

Terms of Reference for hiring the Services of Chartered Accountant for auditing the Accounts of MDMA

Introduction

Mid Day Meal Scheme is being implemented in U.P. as per guidelines of GOI issued in Sep, 2006. As per directives of Supreme Court cooked meal is being provided to students of class I to V in Govt., Parishadiya and Govt. aided primary and upper primary schools along with such High Schools and Intermediate Colleges in which class I to VIII are attached.

For monitoring the implementation of the Scheme, Mid Day Meal Authority (MDMA) has been constituted in October 2006 as a registered society under the Societies Registration Act 1860.

As per auditing provisions entailed in the Rules of the Society, the accounts of the Society are to be audited by a Chartered Accountant and the auditor has to submit a report showing the exact state of financial affairs of the society; besides that the copies of the balance sheet are to be certified by the auditor.

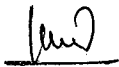
Funds Flow

Mid day Meal scheme is a centrally assisted scheme as per following pattern:

- Conversion cost: Primary schools - 60% Central share, 40% State share
Upper Primary - 60% Central share, 40% State share
- Honorarium to Cook cum helper - 60% Central share, 40% State share
- Cost of Food grain - 100% Centrally assisted
- Kitchen shed construction - 60% Central share, 40% State share
- Kitchen Devices - 100% Centrally assisted
- Transportation Expenditure - 100% Centrally assisted
- Management, Monitoring & Evaluation(MME) - 100% Centrally assisted

Government of India (GOI) passes on the central assistance to the State Governments in accordance with the relevant policies and procedures applicable to passing on funds to the State governments. The above funds are then routed through Annual Budget of the State Govt. Further, the funds for conversion cost, cost of food-grain, kitchen construction, kitchen devices & Transportation are directly allocated by State Govt. to all the District Magistrates who are nodal officers for implementing the Scheme. Apart from the abovementioned heads, the fund for MME is allocated to MDMA.

The classification of MME funds for expenditure purposes has been done by GOI in its guidelines as per Annexure-1&2. Accordingly, the funds are allocated by MDMA



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to districts and divisions where through the Scheme is implemented/ monitored by Basic Shiksha Adhikari (BSAs) and Assistant Directors (A.Ds) of Basic Education Department. Similarly the norms for expenditure under transportation head is also given by GOI in its guidelines (**Annexure-3**) and the procedure for its payment by districts has been laid down by the MDMA (**Annexure-4**).

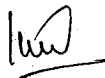
Accounting Mechanism:

The funds allocated by State Govt. for MME is kept in savings bank account of the MDMA. As per requirement and norms set by GOI (**Annexure-1 to 3**) fund allocation is further made to districts/ divisions. The districts and division level offices keep the funds so received in bank account. Further, instructions have been issued to districts/ divisions for maintaining separate books of account for MME funds.

Scope of Audit

- **The expenditure made out of funds allocated by State Govt. to the MDM Authority are subject to audit as per Rules of Society explicated in Para 1 above.**
- **The audit of the expenditure out of MME funds, incurred at headquarter will be conducted at the office of MDM Authority at Lucknow.**
- **The audit of the expenditure incurred out of funds allocated by MDM Authority to divisions and districts for monitoring the Scheme will be carried out at Divisional levels where the financial records and expenditure reports pertaining to MME funds would be made available by BSAs/ A.Ds. The divisional offices of Basic Education Deptt., headed by Assistant Directors of Basic Education will facilitate this task.**
- **The audit will also cover any other inflow and outflow out of the bank account meant for MME with specific details of such transaction which may pertain to recovery of conversion cost funds and/or recovery of cost of food-grain from Gram Pradhans.**
- **The audit will be carried out in accordance with the relevant national standards of auditing, and will include such tests and controls as the auditor considers necessary under the circumstances.**
- **The auditor would be expected to give his opinion on:**
 1. Whether proper books of accounts have been maintained by the offices/units audited
 2. Whether the financial statements dealt with his report are in agreement with the books of accounts maintained at the project offices audited by him,
 3. Whether In his opinion, the Financial Statements of MDM Authority, U.P. gives a true and fair view of the financial position of the society as on 31st March of each year and of the operations of the project during the year then ended in conformity with the accounting principles generally accepted in India.

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



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1. Ensure that the accounting and financial management systems remain reliable and effective in design and to assess the extent to which they are being followed;
2. Review the efficacy, adequacy and application of accounting, financial and operating controls and thereby ensure the accuracy of the books of accounts;
3. Verify that the system of internal check is effective in design and operation in order to ensure the prevention of and early detection of defalcations, frauds, misappropriations and misapplications;
4. Identify areas of significant inefficiencies in existing systems and suggest necessary remedial measures;
5. That adequate records are maintained regarding the assets created and assets acquired by the project, including details of cost, identification and location of assets; and that the physical verification of assets is being carried out with due diligence.
6. Provide the details of unutilized funds pertaining to Transportation head of earlier years.

Time Frame of Audit

The audit of the MDMA accounts will cover the funds released by GOI and subsequently by the Govt. of U.P. in MME head in F.Y. 2016-17 and 2017-18.

Time Limit prescribed for the Task

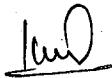
The auditing firm is expected to complete the assigned task for the FY 2016-17 and 2017-18. Within two months from the date of signing of contract and submit the desired output within next ten days.

Outputs Required at the end of Assignment

1. Report showing the exact state of financial affairs of the society,
2. Certified copies of the balance sheet.

Provision of T.A. / D.A. for the Audit teams

The T.A. and D.A. rates applicable for Group 'B' officers of the State Govt. would be admissible to the C.As visiting the location of audit and those applicable for Group 'C' personnel of the State Govt. would be admissible to the Articles.



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