

Guidance in EOI
For Internal Audit of.....State AIDS Control Societies
Under the National AIDS Control Programme Phase-IV

1.1 Background: Department of AIDS Control (DAC) with partial funding from the World Bank and Global Fund is implementing National AIDS Control Project throughout the country. It is intended to apply part of the proceeds of this financing to eligible payments under contracts for this assignment. The Programme is being implemented in partnership with the State AIDS Control Societies (SACS) of 35 States/UTs located across the country and 3 Municipal / District AIDS Control Societies located at Mumbai, Ahmedabad & Chennai. The SACS are registered Societies under the control of State Government.

1.2 Period of appointment: The contract will be on regional hub approach and year to year basis extendable for a period of 3 (three) years depending on the satisfactory completion of assignment during the year. Performance shall be primarily assessed on the basis of quality and timeliness of the report. Further, based on the performance assessment, extension/ re-appointment letter shall be issued for the second and the third year.

The contract shall be effective from April 1st 2013 and cover the financial years ending on March 31st 2014, March 31st 2015 and 31st March, 2016 on a yearly renewal basis.

1.3 Multiple Auditors following ‘Audit Hub’ approach: Based on their geographical locations, the PIUs functioning in the bordering state may be grouped together as ‘Audit Hubs’. Each hub may consist of suitable number, say 4 to 7 states/ Union territories, depending upon the size, operations and geographical reach. Evaluation process shall be followed for selecting the auditor for each of these Hubs and the selected auditor shall carry out internal audit for all the PIUs grouped under the respective Hubs.

The details of regional hub of states is as below,

SN	Regional Auditors hub of 5 States	Regional Auditors hub of 6 States	Regional Auditors hub of 5 States	Regional Auditors hub of 7 States	Regional Auditors hub of 7 States	Regional Auditors hub of 4 States	Regional Auditors hub of 4 States
1	West Bengal	Arunachal Pradesh	Bihar	Jammu & Kashmir	Gujarat	Andhra Pradesh	Chennai MACS
2	Orissa	Assam	Jharkhand	Himachal Pradesh	Maharashtra	Karnataka	Tamilnadu
3	Tripura	Mizoram	Madhya Pradesh	Uttarakhand	Goa	Lakshdweep	Puducherry
4	Chattisgarh	Nagaland	Rajasthan	Punjab	Daman & Diu	Kerala	Andaman and Nicobar
5	Sikkim	Manipur	Uttar Pradesh	Chandigarh	Dadra & Nagar		
6		Meghalaya		Delhi	Ahmedabad MACS		
7				Haryana	Mumbai MACS		

1.5 Selection Method: Selection may be made following the `Quality and Cost Based Selection (QCBS) method as per paragraph 2.1 of the Guidelines: Selection and Employment of Consultants by World Bank Borrower.

In QCBS method, the combined Quality and Cost Score is arrived at by weighting the quality and cost scores in the ratio of 80:20, respectively for Technical and Financial Scores. The RfP shall indicate only the minimum input months required for the assignment. The table below sets out minimum team requirements:

S. NO	Key professionals	Description of services to be provided	Experience	Minimum no. of persons and person days (per state depends on size & expenditure incurred by that state)
1	Partner/Audit Manager	Overall coordination, & planning, and team leadership, reporting, liaison with client	Qualified Chartered Accountant with at least 10 years of experience as a partner with expertise in the area of internal audit planning, execution and reporting	1 person 05 – 10 days
2	Audit Team Leader	Responsibility to lead the audit teams in the field, planning and execution of the audits, discussions with head of office at state and report writing and finalization	Qualified Chartered Accountants with at least 5 years of experience in internal audit with expertise in procurement audit desirable and with ability to lead the team and interact with senior level government officials	1 person 10 – 20 days
3	Team Member	Field level audit (including visits to a sample of peripheral units)	Person with experience in GFR, budgets, and financial rules of the Govt. experience in procurement audit desirable	Sufficient numbers 05 –20 days
4	Team Member	Field level audit (including visits to a sample of peripheral units)	Assistant with experience in internal audit and report writing. Experience in procurement audit is desirable.	Sufficient numbers 05 – 20 days

1.6 A firms may submit EOI for more than 1 hub. However each hub will be treated as separate assignment for purpose of evaluation and reporting, with separate audit teams deployed for each assignment. The firm shall submit their internal audit report for each hub separately.

