

**Ministry of Urban Development  
Government of India**

**Selection of External Auditor**

**For**

**GEF-World Bank supported Efficient and Sustainable City Bus  
Service (ESCBS) Project**

**REQUEST FOR PROPOSAL  
(RFP)**

**January, 2017**

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Reference No: K-14012/12/2016-UT-I

Project Name: World Bank-GEF supported Efficient and Sustainable City Bus Service (ESCBS) Project

Name of the Ministry/ Department: Ministry of Urban Development, Govt. of India

Title of Consulting Services: External Audit Services for the World Bank- GEF supported Efficient and Sustainable City Bus Service (ESCBS) Project.

### **Section 1. Letter of Invitation**

M/s -----

Dear M/s-----

1. The Ministry of Urban Development, Govt. of India (hereinafter called— Employer) is executing World Bank- GEF supported Efficient and Sustainable City Bus Service Project (ESCBS).
2. The employer is inviting Request for Proposal (RFP) to provide the following consulting Services: [External Audit Services for GEF/ World Bank supported Efficient and Sustainable City Bus Service (ESCBS) Project]. More details on the services are provided in the Terms of Reference in this RFP document.
3. A firm will be selected under [Least Cost Selection Method] and procedures described in this RFP.
4. The RFP includes the following documents:
  - Section 1 - Letter of Invitation
  - Section 2 - Instructions to Auditors (including Data Sheet)
  - Section 3 - Technical Proposal - Standard Forms
  - Section 4 - Financial Proposal - Standard Forms
  - Section 5 - Terms of Reference
  - Section 6 - Standard Forms of Contract

Yours sincerely,

**Under Secretary (UT-I),  
Ministry of Urban Development, Govt. of India,  
Room No. 407, C, Nirman Bhawan,  
Maulana Azad Road, New Delhi – 110 108.  
Telefax: 91-11-2306 2264  
E-mail: [iutindia.sutp@gmail.com](mailto:iutindia.sutp@gmail.com)**

## Section- 2

### Instructions to Auditors

#### Part- I

##### 1. Definitions

- (a) —Employer means the Ministry/ Department who have invited the bids for consultancy services and with which the selected Auditor signs the Contract for the Services and to which the selected Auditor shall provide services as per the terms and conditions and TOR of the contract.
- (b) —Auditor means any entity or person or associations of person who have been shortlisted to submit their proposals that may provide or provides the Services to the Employer under the Contract.
- (c) —Contract means the Contract signed by the Parties and all the attached documents listed in its Clause 1, that is the General Conditions (GC), the project Specific Conditions (SC), and the Appendices.
- (d) —Project specific information means such part of the Instructions to Auditors used to reflect specific project and assignment conditions.
- (e) —Day means calendar day.
- (f) —Government means the Government of India.
- (g) —Instructions to Auditors (Section 2 of the RFP) means the document which provides short-listed Auditors with all information needed to prepare their proposals.
- (i) —LOI (Section 1 of the RFP) means the Letter of Invitation being sent by the Employer to the short-listed Auditors.
- (j) —Personnel means professionals and support staff provided by the Auditor or by any Sub-Auditor and assigned to perform the Services or any part thereof; —Foreign Personnel means such professionals and support staff who at the time of being so provided had their domicile outside the Government's country;
- (k) —Domestic Personnel means such professionals and support staff who at the time of being so provided had their domicile in India.
- (l) —Proposal means the Technical Proposal and the Financial Proposal.
- (m) —RFP means the Request for Proposal prepared by the Employer for the selection of Auditors, based on the SRFP.
- (n) —SRFP means the Standard Request for Proposals, which must be used by the Employer as a guide for the preparation of the RFP.

- (n) —Assignment/ job means the work to be performed by the Auditor pursuant to the Contract.
- (o) —Sub-Auditor means any person or entity with whom the Auditor subcontracts any part of the Assignment/ job.
- (p) —Terms of Reference (ToR) means the document included in the RFP as Section 5 which explains the objectives, scope of work, activities, tasks to be performed, respective responsibilities of the Employer and the Auditor, and expected results and deliverables of the Assignment/ job.

## **2. Introduction**

- 2.1 The Employer named in the Part II Data Sheet will select a consulting firm/ organization (the Auditor) from those to whom the LOI has been addressed, in accordance with the method of selection specified in the Part II Data Sheet.
- 2.2 The name of the assignment/ job has been mentioned in Part II Data Sheet. Detailed scope of the assignment/ job has been described in the Terms of Reference in Section 5.
- 2.3 The date, time and address for submission of the proposals has been given in Part II Data Sheet.
- 2.4 The short-listed Auditors are invited to submit their Proposal for auditing assignment/ job named in the Part II Data Sheet. The Proposal will be the basis for contract negotiations and ultimately for a signed Contract with the selected Auditor.
- 2.5 Auditors should familiarize themselves with Local conditions and take them into account in preparing their Proposals. To obtain first-hand information on the Assignment/ job and Local conditions, Auditors are encouraged to meet the Employer's representative named in part II Data Sheet before submitting a proposal and to attend a pre-proposal meeting if one is specified in the Part II Data Sheet. Attending the pre-proposal meeting is optional. Auditors should contact the Employer's representative to arrange for their visit or to obtain additional information on the pre-proposal meeting. Auditors should ensure that these representatives are advised of the visit in adequate time to allow them to make appropriate arrangements.
- 2.6 The Employer will provide at no cost to the Auditors the inputs and facilities specified in the Part II Data Sheet, assist the Auditors in obtaining licenses and permits needed to carry out the Assignment/ job, and make available relevant project data and reports.
- 2.7 Auditors shall bear all costs associated with the preparation and submission of their proposals and contract negotiation. The Employer is not bound to accept any proposal and reserves the right to annul the selection process at any time prior to Contract award, without thereby incurring any liability to the Auditors.

### **3. Eligibility of Association of Auditors and Sub-Auditors**

- 3.1 If the Auditor had formed an association of Auditors, each member of the association of Auditor shall be evaluated as per the qualification/ eligibility criteria set forth in Part II data Sheet. The combined score of the each member of the association of Auditors shall be taken into account for evaluation purpose. If any member of the association of Auditors is dropped at the RFP stage, such an association of Auditors is liable to be rejected by the Employer. However, the Employer, at its sole discretion, may decide to evaluate for short-listing such association of Auditors without considering the strength of the dropped member and if found eligible, may allow such association of Auditors to submit their proposal.

### **4. Clarification and Amendment of RFP Documents**

- 4.1 Auditors may request a clarification on any clause of the RFP documents up to the number of days indicated in the Part II Data Sheet before the proposal submission date. Any request for clarification must be sent in writing or by standard electronic means to the Employer's address indicated in the Part II Data Sheet. The Employer will respond in writing or by standard electronic means and will send written copies of the response (including an explanation of the query but without identifying the source of inquiry) to all Auditors. Should the Employer deem it necessary to amend the RFP as a result of a clarification, it shall do so following the procedure under paragraph 4.2 below.
- 4.2 At any time before the submission of Proposals, the Employer may amend the RFP by issuing an addendum in writing or by standard electronic means. The addendum shall be sent to all Auditors and will be binding on them. Auditors shall acknowledge receipt of all amendments. To give Auditors reasonable time in which to take an amendment into account in their Proposals the Employer may, if the amendment is substantial, extend the deadline for the submission of Proposals.

### **5. Conflict of Interest**

- 5.1 Employer requires that Auditors provide professional, objective, and impartial advice and at all times hold the Employer's interests paramount, strictly avoid conflicts with other Assignment/ jobs or their own corporate interests and act without any consideration for future work.
- 5.2 Without limitation on the generality of the foregoing, Auditors, and any of their affiliates, shall be considered to have a conflict of interest and shall not be recruited, under any of the circumstances set forth below:

**Conflicting activities:** (i) A firm that has been engaged by the Employer to provide goods, works or Assignment/ job other than auditing Assignment/ job for a project, and any of its affiliates, shall be disqualified from providing auditing Assignment/ job related to those goods, works or Assignment/ job. Conversely, a firm hired to provide auditing Assignment/ job for the implementation of a project, and any of its affiliates, shall be disqualified from subsequently providing goods or works or Assignment/ job other than auditing Assignment/ job resulting from or

directly related to the firm's auditing Assignment/ job for such implementation. For the purpose of this paragraph, Assignment/ job other than auditing Assignment/ job are defined as those leading to a measurable physical output, for example surveys, exploratory drilling, aerial photography and satellite imagery.

**Conflicting Assignment/ job** (ii) An Auditors (including its Personnel and Sub Auditors) or any of its affiliates shall not be hired for any Assignment/ job that, by its nature, may be in conflict with another Assignment/ job of the Auditor to be executed for the same or for another Employer.

**Conflicting relationships** (iii) An Auditor (including its Personnel and Sub-Auditors) that has a business or family relationship with a member of the Employers' staff who is directly or indirectly involved in any part of (i) the preparation of the Terms of Reference of the Assignment/ job, (ii) the selection process for such Assignment/job, or (iii) supervision of the Contract, may not be awarded a Contract, unless the conflict stemming from this relationship has been resolved in a manner acceptable to the Employer throughout the selection process and the execution of the Contract.

5.3 Auditors have an obligation to disclose any situation of actual or potential conflict that impacts their capacity to serve the best interest of their Employer, or that may reasonably be perceived as having this effect. Any such disclosure shall be made as per the Standard forms of technical proposal provided herewith. If the Auditor fails to disclose said situations and if the Employer comes to know about any such situation at any time, it may lead to the disqualification of the Auditor during bidding process or the termination of its Contract during execution of assignment.

5.4 No agency or current employees of the Employer shall work as Auditor under their own ministries, departments or agencies.

## **6. Unfair Advantage**

6.1 If a short-listed Auditor could derive a competitive advantage from having provided consulting Assignment/ job related to the Assignment/ job in question and which is not defined as conflict of interest as per para 5 above, the Employer shall make available to all short-listed Auditors together with this RFP all information that would in that respect give such Auditors any competitive advantage over competing Auditors.

## **7. Proposal**

7.1 Auditors may only submit one proposal. If an Auditor submits or participates in more than one proposal, such proposals shall be disqualified. However, this does not limit the participation of the same Sub-Auditor, including individual experts, to more than one proposal.

## **8. Proposal Validity**

8.1 The Part II Data Sheet to auditor indicates how long Auditors' Proposals must remain valid after the submission date. During this period, Auditors shall maintain the availability of Professional staff nominated in the

Proposal and also the financial proposal unchanged. The Employer will make its best effort to complete negotiations within this period. Should the need arise, however, the Employer may request Auditors to extend the validity period of their proposals. Auditors who agree to such extension shall confirm that they maintain the availability of the Professional staff nominated in the Proposal and their financial proposal remain unchanged, or in their confirmation of extension of validity of the Proposal, Auditors could submit new staff in replacement, who would be considered in the final evaluation for contract award. Auditors who do not agree have the right to refuse to extend the validity of their Proposals; under such circumstance the Employer shall not consider such proposal for further evaluation.

