Project, such as the management information system and procurement management support system.

ix. Participates in all supervision and coordination activities conducted by the SPFU and NPIU.

x. Facilitates the participation of faculty, technical and administrative staff and students in training sessions, seminars and conferences planned so as to achieve the objectives of the IDP.

xi. Follows the guidelines and processes described in the Financial Management Manual and the Procurement Manual, contained in the PIP. Follows the procedures for Procurement of all Goods, Works and Services in accordance with the World Bank guidelines titled: Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014) (Procurement Guidelines); and Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014) (Consultant Guidelines); and the agreed procedures and limits described in the Financing Agreement.

xii. Complies with the Social Management Framework and Equity Action Plan, contained in the PIP.

xiii. Complies with the Environment Management Framework, contained in the PIP.

xiv. Mentors the PROJECT faculty/department/non-autonomous constituent college of a university through activities specified in the IDP (applicable for the institutions under subcomponent 1.3).

SECTION II

The DEPARTMENT agrees to:

a) Provide all necessary support to the UNIVERSITY through the SPFU. The functions and responsibilities of the SPFU are set out in the PIP.

b) Facilitate all reforms and activities as committed under the Project and contained in the PIP, through appropriate actions and orders, including the greater delegation of academic, administrative and financial powers to the UNIVERSITY and maintain [enabling mechanisms] [eligibility criteria] for the [NAME OF THE DEPARTMENT/FACULTY/NON-AUTONOMOUS CONSTITUTENT COLLEGE], which are within the responsibility of the DEPARTMENT, for the duration of the PROJECT.

c) Use of the Direct Benefit Transfer System for facilitating transfer of funds to the UNIVERSITY (or [NAME OF THE DEPARTMENT/FACULTY/NON-AUTONOMOUS CONSTITUTENT COLLEGE]) for its use under the PROJECT.

SECTION III

a) Ministry of Human Resource Development, Government of India will provide the project funds to the UNIVERSITY (or [NAME OF THE DEPARTMENT/FACULTY/NON-AUTONOMOUS CONSTITUTENT COLLEGE]) through a Direct Benefit Transfer System. The PIP describes the functioning of the Direct Benefit Transfer System, the rules and procedures governing its use, the schedule and conditions for release of the project funds, and the roles and responsibilities of the UNIVERSITY (or [NAME OF THE DEPARTMENT/FACULTY/NON-AUTONOMOUS CONSTITUTENT COLLEGE]) and the DEPARTMENT.

b) Fund release to UNIVERSITY (or [NAME OF THE DEPARTMENT/FACULTY/NON-AUTONOMOUS CONSTITUTENT COLLEGE]) will be dependent on satisfactory performance of the [NAME OF THE DEPARTMENT/FACULTY/NON-AUTONOMOUS CONSTITUTENT COLLEGE] against PROJECT performance benchmarks as set out in the PIP/notified by NPIU from time to time.

SECTION IV

Amendments can be made to the MOU only (a) under exceptional circumstances and (b) presentation of reasonable cause. The amended MOU will come into force only after due approval, and through written agreements duly authenticated and executed by the authorized representatives of all Parties to the original MOU.

This MOU will become effective when signed by duly authorized representatives of all parties, and shall remain in force until the completion of the activities covered by the MOU, or until it is duly terminated by the Parties.

Notwithstanding the provisions of this MOU, if the Project is suspended or terminated, this MOU will be automatically considered null and void from the date of such suspension or termination.

SECTION V

The Project implementation schedule:

a) The Project became effective on _______________2016.

b) The Project is expected to proceed over six years commencing on _______________ 2016 and is expected to be completed by _________________ 2022.

SECTION VI

- By this MOU both parties affirm their commitment to carry out the activities and achieve the objectives mutually agreed upon.
- Any dispute between the parties shall always be resolved by mutual consultation without any resort to arbitration or other form of legal remedy including resort to Court of Law.
- This Memorandum of Understanding will continue to be effective up to the closure of the Project.

Signed at _____________on this ______________ day of ___________ 2016.

FOR AND BEHALF OF (NAME OF THE UNIVERSITY)	FOR AND BEHALF OF DEPARMENT OF TECHNICAL/HIGHER EDUCATION
____________________	____________________
Vice Chancellor	Principal Secretary, Department of Technical/Higher Education, Government of _______________.

Annex-VI

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP] PHASE – III

TERMS OF REFERENCE FOR CONSULTANT (FINANCE) AT NPIU

Finance cell of NPIU will be headed by a qualified Finance Professional either CA/ICWA as Consultant (Finance). His duties and responsibilities inter-alia shall be as follows:

a) He will ensure proper functioning of Financial Management in the Project (TEQIP-III)

b) He will be looking after the functions of the Finance Wing of NPIU.

c) He will ensure proper accounting at NPIU level.

d) He will ensure getting timely reports from States/Project Institutions/CFIs

   (i) FMRs

   (ii) JRM documentation

   (iii) All other disbursement related procedures

e) He will ensure submission of reports to World Bank / MHRD / CAAA on timely basis.

f) He will coordinate with World Bank, MHRD and other agencies.

g) He will undertake visits to the States / Institutions for sorting out their problems.

h) He will ensure that NPIU fulfils Financial Management requirement of Disclosure Management Framework of Project.

i) Attend JRMs and provide adequate guidance/ clarifications to States/CFIs.

j) He will conduct training programmes on Financial Management at various centres on quarterly basis.

Annex-VII

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP]
PHASE – III

TERMS OF REFERENCE FOR HEAD OF THE FINANCE WING OF SPIU

Finance cell of SPIU will be headed by a qualified Finance Professional. His duties and responsibilities inter-alia shall be as follows:

a) He should be responsible for maintenance of accounts related to the project.

b) He should be responsible for timely submission of reports to NPIU.

c) He should be responsible for getting audit conducted as per the guidelines and hiring of auditor at State level (Statutory and Internal auditor).

d) He should ensure timely submission of Audit Report for the financial year within the timely limit prescribed by NPIU.

e) He should take timely action about the audit objections / disallowances if any.

f) He should also attend the training programme which will be conducted by NPIU from time to time.

g) He should also ensure giving proper training to accounts personnel at all project Institutions.

h) He should have proper liaison with NPIU / Project Institutions.

i) He should follow the guidelines in the Financial Management Manual.

Annex-VIII

**TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP]
PHASE – III**

**TERMS OF REFERENCE FOR HEAD OF THE FINANCE WING OF THE PROJECT AT INSTITUTION
(STATE LEVEL OR CFI)**

Finance cell of the Institution will be headed by a qualified Finance Professional. His duties and responsibilities inter-alia shall be as follows:

a) He should follow the guidelines in the Financial Management Manual.

b) He should be responsible for maintenance of accounts related to the project.

c) He should be responsible for timely submission of the reports to SPIU/NPIU.

d) He should be responsible for facilitating timely audit.

e) He should ensure timely submission of compliance of Audit Report for the financial year within the time limit prescribed by SPIU.

f) He should take timely action about the audit objections / disallowances, if any.

g) He should also attend the training programme which will be conducted by SPIU / NPIU from time to time.

h) He should have proper liaison with SPIU/NPIU.

Annex-IX

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME (TEQIP) PHASE-III
CHART OF ACCOUNTS

Chart of Accounts			Applicability of account heads				
			NPIU	SPIUs	PIs	CFIs	ATUs
S.No.	**Liabilities**	**Remarks**					
1	General Fund	-	Y	Y	Y	Y	Y
2	Income & Expenditure Account	To be added/deducted from General Fund at year end	Y	Y	Y	Y	Y
3	TDS / Works Contract Tax Deducted / Service Tax Deducted	Separate account to be opened for each type of tax	Y	Y	Y	Y	Y
4	Security Deposit retained / EMD / Retention money	Separate account to be opened for each type of retention	Y	Y	Y	Y	Y
5	Grant released by MHRD to NPIU	One consolidated account	Y	N	N	N	N
6	Grant released by MHRD to SPIUs	One consolidated account	Y	Y	N	N	N
7	Grant released by MHRD to CFIs	One consolidated account	Y	N	N	Y	N
8	Grant released by MHRD to PIs	One consolidated account	Y	Y	Y	N	N
9	Grant released by MHRD to ATUs	One consolidated account	Y	Y	N	N	Y
S.No.	**Assets**	**Remarks**					
1	Cash	-	Y	Y	Y	Y	Y
2	Bank	-	Y	Y	Y	Y	Y
3	Advances to employees	Separate account to be opened for each staff	Y	Y	Y	Y	Y
4	Advances for goods - supplier’s name	Separate account to be opened for each supplier	Y	Y	Y	Y	Y
5	Advances for services - service provider’s name	Separate account to be opened for each service provide	Y	Y	Y	Y	Y

