



**National Highways & Infrastructure Development Corporation Limited**  
(A Public Sector Undertaking under the Ministry of Road, Transport & Highways, Govt. of India)

PTI Building, 3rd Floor,  
4, Parliament Street,  
New Delhi-110001  
Dated: July 25, 2016

F. No. NHIDCL/HQ/Internal Audit/2016-17

**Subject: -Request for Proposal (RFP) for engaging a Firm of Practicing Chartered Accountants/ Cost & Management Accountant based in New Delhi for conducting Internal Audit in NHIDCL for the year 2016-17 and 2017-18.**

National Highways and Infrastructure Development Corporation Limited (NHIDCL) was incorporated on 18<sup>th</sup> July, 2014 as a fully owned company as PSU, under the Ministry of Road Transport & Highways, Government of India. The company promotes surveys, establishes, designs, builds, operates, maintains and upgrades National Highways and Strategic Roads including interconnecting roads in parts of the country which share international boundaries with neighbouring countries. The regional connectivity so enhanced would promote cross border trade and commerce and help safeguard India's international borders.

An approximate aggregate length of 10,000 kms has been identified to begin with the development through NHIDCL at a tentative cost of Rs. 100,000 crores. The present level of annual expenditure is Rs. 2,500/- crores (approx.) and net annual collection of toll fee is Rs. 5/- crores (approx.).

Apart from Headquarters office at New Delhi, ten branch offices of NHIDCL are operational at present in Agartala (Tripura), Itanagar (Arunachal Pradesh), Dehradun (Uttarakhand), Jammu (J&K), Guwahati (Assam), Shillong (Meghalaya), Gangtok (Sikkim), Imphal (Manipur), Aizwal (Mizoram), and Dimapur (Nagaland). For conducting Internal Audit at NHIDCL's Corporate office (HQ) in New Delhi, this office intends to engage a reputed firm of Chartered Accountants/ Cost & Works Accountants based in New Delhi, subject to fulfilment of the required Essential Qualification (**Annexure-I**), as per the Terms of Reference (ToR) enclosed (**Annexure-II**). The Appointment will be initially for a period of two years i.e. 2016-17 and 2017-18, which is extendable for another two years on the same terms & conditions, however, an annual escalation of 5% in the fees shall be admissible for the 2<sup>nd</sup> year onwards. The appointment shall also entail inter-se coordination with Branch offices.

The eligible Firms are requested to submit (1) a Demand Draft of Rs. 1,000/- (Rupees one Thousand only) drawn in favour of "National Highways & Infrastructure Development Corporation Limited" (2) Sealed envelope containing documents in support of their fulfilling the essential qualification mentioned in Annexure – I and (3) a sealed Financial bid (Annexure-III) duly signed by their Authorised Signatory towards the proposed Annual Audit fees for the year 2016-17 (exclusive of applicable service tax but inclusive of all other reimbursements, payments, and facilities etc). Both the sealed envelopes should be kept in a third envelope scribing "**Application for engaging a Firm of Practicing Chartered Accountants/ Cost & Management Accountant based in New Delhi for conducting Internal Audit in NHIDCL for the year 2016-17 and 2017-18**", addressed to the **Director (A&F) NHIDCL, 3rd floor, PTI Building, 4-Parliament Street, New Delhi- 110001** on or before 16.08.2016 (upto 15:00 hrs). The bid shall remain valid till 120 days after the bid due date.

NHIDCL has adopted two stage separate envelope process for selection of the Bidder for award of the work. The technical bid (the "**Technical Bid**") consisting of the Bid documents along with firms profile indicating the capability experience, as enumerated in **Annexure-I** and the financial bid (the "**Financial Bid**")

containing the amount quoted by the Bidder in prescribed format **Annexure-III** before the date and time specified herein. Only those Bidders whose Technical Bids are found to be responsive (herein referred to as Technically Qualified Bidders) in terms of this RFP, shall be invited to participate in the Financial Bids. The technically qualified Bidders may send their authorized representative along-with the requisite authorization letter on the letter head of the Bidder for participating in opening of the Financial Bid. The date and time of opening of Financial Bids of Technically qualified Bidders, will be intimated to them separately by NHIDCL through e-mail, and result thereof shall also be posted on NHIDCL website and e-portal. The Financial Bids would be opened in the presence of the representatives of the technically qualified bidders available at the time of opening of Financial Bids. Only one representative of the Technically Qualified Bidder, who chooses to attend the opening of Financial Bids, shall be allowed to attend the opening of the Financial Bids. Information relating to evaluation of proposals and recommendations concerning awards shall not be disclosed to the bidders who have not submitted the proposals or to other persons not officially concerned with the process, until the successful bidder has been notified for award of the contract.