## 9. Preparation of Proposals

9.1 The Proposal as well as all related correspondence exchanged by the Auditors and the Employer shall be written in English language, unless specified otherwise.

9.2 In preparing their Proposal, Auditors are expected to examine in detail the documents comprising the RFP. Material deficiencies in providing the information requested may result in rejection of a Proposal.

9.3 While preparing the Technical Proposal, Auditors must give particular attention to the following:

(a) The estimated number of Professional staff-months for the Assignment/ job is as shown in the Part II Data sheet. However, the Proposal shall be based on the number of Professional staff-months or budget estimated by the Auditors. While making the proposal, the Auditor must ensure that he proposes the minimum number and type of experts as sought by the Employer, failing which the proposal shall be considered as non-responsive.

(b) Alternative professional staff shall not be proposed and only one curriculum vita (CV) may be submitted for each position mentioned.

9.4 Depending on the nature of the Assignment/ job, Auditors are required to submit a Technical Proposal (TP) in forms provided in Section- III. The Part II Data sheet in Section- II indicates the formats of the Technical Proposal to be submitted. **Submission of the wrong type of Technical Proposal will result in the Proposal being deemed non-responsive.** The Technical Proposal shall provide the information indicated in the following paras from (a) to (g) using the attached Standard Forms (Section- 3). Form Tech– I in Section- III is a sample letter of technical proposal which is to be submitted along with the technical proposal.

(a) (i) A brief description of the auditor's organization and in the case of a consortium/ joint venture, of each partner, will be provided in Form Tech-2. In the same Form, the Auditor and in the case of a consortium/ joint venture, each partner will provide details of experience of assignments which are similar to the proposed assignment/ job as per the terms of reference. For each Assignment/



job, the outline should indicate the names of Sub-Auditors/ Professional staff who participated, duration of the Assignment/job, contract amount and auditor's involvement. Information should be provided only for those Assignment/ jobs for which the Auditor was legally contracted by the Employer as a corporation or as one of the major firms within a joint venture. Assignment/jobs completed by individual Professional staff working privately or through other consulting firms cannot be claimed as the experience of the Auditor, or that of the Auditor's associates, but can be claimed by the Professional staff themselves in their CVs. Auditors should be prepared to substantiate the claimed experience along with the proposal and must submit letter of award/ copy of contract for all the assignments mentioned in the proposal.

- (b) Comments and suggestions on the Terms of Reference including workable suggestions that could improve the quality/ effectiveness of the Assignment/job; and on requirements for counterpart staff and facilities including: administrative support, office space, Domestic transportation, equipment, data, etc. to be provided by the Employer (Form TECH-3 of Section- 3).
- (c) A description of the approach, methodology and work plan for performing the Assignment/ job covering the following subjects: technical approach and methodology, work plan and organization and staffing schedule. Guidance on the content of this section of the Technical Proposals is provided under Form TECH-4 of Section 3. The work plan should be consistent with the Work Schedule (Form TECH-8 of Section- 3) which will show in the form of a bar chart the timing proposed for each activity.
- (d) The list of the proposed Professional staff team by area of expertise, the position that would be assigned to each staff team member and their tasks is to be provided in Form TECH-5 of Section- 3.
- (e) Estimates of the staff input needed to carry out the Assignment/job needs to be given in Form TECH-7 of Section- 3. The staff-months input should be indicated separately for each location where the Auditors have to work and/ or provide their key staff. CVs of the Professional staff as mentioned in para 9.4 (d) above signed by the staff themselves or by the authorized representative of the Professional Staff (Form TECH-6 of Section- 3).
- (f) A detailed description of the proposed methodology and staffing for training needs to be given, if the Part II Data sheet specifies training as a specific component of the Assignment/job.

9.5 The Technical Proposal shall not include any financial information. A Technical Proposal containing financial information may be declared non responsive.

**9.6 Financial Proposals:** The Financial Proposal shall be prepared using the attached Standard Forms (Section- 4). It shall list all costs associated with

the Assignment/ job, including (a) remuneration for staff and (b) reimbursable expenses indicated in the Part II Data sheet. If appropriate, these costs should be broken down by activity and, if appropriate, into foreign (if applicable) and domestic expenditures. The financial proposal shall not include any conditions attached to it and any such conditional financial proposal shall be rejected summarily.

## **10. Taxes**

**10.1** The Auditor shall fully familiarize themselves about the applicable Domestic taxes (such as: value added tax or sales tax, service tax or income taxes, duties, fees, levies) on amounts payable by the Employer under the Contract. All such taxes must be included by the auditor in the financial proposal.

## **11. Currency**

**11.1** Auditors shall express the price of their Assignment/job in India Rupees. [In case of assignment where payment in foreign currency are allowed to be made, the Auditors are free to make their quote in any foreign currency. The employer shall mention the provision regarding conversion of such foreign currency to Indian Rupees].

## **12. Earnest Money Deposit (EMD) and Bid processing Fees**

### **12.1 Earnest Money Deposit**

An EMD of **Rs. 25,000/-** (Twenty Five Thousand) in the form of Demand Draft drawn in favour of 'PAO (Sectt.), Ministry of Urban Development' and payable at New Delhi, must be submitted IN ORIGINAL ON OR before submission date and time (Refer to submission of bids: Para 4 of Instructions for Online Bids Submission Attached at Annexure- A) proposal to the Tender Processing Section as per details given below:

**Under Secretary (Urban Transport-I),  
Ministry of Urban Development, Govt. of India,  
Room No. 407-C, Nirman Bhawan,  
Maulana Azad Road, New Delhi-110 108.**

Please note that:

- The bidder needs to indicate the name of the Bidder, telephone number and name of consultancy on the reverse side of the demand draft.
- Proposals without EMD shall be rejected as non-responsive.
- Scanned copy of the demand draft shall be uploaded with the proposal.
- No interest shall be payable by the Employer for the sum deposited as earnest money.
- The EMD of the unsuccessful bidders would be returned within one month of signing of the contract.

**12.2** The EMD shall be forfeited by the Employer in the following events:

- I. If Proposal is withdrawn during the validity period or any extension

- agreed by the auditor thereof.
- II. If the Proposal is varied or modified in a manner not acceptable to the Employer after opening of Proposal during the validity period or any extension thereof.
  - III. If the Auditor tries to influence the evaluation process.
  - IV. If the First ranked Auditor withdraws his proposal during negotiations (failure to arrive at consensus by both the parties shall not be construed as withdrawal of proposal by the Auditor).

### **13 Bid Processing Fees**

- All bidding firms are required to pay **Rs. 5,000/-** (Five Thousand) towards Bid Processing Fees in the form of Demand Draft drawn in favor of 'PAO (Sectt), Ministry of Urban Development', and payable at New Delhi. It must be submitted IN ORIGINAL ON OR before submission date and time. Process of Submission of the Bid processing fee shall remain same as in case of EMD. The Bid Processing Fee is Non-Refundable.

Please note that:

- The bidder needs to indicate the name of the Bidder, telephone number and name of consultancy on the reverse side of the demand draft.
- The Proposal, without the bid processing fees, would be rejected as non-responsive.
- Scanned copy of the demand draft shall be uploaded with the proposal.

### **14. Submission, Receipt and Opening of Proposal**

- 14.1 The original proposals, both Technical and Financial, shall contain no interlineations or overwriting, except as necessary to correct errors made by the Auditors themselves. The person who signed the proposal must initial such corrections. Submission letters for both Technical and Financial Proposals should respectively be in the format of TECH-1 of Section- 3 and FIN-1 of Section- 4.
- 14.2 An authorized representative of the Auditors shall initial all pages of the original Technical and Financial Proposals. The authorization shall be in the form of a written power of attorney accompanying the Proposal or in any other form demonstrating that the representative has been duly authorized to sign.
- 14.3 Financial and Technical Bids shall be submitted online at [www.eprocure.gov.in](http://www.eprocure.gov.in) along with the payment details of EMD and Bid Processing Fee as per prescribed format through e procurement portal on or before the bid due date. The Technical Proposal and Financial Proposal shall be uploaded as two different files.
- 14.4 An authorized representative of the Auditor initials all pages of the Proposal. The representative's authorization is confirmed by a written power of attorney accompanying the Proposal.
- 14.5 After the deadline for submission of proposals, the Technical Proposal will be first opened by the authority and taken for technical evaluation. The Financial Proposal shall remain encrypted with E-procurement portal till the completion of technical evaluation.

## 15. Proposal Evaluation

- 15.1 From the time the Proposals are opened to the time the Contract is awarded, the Auditors should not contact the Employer on any matter related to its Technical and/or Financial Proposal. Any effort by Auditors to influence the Employer in the examination, evaluation, ranking of Proposals and recommendation for award of Contract may result in the rejection of the Auditors' Proposal.
- 15.2 The employer has constituted a Consultant Selection Committee (CSC) which will carry out the entire evaluation process.
- 15.3 Evaluation of Technical Proposals: CSC while evaluating the Technical Proposals shall have no access to the Financial Proposals until the technical evaluation is concluded and the competent authority accepts the recommendation.
- 15.4 The CSC shall evaluate the Technical Proposals on the basis of their responsiveness to the Terms of Reference and by applying the evaluation criteria, sub-criteria specified in the Data sheet. In the first stage of evaluation, a Proposal shall be rejected if it is found deficient as per the requirement indicated in the Data sheet for responsiveness of the proposal. Only responsive proposals shall be further taken up for evaluation. Evaluation of the technical proposal will start first and at this stage the financial bid (proposal) will remain **unopened**. The qualification of the auditor and the evaluation criteria for the technical proposal shall be as defined in the Data sheet.
- 15.5 ***Public opening & evaluation of the Financial Proposals:*** Financial proposals of only those firms who are technically qualified shall be opened publicly in due course in the presence of the Auditors' representatives who choose to attend. The name of the Auditors, their technical score (if required) and their financial proposal shall be read aloud.
- 15.6 The CSC will correct any computational errors. When correcting computational errors, in case of discrepancy between a partial amount and the total amount or between word and figures, the former will prevail. In addition to the above corrections the items described in the Technical Proposal but not priced, shall be assumed to be included in the prices of other activities or items. In case an activity or line item is quantified in the Financial Proposal differently from the Technical Proposal, (i) if the Time-Based form of contract has been included in the RFP, the Evaluation Committee shall correct the quantification indicated in the Financial Proposal so as to make it consistent with that indicated in the Technical Proposal, apply the relevant unit price included in the Financial Proposal to the corrected quantity and correct the total Proposal cost, (ii) if the Lump-Sum form of contract has been included in the RFP, no corrections are applied to the Financial Proposal in this respect. If permitted under RFP to quote in any currency other than Indian Rupees, **prices shall be converted to Indian Rupees using the selling rates of exchange, source and reference date indicated in the Data sheet. Normally, the date will be the date of opening of the tender unless specified otherwise in the Data sheet.**

- 15.7 After opening of financial proposals, simplified procedure for evaluation of technical proposal method shall be applied to determine the auditor who will be declared winner and be eligible for award of the contract. The methods of selections are described in the Data Sheet.