S.No.	Assets	Remarks	NPIU	SPIUs	PIs	CFIs	ATUs
6	Advances for works – package/contractor's name	Separate account to be opened for each contractor/package	Y	Y	Y	Y	Y
7	Stale Cheques	One consolidated account	Y	Y	Y	Y	Y
8	SPIUs	Individual Account to be opened for each SPIU	Y	Y	N	N	N
9	CFIs	Individual Account to be opened for each CFI	Y	N	N	Y	N
9	Project Institutions	Individual Account to be opened for each Project Institution	Y	Y	Y	N	N
10	ATUs	Individual Account to be opened for each Project Institution	Y	Y	N	N	Y
S.No.	**Income**	**Remarks**					
1	Grant received from MHRD	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	Y
3	Other income	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	Y
S.No.	**Expenditure**	**Remarks**					
1.1	**Sub-Component 1.1 (Institutional Development grants to institutes in focus states & Faculty Reforms)**						
1.1.1	**Procurement of Goods**		NPIU	SPIUs	PIs	CFIs	ATUs
1.1.1.1	Equipments	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.1.2	Learning resources	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.1.3	Furniture	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.1.4	Minor civil works	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N

1.1.2	Academic Processes		NPIU	SPIUs	PIs	CFIs	ATUs
1.1.2.1	Improve students learning	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.2.2	Assistantships	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.2.3	Graduates employability	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.2.4	Faculty/staff development and motivation	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.2.5	Research and development	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.2.6	MOOCs and digital learning	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.2.7	Mentoring/Twinning system	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.2.8	Reforms and governance	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.2.9	Management capacity development	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.2.10	Services	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.2.11	Industry-Institute Interaction	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.3	**Operating Costs**						
1.1.3.1	Consumables	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.3.2	Operation & maintenance of equipments	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.3.3	Office expenses	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.3.4	Meetings	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.3.5	Hiring of vehicles	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.3.6	Travel cost	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N
1.1.3.7	Salary	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	Y
1.1.4	**Faculty Refoms**						
1.1.4.1	Salary (Quality Teachers)	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	N

1.2	Sub-Component 1.2 & 1.3 ATUs (Widening the impact through ATUs/AUs)						
1.2.1	**Procurement of Goods & Services**		NPIU	SPIUs	PIs	CFIs	ATUs
1.2.1.1	Equipments	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.1.2	Learning resources	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.1.3	Furniture	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.1.4	Minor civil works	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.2	**Academic Processes**						
1.2.2.1	Improve students learning	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.2.2	Assistantships	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.2.3	Graduates employability	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.2.4	Faculty/staff development and motivation	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.2.5	Research and development	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.2.6	MOOCs and digital learning	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.2.7	Mentoring/Twinning system	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.2.8	Reforms and governance	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.2.9	Management capacity development	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.2.10	Services	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.2.11	Industry-Institute Interaction	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.3	**Operating Costs**						
1.2.3.1	Consumables	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.3.2	Operation & maintenance of equipments	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.3.3	Office expenses	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.3.4	Meetings	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.3.5	Hiring of vehicles	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.3.6	Travel cost	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	Y
1.2.3.7	Salary	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	Y

1.3	Sub-component 1.3 -- Twinning Arrangement		NPIU	SPIUs	PIs	CFIs	ATUs
1.3.1	**Procurement of Goods**						
1.3.1.1	Equipments	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.1.2	Learning resources	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.1.3	Furniture	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.1.4	Minor civil works	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.2	**Academic Processes**						
1.3.2.1	Improve students learning	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.2.2	Assistantships	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.2.3	Graduates employability	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.2.4	Faculty/staff development and motivation	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.2.5	Research and development	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.2.6	MOOCs and digital learning	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.2.7	Mentoring/Twinning system	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.2.8	Reforms and governance	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.2.9	Management capacity development	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.2.10	Services	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.2.11	Industry-Institute Interaction	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.3	**Operating costs**						
1.3.3.1	Consumables	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.3.2	Operation & maintenance of equipments	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.3.3	Office expenses	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.3.4	Meetings	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.3.5	Hiring of vehicles	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.3.6	Travel cost	Transferred to Income and Expenditure Account at year end	Y	Y	Y	N	N
1.3.3.7	Salary	Transferred to Income and Expenditure Account at year end	Y	Y	Y	Y	Y

2	**Component 2-- (System Level Strengthening Sector Governance and Performance)**		NPIU	SPIUs	PIs	CFIs	ATUs
2.1	**System Level Strengthening**						
2.1	Services (Students learning assessment reforms through AICTE)	Transferred to Income and Expenditure Account at year end	Y	N	Y	N	N
2.2	Services [National Knowledge Network (NKN)]	Transferred to Income and Expenditure Account at year end	Y	N	Y	N	N
2.3	Services (Accreditation support through NBA)	Transferred to Income and Expenditure Account at year end	Y	N	Y	N	N
2.4	Services (Pedagogical Training/KIT/QEEE prog. by IITs)	Transferred to Income and Expenditure Account at year end	Y	N	Y	N	N
2.5	Services (MCEP/LDP programmes by IIMs)	Transferred to Income and Expenditure Account at year end	Y	N	Y	N	N
2.2	**Operating Cost National Project Implementation Unit**						
2.2.1	Equipments	Transferred to Income and Expenditure Account at year end	Y	N	N	N	N
2.2.2	Services	Transferred to Income and Expenditure Account at year end	Y	N	N	N	N
2.2.3	Consumables	Transferred to Income and Expenditure Account at year end	Y	N	N	N	N
2.2.4	Operation and maintenance of equipments	Transferred to Income and Expenditure Account at year end	Y	N	N	N	N
2.2.5	Office expenses	Transferred to Income and Expenditure Account at year end	Y	N	N	N	N
2.2.6	Meetings/Workshops/Training Programmes	Transferred to Income and Expenditure Account at year end	Y	N	N	N	N
2.2.7	Hiring of Vehicles	Transferred to Income and Expenditure Account at year end	Y	N	N	N	N
2.2.8	Salary	Transferred to Income and Expenditure Account at year end	Y	N	N	N	N
2.2.9	Travel Cost	Transferred to Income and Expenditure Account at year end	Y	N	N	N	N

2.3	**Operating Cost, SPIU**		NPIU	SPIUs	PIs	CFIs	ATUs
2.3.1	Equipments	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	N
2.3.2	Services	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	N
2.3.3	Consumables	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	N
2.3.4	Operation and maintenance of equipments	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	N
2.3.5	Office expenses	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	N
2.3.6	Meetings/Workshops/Training	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	N
2.3.7	Hiring of Vehicles	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	N
2.3.8	Salary	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	N
2.3.9	Travel Cost	Transferred to Income and Expenditure Account at year end	Y	Y	N	N	N

Annex-X

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME (TEQIP) PHASE-III
MAPPING OF EXPENDITURE

Component -1 : Improving Quality and Equity in Focus States			
Sub-Component 1.1 (Institutional Development grants to institutes in focus states & Faculty Reforms)			
S.No.	**Activity/Category of Expenditure**	**Account Code**	**Accounting & Reporting Head**
1.1.1	**Procurement**	1.1.1.1	Equipment
		1.1.1.2	Learning Resources
		1.1.1.3	Furniture
		1.1.1.4	Minor Civil Works
1.1.2	**Academic Processes**	1.1.2.1	Improve student learning
		1.1.2.2	Assistantships
		1.1.2.3	Graduates employability
		1.1.2.4	Faculty/Staff Development and motivation
		1.1.2.5	Research and development
		1.1.2.6	MOOCs and digital learning
		1.1.2.7	Mentoring/Twinning system
		1.1.2.8	Reforms and governance
		1.1.2.9	Management Capacity development
		1.1.2.10	Services
		1.1.2.11	Industry-Institute Interaction
1.1.3	**operating costs**	1.1.3.1	Consumables
		1.1.3.2	Operation and maintance of equipments
		1.1.3.3	Office expenses
		1.1.3.4	Meetings
		1.1.3.5	Hiring of Vechicles
		1.1.3.6	Travel Cost
		1.1.3.7	salary
1.1.4	**Faculty Reforms**	1.1.4.1	Salary (Quality Teachers)