1.7 Evaluation and appointment of the project internal auditor is done following a two stage process i.e. the Expression of Interest (EOI) stage and the Request for Proposal (RFP) stage. At each stage, the applicant private audit firms (PAF) are evaluated on pre-determined parameters

2. Inviting Expressions of Interest:

2.1 EoIs from PAFs are called through advertisement. The EoI includes information on the required qualifications and experience of the firm, short listing criteria, and conflict of interest provisions.

For any PAF to be considered for appointment as internal auditor for audit of the World Bank supported projects, it shall meet the Minimum Eligibility Criteria specified below. Failure to

satisfy any of the Minimum Eligibility Criteria renders the firm not eligible for the assignment. The Mandatory criteria are:

- a. Criterion 1: The applicant private audit firm is **empanelled with the C&AG for major audits.**
- b. Criterion 2: The applicant firm has **experience in audit of financial statements or internal audit** of –
 - Projects financed by bilateral or multilateral agencies; or
 - Agencies implementing government projects (other than above); or
 - Public sector undertakings in the same sector (other than above).

Only that experience which pertains to audit of the financial statements or internal audit of the project/agency as a whole would be considered.

- c. Criterion 3: Presence in the state/region: The firm must have a head- office in any one of the states comprising the hub for which it is applying in existence/operational for more than 3 years;
- d. Criterion 4: The applicant firm is **Independent of the entity** to be audited.
 - The audit firm is not the incumbent Internal Auditor of the project or the Project Implementation Authority (PIA).
 - No partner of the audit firm or any qualified employee of the firm is related to any member of the Governing Body/Executive Committee/Board of Directors or the Project Director/Managing Director/any Director or any of the senior management (as applicable) of the PIA. Relative would mean husband, wife, brother, or sister or any lineal ascendant or descendant.
 - Neither the firm nor its Partners or Associates have any interest in the business of the PIA.
 - From the time of appointment and for one year after (to be counted from the date of issue of final audit report) the Firm ceases to be Statutory auditor, no other assignment of any kind to the PIA/project (including consultancy) will be accepted, either by the firm or by its partners or relatives of partners of the firm or by its associates.
 - The audit will not be done by a person who was either an employee in the project or a partner/employee of the retiring auditor, unless such person is employed with the firm for at least one year.
- e. Criterion 5: The audit firm is not one against which disciplinary orders have been issued by the Public Companies Accounting Oversight Board and these orders are in force.

Also, any partner/senior manager of the audit firm is not associated with the audit in any manner if he/she -

 - has been found guilty of professional/other misconduct by the Institute of Chartered Accountants of India under the First or Second Schedule of the Chartered Accountants Act, 1949; or

- is one against whom disciplinary sanction orders have been passed by the Public Companies Accounting Oversight Board.

2.2 In support of meeting the Minimum Eligibility Criteria, the applicant firm submits documentation as specified below:

- A self attested copy of the latest empanelment intimation letter issued by the CAG containing the Unique Identification Number and the score. The PAF confirms that it is included in the panel for major audits ;
- A certificate from the firm to the effect that no partner of the firm has been found guilty of professional/other misconduct by the Institute of Chartered Accountants of India under the First or Second Schedule of the Chartered Accountants Act, 1949 or is one against whom disciplinary sanction orders have been passed by the Public Companies Accounting Oversight Board. In case the firm has such partners, the firm provides details of such partners and certifies that they will not be associated with the audit in any manner;
- A Declaration signed by an authorized partner of the audit firm verifying that the applicant is independent of the entity to be audited that they have no relationship with the entity to be audited (in particular, the auditor should not be employed by, serve as director for, or have any financial or close business relationship with the entity during the period(s) covered by the audit or immediately thereafter for a period of two years);
- A self attested copy of the latest firm constitution certificate issued by the ICAI (*this certificate shall also act as evidence for verifying the Date of Constitution of the firm*). This certificate should not be older than 30 days as on the date of the EoI.
- A Self certified statement giving the date of establishment of the branch and name of Partner/CA qualified employee in-charge of the firm;
- Additionally, EOIs should ask for sufficient information so that the Borrower may evaluate the auditors' capabilities and eligibility to undertake the assignment.