This selected Auditor will then be invited for negotiations, if considered necessary.

## 16. Negotiations:

- 16.1 Negotiations will be held at the date, time and address intimated to the qualified and selected bidder. The invited Auditor will, as a pre-requisite for attendance at the negotiations, confirm availability of all Professional staff.  
– Representatives conducting negotiations on behalf of the Auditor must have written authority to negotiate and conclude a Contract.
- 16.2 **Technical negotiations:** Negotiations will include a discussion of the Technical Proposal, the proposed technical approach and methodology, work plan, organization and staffing and any suggestions made by the Auditor to improve the Terms of Reference. The Employer and the Auditors will finalize the Terms of Reference, staffing schedule, work schedule, logistics and reporting. These documents will then be incorporated in the Contract as — Description of Assignment/ job. Special attention will be paid to clearly defining the inputs and facilities required from the Employer to ensure satisfactory implementation of the Assignment/job. The Employer shall prepare minutes of negotiations which will be signed by the Employer and the Auditor.
- 16.3 **Financial negotiations:** After the technical negotiations are over, financial negotiations should be carried out in order to reflect any change in financials due to change in scope of work or due to clarification on any aspect of the technical proposal during the technical negotiations. Under no circumstance, the financial negotiation shall result in increase in the price originally quoted by the Auditor. Unless there are exceptional reasons, the financial negotiations will involve neither the remuneration rates for staff nor other proposed unit rates. For other methods, Auditors will provide the Employer with the information on remuneration rates described in the Appendix attached to Section- 4 – Financial Proposal – Standard Forms of this RFP.
- 16.4 Availability of Professional staff/ experts: Having selected the Auditor on the basis of, among other things, an evaluation of proposed Professional staff, the Employer expects to negotiate a Contract on the basis of the Professional staff named in the Proposal. Before contract negotiations, the Employer will require assurances that the Professional staff will be actually available. The Employer will not consider substitutions during contract negotiations unless both parties agree that undue delay in the selection process makes such substitution unavoidable or for reasons such as death or medical incapacity or if the professional staff has left the organization. If this is not the case and if it is established that Professional staffs were offered in the proposal without confirming their availability, the Auditor may be disqualified. Any proposed substitute shall have equivalent or better

qualifications and experience than the original candidate and be submitted by the Auditor within the period of time specified in the letter of invitation to negotiate.

- 16.5 Conclusion of the negotiations: Negotiations will conclude with a review of the draft Contract. To complete negotiations, the Employer and the Auditor will initial the agreed Contract. If negotiations fail, the employer will reject all the proposals received and invite fresh proposals.

**17. Award of Contract:**

- 17.1 After completing negotiations the Employer shall issue a Letter of Intent to the selected Auditor and promptly notify all other Auditors who have submitted proposals about the decision taken.
- 17.2 The Auditors will sign the contract after fulfilling all the formalities/ pre-conditions mentioned in the standard form of contract in Section- 6, within 15 days of issuance of the letter of intent.
- 17.3 The Auditor is expected to commence the Assignment/ job on the date and at the location specified in the Part II Data Sheet.

**18. Confidentiality:**

Information relating to evaluation of Proposals and recommendations concerning awards shall not be disclosed to the Auditors who submitted the Proposals or to other persons not officially concerned with the process, until the publication of the award of Contract. The undue use by any Auditor of confidential information related to the process may result in the rejection of its Proposal and may be subject to the provisions of the Employer's antifraud and corruption policy.

# INSTRUCTIONS TO AUDITORS

## Part- II

### DATA SHEET

S. No.	Ref. of ITC	Particulars
1.	2.1	Name of the Employer: Ministry of Urban Development, Govt. of India.
2.	2.2	Name of the Assignment/ job: External Audit Services for the World Bank-GEF supported Efficient and Sustainable City Bus Service (ESCBS) Project.
3.	2.5	No pre-proposal meeting will be held.
4.	2.5	<p>The Employer's representative is: Shri R. D. Talukdar, Under Secretary to the Govt. of India, Ministry of Urban Development, Govt. of India, Room No. 407, C, Nirman Bhawan, Maulana Azad Road, New Delhi – 110 108. Telefax: 91-11-2306 2264 E-mail: <a href="mailto:rupaktalukdar@yahoo.co.in">rupaktalukdar@yahoo.co.in</a></p> <p>The address for requesting clarifications is: Shri I.C Sharma, National Project Manager, Project Management Unit (SUTP), Ground Floor, 'G' Wing, Nirman Bhawan, New Delhi-110108 Tel No. 23062615, Fax No.23062613 E-mail: <a href="mailto:itutindia.sutp@gmail.com">itutindia.sutp@gmail.com</a></p>
5.	2.6	The Employer will provide the following inputs and facilities: All Project Agreements, contracts and other relevant documents required to facilitate auditing will be made available by the Employer for inspection.
6.	4.1	Clarifications may be requested not later than 15 days before the submission date.
7.	8.1	Proposals must remain valid until 90 days after the submission date.
8.	--	The Employer envisages the need for continuity for downstream work: No.
9.	9.3 (a) 9.3(b)	Consortium/ joint venture comprising of not more than two Audit firms (including the lead partner) will be permitted. The estimated number of professional staff-man days required for the Assignment/ job is: 175
10.	9.4	The formats of the Technical Proposal to be submitted are:  Form Tech 1: Letter of Proposal submission Form Tech 2 : Auditor's organization & experience

		<p>Form Tech 3 : Comments &amp; suggestions on TOR- Not applicable</p> <p>Form Tech 4 : Approach &amp; methodology- Not applicable</p> <p>Form Tech 5 : Team composition</p> <p>Form Tech 6 : Curriculum vitae</p> <p>Form Tech 7 : Staffing Schedule</p> <p>Form Tech 8 : Work Schedule</p> <p>Form Tech 9: Comment/ modification suggested on draft contract- Not applicable.</p> <p>Form Tech 10: Information regarding any conflicting activities and declaration thereof.</p>
11.		Training is a specific component of this Assignment/ job: No.
12.	10.1 11	All Taxes must be included by the Auditor in the cost except service tax which shall be reimbursed by the Employer Consultant to state the cost in Indian Rupees:
13.	<u>14.3</u>	Consultant must submit the Technical and Financial Proposal online only at: <a href="http://www.eprocure.gov.in">www.eprocure.gov.in</a> The EMD & Bid processing Fee shall be submitted as detailed para 12 & 13.
14.	14.4	<p>Last Date, time and address for submission of proposal/ bid:</p> <p>Date: 22.02.2017</p> <p>Time: 1300 Hrs</p> <p>Address : Shri R. D. Talukdar, Under Secretary to the Govt. of India, Ministry of Urban Development, Govt. of India, Room No. 407, C, Nirman Bhawan, Maulana Azad Road, New Delhi – 110 108. Telefax: 91-11-2306 2264 E-mail: <a href="mailto:rupaktalukdar@yahoo.co.in">rupaktalukdar@yahoo.co.in</a> &amp; <a href="mailto:iutindia.sutp@gmail.com">iutindia.sutp@gmail.com</a></p>
15.	15.4	<p><b>Evaluation Criteria :</b> <b>Simplified Procedure for evaluation of Technical Proposals</b></p> <ol style="list-style-type: none"> <li>1. <b>Branch/ Associates Offices</b> –The lead firm should have its Head Quarter in NCR-Delhi and should, together with its Associates, have physical presence in at least 2 out of 3 cities.</li> <li>2. <b>Staff strength</b>- The firm together with Associates should have at least 25 audit related technical staff (paid staff or article clerks).</li> <li>3. <b>No. of FCAs</b>:- Firm together with Associates should have at least 03 FCAs .</li> <li>4. <b>C &amp; AG empanelment</b>: The firm and Associates, if any, must be empaneled with C&amp;AG.</li> <li>5. <b>Financial Strength</b>: The firm together with the Associates should have minimum average (yearly) receipts of Rs. 125 lakh. The average will be calculated on the basis of last two financial years (2014-15 and 2015-16).</li> <li>6. <b>Experience</b></li> </ol>



		<p>(i) Specific experience of the Auditors (i.e. the firm) relevant to the assignment:</p> <ul style="list-style-type: none"> <li>(a) at least 05 years of cumulative experience in Internal Audit with PSU/ ULB and/ or World Bank related projects</li> <li>(b) at least one Audit every year and 10 audits in 05 year cumulative experience in Internal Audit with PSU/ULB and/ or World Bank related projects</li> </ul> <p>The CSC will divide the Proposals into qualifying and non-qualifying category. The non-qualifying proposals shall be treated as non-responsive.</p> <p>ii) Key professional staff: Qualification &amp; competency for the assignment / job. The CSC will first see if the Auditor has provided all professionals as per the requisite expertise. If the Auditor has not provided all professionals as per the requisite expertise, the bid can be termed as non-qualifying.</p> <p>The minimum qualifying requirements for the key professional staff are as follows:</p> <ol style="list-style-type: none"> <li>1. Team leader/ Partner - <ul style="list-style-type: none"> <li>a) Educational and professional qualification- FCA</li> <li>b) Experience- Should have completed at least two audits in internal audit with PSU/ ULB and/ or World Bank related project in the last 05 years.</li> </ul> </li> <li>2. Audit Team head (IA level) - <ul style="list-style-type: none"> <li>a) Educational and professional qualification-FCA</li> <li>b) Experience- Should have completed at least two audits in internal audit with PSU/ULB and/or World Bank related project in the last 5 years.</li> </ul> </li> <li>3. Engineer (IA level) - <ul style="list-style-type: none"> <li>a) Educational qualification- Degree in civil Engineering</li> <li>b) Experience- Should have completed at least two technical audits with PSU and /or world bank related project in the last 05 years.</li> </ul> </li> </ol> <p>(The Auditor will make its own assessment about the adequate number of Audit professionals required at the IA level. CVs of all the above key professionals will be evaluated)</p>
16.	<u>15.7</u>	<p>Method of Selection: Simplified procedure of technical evaluation.</p> <p>The auditors who are found qualified under all the parameters of the eligibility criteria mentioned above under para 15 will be considered technically qualified for award of contract. Price bids of all these technically qualified firms will be opened and the <b>contract will be awarded to the lowest bidder</b>, after</p>

		negotiations, if necessary.
<b>17.</b>		Expected date for commencement of consulting Assignment/ job: March/ April, 2017.
<b>18.</b>		Location for performance assignment/ job: All the cities indicated in the Terms of Reference and MoUD at New Delhi.