Sub-Component 1.2 & 1.3 (Widening the Impact through ATUs)			
1.2.1	**Procurement**	1.2.1.1	Equipments
		1.2.1.2	Learning resources
		1.2.1.3	Furniture
		1.2.1.4	Minor civil works
1.2.2	**Academic Processes**	1.2.2.1	Improve students learning
		1.2.2.2	Assistantships
		1.2.2.3	Graduates employability
		1.2.2.4	Faculty/staff development and motivation
		1.2.2.5	Research and development
		1.2.2.6	MOOCs and digital learning
		1.2.2.7	Mentoring/Twinning system
		1.2.2.8	Reforms and governance
		1.2.2.9	Management capacity development
		1.2.2.10	Services
		1.2.2.11	Industry-Institute Interaction
1.2.3	**operating costs**	1.2.3.1	Consumables
		1.2.3.2	Operation & maintenance of equipments
		1.2.3.3	Office expenses
		1.2.3.4	Meetings
		1.2.3.5	Hiring of vehicles
		1.2.3.6	Travel cost
		1.2.3.7	Salary

Sub-Component 1.3 ((Twinning Arrangements)			
1.3.1	**Procurement**	1.3.1.1	Equipments
		1.3.1.2	Learning resources
		1.3.1.3	Furniture
		1.3.1.4	Minor civil works
1.3.2	**Academic Processes**	1.3.2.1	Improve students learning
		1.3.2.2	Assistantships
		1.3.2.3	Graduates employability
		1.3.2.4	Faculty/staff development and motivation
		1.3.2.5	Research and development
		1.3.2.6	MOOCs and digital learning
		1.3.2.7	Mentoring/Twinning system
		1.3.2.8	Reforms and governance
		1.3.2.9	Management capacity development
		1.3.2.10	Services
		1.3.2.11	Industry-Institute Interaction
1.3.3	**operating cost**	1.3.3.1	Consumables
		1.3.3.2	Operation & maintenance of equipments
		1.3.3.3	Office expenses
		1.3.3.4	Meetings
		1.3.3.5	Hiring of vehicles
		1.3.3.6	Travel cost
		1.3.3.7	Salary

Component-2 (System Level Strengthening Sector Goverance and performance)			
2.1	**System Level Strengthening**	2.1.1	Services (Students learning assessment reforms through AICTE)
		2.1.2	Services [National Knowledge Network (NKN)]
		2.1.3	Services (Accreditation support through NBA)
		2.1.4	Services (Pedagogical Training/KIT/QEEE programmes by IITs)
		2.1.5	Services (MCEP/LDP programmes by IIMs)
2.2	**Sector Governance and Performance**		
2.2.1	**Operating Cost : National Project Implementation Unit (NPIU)**	2.2.1.1	Equipments
		2.2.1.2	Services
		2.2.1.3	Consumables
		2.2.1.4	Operation and maintenance of equipments
		2.2.1.5	Office expenses
		2.2.1.6	Meetings/Workshops/Training Programmes
		2.2.1.7	Hiring of Vehicles
		2.2.1.8	Salary
		2.2.1.9	Travel Cost
2.2.2	**Operating Cost, State Project Implementation Units (SPIUs)**	2.2.2.1	Equipments
		2.2.2.2	Services
		2.2.2.3	Consumables
		2.2.2.4	Operation and maintenance of equipments
		2.2.2.5	Office expenses
		2.2.2.6	Meetings/Workshops/Training
		2.2.2.7	Hiring of Vehicles
		2.2.2.8	Salary
		2.2.2.9	Travel Cost

Annex-XI

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP]
PHASE – III

Interim Unaudited Financial Report (IUFR)

IUFR 1

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP]
PHASE - III
Statement of Claim
Report for the Period from :

(In INR ,000)

Particulars	Expenditure details				Claim status*		
	Cumulative till previous quarter	During the quarter	Year to date	Cumulative till date	Cumulative till previous quarter	Current claim	Cumulative incl current claim
Eligible Expenditures Program under Component 1 of the Project							
Component 2- Goods , non consulting services, consulting services, training and incremental operating costs under the project							
Total							

Note* Applicable percentage : 50%

Central Project Advisor
Date:

IUFR 2

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME (TEQIP)
PHASE-III
Statement of EEP
Report for the period from :

IUFR : Year Wise disbursements under Component 1

DLI wise	***Allotted Amount USD***	***F.Y. 17-18***	***F.Y. 18-19***	***F.Y. 19-20***	***F.Y. 20-21***	***Total***
DLI 1						
DLI 2						
DLI 3						
DLI 4						
DLI 5						
DLI 6						
DLI 7						
Total (US$ mn)						

IUFR : Comparison of EEP with the disbursements

	Opening balance of EEP brought forward	**Expenditure during current FY**	**Disbursement during FY in USD**	**Disbursement during FY - equivalent INR**	**Closing balance carried forward**	**Remarks (if any)**
F.Y. 17-18						
F.Y. 18-19						
F.Y. 19-20						
F.Y. 20-21						
Total						

Details of Disbursement till date

Component 1	**Disbursements till previous reported period**	**Current claim**	**Cumulative claim incl. current claim**	**Comparison with the cumulative EEP till date**

Central Project Advisor
Date:

IUFR 3

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP]
PHASE - III
Statement of Expenditure : Component wise
Report for the Period from :

(In INR ,000)

S. No.	Particulars	Annual Budget	For the Period	Financial Year to Date	Cumulative to Date
		1	2	3	4
I	**Expenditure by Components**				
1	**Improving quality & Equity in engineering Institutes in Focus States**				
1.1	**Institutional Development Grant in participating States**				
A	**Institute's Executed**				
	Works				
	Goods				
	Services				
	Others				
B	**NPIU Executed**				
	Expenditure out of Seed Money				
1.2	**Widening Impact Through ATUs**				
	Goods				
	Services				
	Trainings				
	Others				
1.3	**Twining Arrangments toBuild capacity and Improve Performance of Participating Institutes and ATUs**				
	Goods				
	Services				
	Trainings				
	Others				
	Total Expenditure Component 1	**0.00**	**0.00**	**0.00**	**0.00**
2	**System- Level Initiative to Strengthen Sector Governance and Performance**				
2.1	Strengthening Student & Faculty Assessment System				
2.2	Improving Quality & Reach of Mentorship-related Activities				
2.3	Improving data management				
2.4	Innovations in Technology-driven Education				
2.5	Project Monitoring, Evaluation and Management				
	Total Expenditure Component 2	**0.00**	**0.00**	**0.00**	**0.00**
	Total Expenditure (D = 1+2)	**0.00**	**0.00**	**0.00**	**0.00**

Certified that:
The information mentioned above is as per books of accounts of implementing entities/project.

Central Project Advisor
Date:

IUFR-4

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP]
PHASE - III

Statement of Funds and Expenditure: Agency wise

Report for the Period from:

(In INR ,000)

S. No.	Particulars	Nos.	Flow of funds			Amount of expenditure		
			Opening balance	Received during the year	Closing Balance	Expenditure for the Period	Financial Year to Date	Cumulative to Date
			a	b	c= (a+b-d)	d	e	f
A	Autonomous Colleges							
B	Non - Autonomous Colleges							
C	ATUs							
D	SPIUs							
E	Centrally Funded Institutes (CFIs)							
F	NPIU							
G	AICTE							
H	NBA							
	GRAND TOTAL							

Note: No direct funds are expected to flow to SPIUs, AICTE & NBA

Certified that:
The information mentioned above is as per books of accounts of implementing entities/project

Central Project Advisor
Date:

IUFR - 5

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME (TEQIP) PHASE-III

Interim Unaudited Financial Report (IUFR)

Details of Expenditure of Component 2 : System-level initiatives to Strengthen sector governance and performance (Pedagogy Training -- IITs)

for the period from…………..… to ………..….

Name of the IIT :

(Rs. in Lakh)

S. No.	**Particulars**	**Expenditure Details**			
		Cumulative till previous quarter	**During the quarter**	**Year to date**	**Cumulative till date**
(a)	Training fee				
(b)	Travel Cost of Resource Person both National & International				
(c)	Boarding and Lodging Expenses				
(d)	Conference, Seminars & Workshops				
(e)	Course Material Cost including Teaching & Learning Materials and processes including ICT enabled learning. Video conferencing facilities/corresponding ICT resources needed etc.				
(f)	Management Cost:				
	(i) Salary				
	(ii) Honorarium				
	(iii) Computational charges and office equipment				
	(iv) Contingency				
	(v) Overheads@20%				
	Total				

Authorised Signatory

Date :

IUFR- 6

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME (TEQIP) PHASE-III

Interim Unaudited Financial Report (IUFR)

Details of Expenditure of Component 2 : System-level initiatives to Strengthen sector governance and performance (Professional Development Training -- IIMs)

for the period from…………..…. to ………..….

