

Government of Uttarakhand, Finance Department
Uttarakhand Public Financial Management Strengthening Project
Center for Training and Research in Financial Administration, (CTRFA)
UTTARAKHAND, INDIA
REQUEST FOR EXPRESSIONS OF INTEREST
(CONSULTING SERVICES – FIRMS SELECTION)

India

Uttarakhand Public Financial Management Strengthening Project
Loan No.: IBRD 8928

Assignment Title: Selection of Firms of Chartered Accountants for Internal Audit of Government Departments in Government of Uttarakhand

Reference No. IN-CTRFA-191609-CS-LCS

Request for Expression of Interest for Selection of Firms of Chartered Accountants for Internal Audit of Government Departments in Government of Uttarakhand

(CONSULTING SERVICES – FIRM SELECTION)

Application Deadline:	17 th September 2020
Type of Contract:	Consulting Service-Firm Selection
Method of Procurement:	Least Cost Selection (LCS)
Expected Duration of Assignment:	6 Months (expected from November 2020 to May 2021)

Reference No.: IN-CTRFA-191609-CS-LCS
2020

Date: 5th September

1. The GoUk has received a loan from IBRD for the Uttarakhand Public Financial Management Strengthening Project (UkPFMS) and intends to apply a part of the loan proceeds for this assignment toward the Consulting services for Selection of Chartered Accountant firms for Internal Audits in Government Departments of the Government of Uttarakhand .
2. The Government of Uttarakhand (GoUk) promulgated Uttarakhand Audit Act 2012 and established an Internal audit Directorate under the Finance Department to regulate the internal audit functioning the State. The Audit Directorate is headed by Director (Audit) and has audit staff to conduct the audit of government departments. An Audit Cell is established in the administrative secretariat of the Finance Department to oversee the entire audit function of Audit Directorate. The Act also allows for outsourcing/co-sourcing of audits through hiring audit firms.

3. The UkPFMS invite applications from independent firms of Chartered Accountants who are interested to conduct the internal audit of government departments of GoUK. The overall objective of the assignment is to carry out an internal audit of the government departments to evaluate whether the framework established by GoUK on risk management, governance and underlying control processes is functioning adequately and provide recommendations for improvement in the internal control systems.
4. The assignment will cover FY 2019—20. The draft Terms of Reference (ToR) for the assignment are available at Annex I. The ToR has packages 1 to 5. A firm can apply for as many packages they wish to. The GoUK may limit the number of packages to a firm which will be clarified in the RFP stage. So please indicate the packages you are applying in the EOI.
5. The CA firm will provide overall experience / previous assignment as per packages applied. The Interested firms should provide information demonstrating that they have the required qualifications and relevant experience to perform these services. The firm is expected to deploy different teams per package as outlined in the TOR.
6. The REOI shortlisting criteria is given below. The applicants who fail to meet these criteria or those who have not provided required supporting documents will not be considered further in the evaluation process. Below are mandatory minimum criteria and firms not meeting any of these need not apply as their proposal will be summarily rejected.

S No	Mandatory Criteria	Supporting Documents
1	The applicant should be empanelled with C&AG for FY2020-21	Self-certified letter of empanelment issued by C&AG
2	The applicant should have a minimum annual average turnover of at least Rs.30.00 Lakhs (Rs Thirty Lakhs Net of GST) in the last three years (FY 2019-20, 2018-19, 2017-18) from audit fees only	Audited Financial Statements for FY 2017-18 and FY 2018-19, and Turnover Certificate from statutory auditor of the firm for FY 2019-20
3	The applicant is not debarred by any State Government, Central Government or any other Public Sector undertaking or a Corporation or any other Autonomous Organization of Central or State Government.	Self - Declaration format given in the EOI (please provide strictly as per format given below)
4	The applicant (firm or its members) are not debarred by ICAI for any professional misconduct	
5	The applicant is not engaged with GoUK for any accounting, audit and PFM related assignment which conflicts with this assignment.	