## **Section- 3**

### **Technical Proposal – Standard Forms**

## LETTER OF PROPOSAL SUBMISSION

[Location, Date]

To: [Name and address of Employer]

Dear Sirs:

We, the undersigned, offer to provide the auditing Assignment/ job for Internal Audit Services for GEF/ World Bank Supported Efficient and Sustainable City Bus Service (ESCBS) Project in accordance with your Request for Proposal dated [Insert Date] and our Proposal. We are hereby submitting our Proposal, which includes this Technical Proposal, a Financial Proposal and requisite EMD and bid processing fees.

We are submitting our Proposal in association with: [Insert a list with full name and address of each associated Auditor]

We hereby declare that all the information and statements made in this Proposal are true and accept that any misinterpretation contained in it may lead to our disqualification.

If negotiations are held during the period of validity of the Proposal, i.e., before the date indicated in Paragraph 8 of the Part II Data Sheet, we undertake to negotiate on the basis of the proposed staff. Our Proposal is binding upon us and subject to the modifications resulting from Contract negotiations.

We understand you are not bound to accept any Proposal you receive.

We remain,

Yours sincerely,

Authorized Signature [In full and initials]:

Name and Title of Signatory:

Name of Firm:

Address:

**AUDITOR’S ORGANIZATION AND EXPERIENCE**

**A - AUDITOR’s Organization**

[Provide here a brief description of the background and organization of your firm/ entity and each associate for this Assignment/ job. The brief description should include ownership details, date and place of incorporation of the firm, objectives of the firm, etc. Also if the Auditor has formed a consortium, details of each of the member of the consortium, name of lead members, etc. shall be provided]

**B - Auditor’s Experience**

[Using the format below, provide information on each Assignment/ job for which your firm, and each partner in the case of consortium or joint venture, was legally contracted either individually as a corporate entity or as one of the major partners within an association, for carrying out Internal Auditing Assignment/ job similar to the ones requested under this Assignment/ job (If possible, the employer shall specify exact assignment/ job for which experience details may be submitted). In case of consortium, association of Auditors, the Auditor must furnish the following information for each of the consortium member separately]

**1. Firm’s name:**

1	Assignment/ job name:	
1.1	Description of the Assignment	
1.2	Approx. value of the contract (in Rupees):	
1.3	Country:	
1.4	Location within country:	
1.5	Duration of Assignment/ job (months) :	
1.6	Name of Employer:	
1.7	Address:	
1.8	Total No of staff-months of the Assignment/ job:	
1.9	Approx. value of the Assignment/ job provided by your firm under the contract (in Rupees):	

1.10	Start date (month/ year):	
1.11	Completion date (month/year):	
1.12	Name of associated Auditors, if any:	
1.13	No of professional staff-months provided by associated Auditors:	
1.14	Name of senior professional staff of your firm involved and functions performed.	
1.15	Description of actual Assignment/ job provided by your staff within the Assignment/ job:	

Note: Please provide documentary evidence from the client i.e. copy of work order, client certificate for each of above mentioned assignment. The experience shall not be considered for evaluation if such requisite support documents are not provided with the proposal.

**FORM TECH-3 (NOT APPLICABLE)**

**COMMENTS AND SUGGESTIONS ON THE TERMS OF REFERENCE  
AND ON COUNTERPART STAFF AND FACILITIES TO BE PROVIDED  
BY THE EMPLOYER**

**A - On the Terms of Reference**

[Suggest and justify here any modifications or improvement to the Terms of Reference you are proposing to improve performance in carrying out the Assignment/ job (such as deleting some activity you consider unnecessary, or adding another, or proposing a different phasing of the activities). Such suggestions should be concise and to the point and incorporated in your Proposal.]

**B - On Inputs and Facilities to be provided by the employer**

[Comment here on Inputs and facilities to be provided by the Employer according to Paragraph 6 of the Part II Special information to Auditors including: administrative support, office space, Domestic transportation, equipment, data, etc.]

## FORM TECH-4 (NOT APPLICABLE)

### DESCRIPTION OF APPROACH, METHODOLOGY AND WORK PLAN FOR PERFORMING THE ASSIGNMENT/ JOB

[Technical approach, methodology and work plan are key components of the Technical Proposal. You are suggested to present your Technical Proposal divided into the following three chapters:

- a) Technical Approach and Methodology,
- b) Work Plan, and
- c) Organization and Staffing.

a) **Technical Approach and Methodology:** In this chapter you should explain your understanding of the objectives of the Assignment/job, approach to the Assignment/ job, methodology for carrying out the activities and obtaining the expected output, and the degree of detail of such output. You should highlight the problems being addressed and their importance, and explain the technical approach you would adopt to address them. You should also explain the methodologies you propose to adopt and highlight the compatibility of those methodologies with the proposed approach.

b) **Work Plan:** The Auditor should propose and justify the main activities of the Assignment/job, their content and duration, phasing and interrelations, milestones (including interim approvals by the Employer), and delivery dates of the reports. The proposed work plan should be consistent with the technical approach and methodology, showing understanding of the TOR and ability to translate them into a feasible working plan. A list of the final documents, including reports, drawings and tables to be delivered as final output, should be included here. The work plan should be consistent with the Work Schedule of Form TECH-8.

c) **Organization and Staffing:** The Auditor should propose and justify the structure and composition of your team. You should list the main disciplines of the Assignment/ job, the key expert responsible and proposed technical and support staff.]



**TEAM COMPOSITION AND TASK ASSIGNMENT/ JOB**

Professional Staff

Sr. No.	Name of Staff	Name of Firm	Area of Expertise	Position/ Task Assigned for this Job

**CURRICULUM VITAE (CV) FOR PROPOSED PROFESSIONAL/ STAFF**

1. Proposed Position: [For each position of key professional separate form Tech-6 will be prepared]:
2. Name of Firm: [Insert name of firm proposing the staff]:
3. Name of Staff: [Insert full name]:
4. Date of Birth:
5. Nationality:
6. Education: [Indicate college/ university and other specialized education of staff member, giving names of institutions, degrees obtained, and dates of obtainment]:
7. Membership of Professional Associations:
8. Other Training:
9. Countries of Work Experience: [List countries where staff has worked in the last ten years]:
10. Languages [For each language indicate proficiency: good, fair, or poor in speaking, reading, and writing]:
11. Employment Record:

[Starting with present position, list in reverse order every employment held by staff member since graduation, giving for each employment (see format here below): dates of employment, name of employing organization, positions held]:

From: [Year To Year]:

Employer:

Positions held:

12. Detailed Tasks Assigned:

[List all tasks to be performed under this Assignment/ job]

13. Work Undertaken that Best Illustrates Capability to Handle the Tasks Assigned

[Among the Assignment/ jobs in which the staff has been involved, indicate

the following information for those Assignment/ jobs that best illustrate staff capability to handle the tasks listed under point 12.]

Name of Assignment/job or project:

Year:

Location:

Employer:

Main project features:

Positions held:

Activities performed:

14. Certification:

I, the undersigned, certify that to the best of my knowledge and belief, this CV correctly describes myself, my qualifications and my experience. I understand that any willful misstatement described herein may lead to my disqualification or dismissal, if engaged.

[Signature of staff member or authorized  
representative of the staff]

[Full name of authorized representative]

Date:

Place:

**STAFFING SCHEDULE**

S. No.	Name of Staff	Staff input (in the form of a bar chart)	Total Months
--------	---------------	---	--------------

- 1.
- 2.
- 3.

Note:

- 1 For Professional Staff the input should be indicated individually; for Support Staff it should be indicated by category (e.g. draftsmen, clerical staff, etc.).
- 2 Months are counted from the start of the Assignment/ job. For each staff indicate separately staff input for home and field work.

WORK SCHEDULE

S. No.	Activity	Months	Total Months
--------	----------	--------	--------------

1.

2.

3.

4.

1 Indicate all main activities of the Assignment/ job, including delivery of reports (e.g.: inception, interim, draft and final reports), and other benchmarks such as Employer approvals. For phased Assignment/ jobs indicate activities, delivery of reports and benchmarks separately for each phase.

2 Duration of activities shall be indicated in the form of a bar chart.

**FORM TECH- 9 (NOT APPLICABLE)**

**COMMENTS/ MODIFICATIONS SUGGESTED ON DRAFT CONTRACT**

[Here the Auditor shall mention any suggestion/ views on the draft contract attached with the RFP document. The Auditor may also mention here any modifications sought by him in the provisions of the draft contract. This information shall be used at the time of the negotiations. However, the Employer is not bound to accept any/ all modifications sought and may reject any such request of modification.]

**INFORMATION REGARDING ANY CONFLICTING ACTIVITIES AND  
DECLARATION THEREOF**

Are there any activities carried out by your firm or group company or any member of the consortium which are of conflicting nature as mentioned in para 5 of Section 2. If yes, please furnish details of any such activities.

If no, please certify,

We hereby declare that our firm, our associate/ group firm or any of the member of the consortium are not indulged in any such activities which can be termed as the conflicting activities under para 5 of the Section 2. We also acknowledge that in case of misrepresentation of the information, our proposals/ contract shall be rejected/ terminated by the Employer which shall be binding on us.

Authorized Signature [In full and initials]:

Name and Title of Signatory:

Name of Firm:

Address:

## **Section- 4**

### **Financial Proposal – Standard Forms**



**PROPOSAL SUBMISSION FORM**

[Location, Date]

To: [Name and address of Employer]

Dear Sirs:

We, the undersigned, offer to provide the Internal Audit services for the GEF/ WB supported Efficient and Sustainable City Bus Service Project (ESC BSP) in accordance with your Request for Proposal dated [Insert Date]. Our attached Financial Proposal is for the sum of [Insert amount(s) in words and figures]. This amount is inclusive of all expenses and Domestic taxes. We hereby confirm that the proposal is unconditional and we acknowledge that any condition attached to proposal shall result in rejection of our proposal.

Our Proposal shall be binding upon us subject to the modifications resulting from Contract negotiations, up to expiration of the validity period of the Proposal, i.e. before the date indicated in Paragraph 8 of the Part II Data Sheet.