Name of the IIM :

(Rs. in Lakh)

S. No.	**Particulars**	**Expenditure Details**			
		Cumulative till previous quarter	**During the quarter**	**Year to date**	**Cumulative till date**
(a)	Training fee				
(b)	Travel Cost of Resource Person both National & International				
(c)	Boarding and Lodging Expenses				
(d)	Conference, Seminars & Workshops				
(e)	Course Material Cost including Teaching & Learning Materials and processes including ICT enabled learning. Video conferencing facilities/corresponding ICT resources needed etc.				
(f)	Management Cost:				
	(i) Salary				
	(ii) Honorarium				
	(iii) Computational charges and office equipment				
	(iv) Contingency				
	(v) Overheads@20%				
	Total				

Authorised Signatory

Date :

Annex-XII

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP]
PHASE – III

REGISTER OF CONTRACTS FOR CONSULTANCY SERVICES

S. No.	Contract No.	Consultant's Name and Address	Brief description of the consultancy service	Date of contract	Date of scheduled Completion	Amount of contract with stages if any	Date of actual completion	Remarks

Annex-XIII

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP]
PHASE – III

REPORT ON FINANCIAL MANAGEMENT ISSUES

To be sent twice in a year along with six months ending 30th September and 31st March.

Statement showing quarterly report of FM issues - Report for the quarter ending ……					
Name of the Project Institution :					
1	**Position of the Staff in Finance and Accounts Department**				
	Sl. No.	**Name of State/CFI**	**No. of Vacancies of Account Staff sanctioned for TEQIP-II including institutions**	**No. of Vacancies filled in**	**No. of Vacant Post**
2	**Training of Finance Personnel**				
	Sl. No.	**No. of Persons attended the training**	**Mention dates on which training was conducted during the quarter**	**Total no. of training programme attended till date**	
3	**Delegation of adequate Financial and Administrative Powers**				
	Sl. No.	**Delegation of Financial Powers**	**To whom delegation has been givenPlease mention designation**		
4	**Adequate infrastructure facilities like computers, printers, telephone, fax, internet connection, etc. provided to Finance and Accounts staff:**				
	Yes or No.	**If 'YES' Please specify items provided**			
5	**Accounting Software**				
	Is Accounting Software being used? Mention 'Yes' or 'No'	**If 'yes', specify Name of Accounting Software**			

6	**Whether Bank Reconciliation Statement (BRS) is prepared monthly?**				
	Up to which month BRS been prepared Please mention Month	**Who is authorized signatory for TEQIP funds?Please mention designation of official (s)**			
7	**Status of resolution of Audit Observations**				
	Sl. No.	**Financial Year**	**No. of Audit Observations**	**No. of Settlement of the Audit Observations**	
8	**Status of resolution of Audit Disallowances**				
	Sl. No.	**Financial Year**	**Amount of Audit Disallowance**	**Amount of Audit disallowance settled**	
9	**Appointment of Statutory Auditor**				
	Sl. No.	**Financial Year**	**Whether Statutory Auditor Appointed Yes/No**	**If not appointed likely date of appointment**	**Likely date of submission of Audit Report**
10	**Appointment of Internal Auditor**				
	Sl. No.	**Financial Year**	**Whether Internal Auditor Appointed Yes/No**	**If not appointed likely date of appointment**	**Likely date of submission of Internal Audit Report for the half year**

Annex-XIV

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP]
PHASE – III

CONSOLIDATED REPORT ON ANNUAL STATUTORY AUDIT

Expenditure Incurred by Implementing Entities (States/CFIs/ATUs/NPIU)*

Audit Report for Financial Year ended on __________

(Rs. Lakhs)

S. No.	**Name of State/CFIs/ATUs/NPIU** **(** in alphabetical order**)**	**Expenditure**		
		Reported[1] **(A)**	**Disallowed**[2] **(B)**	**Net** **(C = A – B)**
	Grand Total			

* *Note* : Consolidated Audit Report for the Project will be prepared on the basis of the following individual audit reports: audit report for each State, audit report for NPIU and consolidated audit report for CFIs.

[1] As reported in the Interim Un-audited Financial Reports of the State/CFI/NPIU.
[2] Amount either (a) disallowed by the Auditor or (b) considered ineligible by NPIU for any reason.

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP] PHASE – III

CONSOLIDATED REPORT ON AUDIT

Date of Audit Report

Audit Report for Financial Year ended on __________

S.No.	**Name of State/CFIs/NPIU** (in alphabetical order)	**Date**[3]

[3] Date as per the Audit Report and Certificate issued by the Auditor.

Annex-XV

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP]
PHASE – III

TRIAL BALANCE

AS ON ___________________

S. No.	L.F. No.	HEAD OF ACCOUNT		DEBIT Rs.	CREDIT Rs.
		Account Code *	Description		
TOTAL					

* with respect to chart of account

Annex-XVI

**TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP]
PHASE – III**

BANK RECONCILIATION STATEMENT

Month :

Bank's Name :

Sl. No.	**Particulars**	**Amount Rs.**	**Amount Rs.**
A	Balance as per Bank Statement		
B	ADD: (i) Amount Deposited but not Credited by Bank (ii) Amount debited but not taken to Cash Book		
C	SUB TOTAL (A+B)		
D	LESS: (i) Cheques issued but not presented in the bank (ii) Amount credited by bank but not taken to Cash Book		
E	Balance as per Cash book (C-D)		

List of Cheques not presented in the Bank as per D (i)	**Amount Rs.**	**Date of Encashment**
Cheque No.		
TOTAL		

Prepared by Checked by Approved By

(Cashier) (Accounts Incharge) (Appropriate Authority)

Annex-XVII

**TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP]
PHASE – III**

RECEIPT AND PAYMENT ACCOUNT

FOR THE MONTH OF/ QUARTER OF ________________

(From ___________________ to __________________)

RECEIPTS				PAYMENTS			
Sl. No.	Particulars	For the month Amount Rs.	Cumulative Amount Rs.	Sl. No	Particulars	For the month Amount Rs.	Cumulative Amount Rs.
1	Opening Balance a) Cash b) Bank			1	Release to		
2	Received from			2	Payment to Consultants, Seminars & Workshops		
3	Other Receipts, if any			3	Procurement of Assets		
				4	Administration Expenditure		
				5	Closing balance a) Cash b) Bank		
TOTAL				**TOTAL**			

Annex-XVIII

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP]
PHASE – III

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED ______________

EXPENDITURE			
Previous Year	Particulars	Amount Rs.	Amount Rs.

	INCOME		
Previous Year	Particulars	Amount Rs.	Amount Rs.

Annex-XIX

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP]
PHASE – III

BALANCE SHEET

AS AT ______________

S. No.	PARTICULARS	SCHEDULE NO.	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
A	SOURCE OF FUNDS 1) Amount received from: 2) Contribution from: 3) Excess of income over Expenditure			
	TOTAL			
B	APPLICATION OF FUNDS 1) Fixed Assets 2) Work in progress –Scheme work under implementation 3) A. Current Assets, Loans and advances a. Cash Balance b. Bank balance c. Advance for Capital goods d. Loans and Advances B. Less: Current Liabilities Net Current Assets (A-B)			
	TOTAL			

Annex-XX

**TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP]
PHASE – III**

TERMS OF REFERENCE FOR INTERNAL AUDITOR

Position	:	**Internal Auditor**
Organization	:	....
Duty Station	:	....
Duration	:	Initially for 1 year (further extension for 2 years based on performance)

BACKGROUND:

TEQIP III will be a Central Sector Scheme of the Ministry of Human Resources Development (MHRD) and is expected to cover around 30 States and 250 institutions. The Central Government will finance 100% cost.

PROJECT COMPONENTS:

The Third Phase of the Technical Education Quality Improvement Programme is composed of the following components and sub-components:

Component 1 : Improving quality and equity in low-income and special category state (LIS/SCS):

- **Sub-component 1.1 :** *:* Institutional Development Grants to Government and Government-aided Institutes
- **Sub-component 1.2:** Widening Impact through ATUs in LIS and SCS **:**

Component 2: System-level initiatives to strengthen sector governance and performance

Component 3: Sustaining excellence in engineering education and widening impact through competitively-selected institutes in non-LIS/SCS

- **Sub-component 3.1:** Incubating, Sustaining and Spreading Excellence through Competitively-selected Government and Government-aided Institutes
- **Sub-component 3.2:** Widening Impact through ATUs in non-LIS

IMPLEMENTATION ARRANGEMENTS:

I. Institutional and implementation Arrangements

Central Level

Overall responsibility for the project will lie with the Department of Higher Education of the Ministry of Human Resource Development (MHRD). MHRD will constitute a National Steering Committee assisted by a small National Project Directorate headed by the National Project Director.

MHRD will delegate day-to-day implementation to National Project Implementation Unit (NPIU). MHRD will enter into a Memorandum of Understanding (MoU) with each State Government.