S No	Shortlisting Criteria	Supporting Documents
1	The firm should be registered with ICAI at least since last ten years. The applicant having its Head Office or Branch Office in Uttarakhand will be an advantage	Self-certified copy of Constitution certificate issued by ICAI as of Jan 1, 2020

	keeping in mind the COVID situation.	
2	The firm should have at least Four full time partners associated with the firm for last three years	As above
3	The firm should have at least 5 qualified professional staff like Chartered Accountants/Cost Accountants as full-time employees associated with the firm for last one year	As above
4	The firm should have completed at least three similar assignments of conducting Internal/concurrent/project/special Audits etc in Government Departments in last seven years . Additional marks would be provided for experience in Uttarakhand and for experience in the specific sectors covered in the packages	Completion Certificates – for the assignment.

7. The Finance Department through the Center for Training and Research in Financial Administration (CTRFA) now invites eligible consulting firms (“Consultants”) to indicate their interest in providing the Services. Interested Consultants should provide information demonstrating that they have the required qualifications and relevant experience to perform the Services. Terms of reference of the assignment can be accessed on the website <http://www.uttarakhandaudit.uk.gov.in> or from CTRFA.
8. The attention of interested Consultants is drawn to paragraph 3.14 and 3.17 of the World Bank Procurement Regulations, July 2016 revised in November 2017 and August 2018 (“Procurement Regulations”), setting forth the World Bank’s policy on conflict of interest.
9. A Consultant will be selected in accordance with the **Least Cost Selection (LCS)** method set out in the Procurement Regulations.
10. Further information can be obtained at the address below during office hours *1000 to 1700 hours IST*.
11. Expression of Interest in the prescribed format along with relevant annexures must be delivered in a document form (hard copy or electronic pdf) at the address or mail id given below (in person, by post or by email) latest by **17th September 2020**.

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E-mail- ukpfmswb@gmail.com

EOI FORMAT

Instructions

1. Please provide the details as required in the format. Non-completion of the format may lead to rejection during evaluation.
2. The consultant can add other materials about the Organization and other relevant details as annexure.
3. Please provide all documents requested as annexure.

Name of the firm	
Registered Address	
Phone No:	
Email id:	
Name of the Contact Person for this EoI	
Phone no. of the Contact Person for this EoI	
Email id of the Contact person for this EoI	
Do you have a HO in the State	Yes/No. If yes, please provide the address
Do you have a branch office in the State	Yes/No. If yes, please provide the address
Date of Firm's establishment	
Registration No. with ICAI	
Registration No. with CAG	
Is the firm empanelled on the CAG major list of auditors	Yes/No
Registration No. with RBI (if any)	
Number of full-time partners Fellow Associate	
Number of full-time qualified audit staff	
Number of other audit staff who are semi	

Financial Particulars of the CA Firms

Assessment year	Turnover	Net worth
2019-20 (unaudited)		
2018-19 (audited)		
2017-18 (audited)		

Partners Brief Profile

Name of Partner	Age	Years of experience	Qualification	Number of years associated with the firm	Name of key clients handled with nature of work done

Full Time CA and Staff Brief Profile

Name of Staff	Age	Years of experience	Qualification	Number of years associated with the firm	Name of clients handled with nature of work done

Relevant assignments – Last seven years

Project Name	Client Name	Nature and scope of Audit explain in detail	Year of Work	Location	Sector	Status (Completed/Ongoing)	Appointment letter from Client attached

DECLARATION

To
Project Office,

Declaration

We hereby confirm that:

- (a) The applicant is not engaged with GoUK for any accounting, audit and PFM related assignment which conflicts with this assignment.
- (b) The applicant is not debarred by any State Government, Central Government or any other Public Sector undertaking or a Corporation or any other Autonomous Organization of Central or State Government.
- (c) No partner of the audit firm or any qualified employee of the firm is related to any member of the Project/Directorate of Audit. Relative would mean husband, wife, brother, or sister or any lineal ascendant or descendant.
- (d) The partners/qualified staff neither face any pending disciplinary action nor is found guilty of professional/other misconduct by the Institute of Chartered Accountants of India under the First or Second Schedule of the Chartered Accountants Act, 1949

In case of any further changes which affect this declaration at a later date; we would inform the project appropriately. If any of the above are found to be false, we understand that the project can report this to the Institute of Chartered Accountants of India and/or the Firm will not be eligible to bid for any audit contracts of projects financed by the World Bank.

(to be signed by an authorized partner of the Firm, on behalf of the Firm)

Terms of Reference for Selection of Chartered Accountant firms for Internal Auditors in the Government of Uttarakhand

Background

1. Internal audit plays a critical governance role as the third line of defense after front line management and internal finance, risk and compliance functions. The Government of Uttarakhand (GoUK) supports a system of Internal Audit as a staff function and as a coordinator of a State-wide, independent appraisal function to examine and evaluate the activities of the various departments. In this regard the Government of Uttarakhand through Uttarakhand Audit Act 2012 has centralized Internal audit under the Finance Department to ensure independence and objectivity as required by Internal Auditing Standards.
2. In 2012, GoUK has promulgated the Uttarakhand Audit Act to regulate the public audit function for government departments, Public corporations, Government Companies, Institutions, Statutory Authorities, PRIs, Municipalities, ULBs, and Government Committees. The Act provide for constitution of an organization structure (i.e. appointment of Director and other audit officers in the audit directorate) and allow for conduct of audits through an out-sourcing/co-sourcing model from any eligible firm, company or institution. The audit reports are issued to the auditee after completion of the audit and auditee is expected to take immediate action and record replies to the audit / inspection note. A high-level audit committee has been constituted, headed by Chief Secretary and officials from the administrative departments, to review the audit reports. The consolidated audit reports every year are required to be sent to the State Government to be laid before the State Legislative Assembly (the last report on local fund audit submitted to Legislature was for the year 2012-13).
3. The Audit Directorate is headed by Director-Audit (an IAS official at the rank of Additional Secretary- Finance) and day-to-day audit functions are handled by a team of Additional Directors, Joint Directors, Deputy Directors, Assistant Directors / Audit Officers and Assistant Audit Officers. The audit directorate has sanctioned staff positions of 150 Nos, of which only 75 positions are presently filled. An Audit Cell is also established in the Administrative Secretariat, headed by Secretary Finance, staffed with government officials at the rank of Joint Secretary, Audit officer and Section Officer to oversee the audit function of the audit directorate and to frame audit policies, develop yearly audit plans, and monitor audit compliances.
4. GoUK has presently adopted a Co-sourced model of internal audit. The internal audit services are provided by a combination of in-house internal audit teams and a panel of external private audit firms and the entire function is managed by the Audit Directorate.
5. The Audit Directorate carries out three types of audit, internal audit, certification audit, and audit of cooperatives. The Internal Audit covers:

- a. the audit of all line departments of GoUK. The departments are selected¹ using a **risk-based approach** based on volume, risk and problems.
 - b. An **audit manual** was developed by the audit directorate with the support of consultant. This manual has detailed audit procedures that provides guidance to the audit teams on audit process/guidelines and detailed checklists to perform the audit function. This audit manual is presently getting updated with the help of consultant to incorporate modern audit methodologies, approaches and techniques, auditing standards to be followed, good practices and detailed audit checklists.
 - c. On completion of audit, the audit paras are analyzed and approved by the committees
(Category A by Audit Cell of Secretariat and Category B, C by the Audit Directorate), after which the **audit reports are issued to the auditees.**
 - d. **Online Audit management system (OAMS):** The audit directorate has recently developed an OAMS with the support of National Informatics Center (NIC), to systemize the complete audit lifecycle - from audit planning and scheduling, development of standard audit plans, allocation of human resources, conduct of audit and issuance of audit report. The system would be used for field data collection, analysis, issuance of draft and final audit reports, filing of working papers and compliance by the auditees. The first phase (Audit Module) of OAMS has been developed and training is provided to a cross-section of auditors and auditees. The Audit Module of OAMS will be used to do the audit starting from FY 2019-20. The next phase of OAMS (compliance module) is getting developed and is scheduled to be piloted in later part of FY 2019-20. OAMS is expected to significantly change the way in which the audit is carried out.
6. The Government of Uttarakhand (GoUk) has been appointing firms of Chartered Accountants to conduct internal audit of specified agencies. The GoUk intends to continue this practice and appoint firms to conduct internal audit for the FY 2019-20 . Based on the performance of the firms, the duration may be extended further at the sole discretion of GoUk.

Objective of internal audit assignment

7. The objective of this audit assignment is to carry out an internal audit of the government departments to evaluate whether the framework established by GoUK on risk management, governance and underlying processes are adequate and functioning. It will involve assessment of the adequacy and effectiveness of internal controls and soundness of the financial systems and reliability of financial and accounting reports. It shall also make recommendations for improvement of the internal control systems.

Detailed scope of work

8. The key objectives of the departments of the Government of Uttarakhand are:
 - a. public resources are properly managed and safeguarded against loss and misuse

¹Category A —High Risk Departments, consisting of 11 Departments, 09 Nagar Nigams, 7 Nagar Palikas, Universities, Agriculture Boards and Committees.

• Category —B to be audited once in two years. It consists of **18** Government departments, Nagar Palikas, Zilla Panchayat, PSUs etc.
• Category —C to be audited once in three years. It consists of 22 Government departments, Block Panchayats, Gram Panchayat, Government Schools etc.

- b. accountability obligations are fulfilled, and government authority is properly exercised
 - c. Compliance with laws, regulations, policies and procedures
 - d. Ensuring reliability of financial reporting
 - e. Ensuring operational effectiveness and efficiency thereby executing orderly, ethical, economical operations
9. The scope of internal audit is aligned with the objectives of the departments. Overall, the internal auditors will assess whether the government's framework for risk management, control and governance and the underlying processes are adequate and functioning. The overall objective of internal audit is the assessment of the adequacy and effectiveness of internal controls and soundness of financial systems and reliability of financial and accounting reports. The audit will be carried in accordance with the Standards of Internal Audit issued by the Institute of Chartered Accountants of India or equivalent international standards and a certificate of having followed these standards will be provided in the audit report.
10. The specific scope of work will be as follows.
- a. expenditure incurred is within the authorization given under the provisions of the state's financial rules and in conformity with the law, rules and regulations and the applicable delegation of administrative and financial powers
 - b. all revenue and receipts collected are brought to account in time under proper head
 - c. all expenditure and disbursements are authorized, vouched and correctly classified
 - d. proper books and records have been kept in accordance with the rules and regulations
 - e. there is proper compliance with previous internal audit findings and the findings in the inspection reports of the state Accountant General
 - f. all statutory requirements of various laws including GST, Income Tax, etc. have been duly complied with including submission of statutory dues and reports
 - g. the auditee has an adequate system of physical verification of its assets and undergoing capital works, and old/obsolete items are identified and disposed-off in accordance with the financial rules
 - h. salaries and other employee benefits have been properly computed and disbursed
 - i. IT controls have been properly implemented and followed (these primarily include access controls over the various applications used in the departments such as FMIS and e-procurement)
 - j. Procurement of goods, works, and services have been done in accordance with the government rules including use of the e-procurement application
 - k. In case of works contracts, adequacy of work measurement, billing, payments, change and variation, extension of time, verification by officials and recording
 - l. For each of the above, the internal auditor will evaluate and appraise the soundness, adequacy and continuing application of accounting and operating internal controls (financial and non-financial) mandated for each of these areas
 - m. Each audit finding will be classified as High, Medium or Low risk based on the criteria given in the Audit Manual
 - n. Based on the critical issues identified, review the system of risk management of the department to mitigate the risks identified