Bids are invited for Internal Audit work on the basis of LOWEST quote given by the Bidder for the work of Internal Audit. The amount of fee quoted shall constitute the sole criteria for evaluation of bids.

In case of any further queries regarding the exact Terms of Reference, Shri S Khurana, Dy. General Manager (Finance), NHIDCL may be contacted at 011-23461600 Extn. 689 between 10:30 am to 6:00 pm on all working days.

(Sanjay Jaju)  
Director (A&F)

Encl: As above

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**Essential Qualification**

The Technical qualification and eligibility criterion for the assignment is prescribed as under:-

<b>Sl. No.</b>	<b>Requirement</b>	<b>Minimum Requirement</b>
1.	No. of years of experience of the firm as Internal Auditor in Govt. PSU/Public Limited Company	10 Years(Proof to be enclosed)
2.	No. of Qualified CA/ CMA in full time employment including the Partners.	5 as on 01.08.2016
3.	Minimum annual turnover of the bidder in any of the FY 2013-14 or 2014-15.	Rs. 50 Lakhs(Certificate to this effect to be enclosed)
4.	Number of companies (Public Limited Companies registered under Companies Act or Government companies) audited in the capacity of Statutory Auditors and / or Internal Auditor. (Various Branches/Units of one company are to be considered one Company)	At least 30 companies including 5 PSUs (A list of the Companies to be enclosed as per Annexure – IV)
5.	Experience as statutory auditor/ internal auditor for auditing the Infrastructure Company/companies having Item rate contracts under FIDIC conditions/PPP projects/EPC projects	At least 1 Limited Company in last 3 years

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**Terms of Reference**

NHIDCL follows a decentralized payment & financial accounting procedure for all payments except the project payments, which is being presently handled at HQ. Payments for various establishment matters are handled and the books of accounts are being maintained at the Branch Offices. Each Branch Office is treated as a separate payment/accounting unit and is headed by a General Manager (Project) & assisted by a Manager (Finance)/Accounts personnel to handle payment & accounting activities, etc. The General Manager (Project) authorizes all payments of establishment matters as per the delegation of powers. Branch Offices are certifying the project invoices and recommending the project payments to the NHIDCL HQ based on the certification made by the Authority Engineers. Necessary funds to meet the Branch Offices' expenditures are released from HQ to all the Branch Offices on a periodical (*generally quarterly*) basis.

The financial accounting is made on double entry system on accrual basis and is generally based on the Accounting Standards issued by The Institute of Chartered Accountants of India (as applicable to NHIDCL) and various Significant Accounting Policies adopted by the Board of NHIDCL from time to time. Accounts are consolidated at HQ based on the audited trial balances submitted by the Branch Offices. The financial statements are prepared in the formats prescribed in the Companies Act, 2013.

A Tally accounting package for matters other than projects and a computerized web enabled Project Financial Management System [e-PFMS] have been adopted by NHIDCL for accounting purposes. E-PFMS, a multi-user integrated computerized system to broadly facilitate (i) book keeping and financial accounting [based on a code structure enabling project accounting] under double entry system of accounting on accrual basis, (ii) consolidation of accounts, etc. The system has been installed in HQ.

**Scope of work**

The Internal Auditor at NHIDCL's HQ, New Delhi would mainly be responsible for the following functions-

- i.** To examine and report on the adequacy and effectiveness of the internal controls and suggest ways for their improvement.
- ii.** To examine the adequacy and effectiveness of the quality of performance of contractors /consultants/other agencies in carrying out the assigned responsibilities vis-à-vis their contractual obligations and suggest ways for their improvement. To examine and report on whether the resources have been deployed economically and efficiently.
- iii.** To examine and report on whether the books of accounts and other records have been maintained in accordance with the statutory provisions and they are adequate enough and whether the financial reports are reliable & provide the results of the actual operations correctly.
- iv.** To examine and report on whether the policies/guidelines/norms prescribed, delegation of powers granted by the NHIDCL or financial procedures laid down by the management and the provisions of various applicable laws are being followed strictly/complied with.
- vi.** To review the operations or programs to ascertain whether they are consistent with the established objectives and goals and whether the operations or programs are being carried out as planned.
- vii.** Any other related work assigned by the management from time to time.