State Level

State Governments will oversee and facilitate implementation in the institutions in their State through the State Project Implementation Unit (SPIU) under the department responsible for technical education. The Secretary in-charge of technical education is overall responsible for project implementation in that State, assisted by the Director of Technical Education and the team in the SPIUs. Each State will enter into an MoU with each participating institution.

Institutional Level

At the institutional level, the Board of Governors (BOG) is the body responsible for institutional project design, reform and project implementation. The day-to-day implementation is coordinated by a TEQIP unit headed by the institutional Director and assisted by a senior faculty member as the TEQIP Nodal Officer.

There will be around 250 participating Project institutions sponsored by State Governments, including new Centrally Funded Institutions (CFIs). These will be financed exclusively by the Central Government and will enter into an MoU directly with the MHRD under the supervision and facilitation of the NPIU.

II. Financial Management Arrangements

Budgeting:
The project will follow the budgeting cycle of GoI i.e. April to March and the process will be completed when project's expenditure (IBRD financing and counterpart financing) estimates are included in the Union government's budget presented and approved by Parliament. The project will be budgeted on the expenditure side at the Union (centre) level, as externally aided project under an identifiable budget head item (demand no. XX) of the MHRD.

5.2 Budgeting Projcess: For project activities will be as follows:

- **National Level:** NPIU will be responsible for preparation of the budget for its own expenditure, releases to states as well as expenditure to be incurred at the Central Institutions.
- **State Level:** Basis for project activities in each state will be the Institutional Proposals prepared by each institution which will include financing requirements. The quantum of expenditure at the SPIU level is relatively insignificant. The Institutional Proposal will be reviewed by the State government and recommended to the NPIU for evaluation by one of the two National Evaluation Committees. Proposals that are selected for funding will form the basis for preparation of the budget
- Books of accounts for the project are maintained using double-entry bookkeeping principles. Standard books of accounts are maintained at the State and institutions. Most States/ institutions use an off-the-shelf accounting software for recording/ compilation of information
- The Finance Function in NPIU will be headed by a Consultant Finance who will be assisted in his/her functions by an Associate Consultant and at least two Accounts Assistants. At the State level each SPIU is expected to have a full time person responsible for oversight of the FM function.

- Disbursements from the World Bank will be made against quarterly Financial Monitoring Reports (FMRs), to be submitted within 45 days of close of each quarter. Expenditure as reported in the IUFRs will be subject to certification as per the Annual Audit Reports submitted for each State/ NPIU/CFIs.
- Audits of States will be conducted by firms of Chartered Accountants appointed by SPIU. The Audit will cover Project Financial Statements from all institutions and SPIUs. Audits will be carried out in accordance with TORs acceptable to the Bank. The MHRD will provide the Bank with a Consolidated Report on Audit of the Project, including a consolidation of project expenditure and key observations forming part of the State audit reports, audit report for CFIs and NPIU.

OBJECTIVE OF INTERNAL AUDIT:

The objectives of internal audit are as follows:

- To evaluate adequacy of internal control system
- To ensure compliance of laid down policies and procedures as documented in Financial Management Manual of the project.

Internal audit provides project management with timely information and recommendations on financial management aspects to enable the management to take corrective actions, wherever necessary, in due time.

NEED FOR INTERNAL AUDIT:

As laid down in Annex-7 of Project Appraisal Document (PAD), the SPIU has to appoint internal auditors for the project to perform audit on semi-annual basis at the institutions. Further, the Centrally Funded Institution will appoint internal auditors for carrying out internal audit of their institution on semi-annual basis.

SCOPE OF AUDIT:

The overall scope of Internal Audit in TEQIP II project will include:

(i) enable the auditor to confirm compliance with Financial Management Guidelines laid dowm for the project.

(ii) provide SPIU with timely and real time information on financial management aspects of the project, including internal controls, compliance with financing agreements and Institutions/areas in need for improvement and to enable follow-up action. This will involve regular and frequent visits to Institutions to check adherence with internal control requirements like bank reconciliations, timely maintenance of books/accounting software and accuracy of reporting.

COVERAGE OF AUDIT:

The audit would cover the entire project i.e., covering all sources and application of funds for the project, as considered necessary for the audit. The audit would also cover all consultancies or other contracts that may be entered into by the implementing agencies.

Specific areas of coverage of audit will include the following:

FINANCIAL TRANSACTIONS:

Internal audit of each implementing agency (IA) should be conducted on a semi-annual basis. It should be carried out in accordance with the Internal Auditing Standards of Institution of Chartered Accountants of India, and will include such substantive and control tests as the Internal Auditor considers necessary under the circumstances.

The internal auditor will conduct an assessment of the adequacy of the project Financial Management system, including internal controls. This would include aspects such as:-

a) Whether appropriate controls as specified by the Financial Management Manual (FMM), Project Appraisal Document (PAD), General Financial Rules (GFRs), Project Implementation Plan (PIP) and other relevant Central/State Government notifications are operating satisfactorily. The auditor should suggest methods for improving weak controls or creating them where these controls do not exist.

b) That proper books of account/operation of accounting software as laid down in the Financial Management Manual and adequate documentation is being maintained for timely and accurate reporting for project activities.

c) An assessment of compliance with provisions of the financing agreements (Grant Agreement; Project Agreements, Memorandum of Understanding (MoU) between Institution and SPIU and State and NPIU.

d) Efficiency and timeliness of funds flow mechanism at the level of State and institutions for project activities.

e) That an adequate system is in place to ensure that goods, works and services are being procured in accordance with the procurement procedures prescribed for the project. The audit should report by exception any such cases found where these guidelines are not followed.

f) That an appropriate system of accounting and financial reporting exists, on the basis of which claims are prepared and submitted for reimbursement.

g) Adequate records are maintained regarding assets created and assets acquired by the project, including details of cost, identification and location of assets.

h) Checking adherence to FM aspects of Disclosure Management requirement of the project by implementing agencies.

i) Verifying compliance with the recommendation of the internal audit report of the previous period (s) and provide comments thereon.

TIMING AND COVERAGE:

Internal audit will be carried out on a semi-annual basis and will include institutions. The Internal Audit firm will submit an Audit Schedule in advance to SPIU/CFIs and agree the schedule with the SPIU/CFIs.

REPORTING:

In addition to detailed internal audit report, the auditor should provide an **Executive Summary** highlighting critical issues which require the attention of the Head of SPIU and Board of Governor (BOG) of Institution and the status of action on the previous recommendations.

S. No	Period	No. of Institutions	Audit to be conducted in	Submission of Audit Report
1	1st April – 30th September		October	15th November
2	1st October – 31st March		April	15th May

PERIOD OF APPOINTMENT:

The auditor would be appointed for a period of 1 year beginning ………….. and cover the Financial Year ending on March 31st……………….. The contract may be extended to another two years on the basis of performance of the auditor.

GENERAL:

The auditor should be given access to all legal documents, correspondence, Books of Accounts, Finance Management Manual of the project, Project Implementation Plan (PIP), Project Appraisal Document (PAD), Development Credit Agreement, Memorandum of Understanding (MOU) between the State and the Institution, Government Orders and Office Orders and any other information associated with the Project and as deemed necessary by the Auditor.

Annexure to ToR

SUGGESTED FORMAT OF INTERNAL AUDIT REPORT

Part A: Brief details of the Auditee and Audit:

a. Name and address of the Auditee :
b. Names of Office bearers :
c. Name/s of Audit Team Members :
d. Days of audit :
e. Period covered in the previous audit :
f. Period covered in the current audit :

Part B: Executive Summary:

The Executive Summary should normally cover the following items:

a) Objectives of audit
b) Methodology of audit
c) Status of implementation of the financial management system
d) Status of compliance of previous audit reports, including major audit observations pending compliance
e) Key areas of weaknesses that need improvement, classified into the following areas:
   i. Disallowance of expenditure as per the World Bank rules
   ii. Procedural Lapse
   iii. Accounting Lapse
   iv. Accounting books & records not maintained.

f) Recommendations for improvements

Executive Summary to include the following format:-

Para No.	Observations	Implications with risks involved	Recommendations for improvement	Auditee's Comments/ Agreed Action	Agreed Timeline for compliance

Part C: Compliance to previous Audit Reports

In this part, provide status of compliance with previous reports and detail pending audit observations. The views of the auditee should also be mentioned. In case there is any difficulty or problem in resolution of audit findings, these should be clearly highlighted.

Part D: Serious Observations:

In this part, provide details of serious audit observations, such as ineligible expenses, major lapses in internal controls, systemic weaknesses, procurement procedures not followed, incorrect information submitted for reimbursements, difference between cash drawn and expenditure reported, procedural lapse, accounting lapse, accounting books & records not maintained etc.

Part E: Other Observations:

Observations that are not serious in nature, but nonetheless require the attention of the Project should be detailed in this part.