General Audit Checklist

11. The audit Checklist is available with the audit manual and can be used for the audit assignment of FY 2019-20. However, the audit check list will be updated along with revision of audit manual and shall be used for the internal audit of future FYs.
12. The Internal Audit will be performed through the Online Audit Management System (OAMS) developed by the Audit Directorate. The successful firm would be provided all details of the system.

Audit Reporting

13. The list of auditee units of the government departments to be audited will be provided by the Audit Directorate. The Internal Auditor will agree on the audit schedule and the audit team / party that will perform the audit of these departments.
14. The audit party will be given access to the newly developed Online Audit Management System (OAMS). A one-day briefing meeting/ training session will be organized by audit directorate for the audit party to explain the features of OAMS which shall preferably be attended by all members of audit party of the firm and at least by the Engagement Partner. The Audit party conducting the audit will issue Half Memo Margin to the Auditee through OAMS which will be discussed during the Exit Meeting and recorded in OAMS. The response will be provided by auditee through OAMS. All the Audit Working papers collected during audit (including audit evidences) will be uploaded on the OAMS by audit parties.
15. The draft and final audit report will be generated from OAMS. Each report will include the following elements:
 - a) executive summary providing key audit observations and its implications; Any matters that may have significant impact shall be reported separately. Include management response
 - b) Deficiencies and areas of weakness in accounting system and control environment with recommendation for improvements;
 - c) Management's response and comments on the audit observations with clearly agreed actions (a detailed action plan)
 - d) status of compliance to the previous audit recommendations.
 - e) In addition, the auditor should prepare and submit a consolidated report of the department, summarizing the audit findings and highlighting the critical issues that require immediate attention along with and delineating the root cause.
16. The Draft Audit report must be generated from OAMS and provided to the Audit Directorate within two weeks from the date of exit meeting with the auditee. Once the audit of the entire package is completed, the auditor will make a presentation to the Directorate on the key findings of the audit report and how the audit was conducted, and any challenges faced during the audit. The draft audit reports would be reviewed by Expert Committee at Audit Directorate / Audit Secretariat (as the case may be) and comments will be incorporated in the final audit report by the auditor. The auditor will provide final audit report within 10

(ten) days from the date of receipt of comments from audit directorate. The final audit report would be issued to the auditee by the Audit Cell

List of key positions, whose CV and experience would be evaluated

17. The firm expressing interest in the assignment should demonstrate that they have successfully carried out internal audit in government at the national/sub-national level in India, and also have enough qualified key staff to undertake the assignment. The key staff will be supported by adequate number of qualified and semi-qualified staff which will be proposed by the firm. There would be one Audit Partner, one Government Domain Expert, and one Audit Expert for each package.

Position	Description of services to be provided	Qualification and Experience	No. Required
Audit Partner (CV would be evaluated)	Overall coordination, & planning, and team leadership, reporting, liaison with client Responsibility to lead the audit teams in the field, planning and execution of the audits, discussions with head of office at state and report writing and finalization	<ul style="list-style-type: none"> • He/she should be a partner (Chartered Accountant) of the firm with at least 10 years of overall experience • Demonstrated experience in internal audit planning, execution and reporting with ability to lead the team. • He/she should have led the team as team leader in the Audit of Government Departments. • Specialized Qualification such as CISA, CIA, CGPA etc. would be an added advantage. • Experience of audit in Uttarakhand would be an added advantage. • Experience of audit of relevant sectors would be an added advantage 	1 person
Domain Expert (CV would be evaluated) – For each package the RFP would define the relevant qualifications and	Overall support to the team on understanding government systems	<ul style="list-style-type: none"> • Retired Government official from Indian Account and Audit Service / State Finance Audit Service / State Audit Service at least Group A or Group B officer equivalent • Demonstrated experience in government procedures including financial rules, accounting, procurement, works, and contract management etc. • Experience in government audit would 	1 Person