3 Evaluation and Short listing

3.1 After the scrutiny of the EoI, PAFs who meet the minimum eligibility criteria are further evaluated to arrive at the shortlist of maximum six firms. NACO determines the criteria for short listing of the audit firms in consultation with the Bank and should setup minimum qualifying marks which shall not be less than 65.

3.2 NACO shall determine the criteria for short listing of the audit firms in consultation with the Bank. The PIA may base the evaluation on the following parameters:

- Long standing of the firm;
- Turnover of the firm;
- Experience of the firm;
- Experience and association of the partners;
- Experience and association of the full time staff;
- Locational presence of the audit firm.

Evaluation matrix of the short listing criteria is outlined as below.

3.3 Review by the World Bank: The PIA to submit the short list of qualified audit firms along with the evaluation matrix to the Financial Management Specialist (FMS). Wherever required, the Bank may call for supporting documents.

3.4 Criteria for Short listing at the EOI stage

Criteria	Weight age %
1. Long standing of the firm	10
2. Turnover of the firm for the last three financial years (FY) from internal audit and assurances services	15
3. Experience and Association of Partners	15
4. Experience and Association of qualified full time staff (being CAs or Cost Accountants or technically qualified staff relevant to the project)	10
5. Experience of the firm during the last 5 years in audit of Financial Statements/Internal Audit relevant to the assignment	45
6. Presence in the state where project headquarters are located (more than 3 years)	5
Total	100

3.5 Criteria (Detailed) and Scoring Scheme for Short listing at the EoI stage

Criteria	Scoring	Maximum Points	Documentation
1. Long standing of the firm	1 point for each year of existence <u>over 10 years</u>	10	Date of Constitution of the firm as evidenced from the firm constitution certificate issued by ICAI
2. Turnover of the firm for the last three financial years (FY) from audit and assurances services “Specified Turnover”)	<ul style="list-style-type: none"> • 15 points for Specified Turnover of Rs. 50 lacs or above in each of the last three FYs; • 8 points for Specified Turnover of Rs. 50 lacs and above in at least two of the last three FYs; • 4 points for Specified Turnover of Rs. 25 lacs and less than Rs. 50 lacs 	15	Self-certified; the PAF will provide the total turnover and the Specified Turnover “Turnover” would mean the professional fee earned excluding service tax and travelling.
3. Experience and Association of Partners	<ul style="list-style-type: none"> • 3 points for each Partner with Post Qualification Experience (PQE) of 10 years or more with the firm • 2 points for each Partner with PQE of 5 years or more with the firm • 1 point for each Partner with PQE of more than 1 year with the firm 	15	List of Partners with date of qualification and number of years of PQE with the firm supported by the latest firm constitution certificate issued by ICAI
4. Experience and Association of qualified full	• 3 points for each full time staff with PQE of 10 years or more with	10	List of full time staff with date of qualification and number of years of PQE

Criteria	Scoring	Maximum Points	Documentation
time staff (being CAs or Cost Accountants or technically qualified staff relevant to the project)	the firm <ul style="list-style-type: none"> • 2 points for each full time staff with PQE of 5 years or more with the firm • 1 point for each full time staff with PQE of more than 1 year with the firm 		with the firm supported by the latest firm constitution certificate issued by ICAI Documentation showing the qualifications and experience of staff other than CAs

5. Experience of the firm during the last 5 years in audit of Financial Statements/Internal Audit of -			List of the clients audited by the firm and signed under the firm name only, giving the date of issue of the audit report and self attested copies of the appointment letters (only assignments in respect of which audit report has been issued during the last 5 years from date of EoI and pertaining to project as a whole should be included)
a. Projects financed by bilateral or multilateral agencies	4 points for each project	20	
b. Projects in the same sector (other than above)	3 points for each project	15	
c. Agencies implementing government projects (other than above)	2 points for each agency	10	
6. Presence in the state where project headquarters are located	<ul style="list-style-type: none"> • 3 points if a branch office of the applicant firm is located in the hub states for at least 5 years and headed by a partner of the firm • 1 point if either the branch is in existence for less than 5 years but more than 3 years or is headed by a qualified employee. <p>Scores shall be allotted each branch office separately, up-till maximum 5 marks.</p>	5	Latest firm constitution certificate issued by ICAI Date of establishment of the branch and name of Partner/CA qualified employee in charge of the firm
Total		100	