Commissions and gratuities paid or to be paid by us to agents relating to this Proposal and Contract execution, if we are awarded the Contract, are listed below:

Name and Address	Amount and Purpose of Commission	Gratuity of Agents
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We understand you are not bound to accept any Proposal you receive. We remain,

Yours sincerely,

Authorized Signature [In full and initials]:

Name and Title of Signatory:

Name of Firm:

Address:

**FINANCIAL PROPOSAL SUBMISSION FORM RATES AND AMOUNTS (In Indian Rupees)**

S. No.	Activity	Unit rate of Yearly External audit per Implementing agency		No. of implementing agencies	Amount for each year	Estimated No. of years	Amount for the Activity
		In words	In Figures				
		A	B	C	D= BXC	E	F=DXE
1	External audit of Implementing agencies			3		3	
2	Service tax						
	<b>Total</b>						

Total amount in Rupees (in Words) \_\_\_\_\_

(The rates and amounts are inclusive of all Expenses and Taxes)

## **Section- 5**

### **Terms of Reference**

## Terms of Reference for Statutory Auditor of Project Financial Statements of GEF - 5

Position:	<b>Statutory Auditor – A firm of Chartered Accountants hired by Ministry of Urban Development (MoUD)</b>
Organization:	Different PIAs
Duty Station:	At respective PIAs
Duration:	Initially for 01 year (further extension for 2 years based on performance)

### Background:

Long term sustainability of cities depends on promoting walking, cycling and public transport services. Public Transport carries more people, is less polluting and takes up less road space than the equivalent number of personal vehicles. City bus services can meet the public transport needs of most cities in a cost effective and efficient manner. Structured bus services, which form the essential requisite of meeting the transport demand in urban sector in Indian cities with more than 0.5 million people, are often deficient.

The poor quality of public transport contributes to traffic congestion, increased air pollution levels and road safety problems on roads in most of the Indian metropolitan cities. Unless deliberate steps are taken to develop and implement environmentally friendly urban transport systems, India's urban areas may well become the single largest source of GHG emissions. Since one of the important goals of the National Urban Transport Policy (NUTP), 2006 is to reduce GHG emissions, Govt. of India through the Ministry of Urban Development intends to initiate programs, which promote shift to more environment friendly modes of urban transport.

Therefore, taking forward the initiatives of improvement in public transport under National Urban Renewal Mission (NURM) and SUTP, Govt. of India through MoUD initiated the project on Efficient & Sustainable City Bus Services (ESCBS) with focus on improvement of Bus Transport infrastructure, fleet management, ITS and improvement in fuel efficiency. The proposed project is designed to complement the baseline project, Bus Funding Scheme of the Government of India under the NURM, through additional activities that would help realize its full potential. The following three are the main components of the project:

- Component- 1: National Capacity Building and Technical Assistance (TA) - Primary objective of this component is to build capacities in the field of bus service operations
- Component- 2A: City Demonstration Projects – Physical Improvements
- Component- 2B: City Demonstration Projects: Technical Assistance (TA) and Capacity Building
- Component- 3: Project management Unit.

The list of the Implementing agencies under the GEF – 5 which are to be audited is as follows:

S. No.	PIA	Status
1	Jaipur City Transport Services	Company
2	Bhopal City Links Limited	Company
3	Mira - Bhayandar Municipal Corporation	Municipal Corporation

### Cost sheet of the Implementing Agencies is as follows:

<b>Project Costs sheet (all in INR Crore)</b>					
<b>Cities/ Funding agency</b>	<b>GoI</b>	<b>State</b>	<b>PIU</b>	<b>GEF</b>	<b>Total</b>
Bhopal	28.79	11.52	17.61	11.14	69.06
Jaipur	133.60	65.02	67.60	11.14	277.35
Mira Bhayander	37.85	9.74	10.49	11.14	69.22
<b>Total</b>	<b>200.23</b>	<b>86.28</b>	<b>95.70</b>	<b>33.42</b>	<b>415.63</b>

### 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 grants were used for the purposes intended, that the annual project financial statements are free from material mis-statement, and that the terms of the loan 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 relevant loan or credit agreement. In addition, where applicable, the auditor will express a professional opinion as to whether the Interim Unaudited Financial Reports (IUFR) submitted by project management may be relied upon to support any applications for withdrawal and whether adequate supporting documentation has been maintained to support claims made by the project management for reimbursement of expenditures incurred.

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 agencies as defined in the Table.

The audit will be carried out in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General (C&AG) of India. 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 loan 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 mis-statements in the project financial statements.

### Scope:

The audit will cover Project Implementing Agencies (for the demonstration projects) for all the components i.e. 2A and 2B in Jaipur, Bhopal and Mira Bhayander.

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 Financing Agreement, the Project Agreement and the Minutes of Negotiations;
- (b) Counterpart funds have been provided and used in accordance with the relevant 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 IUFRR where applicable. Clear linkages should exist between the books of account and reports presented to the Bank; and
- (d) The project accounts have been prepared in accordance with consistently applied Government Accounting Standards<sup>1</sup> 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.

### **Project Financial Statements:**

The Project Financial Statements should include:

- A. Statement of Sources and Applications of Funds: The contents of Project Financial Statements (PFS) are given in [Annex- 1](#).
- B. Reconciliation of Claims to Total Applications of Funds. The PFS include reconciliation between expenditure reported as per the Statement of Sources and Applications of Funds and expenditure claimed from the World Bank through IUFRR based reimbursement. An example is shown at [Annex- 2](#).
- C. Other Statements or Schedules as may be applicable in particular circumstances and as specified in the relevant legal agreements, such as:
  - A statement showing appropriate major heads of expenditure.
  - Statement showing entity wise advances and expenditure.
- 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. An example of a Management Assertion Letter is shown at [Annex- 3](#).

### **Interim Unaudited Financial Reports (IUFRR):**

In addition to the audit of the PFS, the auditor is required to audit all IUFRRs 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 relevant financing agreements. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor.

### **Audit Report:**

An audit report on the Project Financial Statements should be prepared in accordance with the Auditing Standards promulgated by the C&AG of India. Those standards require an audit opinion to be rendered related to the financial statements taken as a whole, indicating “unambiguously whether it is unqualified or qualified and, if the latter, whether it is qualified in certain respects or is adverse or a disclaimer of opinion.” In addition, the audit opinion paragraph will specify whether, in the auditor’s opinion, (a) with respect to IUFRRs, 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

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<sup>1</sup> Until such time as the pronouncements of the Government Accounting Standards, Advisory Board are accepted and prescribed by the Ministry of Finance, the accounting standards followed by the Government of India will be defined by the General Financial Rules, PWD codes, Treasury codes and similar financial rules and codes as are in effect and applicable to the operations of the project.

audit report, expenditures are eligible for financing under the Loan/ Credit Agreement. A sample audit report wording for an unqualified audit opinion is shown at [Annex- 4](#).

The project financial statements and the audit report should be received by the **Bank not later than 06 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 may prepare a management letter containing recommendations for improvements in internal control and other matters coming to the attention of the auditor during the audit examination.

Where a management letter is prepared by the auditor, a copy of the same will be supplied to the Bank. Else, a written advice may be made that no management letter was prepared together with the audit report on the project financial statements.

### **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, a copy of these Guidelines and a copy of the Bank's Financial Management Assessment of the project entity. It is highly desirable that the auditor become familiar with other Bank policy documents, such as OP/ BP 10, 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.

## FORMAT FOR PROJECT FINANCIAL STATEMENT

Annex -1

### STATEMENT OF SOURCES AND APPLICATION

Name of the PIA:

For the Year Ended:

Particulars	Current FY	Last FY	Cumulative for the project
<b>Source of funds</b>			
<i>World Bank funds – GEF</i>	(A)		
<i>Others</i>	(B)		
<i>Total Sources</i>	<i>Sum</i>		
	(A to B)		
<b>Application of funds</b>			
<i>Component 1</i>	(C)		
<i>Component 2</i>	(D)		
<i>Total expenditure</i>	(E)=Sum(C to D)		
<i>Advances</i>	(F)		
<i>Total Applications</i>	(E+F)		

\_\_\_\_\_  
CFAO

\_\_\_\_\_  
Project Director

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date



**Loan / Credit / Grant No:**  
**Reconciliation of Claims to Total Applications of Funds**  
**Report for the year ended \_\_\_\_\_**

	Schedules	Amount (Rs. in lakh)		
		Current Year	Previous Year	Project to date
<b>Bank Funds claimed during the year (A)</b>	<b>I</b>			
<b>IUFR 1</b>				
<b>IUFR 2</b>				
<b>IUFR 3</b>				
<b>IUFR 4</b>				
<b>IUFR 5</b>				
<b>Total Expenditure made during the year (B)</b>				
<b>Less: Outstanding Advances (C)</b>	<b>II</b>			
<b>Ineligible expenditures (D)</b>	<b>III</b>			
<b>Expenditures not claimed (E)</b>	<b>IV</b>			
<b>Expenditure not covered for allocation i.e. 100% money Will be reimbursed by some other funding agencies.(F)</b>	<b>V</b>			
<b>Total Eligible Expenditures Claimed (G)=(B)-(C)-(D)-(E)-(F)</b>				

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. Outstanding advances refer to advances which has not been adjusted at the year end.
3. Expenditures not claimed (E above) may reflect timing differences for eligible expenditures incurred during the year but claimed after the year end.

**Example of a Management Assertion Letter<sup>2</sup>**

(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 Government of India, 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 Loan/ 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 Financing Agreement, the Project Agreement, the Project Appraisal Document, the Minutes of Negotiations, and the Borrower's Project Implementation Plan.

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 (Senior Executive Officer)

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 (Senior Financial Officer)

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<sup>2</sup> This sample management assertion letter is based on ISA 580, "Management Representations," *Handbook of International Auditing, Assurance and Ethics Pronouncements*, International Federation of Accountants, 2007

## Sample Audit Report—Unqualified Opinion<sup>3</sup>

### Audit Report

Addressee<sup>4</sup>

#### Report on the Project Financial Statements

We have audited the accompanying financial statements of the \_\_\_\_\_ Project financed under the World Bank Loan No.\_\_\_\_\_/IDA, which comprise the Statement of Sources and Applications of Funds and the Reconciliation of Claims to Total Applications of Funds<sup>5</sup> 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 Auditing Standards of 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. Our audit examines, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It 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 Government of India accounting standards.<sup>6</sup>

In addition, in our opinion, (a) with respect to IUFRs, 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 Loan/ Credit Agreement. During the course of the audit, IUFRs (each application no. 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<sup>7</sup>]

<sup>3</sup> See relevant portions of Auditing Standards of the ICAI as applicable from time to time for conditions where unqualified, qualified, adverse or disclaimers of opinion may appropriately be rendered.

<sup>4</sup> The auditor's report should be addressed to the person stipulated in the underlying loan agreement as responsible for providing audited project financial statements.

<sup>5</sup> Insert titles of other required statements and schedules included in or annexed to the project financial statements, if any.

<sup>6</sup> Until the Ministry of Finance prescribes adoption of the accounting standards pronounced by GASAB or other body such as IPSAS, the accounting standards followed by the Government of India shall be the cash basis of accounting applied with due regard to the General Financial Rules, PWD codes, Treasury codes and similar financial rules and codes as are in effect and applicable to the operations of the project.

Note: The employee may make additional or deletion in above lists of location at which the

Assignment/ Job is required to be performed (Reference **clause 2.6 of GCC** read with **clause no. 6 of SCC**).

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<sup>7</sup> 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.