Part F: Executive Summary and Suggestions/Recommendations:

Provide an Executive Summary of the observations mentioned in Part C and D along with suggestions/recommendations. Provide specific recommendations on internal control and systemic weaknesses. In addition to audit reports, the auditor will provide a report to Project Management highlighting findings during the period under review. This will be in the form of a **consolidated Management Letter**,which will inter-alia include:

a) Comments and observations on the financial management records, systems and controls that were examined during the course of the review.
b) Deficiencies and areas of weaknesses in systems and controls and recommendation for their improvement.
c) Compliance with covenants in the financing agreement and comments, if any, on internal and external matters affecting such compliance.
d) Matters that have come to attention during the review and might have a significant impact on the implementation of the Project.
e) Any special review procedures required of a compliance nature (for example, compliance of procurement procedures and procedure for selection of consultants etc. recommended by the World Bank).
f) Any other matters that the auditor considers pertinent.

Annex-XXI

**TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP]
PHASE – III**

**TERMS OF REFERENCE FOR AUDIT OF FINANCIAL STATEMENTS
(ANNUAL STATUTORY AUDIT)**

BACKGROUND:

TEQIP-III will be a Central Sector Scheme of the Ministry of Human Resources Development (MHRD) and is expected to cover around 30 States and 250 institutions. The Central Government will finance 100% the costs.

PROJECT COMPONENTS:

The Second Phase of the Technical Education Quality Improvement Programme is composed of the following components and sub-components:

Component 1 : Improving quality and equity in low-income and special category state (LIS/SCS):

- **Sub-component 1.1 :** *:* Institutional Development Grants to Government and Government-aided Institutes

- **Sub-component 1.2:** Widening Impact through ATUs in LIS and SCS **:**

Component 2: System-level initiatives to strengthen sector governance and performance

Component 3: Sustaining excellence in engineering education and widening impact through competitively-selected institutes in non-LIS/SCS

- **Sub-component 3.1:** Incubating, Sustaining and Spreading Excellence through Competitively-selected Government and Government-aided Institutes

- **Sub-component 3.2:** Widening Impact through ATUs in non-LIS

IMPLEMENTATION ARRANGEMENTS:

I. Institutional and implementation Arrangements

Central Level

Overall responsibility for the project will lie with the Department of Higher Education of the Ministry of Human Resource Development (MHRD). MHRD will constitute a National Steering Committee assisted by a small National Project Directorate headed by the National Project Director (Additional Secretary or Joint Secretary in charge of higher/technical education). MHRD will delegate day-to-day implementation to National Project Implementation Unit (NPIU). MHRD will enter into a Memorandum of Understanding (MoU) with each State Government.

State Level

State Governments will oversee and facilitate implementation in the institutions in their State through the State Project Implementation Unit (SPIU) under the department responsible for technical education. The Secretary in-charge of technical education is overall responsible for project implementation in that State, assisted by the Director of Technical Education and the team in the SPIUs. Each State will enter into an MoU with each participating institution.

Institutional Level

At the institutional level, the Board of Governors (BOG) is the body responsible for institutional project design, reform and project implementation. The day-to-day implementation is coordinated by a TEQIP unit headed by the institutional Director and assisted by a senior faculty member as the TEQIP Nodal Officer.

There will be around 200 participating Project institutions sponsored by State Governments, including around 30 Centrally Funded Institutions (CFIs). These will be financed exclusively by the Central Government and will enter into an MoU directly with the MHRD under the supervision and facilitation of the NPIU.

II. Financial Management Arrangements

Budgeting:

The project will follow the budgeting cycle of GoI i.e. April to March and the process will be completed when project's expenditure (IBRD financing and counterpart financing) estimates are included in the Union government's budget presented and approved by Parliament. The project will be budgeted on the expenditure side at the Union (centre) level, as externally aided project under an identifiable budget head item (demand no. XX) of the MHRD.

III Budgeting Process: For project activities will be as follows:

- **National Level:** NPIU will be responsible for preparation of the budget for its own expenditure, releases to states as well as expenditure to be incurred at the Central Institutions.
- **State Level:** Basis for project activities in each state will be the Institutional Proposals prepared by each institution which will include financing requirements. The quantum of expenditure at the SPIU level is relatively insignificant. The Institutional Proposal will be reviewed by the State government and recommended to the NPIU for evaluation by one of the two National Evaluation Committees. Proposals that are selected for funding will form the basis for preparation of the budget
- Books of accounts for the project are maintained using double-entry bookkeeping principles. Standard books of accounts are maintained at the State and institutions. Most States/ institutions use an off-the-shelf accounting software for recording/ compilation of information
- The Finance Function in NPIU will be headed by a Consultant Finance who will be assisted in his/her functions by an Associate Consultant and at least two Accounts Assistants. At the State level each SPIU is expected to have a full time person responsible for oversight of the FM function.

- Disbursements from the World Bank will be made against quarterly Financial Monitoring Reports (FMRs), to be submitted within 45 days of close of each quarter. Expenditure as reported in the IUFRs will be subject to certification as per the Annual Audit Reports submitted for each State/ NPIU/CFIs.

- Audits of States will be conducted by firms of Chartered Accountants appointed by SPIU. The Audit will cover Project Financial Statements from all institutions and SPIUs. Audits will be carried out in accordance with TORs acceptable to the Bank. The MHRD will provide the Bank with a Consolidated Report on Audit of the Project, including a consolidation of project expenditure and key observations forming part of the State audit reports, audit report for CFIs and NPIU.

OBJECTIVE:

The essence of the World Bank audit policy is to ensure that the Bank receives adequate independent, professional audit assurance that the proceeds of World Bank credit were used for the purposes intended[4], that the annual project financial statements are free from material misstatement, and that the terms of the credit agreement were complied with in all material respects.

The objective of the audit of the Project Financial Statement (PFS) is to enable the auditor to express a professional opinion as to whether (1) the PFS present fairly, in all material respects, the sources and applications of project funds for the period under audit examination, (2) the funds were utilized for the purposes for which they were provided, and (3) expenditures shown in the PFS are eligible for financing under the credit agreement. In addition the auditor will express a professional opinion as to whether the Financial Monitoring Reports (FMR) submitted by project management may be relied upon to support any applications for withdrawal.

The books of account that provide the basis for preparation of the PFS are established to reflect the financial transactions of the project and are maintained by the project implementation agency namely the National Project Implementation Unit (NPIU) at the national level, State Project Implementation Unit at the State level and implementing institutions at national and State level.

STANDARDS:

The audit will be carried out in accordance with the Engagement and Quality Control Standards promulgated by the Institution of Chartered Accountants of India (ICAI)**.** The auditor should accordingly consider materiality when planning and performing the audit to reduce audit risk to an acceptable level that is consistent with the objective of the audit. Although the responsibility for preventing irregularity, fraud, or the use of credit proceeds for purposes other than as defined in the legal agreement remains with the borrower, the audit should be planned so as to have a reasonable expectation of detecting material misstatements in the project financial statements.

[4] The Bank's charter [Article III Section V(b) of IBRD's Articles of Agreement and Article V Section 1(g) of IDA's Articles of Agreement] specify that: "The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations."

SCOPE:

In conducting the audit, special attention should be paid to the following:

(a) All external funds have been used in accordance with the conditions of the relevant legal agreements and only for the purposes for which the financing was provided. Relevant legal agreements include the Credit Agreement, the Project Appraisal Document, the Minutes of Negotiations and the Memorandum of Understanding;

(b) Counterpart funds have been provided and used in accordance with the legal agreements and only for the purposes for which they were provided;

(c) All necessary supporting documents, records, and accounts have been kept in respect of all project transactions including expenditures reported via FMRs. Clear linkages should exist between the books of account and FMRs presented to the Bank;

(d) The project accounts have been prepared in accordance with consistently applied Accounting Standards issued by the ICAI and present fairly, in all material respects, the financial situation of the project at the year end and of resources and expenditures for the year ended on that date;

(e) Goods and services financed have been procured in accordance with the relevant credit agreement; and

(f) Review of outstanding previous years audit observations and their compliance.

PROJECT FINANCIAL STATEMENTS:

The Project Financial Statements should include-

(a) Statement of Sources and Applications of Funds.

(b) Reconciliation of Claims to Total Applications of Funds. The PFS includes reconciliation between expenditure reported as per the Statement of Sources and Applications of Funds and expenditure claimed from the World Bank through FMR based method of reimbursement.

(c) Other Statements or Schedules such as:

- A statement showing appropriate major heads of expenditure by Project Component/Sub-components
- A summary of cumulative expenditures

(d) Management Assertion: Management should sign the project financial statements and provide a written acknowledgement of its responsibility for the preparation and fair presentation of the financial statements and an assertion that project funds have been expended in accordance with the intended purposes as reflected in the financial statements.