Position	Description of services to be provided	Qualification and Experience	No. Required
experience.		<ul style="list-style-type: none"> be an added advantage Experience of audit of relevant sectors would be an added advantage Experience of working in relevant sectors would be an added advantage 	
Audit Expert (CV would be evaluated)	Overall support to the team; audit planning and coordination; review of draft reports etc.	<ul style="list-style-type: none"> Qualified CA with five- years of internal audit experience He/she should have carried on at least two assignments of Internal/concurrent/project/special etc. Audit of Government Departments Specialized Qualification such as CISA, CIA, CGPA etc. would be an added advantage 	1 Person

18. Each Audit Party will be led by either the Partner/Audit Expert/qualified CA or qualified cost accountant. They would be supported by other qualified/semi-qualified staff as deemed required by the firm. Ability to speak and read in Hindi would be essential.

17. Internal Audit of following Departments is to be carried on for Financial Year 2019-20 Further details are provided in annexure 1.

Package Name	Number of audit entities	No of audit parties required	Audit partner	Domain expert	Audit expert	Audit party Qualified CA/CWA	Remarks
Package 1- Works Garhwal and Kumaon	85	8	1	1	1	6	One audit party will be led by the partner and another party by audit expert mandatorily. Other parties will be led by Qualified CA. Support staff
Package 2- Social welfare Department Garhwal and Kumaon	70	6	1	1	1	4	
Package 3-Agri Forest and ICDS Department Garhwal and Kumaon	87	8	1	1	1	6	
Package 4-Revenue Department	66	5	1	1	1	3	
Package 5-Education Department Garhwal	100	6	1	1	1	4	

<i>and Kumaon</i>							<i>to be added as deemed appropriate by the firm.</i>
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Annex 1: Details of the packages

Package 1 - Works Department Garhwal and Kumaon

Serial No.	Name of Department	No of Parties for Gharwal Division	No of units in Gharwal Division	No of Parties for Kumaon Division	No of units in Kumaon Division
1.	Public Works Department	04	20	04	20
2.	Irrigation		15		15
3.	PMGSY Department		8		7
	Total		43		42
			85		

Package 2 - Social welfare Department Garhwal and Kumaon

Serial No.	Name of Department	No of Parties for Gharwal Division	No of units in Gharwal Division	No of Parties for Kumaon Division	No of units in Kumaon Division
1.	Social Welfare Department	03	8	03	7
2.	Animal Husbandry		15		15
	Chief Veterinary Officer		03		03
	Veterinary officer		12		12
3	Food Department		15		10
			38		32
	Total		70		

Package 3 - Agri Forest and ICDS Departments Garhwal and Kumaon

Serial No.	Name of Department	No of Parties for Gharwal Division	No of units in Gharwal Division	No of Parties for Kumaon Division	No of units in Kumaon Division

1.	Agriculture Department	04	15	04	15
	Chief Agricultural Officer		03		03
	Agriculture and Land Conservation Officer		12		12
2.	Forest Department		15		12
3.	ICDS		15		15
			45		42

Package 4-Revenue Department

Serial No.	Name of Department	No of Parties	No of units
1	Stamp and Registration	04	25
2	State Tax		25
3	Excise		16
			66

Package 5-Education Department Garhwal and Kumaon

Serial No.	Name of Department	No of Parties for Gharwal Division	No of units in Gharwal Division	No of Parties for Kumaon Division	No of units in Kumaon Division
1	Technical Education Department	3	20	3	20
2	Higher Education Department		15		15
3	Employment and training		15		15
			50		50