## **Section- 6**

### **Standard Form of Contract**

## **STANDARD FORM OF CONTRACT**

### **External Auditor Services**

## Contents

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  - Appendix C: Staffing Schedule
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**CONTRACT FOR INTERNAL AUDIT SERVICES**

**FOR GEF-WB supported Efficient and Sustainable City Bus Services  
Project**

**between**

**[Ministry of Urban Development,  
Government of India]**

**and**

**[Name of the Auditor]**

**Dated:**



## I. Form of Contract

(Text in brackets [ ] should be filled up appropriately; all notes should be deleted in final text)

This CONTRACT (hereinafter called the "Contract") is made the [day] day of the month of [month], [year], between the President of India acting through (designation), Ministry of Urban Development, Government of India, (office address), [name of employer] (hereinafter called the "Employer"), of the First Part and, [*name of auditor*] (hereinafter called the "Auditor") of the Second Part.

[Note: If the Auditor consist of more than one entity, the above should be partially amended to read as follows: (Here in after called the "Employer") of the First part and a joint venture/ consortium/ association consisting of the following entities, namely, lead Auditor [*name of lead Auditor*] and [*names of Auditor/s*] (hereinafter called the "Auditor") of the Second Part.

### WHEREAS

- (a) the Auditor, having represented to the "Employer" that he has the required professional skills, personnel and technical resources, has offered to provide the services in response to the Tender Notice dated [Enter the date] issued by the Employer;
- (b) the "Employer" has accepted the offer of the Auditor to provide the services on the terms and conditions set forth in this Contract.

**NOW, THEREFORE, IT IS HEREBY AGREED** between the parties as follows:

1. The following documents attached hereto shall be deemed to form an integral part of this Contract:
  - (a) The General Conditions of Contract;
  - (b) The Special Conditions of Contract;
  - (c) The following Appendices:
    - Appendix A: Description of Services
    - Appendix B: Rates & Cost of Services
    - Appendix C: Staffing Schedule
    - Appendix D: Duties of the Employer
2. The mutual rights and obligations of the "Employer" and the Auditor shall be as set forth in the Contract, in particular:
  - (a) the Auditors shall carry out and complete the Services in accordance with the provisions of the Contract; and
  - (b) the "Employer" shall make payments to the Auditor in accordance with the provisions of the Contract.

IN WITNESS WHEREOF, the Parties hereto have caused this Contract to be signed in their respective names as of the day and year first above written.

Signed by -----

In presence of  
(Witnesses)

1. For and on behalf of the  
President of India  
[name of "Employer"]

- (i)
- (ii)

[Authorized Representative]

In presence of (Witnesses)

2. For and on behalf of  
[name of Auditor]

- (i)
- (ii)

[Authorized Representative]

[Note: If the Auditor consists of more than one entity, all these entities should appear as signatories, e.g., in the following manner:]

3. For and on behalf of each of the Members of the Auditor.

[Name of member]  
[Authorized Representative]

4. [Name of member]

[Authorized Representative]

## II. General Conditions of Contract

### 1. GENERAL PROVISIONS

**1.1 Definitions** Unless the context otherwise requires, the following terms whenever used in this Contract have the following meanings:

- (a) "Applicable Law" means the laws and any other instruments having the force of law in India for the time being.
- (b) "Auditor" means any private or public entity that will provide the Services to the "Employer" under the Contract.
- (c) "Contract" means the Contract signed by the Parties and all the attached documents listed in its **Clause 1** that is this General Conditions (GC), the Special Conditions (SC), and the Appendices.
- (d) "Day" means calendar day.
- (e) "Effective Date" means the date on which this Contract comes into force and effect pursuant to **Clause GC 2.1**.
- (f) "Foreign Currency" means any currency other than the currency of the "Employer's" country.
- (g) "GC" means these General Conditions of Contract,
- (h) "Government" means the Government of India.
- (i) "Local Currency" means Indian Rupees.
- (j) "Member" means any of the entities that make up the joint venture/ consortium/ association; and "Members" means all these entities.
- (k) "Party" means the "Employer" or the Auditor, as the case may be, and "Parties" means both of them.
- (l) "Personnel" means chartered accountants and support staff provided by the Auditor or the staff of any sub-Auditor.
- (m) —Reimbursable expenses means all assignment-related cost [such as travel, translation, report printing, secretarial expenses, subject to specified maximum limits in the Contract].
- (n) "SC" means the Special Conditions of Contract by which the GC may be amended or supplemented.
- (o) "Services" means the work to be performed by the Auditor pursuant to this Contract, as described in Appendix A hereto.
- (p) "Sub-Auditors" means any person or entity to whom/ which the Auditor subcontracts the technical audit services.

- (q) "Third Party" means any person or entity other than the "Employer", or the Auditor.
- (r) "In writing" means communicated in written form with proof of receipt.

## **1.2 Relationship Between the Parties:**

Nothing contained herein shall be construed as establishing a relationship of master and servant or of principal and agent as between the "Employer" and the Auditor. The Auditor, subject to this Contract, has complete charge of Personnel and Sub-Auditors, if any, performing the Services and shall be fully responsible for the Services performed by them or on their behalf hereunder.

- 1.3 **Law Governing Contract:** This Contract, its meaning and interpretation, and the relation between the Parties shall be governed by the applicable laws of India.

- 1.4 **Headings:** The headings shall not limit, alter or affect the meaning of this Contract.

## **1.5 Notices**

1.5.1 Any notice, request or consent required or permitted to be given or made pursuant to this contract shall be in writing. Any such notice, request or consent shall be deemed to have been given or made when delivered in person to an authorized representative of the Party to whom the communication is addressed, or when sent by registered post to such Party at the address specified in the SC.

1.5.2 A Party may change its address for notice hereunder by giving the other Party notice in writing of such change to the address specified in the SC.

- 1.6 **Location:** The Services shall be performed at such locations as are specified in Appendix- A hereto and, where the location of a particular task is not so specified, at such locations, as the "Employer" may approve.

- 1.7 **Authority of Lead Partner:** In case the Auditor consists of a joint venture/ consortium/ association of more than one entity, the Members hereby authorize the entity specified (Lead Partner) in the SC to act on their behalf in exercising all the Auditor's rights and obligations towards the "Employer" under this Contract, including without limitation the receiving of instructions and payments from the "Employer". However, each member or constituent of Consortium of Auditor shall be jointly and severally liable for all obligations of the Auditor under the Contract.

- 1.8 **Authorized Representatives:** Any action required or permitted to be taken, and any document required or permitted to be executed under this Contract by the "Employer" or the Auditor may be taken or executed by the officials specified in the SC.

- 1.9 **Taxes and Duties:** The Auditor, Sub-Auditors and Personnel shall be liable to pay such direct and indirect taxes, duties, fees and other impositions levied under the applicable laws of India.

## **1.10 Fraud and Corruption:**

**1.10.1 Definitions:** It is the Employer's policy to require that Employers as well as Auditor observe the highest standard of ethics during the execution of the Contract. In pursuance of

this policy, the Employer defines, for the purpose of this provision, the terms set forth below as follows:

- (i) "Corrupt practice" means the offering, receiving, or soliciting, directly or indirectly, of anything of value to influence the action of a public official in the selection process or in contract execution;
- (ii) "Fraudulent practice" means a misrepresentation or omission of facts in order to influence a selection process or the execution of a contract;
- (iii) "Collusive practices" means a scheme or arrangement between two or more Auditors, with or without the knowledge of the Employer, designed to establish prices at artificial, non-competitive levels;
- (iv) "Coercive practices" means harming or threatening to harm, directly or indirectly, persons or their property to influence their participation in a procurement process, or affect the execution of a Contract.

### **1.10.2 Measures to be taken by the Employer:**

- (a) The Employer may terminate the contract if it determines at any time that representatives of the Auditor were engaged in corrupt, fraudulent, collusive or coercive practices during the selection process or the execution of that contract, without the Auditor having taken timely and appropriate action satisfactory to the Employer to remedy the situation;
- (b) The Employer may also sanction against the Auditor, including declaring the Auditor ineligible, either indefinitely or for a stated period of time, to be awarded a contract if it at any time determines that the Auditor has, directly or through an agent, engaged in corrupt, fraudulent, collusive or coercive practices in competing for, or in executing, a Employer-financed contract;

### **1.10.3 Commissions and Fees:**

At the time of execution of this Contract, the Auditor shall disclose any commissions or fees that may have been paid or are agreed to be paid to agents, representatives, or commission agents with respect to the selection process or execution of the contract. The information disclosed must include at least the name and address of the agent, representative, or commission agent, the amount and currency, and the purpose of the commission or fee.

## **2. COMMENCEMENT, COMPLETION, MODIFICATION and TERMINATION of CONTRACT**

**2.1 Effectiveness of Contract:** This Contract shall come into force and effect on the date the contract is signed by the parties.

**2.2 Termination of Contract for Failure to Become Effective:** If this Contract has not become effective within such time period after the date of the Contract signed by the Parties as specified in the SC, either Party may, by not less than twenty one (21) days written notice to the other Party, declare this Contract to be null and void, and in the event of such a declaration by either Party, neither Party shall have any claim against the other Party with respect hereto.

**2.3 Commencement of Services:** The Auditor shall begin carrying out the Services not later than 15 days after the Date the contract becomes effective.

**2.4 Expiration of Contract:** Unless terminated earlier pursuant to Clause **GC 2.9** hereof, the period of the contract shall be up to the quarter ending December 2015 or until after all the obligations under this contract have been fulfilled by the parties.

**2.5 Entire Agreement:** This Contract contains all covenants, stipulations and provisions agreed by the Parties. No agent or representative of either Party has authority to make, and the Parties shall not be bound by or be liable for, any other statement, representation, promise or agreement not set forth herein.

**2.6 Modifications or Variations:** Any modification or variation of the terms and conditions of this Contract, including any modification or variation of the scope of the services, other than the variations in the scope specified in the special conditions, may only be made by written agreement between the Parties.

## **2.7 Force Majeure**

### **2.7.1 Definition:**

- (a) For the purposes of this Contract, "Force Majeure" means an event which is beyond the reasonable control of a Party, is not foreseeable, is unavoidable and not brought about by or at the instance of the Party claiming to be affected by such events and which has caused the non-performance or delay in performance, and which makes a Party's performance of its obligations hereunder impossible or so impractical as reasonably to be considered impossible in the circumstances, and includes, but is not limited to, war, riots, civil disorder, earthquake, fire, explosion, storm, flood or other extreme adverse weather conditions, strikes, lockouts or other industrial action (except where such strikes, lockouts or other industrial action are within the power of the Party invoking Force Majeure to prevent), confiscation or any other action by Government agencies.
- (b) Force Majeure shall not include (i) any event which is caused by the negligence or intentional action of a Party or by or of such Party's Sub-Auditors or agents or employees, nor (ii) any event which a diligent Party could reasonably have been expected both to take into account at the time of the conclusion of this Contract, and avoid or overcome in the carrying out of its obligations hereunder.
- (c) Subject to **clause 2.7.2**, Force Majeure shall not include insufficiency of funds or inability to make any payment required hereunder.