FINANCIAL MONITORING REPORTS:

In addition to the audit of the PFS, the auditor is required to audit all FMRs for withdrawal applications made during the period under audit examination. The auditor should apply such tests as the auditor considers necessary under the circumstances to satisfy the audit objective. In particular, these expenditures should be carefully examined for project eligibility by reference to the credit agreements. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor. For the fourth quarter disbursement against FMR auditors should review the expenditure position before making the claim and provide reconciliation between the expenditure as per FMRs and as per the PFS for the period under audit examination.

AUDIT REPORT:

An audit report on the project financial statements should be prepared in accordance with the Engagement and Quality Control Standards promulgated by the Institute of Chartered Accountants of India (ICAI). Those standards require a clear written expression of opinion on the financial statements taken as a whole. An unqualified opinion indicates the auditor's satisfaction in all material respects with the matters laid down under the relevant agreement. When a qualified opinion, adverse opinion or disclaimer of opinion is to be given or reservation of opinion on any matter is to be made, the audit report should State the reasons thereof. In addition, the audit opinion paragraph will specify whether, in the auditor's opinion, (a) with respect to FMRs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to the audit report, expenditures are eligible for financing under the Credit Agreement.

The project financial statements and the audit report should be received by the Bank not later than 6 months after the end of the fiscal year. The auditor should also submit two copies of the audited accounts and audit report to the Implementing Agency.

MANAGEMENT LETTER:

In addition to the audit report on the project financial statements, the auditor will also prepare a management letter highlighting findings during the audit, which will inter alia include:

i) Comments and observations on the financial management records, systems and controls that were examined during the course of the review;
ii) Deficiencies and areas of weakness in systems and controls and recommendation for their improvement;
iii) Matters that have come to attention during the audit that might have a significant impact on the implementation of the project; and
iv) Any other matters that the auditor considers pertinent to report in relation to the financial management of the project.

The observations in the Management Letter must be accompanied by a suggested recommendation from the Auditor and Management Comments on the observations/ recommendations from the Management.

GENERAL :

The auditor should be given access to any information relevant for the purposes of conducting the audit. This would normally include all legal documents, correspondence, and any other information associated with the project and deemed necessary by the auditor. The information made available to the auditor should include, but not be limited to, copies of the Bank's Project Appraisal Document, the relevant Legal Agreements and a copy of Aide Memoires. It is highly desirable that the auditor become familiar with other Bank policy documents, such as OP/BP 10.02, the Bank's internal guidelines on Financial Management that include financial reporting and auditing requirements for projects financed by the World Bank. The auditor should also be familiar with the Bank's Disbursement Manual. Both documents will be provided by the Project staff to the auditor.

UTILIZATION CERTIFICATE :

The Auditor is further required to provide a certificate giving details of unspent balance brought forward from the previous financial year, funds released during current financial year indicating sanction numbers and amount, funds utilized and unspent balance at the closing of financial year. The format is attached at Annex.

Annex-XXI (a)

EXAMPLE OF A STATEMENT OF SOURCES AND APPLICATION OF FUNDS

Name of the Project

Credit/ No.

Statement of Sources and Applications of Funds

Report for the year ended __________________

In Rs. Lakhs

Particulars	Current Year	Previous Year	Project to date
Opening Balance (A)			
Receipts			
Funds from Government through Budget (These will include external assistance received by Government for the project.)			
Funds received directly by Project Implementing authority through external assistance			
Cost share by Private Unaided Institutions for Component 1			
Total Receipts (B)			
Total Sources (C = A + B)			
Expenditures by Component			
A.			
B.			
C.			
Total Expenditures (D)			
Closing Balance, (C-D)			

Notes:

1. The above figures will be based on accounts prepared by the accounts compiling officers, duly reconciled, with details of un-reconciled amounts to be furnished.
2. Names of accounting units whose financial statements are aggregated to prepare the consolidated accounts.
3. Any other specific Note.

Annex-XXI (b)

SAMPLE RECONCILIATION OF CLAIMS TO TOTAL APPLICATIONS OF FUNDS

Name of the Project
Credit No.
Reconciliation of Claims to Total Applications of Funds
Report for the year ended __________

	Schedules	Amt (Rs. Lakhs)		
		Current Year	Previous Year	Project to date
Bank Funds claimed during the year (A)	I			
Total Expenditure made during the year (B)				
Less: Outstanding bills (C)	II			
Ineligible expenditures (D)	III			
Expenditures not claimed (E)	IV			
Total Eligible Expenditures Claimed (F)=(B)-(C)-(D)-(E)				
World Bank Share @ x% of (F) above (G)				

CFAO

Project Director

Date

Date

Notes:

1. Total expenditure made during the year (B above) must be the same as the Total Expenditures shown on the Statement of Sources and Applications of Funds (D on the Statement of Sources and Applications of Funds)
2. Expenditures not claimed (E above) may reflect timing differences for eligible expenditures incurred during the year but claimed after the year end.
3. Amounts A and G above must be equal.

Annex-XXI (c)

MANAGEMENT ASSERTION LETTER

(Project Letterhead)

(To Auditor) (Date)

This assertion letter is provided in connection with your audit of the financial statements of the _______________ Project for the year ended ____________. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with the cash basis of accounting followed by the Project, and we confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

- The project financial statements are free of material misstatements, including omissions.
- Project funds have been used for the purposes for which they were provided.
- Project expenditures are eligible for financing under the Credit agreement.
- There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the project financial statements.
- We have made available to you all books of account and supporting documentation relating to the project.
- The project has complied with the conditions of all relevant legal agreements, including the Credit Agreement, , the Project Appraisal Document, the Minutes of Negotiations, the Borrower's Project Implementation Plan, and Memorandum of Understanding

____

(Senior Executive Officer)

____

(Senior Financial Officer)

Annex-XXI (d)

SAMPLE AUDIT REPORT—UNQUALIFIED OPINION

Auditor’s Report :

Addressee[5]

Report on the Project Financial Statements:

We have audited the accompanying financial statements of the _______ Project financed under World Bank Credit No._____, which comprise the Statement of Sources and Applications of Funds and the Reconciliation of Claims to Total Applications of Funds[6] for the year ended ______.These statements are the responsibility of the Project’s management. Our responsibility is to express an opinion on the accompanying financial statements based on our audit.

We conducted our audit in accordance with the Engagement and Quality Control Standards promulgated by the Institute of Chartered Accountants of India (ICAI). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the sources and applications of funds of ________ Project for the year ended __________ in accordance with accounting principles generally accepted in India.

In addition, in our opinion, (a) with respect to FMRs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to this audit report, expenditures are eligible for financing under the Credit Agreement. During the course of the audit, FMRs (period and amount to be indicated) and the connected documents were examined and these can be relied upon to support reimbursement under the Loan/Credit Agreement.

[Auditor’s Signature]
[Auditor’s Address][Date[7]]

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5 The auditor’s report should be addressed to the person stipulated in the underlying loan agreement as responsible for providing audited project financial statements.

6 Insert titles of other required statements and schedules included in or annexed to the project financial statements, if any.

7 The report should be dated as of the date to which the auditor has become aware of and considered the effects of events and transactions. This is generally the final date of fieldwork, as opposed to the date of signing the audit report.

Annex-XXI (e)

UTILIZATION CERTIFICATE

a)	Opening Balance as on 1st April	Rs	________________
b)	Funds received from Vide letter No__________dated_________	Rs	________________
c)	Interest earned on grant available for TEQIP only during the year (31st March 200….)	Rs	________________
d)	Other Income	Rs	________________
e)	Expenditure	Rs	________________
	Unspent Balance	**Rs.**	________________

Certified that a sum of Rs.________________________(Rupees________________) only was received by ___________________, from State Government as per letter number and date mentioned above.

It is also certified that out of the above-mentioned funds of Rs ________(Rupee______________) only, a sum of Rs.______________(Rupees__________) only has been utilized by the Institution for the purpose for which it was sanctioned. It is further certified that an unspent balance of Rs.___________(Rupee_________________) only is being carried forward for utilization in the next year.

We further certify that the conditions on which the grant was sanctioned have been fulfilled and where there have been any deviation from the sanctioned amount it is with prior approval of the concerned authority. We have exercised reasonable checks to see that money has been actually utilized for the purpose for which it was sanctioned.