As part of their role in the overall Internal Audit System of NHIDCL, the scope of work of the Internal Auditors would *broadly* cover (but not limited to) the following areas:-

- Post Audit of transactions and accounting entries in PFMS (financial transactions, including all cash and bank transactions and related records, procurement, etc.) in the following areas at NHIDCL HQ on full time basis throughout the year;
- Procurement-Tendering Process, Award of contract etc.
- Payments-Mobilization Advance, Interim Payments, Escalation payments, variation payments, Final Payments, etc.;
- Addition to Fixed Assets, Recording of assets acquired, Maintenance of Fixed Assets Register, Physical verification process, etc.
- Procurement and payment of services-Housekeeping, IT facility management services, Repairs & Maintenance, etc.
- Verification of Bank Guarantee's related matters.
- The basic thrust of the Govt. is to award projects on BOT (Build Operate Transfer of Toll/Annuity) which is different from EPC (Engineering Procurement Contract). The major issues to be covered are adherence to the contractual obligation by the concessionaire, contractors, consultants, control over the pre-construction activities, payments towards the change of scope, consultants pay out, payment of grant, operation of escrow account, adherence to completion schedule etc. The concession/contract agreement provides for various obligations of the concessionaires/contractors which includes submission of various documents. Internal auditors may verify submission of the relevant documents by the concessionaire/contractors/ consultants/other agency at HQ.
- Monitor the systems and procedures adopted in functioning and provide suggestions on a continuous basis for their improvement.
- Follow up previous Internal Audit Reports, while conducting current internal audit as regards compliance and action taken.
- Checking of statutory liabilities viz. income tax, TDS, service tax, work contract tax, etc., before deposit of the same at HQ as per the due dates.
- Notwithstanding anything mentioned above, all the aspects mentioned in the NHIDCL's Policy guidelines, circulars issued from to time will be covered during each audit exercise.
- During the course of audit, provide specific advice/guidelines, including updating on accounting and taxation matters, as also advising on the Accounting Standards issued by ICAI that are applicable to NHIDCL.
- Specific audit of any particular aspect may also be entrusted by NHIDCL to Internal Auditor. In case of such additional work beyond the scope of services specified herein, the payment for such additional services shall be arrived at through negotiation.

#### Reporting Requirements:-

Without prejudice to NHIDCL's right to improve upon and revise reporting requirement, including periodicity thereof, to ensure more effective and useful feedback at any point of time, the reporting requirement shall consist of the following:

- i) Separate Quarterly Internal Audit report duly authenticated by a partner of the firm, shall be submitted with due reference to objectives given above under ToR section, broadly under the following categories;
  - a) Contract Management (Contractors/ Concessionaire/ Consultants/ other agencies),
  - b) Establishment matters,
  - c) Finance & Accounts
  - d) Others.
  - e) Report on the Arbitration/ DRB cases particularly brief comments on the Arbitration/ DRB case settled during the audit period.
  - f) Comments on Financial Close matters.
  - g) Change in the equity structure of the Concessionaire.
  - h) Release of grant/ payment of premium.

- i) Comments on Variation, Change of Scope and Extension of Time,
- j) Comments on the quarterly reconciliation of CALA accounts submitted to HQ by the Branch Offices.
- k) To ensure compliances required to be met with the guidelines issued by DPE.
- l) Any other assignment incidental to above.

ii) The Internal Auditors shall verify compliance of the observations raised in previous reports. Such compliance shall be made by the respective Nodal Officers (concerned General Manager) and shall be recorded as part of the audit report. Such reports shall be retained / maintained by the Internal Auditors which shall be open for inspection by an Authorized Officer of NHIDCL. While compiling the audit report unresolved observations of the previous report shall be summarized and annexed. The auditor will submit their quarterly audit reports to the NHIDCL, HQ.

iii. The issues such as

- (a) where no compliance has been made,
- (b) where an observation of similar nature has been reported in various Branch Offices,
- (c) where policy guidelines are required to be issued for taking remedial measures,
- (d) where the financial impact of an error is very significant,
- (e) where there are glaring errors and
- (f) any other important issue that the Internal Auditors may feel as worth reporting, shall be included in the Critical Analysis Report (CAR).
- (g) prescribing the remedial standard procedure of Critical Analysis Report (CAR).