**2.7.2 No Breach of Contract:** The failure of a Party to fulfil any of its obligations hereunder shall not be considered to be a breach of, or default under, this Contract insofar as such inability arises from an event of Force Majeure, provided that the Party affected by such an event has taken all reasonable precautions, due care and reasonable alternative measures, all with the objective of carrying out the terms and conditions of this Contract.

### 2.7.3 Measures to be Taken:

- (a) Party affected by an event of Force Majeure shall notify the other Party of such event as so A Party affected by an event of Force Majeure shall continue to perform its obligations under the Contract as far as is reasonably practical, and shall take all reasonable measures to minimize the consequences of any event of Force Majeure.
- (b) A on as possible, and in any case not later than **fourteen (14)** days following the occurrence of such event, providing evidence of the nature and cause of such event, and shall similarly give written notice of the restoration of normal conditions as soon as possible.
- (c) Any period within which a Party shall, pursuant to this Contract, complete any action or task shall be extended for a period equal to the time during which such Party was unable to perform such action as a result of Force Majeure.
- (d) During the period of their inability to perform the Services as a result of an event of Force Majeure, the Auditor, upon instructions by the "Employer", shall either:
  - (i) Demobilize, or
  - (ii) Continue with the Services to the extent possible, in which case the Auditor shall continue to be paid proportionately and on pro rata basis, under the terms of this Contract.
- (e) In the case of disagreement between the Parties as to the existence or extent of Force Majeure, the matter shall be settled according to **Clause GC 8**.

2.8 **Suspension:** The "Employer" may, by written notice of suspension to the Auditor, suspend all payments to the Auditor hereunder if the Auditor fails to perform any of its obligations under this Contract, including the carrying out of the Services, provided that such notice of suspension (i) shall specify the nature of the failure, and (ii) shall allow the Auditor to remedy such failure, if capable of being remedied, within a period not exceeding thirty (30) days after receipt by the Auditor of such notice of suspension.

### 2.9 Termination

**2.9.1 By the "Employer":** The "Employer" may terminate this Contract in case of the occurrence of any of the events specified in paragraphs (a) through (h) of this Clause **GC**.

#### 2.9.1.1.

- (a) If the Auditor fails to remedy a failure in the performance of its obligations hereunder, as specified in a notice of suspension pursuant to **Clause GC 2.8** hereinabove, within thirty (30) days of receipt of such notice of suspension or within such further period as the "Employer" may have subsequently approved in writing.
- (b) If the Auditor becomes (or, if the Auditor consists of more than one entity, if any of its Members becomes and which has substantial bearing on providing Services under this contract) insolvent or go into liquidation or receivership whether compulsory or voluntary.



- (c) If the Auditor fails to comply with any final decision reached as a result of arbitration proceedings pursuant to **Clause GC 8** hereof.
- (d) If the Auditor, in the judgment of the "Employer", has engaged in corrupt or fraudulent practices in competing for or in executing this Contract.
- (e) If the Auditor submits to the "Employer" a false statement which has a material effect on the rights, obligations or interests of the "Employer".
- (f) If the Auditor places itself in position of conflict of interest or fails to disclose promptly any conflict of interest to the Employer.
- (g) If the Auditor fails to provide the quality services as envisaged under this Contract. The Audit Committee formulated to monitor the progress of the assignment may make judgment regarding the poor quality of services, the reasons for which shall be recorded in writing. The Audit Committee may decide to give one chance to the Auditor to improve the quality of the services.
- (h) If, as the result of Force Majeure, the Auditor is unable to perform a material portion of the Services for a period of not less than **sixty (60)** days.
- (i) If the "Employer", in its sole discretion and for any reason whatsoever, decides to terminate this Contract.

2.9.1.2 In such an occurrence the "Employer" shall give a not less than **thirty (30)** days' written notice of termination to the Auditor, and **sixty (60)** days' in case of the event referred to in (h).

2.9.2 **By the Auditor:** The Auditor may terminate this Contract, by not less than **thirty (30)** days' written notice to the "Employer", in case of the occurrence of any of the events specified in paragraphs (a) to (d) of this **Clause GC 2.9.2**.

- (a) If the "Employer" fails to pay any money due to the Auditor pursuant to this Contract and not subject to dispute pursuant to **Clause GC 8** hereof within **forty-five (45)** days after receiving written notice from the Auditor that such payment is overdue.
- (b) If, as the result of Force Majeure, the Auditor is unable to perform a material portion of the Services for a period of not less than **sixty (60)** days.
- (c) If the "Employer" fails to comply with any final decision reached as a result of arbitration pursuant to **Clause GC 8** hereof.
- (d) If the "Employer" is in material breach of its obligations pursuant to this Contract and has not remedied the same within **forty-five (45)** days (or such longer period as the Auditor may have subsequently approved in writing) following the receipt by the "Employer" of the Auditor's notice specifying such breach.

2.9.3 **Cessation of Rights and Obligations:** Upon termination of this Contract pursuant to **Clause GC 2.9** hereof, or upon expiration of this Contract pursuant to **Clause GC 2.4** hereof, all rights and obligations of the Parties hereunder shall cease, except (i) such rights and obligations as may have accrued on the date of termination or expiration,

(ii) the obligation of confidentiality set forth in **Clause GC 3.3** hereof, and (iii) any right which a Party may have under the Law.

2.9.4 **Cessation of Services:** Upon termination of this Contract by notice of either Party to the other pursuant to **Clauses GC 2.9.1** or **GC 2.9.2** hereof, the Auditor shall, immediately upon dispatch or receipt of such notice, take all necessary steps to bring the Services to a close in a prompt and orderly manner. With respect to documents prepared by the Auditor, the Auditor shall proceed as provided by **Clause GC 3.6** hereof.

2.9.5 **Payment upon Termination:** Upon termination of this Contract pursuant to **Clauses GC 2.9.1** or **GC 2.9.2** hereof, the "Employer" shall make the following payments to the Auditor:

(a) If the Contract is terminated pursuant to **Clause 2.9.1 (h), (i)** or **2.9.2**, remuneration pursuant to **Clause GC 6.3** hereof for Services satisfactorily performed prior to the effective date of termination.

(b) If the agreement is terminated pursuant of **Clause 2.9.1 (a) to (g)**, the Auditor shall not be entitled to receive any agreed payments upon termination of the contract. However, the "Employer" may consider making payment for the part satisfactorily performed on the basis of Quantum Merit as assessed by it, if such part is of economic utility to the Employer.

2.9.6 **Disputes about Events of Termination:** If either Party disputes whether an event specified in paragraphs (a) through (g) of **Clause GC 2.9.1** or in **Clause GC 2.9.2** hereof has occurred, such Party may, within forty-five (30) days after receipt of notice of termination from the other Party, refer the matter to **Clause GC 8** hereof, and this Contract shall not be terminated on account of such event except in accordance with the terms of any resulting arbitral award.

### **3. OBLIGATIONS OF THE AUDITOR**

#### **3.1 General**

3.1.1 **Standard of Performance:** The Auditor shall perform the Services and carry out their obligations hereunder with all due diligence, efficiency and economy, in accordance with generally accepted professional standards and practices, and shall observe sound management practices, and employ appropriate technology and safe and effective equipment, machinery, materials and methods. The Auditor shall always act, in respect of any matter relating to this Contract or to the Services, as faithful adviser to the "Employer", and shall at all times support and safeguard the "Employer's legitimate interests in any dealings with Sub-Auditors or Third Parties.

3.2 **Conflict of Interests:** The Auditor shall hold the "Employer's interests paramount, without any consideration for future work, and strictly avoid conflict of interest with other assignments or their own corporate interests. If during the period of this contract, a conflict of interest arises for any reasons, the Auditor shall promptly disclose the same to the Employer and seek its instructions.

3.2.1 **Auditor not to benefit from Commissions, Discounts, etc. :**

(a) The payment of the Auditor pursuant to **Clause GC 6** hereof shall constitute the Auditor's only payment in connection with this Contract and, subject to **Clause GC 3.2.2** hereof, the Auditor shall not accept for its own benefit any trade commission, discount or similar payment in connection with activities pursuant to this Contract or in the discharge of its obligations hereunder, and the Auditor shall use its best efforts to ensure that any Sub-Auditors, as well as the Personnel and agents of either of them, similarly shall not receive any such additional payment.

(b) Furthermore, if the Auditor, as part of the Services, has the responsibility of advising the "Employer" on the procurement of goods, works or services, the Auditor shall comply with the Employer's applicable procurement guidelines, and shall at all times exercise such responsibility in the best interest of the "Employer". Any discounts or commissions obtained by the Auditor in the exercise of such procurement responsibility shall be for the account of the "Employer".

3.2.2 **Auditor and Affiliates Not To Engage In Certain Activities:** The Auditor agrees that, during the term of this contract and after its termination, the auditors and any entity affiliated with the auditor, as well as any sub-auditors and any entity affiliated with such Sub-Auditors, shall be disqualified from providing goods, works or services (other than audit services) resulting from or directly related to the Auditor's Services for the project.

3.2.3 **Prohibition of Conflicting Activities:** The Auditor shall not engage, and shall cause their Personnel as well as their Sub-Auditors and their Personnel not to engage, either directly or indirectly, in any business or professional activities that would conflict with the activities assigned to them under this Contract.

3.3 **Confidentiality:** Except with the prior written consent of the "Employer", the Auditor and the Personnel shall not at any time communicate to any person or entity any confidential information acquired in the course of the Services, nor shall the Auditor and its Personnel make public the recommendations formulated in the course of, or as a result of, the Services.

3.4 **Auditor's Actions Requiring "Employer's Prior Approval:** The Auditor shall obtain the "Employer's prior approval in writing before taking any of the following actions:

- a) Any change of the Chartered Accountants nominated for overall supervision of the assignment/ Job at the national level and at the Implementing Agency level.
- b) Subcontracts: the Auditor may subcontract work relating to the Technical Audit Services to an extent and with such experts and entities as may be approved in advance by the "Employer". Notwithstanding such approval, the Auditor shall always retain full responsibility for the Services. In the event that any Sub-Auditors are found by the "Employer" to be incompetent or incapable or undesirable in discharging assigned duties, the "Employer" may request the Auditor to provide a replacement, with qualifications and experience acceptable to the "Employer", or to resume the performance of the Services itself.

3.5 **Reporting Obligations:** The Auditor shall submit to the "Employer" the reports and documents specified in Appendix-A hereto, in the form, in the numbers and within the

time periods set forth in the said Appendix.