(Name and Address of Chartered Accountants Firm)

Seal of Chartered Accountants Firm

Signature

Date:___________
Place:___________

Annex-XXII

**TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP]
PHASE – III**

SELECTION CRITERIA FOR AUDIT OF FINANCIAL STATEMENTS

1. Appointment of Auditors

The auditors will be appointed in accordance with the guidelines for procurement of consultants as contained in the Procurement Manual of the Project. The process of appointment should be completed before the commencement of the FY for which the audit is to be done. The auditors may be appointed initially for a period of two year and then for another year, subject to annual performance review. This will ensure continuity and the auditors will be able to assess the progress over time. However, in case of re-appointment of the same auditor –

- ensure compliance with the Procurement Guidelines of the Manual; and
- re-confirm that the audit firm continues to satisfy the eligibility criteria as prescribed in the ToR.

2. Eligibility Criteria:

I. The firm must be empanelled with C & AG, without which the application of the firm would not be considered.

II. Firms must qualify following minimum criteria:

Sl. No.	Particulars*	Minimum Criteria
1.	Number of Full Time Partners associated with the firm for not less than 3 years with at least one being a Fellow CA (As per Certificate of ICAI as on 1.1.2009)	4
2.	Turnover of the firm (Average annual in last three financial yrs.)	Minimum Rs.25 Lakhs
3.	No. of Years of Firm Existence	5 Yrs.
4.	No. of assignments of Statutory Audit of Corporate/PSUs entities except Bank Branch Audit having a turnover of not less than Rs 25 crores in the last 3 years.	4
5.	No. of assignments: Experience of audit of Externally Aided Projects/ Social Sector Projects (other than Audit of Charitable Institutions & NGOs) in the last 3 years	4

a) Any firm not qualifying these minimum criteria need not apply as their proposal shall be summarily rejected.

b) **Supporting Documents for Eligibility Criterions:** Following supporting documents must be submitted by the firm along with the technical proposal:

i. For S. No. 1 above, the firm must submit an attested copy of Certificate of ICAI as on 1.1.2009.

ii. For S. No. 2, the firm must submit, a copy of the balance sheet for the last three years.

iii. For S. No. 4 & 5, the firm must submit a copy of the appointment letters from the auditee organizations. Branch Audit of any Bank shall not be considered while taking into account the total number of assignments.

III. The firm or any partners of the firm should not be black listed by any PSUs or Govt. Co. or any other organization in respect of any assignment or behavior. [Self attested affidavit on Rs.100/- stamp paper to be given in this regard by the authorised person of the firm].

EVALUATION CRITERIA FOR SELECTION OF AUDITOR

Evaluation Criteria: Expression of Interest (EOI)

The Evaluation Criteria for selecting the auditor are mentioned below:

S.No.	*Evaluation Criteria*	*Maximum Marks*
1	Number of Partners (2 marks up to 3 partners,1 for each additional partner)	10
2	Presence of the Firm in Project State	10
3	Number of Professionally Qualified Staff Between 10-25 staff-(5 marks) More than 25 Staff-(10 marks)	10
4	Turnover for the last five years More than 50 lacs and up to 75 Lacs-2 marks for each year More than 75 Lacs-4 marks for each year	20
5	Number of Audit and similar assignments undertaken during last 5 years (5 marks for each assignment, maximum three)	15
6	Number of World Bank Project Audits** undertaken during the last 5 years (5 marks for each assignment, maximum seven assignments)	35
	Total Marks	**100**

* The audit firms must be empanelled with the C&AG and eligible for major audits
** World Bank audits means any audit conducted by the firm for World Bank clients, and includes both external audit and internal audit.

Criteria for Selection of Auditors – Request for Proposal (RFP)

The Evaluation Criteria for selecting the auditor are mentioned below:

S. No.	***Evaluation Criteria***	***Maximum Marks***
1	Number of External Audit / similar assignments undertaken during last 5 years (5 marks for each assignment, maximum of 4 assignment)	20
2	Number of World Bank project Audits*** undertaken during the last 5 years (5 marks for each assignment, maximum six assignments)	30
3	Based On Team proposed	
	> Partner	15
	> Audit Manager	15
	> Audit Staff	20
	Total Marks	**100**
	The individuals shall be rated on the following sub-criteria, as relevant to the task:	
	<u>General qualifications:</u> general education and training, length of experience, positions held, time with the firm as staff, experience in developing countries, and so forth;	20%
	<u>Adequacy for the assignment</u>: education, training, and experience in the specific sector, field, subject, and so forth, relevant to the particular assignment; and	50%
	Experience of working on World Bank projects	15%
	Experience of working with Government departments/similar projects	15%

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

Annex-XXIII

TECHNICAL EDUCATION QUALITY IMPROVEMENT PROGRAMME [TEQIP] PHASE – III

SPECIFIC INSTRUCTIONS FOR STATUTORY AUDIT OF FINANCIAL STATEMENTS

1. Coverage by Auditors

To ensure timely completion of audit, auditors should visit each project implementing agency (Institution/SPIU/NPIU) twice a year and, in total, review at least 50% of transactions by value.

2. Audit Observations

- **a. Classification of audit observations:** For each of the audit observations, the auditor should classify it either as a Major or a Minor observation. To arrive at the classification, both the amount (quantity) and nature (quality) of misstatements need to be considered.
- **b. Quantification of audit observations:** To the best extent possible, the auditor should quantify the impact of the misstatement, so that implication of the findings can be assessed.
- **c.** Observations should be as **specific** as possible.
- **d. Management Response**: Management must submit a response to the audit observations listed in the audit report.

3. Presentation of Financial Statements

a. Expenditure in Project Financial Statements may be grouped as per reporting heads in the Financial Monitoring Reports (to the extent feasible). This will facilitate reconciliation with the FMRs.

b. Accounting Policies should clearly indicate, inter alia, the basis of recognition of expenditure for various activities i.e. basis and timing of expenditure recognition and nature of documents received to liquidate the advance and record expenditure e.g., Utilization Certificate, Statement of Expenditures or actual vouchers/bills etc.

c. The audit report shall contain an audited FMR for the last quarter (quarter ending March 200…. ,showing cumulative and head wise expenditure for the complete financial year) along with the Audited Statement of Accounts. Further, it should include a reconciliation between these two statements.

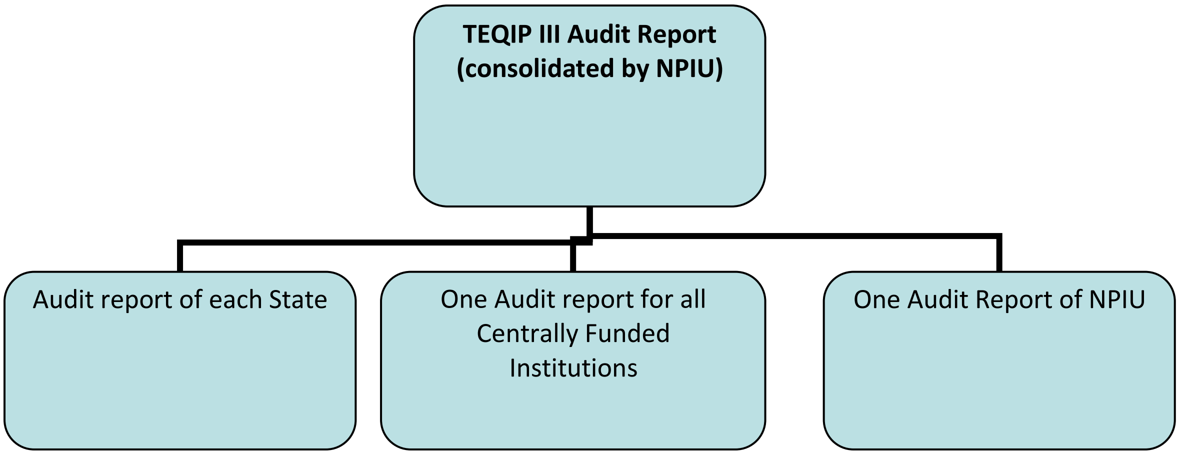
4. Consolidation of Annual Audit Report

a. *States:* Each institution in a State will be audited annually by a chartered accountant hired by State Project Implementation Unit (SPIU). The consolidated audit report for each State will be submitted by the SPIU to National Project Implementation Unit (NPIU).

b. *Centrally Funded Institutions (CFIs):* There will be one audit report for Centrally Funded Institutions, for which one firm of Chartered Accountants will be appointed by NPIU.

c. *NPIU:* There will be one audit report for NPIU's own expenditure.

d. *Consolidated Audit Report for Project:* The MHRD (through the NPIU) will provide the Bank with a Consolidated Report on Audit of the Project. This report will consolidate Project Expenditure and key observations forming part of the State audit reports, CFI audit report & NPIU audit report. Based on the key observations, the Bank may request GOI to provide copies of audit reports of specific states/CFI.



5. Period of Appointment

Auditors will be hired for one year and their assignment may be extended to another two years based on satisfactory performance.