Internal Auditor will prepare the CAR for their respective assignments in respect of each Financial Year by 31st July each year, pertaining to the previous financial year.

iv. Internal auditor at HQ will review the CAR of HQ and of various internal auditors of the Branch Offices and summarize the CAR of NHIDCL as a whole in consultation with NHIDCL HQ. Internal Auditor at HQ may seek clarification from the internal auditors of Branch Offices and internal auditors of Branch Offices will furnish requisite clarifications to Internal Auditor at HQ for the purpose of finalization of CAR. The consolidated CAR of NHIDCL for each financial year shall be submitted by the Internal Auditor at HQ by 31st August each year.

(v) Brief of Critical points/ important issues required to be brought into the knowledge of the Board of Director, observed during audit to be submitted immediately after completion of the audit.

(vi) Where there is recurring and persistent defaults in adhering policy guidelines or actions prejudices to the interest of NHIDCL, the Auditors shall bring these to the notice of NHIDCL through a monthly report, detailing such defaults or actions. When there are no such issues to report, a nil report shall be submitted. If the matter is required to be addressed on very urgent basis, the Auditors will submit a special report as proximate as possible to the event.

### Audit Program & Key Personnel

The audit plan/program will be submitted in advance for the prior approval of NHIDCL HQ. NHIDCL would require the internal auditors to coordinate the entire audit operations and interact with the Designated Officer of NHIDCL on a regular basis. NHIDCL would require the Internal Auditors to ensure the following types of personnel for the audit activities at HQ. The requirements indicated below are the minimum and the Internal Auditors may ensure adequate personnel for completion of the assignment, as per ToR :-

Type of activity	Personnel	Qualifications & Experience	No(s).
Overall Supervision	Senior Level personnel	Partner of the firm A qualified Chartered Accountant/Cost & Management Accountant with at-least 10 years of post-qualification experience.	1
For Audit work at Head Office	Middle Level personnel	A qualified Chartered Accountant/Cost & Management Accountant in full time employment with at-least 3 years post-qualification experience.	2
Audit staff	Pass in the intermediate/PE- II/PCC/IPCC examination of the Institute of Chartered Accountants of India or the Institute of Cost and Management Accountants of India with at-least 1 year experience.		3

### **Mode of Payment**

The Audit fees shall be released on quarterly basis subject to completion of audit, submission of quarterly Audit report and a certificate to this effect by the Competent Authority. An annual escalation @ 5% in the fees shall be admissible for the 2<sup>nd</sup> year onwards (after completion of 12 months from the date of initial appointment).

### **General Terms and conditions**

- (i) Resolution of dispute: The Competent Authority reserves the right to cancel any or all the bids without assigning any reason. The decision of Director (A&F), NHIDCL shall be final in case of any disputes.
- (ii) Blacklisting on breach of confidentiality: The firm shall not be allowed to transfer, assign, pledge or sub-contract its rights and liabilities under this assignment to any other agency without the prior written consent of NHIDCL and shall maintain safe custody of the records and vouchers provided during the term of engagement, failing which the firm shall be liable to be blacklisted.
- (iii) Integrity: Each of the Audit staff so deployed must maintain highest standards of integrity and ethics.
- (iv) Necessity for visiting Branch offices: NHIDCL may request the firm to undertake Internal Audit of the Branch offices for which the applicable TA/DA shall be paid as per the present entitlement of GM (in case of Senior Level personnel)/ Dy. GM (in case of Middle level personnel)/ Manager (in case of Audit Staff) in NHIDCL.

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**Annexure-III**

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**Format for submitting Financial Bids:-**

	Annual Audit fees for 2016-17 (exclusive of applicable service tax but inclusive of all incidental charges like transportation, local conveyance, consultation charges etc.). The applicable service tax shall be reimbursed on production of proof of deposition with the tax authorities.	
	(in Figures)	(in Words)
ToR/Scope of work as detailed under Annexure – II of the RFP		

I have read the terms and conditions mentioned in NHIDCL's RFP No. NHIDCL/HQ/Internal Audit/2016-17 dated July 25,2016 and undertake to accept the same. The Quarterly Audit Report, required under the assignment shall be presented on \_\_\_\_ (please specify) day of the month, subsequent to the quarter ended. The quarterly bill submitted to NHIDCL (i.e 25% of the above amount plus applicable services tax) which shall be subject to certificate of satisfactory services from the Competent Authority of NHIDCL.

I also undertake that the increase in the Annual Audit fees for 2017-18 (after completion of 12 months from the date of initial appointment) shall be 5% of the amount specified in the bid above.

(Authorized Signatory)  
Firm Reg. No. \_\_\_\_\_