- 3.6 **Documents Prepared by the Auditor to be the Property of the "Employer":** All reports and documents prepared by the Auditor for the "Employer" under this Contract shall become and remain the property of the "Employer", and the Auditor shall, not later than upon termination or expiration of this Contract, deliver all such documents to the "Employer", together with a detailed inventory thereof. The Auditor may retain a copy of such documents, but shall not use anywhere, without taking permission, in writing, from the Employer and the Employer reserves right to grant or deny any such request.

#### 4. AUDITORS' PERSONNEL

- 4.1 **General:** The Auditor shall employ and provide such qualified and experienced Personnel as are required to carry out the Services.

**Approval of Personnel:** The Auditor shall within 15 days of the signing of the contract, submit the CVs of the Chartered accountants (who should be fellows of the Institute of the chartered Accountants), nominated for overall supervision of the Assignment/ Job both at the national level and at the Implementing Agency level, for review and approval by the Employer. Similarly, the CVs of the engineers assigned for the technical audit should also be submitted within 15 days for approval of the employer.

#### 4.3 Removal and/ or Replacement of Personnel:

- (a) Except as the "Employer" may otherwise agree, no changes shall be made in the Chartered Accountants nominated for overall supervision of Assignment/Job at national and Implementing Agency level. If, for any reason beyond the reasonable control of the Auditor it becomes necessary to replace any such Personnel, the Auditor shall forthwith provide as a replacement a person of equivalent or better qualifications.
- (b) If the "Employer" (i) finds that any of the Personnel has committed serious misconduct or has been charged with having committed a criminal action, or (ii) has reasonable cause to be dissatisfied with the performance of any of the Personnel, then the Auditor shall, at the "Employer's written request specifying the grounds therefore, forthwith provide as a replacement a person with qualifications and experience acceptable to the "Employer".

#### 5. OBLIGATIONS OF THE "EMPLOYER"

- 5.1 **Assistance and Exemptions:** Unless otherwise specified in the SC, the "Employer" shall use its best efforts to ensure that the Government shall:

- a) Provide the Auditor, Sub-Auditors and Personnel such documents and records as shall be necessary to enable the Auditor, Sub-Auditors or Personnel to perform the Services.
- b) Issue to officials, agents and representatives of the Government all such instructions as may be necessary or appropriate for the prompt and effective implementation of the Services.

5.2 **Payment:** In consideration of the Services performed by the Auditor under this Contract, the "Employer" shall make to the Auditor such payments and in such manner as is provided by Clause GC 6 of this Contract.

## 6. PAYMENTS TO THE AUDITOR

### 6.1 Total Cost of the Services:

- a) The total cost of the Services payable is set forth in **Appendix-B** as per the Auditor's financial proposal to the Employer and as negotiated thereafter.
- b) Except as may be otherwise agreed under **Clause GC 2.6** or as may be admissible under the provisions of the SC, payments under this Contract shall not exceed the amount specified in **Appendix-B**.

6.2 **Currency of Payment:** All payments shall be made in Indian Rupees.

### 6.3 Terms of Payment

**The payments in respect of the Services shall be made as follows:**

- a) The Auditor shall submit the invoice for payment on submission and acceptance by the employer of the quarterly internal audit reports covering all the implementing agencies, duly consolidated. The payment shall be made within 45 days of receipt of the invoice. The final payment shall be made within 60 days of receipt of the invoice, on satisfactory completion of the assignment by the Auditor.
- b) If the audit reports submitted by the Auditor are not acceptable to the Employer, reasons for such non-acceptance should be recorded in writing; the Employer shall not release the payment due to the Auditor. In such case, the payment will be released to the Auditor only after it re-submits the audit reports and which is accepted by the Employer.
- c) All payments under this Contract shall be made to the accounts of the Auditor specified in the SC.
- d) With the exception of the final payment, payments do not constitute acceptance of the Services nor relieve the Auditor of any obligations hereunder, unless the acceptance has been communicated by the Employer to the Auditor in writing and the Auditor has made necessary changes as per the comments / suggestions of the Employer communicated to the Auditor.

## 7. FAIRNESS AND GOOD FAITH

7.1 **Good Faith:** The Parties undertake to act in good faith with respect to each other's rights under this Contract and to adopt all reasonable measures to ensure the realization of the objectives of this Contract.

7.2 **Operation of the Contract:** The Parties recognize that it is impractical in this Contract to provide for every contingency which may arise during the life of the Contract, and the Parties hereby agree that it is their intention that this Contract shall operate fairly as between them, and without detriment to the interest of either of them, and that, if

during the term of this Contract either Party believes that this Contract is operating unfairly, the Parties will use their best efforts to agree on such action as may be necessary to remove the cause or causes of such unfairness, but no failure to agree on any action pursuant to this Clause shall give rise to a dispute subject to arbitration in accordance with **Clause GC 8** hereof.

## **8. SETTLEMENT OF DISPUTES**

8.1 **Amicable Settlement:** Performance of the contract is governed by the terms & conditions of the contract, in case of dispute arises between the parties regarding any matter under the contract, either Party of the contract may send a written Notice of Dispute to the other party. The Party receiving the Notice of Dispute will consider the Notice and respond to it in writing within 30 days after receipt. If that party fails to respond within 30 days, or the dispute cannot be amicably settled within 60 days following the response of that party, **Clause GC 8.2** shall become applicable.

8.2 **Arbitration:** In the case of dispute arising upon or in relation to or in connection with the contract between the Employer and the Auditor, which has not been settled amicably, any party can refer the dispute for Arbitration under (Indian) Arbitration and Conciliation Act, 1996. Such disputes shall be referred to an Arbitral Tribunal consisting of 3 (three) arbitrators, one each to be appointed by the Employer and the Auditor, the third arbitrator shall be chosen by the two arbitrators so appointed by the parties and shall act as Presiding Arbitrator. In case of failure of the two arbitrators, appointed by the parties to reach a consensus regarding the appointment of the third arbitrator within a period of 30 days from the date of appointment of the two arbitrators, the Presiding arbitrator shall be appointed by the Secretary of the Ministry of Urban Development, Govt. of India. The Arbitration and Conciliation Act, 1996 and any statutory modification or re-enactment thereof, shall apply to these arbitration proceedings.

8.3 Arbitration proceedings shall be held in India at the place indicated in SC and the language of the arbitration proceedings and that of all documents and communications between the parties shall be English.

8.4 The decision of the majority of arbitrators shall be final and binding upon both parties. The expenses of the arbitrators as determined by the arbitrators shall be shared equally by the Employer and the Auditor. However, the expenses incurred by each party in connection with the preparation, presentation shall be borne by the party itself. All arbitration awards shall be in writing and shall state the reasons for the award.

## **9. Miscellaneous provisions:**

- i) "Nothing contained in this Contract shall be construed as establishing or creating between the Parties, a relationship of master and servant or principal and agent.
- ii) Any failure or delay on the part of any Party to exercise right or power under this Contract shall not operate as waiver thereof.
- iii) The Auditor shall notify the Employer/ the Government of India of any material change in their status, in particular, where such change would impact on performance of obligations under this Contract.

- iv) Each member/ constituent of the Auditor, in case of a consortium, shall be jointly and severally liable to and responsible for all obligations towards the Employer/ Government for performance of works/services including that of its Associates/ Sub-Auditor under the Contract.
- v) The Auditor shall at all times indemnify and keep indemnified the Employer/ Government of India against all claims/damages etc. for any infringement of any Intellectual Property Rights (IPR) while providing its services under the Project.
- vi) The Auditor shall at all times indemnify and keep indemnified the Employer/Government of India against any claims in respect of any damages or compensation payable in consequences of any accident or injury sustained or suffered by its (the Auditor's) employees or agents or by any other third Party resulting from or by any action, omission or operation conducted by or on behalf of the Auditor.
- vii) The Auditor shall at all times indemnify and keep indemnified the Employer/ Government of India against any and all claims by Employees, Workman, Contractors, sub-contractors, suppliers, agent(s), employed engaged or otherwise working for the Contractor, in respect of wages, salaries, remuneration, compensation or the like.
- viii) All claims regarding indemnity shall survive the termination or expiry of the Contract.
- ix) It is acknowledged and agreed by all Parties that there is no representation of any type, implied or otherwise, of any absorption, regularization, continued engagement or concession or preference for employment of persons engaged by the (Auditor) for any engagement, service or employment in any capacity in any office or establishment of the Government of India or the Employer.

### III. Special Conditions of Contract:

(Clauses in brackets { } are optional; all notes should be deleted in final text)

SC Clause Ref. of GC Clause Amendments of, and Supplements to, Clauses in the  
General Conditions of Contract

1. 1.5 The addresses are:

1. "Employer" :

**Ministry of Urban Development,  
Govt. of India,  
Room No. 407, C, Nirman Bhawan,  
Maulana Azad Road, New Delhi – 110 108  
Telefax: 91-11-2306 2264  
E-mail: iutindia.sutp@gmail.com**

2. Auditor:

Attention:

Facsimile:

2. 1.7 {Lead Partner is [insert name of member]}

Note: If the Auditor consists of a joint venture/ consortium/ association of more than one entity, the name of the entity whose address is specified in **Clause SC 1.5** should be inserted here. If the Auditor consists only of one entity, this **Clause SC 1.7** should be deleted from the SC.

3. 1.8 The Authorized Representatives are:

For the "Employer":

**Under Secretary (UT-I),  
Ministry of Urban Development,  
Govt. of India,  
Room No. 407, C, Nirman Bhawan,  
Maulana Azad Road, New Delhi – 110 108  
Telefax: 91-11-2306 2264  
E-mail: iutindia.sutp@gmail.com**



For the Auditor:	
4.	1.9 a) The client shall reimburse Service Tax payable in India as per Applicable Law. The Auditor shall register itself for service tax with appropriate authority in India & shall provide the registration Number to the client.  (b) Tax will be deducted at source as per the prevailing Income Rules
5.	2.2 The time period shall be one month.
6.	2.6 The Employer shall have a right to order a change in scope of the services by addition or deletion of implementing agency/ agencies, at any time during the currency of the contract. The corresponding addition or reduction in the cost of the service shall be valued at the unit rate for the activity —Internal Audit of the Implementing agencies in the participating cities  , specified in
<b>Appendix-B.</b>	
7.	8.3 The Arbitration proceedings shall take place at New Delhi.

Binding signature of Employer Signed by \_\_\_\_\_  
(for and on behalf of the President of India)

Binding signature of Auditor Signed by \_\_\_\_\_

(for and on behalf of \_\_\_\_\_ duly authorized vide  
Resolution No dated of the Board of Directors of

In the presence  
of (Witnesses)

- 1.
- 2.

*R. D. Talukdar*

आर.डी. तालुकदार/R.D. TALUKDAR  
अवर सचिव/Under Secretary  
शहरी विकास मंत्रालय  
Ministry of Urban Development  
भारत सरकार/Govt. of India  
नई दिल्ली/New Delhi