

National AIDS Control Organisation

Ministry of Health & Family Welfare

6th & 9th Floor, Chanderlok Building, 36, Janpath, New Delhi -110001, INDIA

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dated: 24.08.2017

Call for Expression of Interest for

Engaging of Chartered Accountancy Firms for Internal Audit of 36 States/UTs located across the country and 1 District AIDS Control Societies located at Mumbai

1. National AIDS Control Programme (NACP-IV) is being implemented by National AIDS Control Organization (NACO), Ministry of Health and Family Welfare, Govt. of India. The Government of India is receiving credit from the World Bank and grant from Global Fund toward the cost of the fourth phase and it is intended to apply part of the proceeds of this financing to eligible payments under contracts.
2. The State AIDS Control Societies (SACS), registered Societies under the control of State Government are responsible for implementing the Programme at respective State / U.T. / District level and are the nodal organizations for all state level prevention and control activities planned to be taken up in the states. NACO releases funds to the SACS of 36 States and 1 District AIDS Control Societies in Mumbai for implementation of the NACP-IV. The objective of the internal audit is to seek a professional opinion on the adequacy of internal control framework and adherence to the internal control procedures provided in the various guidelines, manuals etc, identifying areas for improvement and critical weaknesses, if any and that funds received and expenditure incurred for the accounting period are in accordance with the laid down financial regulations, procurement procedures and other orders issued from time to time and that proper accounts are maintained at all levels.
3. The NACO now invites CAG empanelled Chartered Accountancy firms for major audits to indicate their interest in conducting the internal Audit of SACS on regional hub approach. The firm must have a head-office in any one of States comprising the hub for which it is applying in existence/operational for more than 3 years. The firms must clearly indicate the hub/hubs for which they are submitting EOIs. The firms may submit EOI for more than 1 hub. However each hub will be treated as separate assignment for purpose of evaluation and reporting. The firm will have to submit their internal audit report for each state separately & one report for entire hub as hub auditor. A matrix showing list of SACs - regional hub wise is available in application form.
4. Eligibility and Assessment Criteria: The EOIs and capability will be assessed against evidence of skills and experience in providing accountancy/audit services. The firm should submit a copy of PAN card, copy of ICAI registration certificate, and proof of empanelment with C&AG of India for major audits. Application not supported by such documents will be summarily rejected.
5. Requirements: The EOIs should be sent along with an 'Application Form and Capability Statement' including a profile of the organization, relevant technical and geographical coverage along with the turnover for the last 3 financial years. A format for 'Application form and Capability Statement' is available below. Individual CVs are not required at this stage.
6. The individual SACS have also initiated the process of appointment of CA firms as statutory auditor for SACS. The CA firms who are selected as statutory auditor of a particular SACS will not be considered for appointment as internal auditor of the same SACS by NACO.
7. A firm will be selected in accordance with the procedures set out in the World Bank's *Guidelines: Selection and Employment of Consultants by World Bank Borrowers*.
8. Any EOI with inadequate information, those which do not meet the above criteria, or those received after the closing date will not be considered. Please note that at this stage no technical and financial proposals are required. Based on the information submitted by the firms in response to this call for EOIs, NACO will prepare hub wise shortlist of (4-6) qualified firms, who would later be issued Request for Proposal (RFP) Document.
9. Interested firms may obtain further information at the address above during office hours [09:00 a.m. to 5:00 p.m.]. Expressions of interest must be delivered to the address above within 45 days of publication and by 5:00 PM on last day i.e. 45th day. The proposal received after the timeline will not be considered.
10. NACO reserves all the right of extension of timeline, cancellation/changing of bidding process without admitting any claim from applicant.


Under Secretary (Finance)

Guidance in EOI

For Internal Audit of.....State AIDS Control Societies

Under the National AIDS Control Programme Phase-IV

1.1 Background: National AIDS Control Organization (NACO) with partial funding from the World Bank and Global Fund is implementing National AIDS Control Programme throughout the country. It is intended to apply part of the proceeds of this financing to eligible payments under contracts for this assignment. The Programme is being implemented in partnership with the State AIDS Control Societies (SACS) of 36 States/UTs located across the country and 1 District AIDS Control Society located at Mumbai. The SACS are registered Societies under the control of State Government.

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

The contract shall be effective from April 1st 2017 and cover the financial years ending on March 31st 2018, March 31st 2019 and 31st March, 2020 on a yearly renewal basis.

1.3 Multiple Auditors following ‘Audit Hub’ approach: Based on their geographical locations, the Project Implementation Authorities (PIAs) functioning in the bordering state may be grouped together as ‘Audit Hubs’. Each hub may consist of suitable number, say 3 to 7 states/ Union territories, depending upon the size, operations and geographical reach. Evaluation process shall be followed for selecting the auditor for each of these Hubs and the selected auditor shall carry out internal audit for all the PIAs grouped under the respective Hubs.

1.4 The details of regional hub of states are as below:

SN	Regional Auditors hub no.-1 (of 5 States)	Regional Auditors hub no.-2 (of 6 States)	Regional Auditors hub no.-3 (of 5 States)	Regional Auditors hub no.-4 (of 7 States)	Regional Auditors hub no.-5 (of 6 States)	Regional Auditors hub no.-6 (of 5 States)	Regional Auditors hub no.-7 (of 3 States)	Total
EOI	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	
1	West Bengal	Arunachal Pradesh	Bihar	Jammu & Kashmir	Gujarat	Andhra Pradesh	Tamilnadu	
2	Orissa	Assam	Jharkhand	Himachal Pradesh	Maharashtra	Karnataka	Puducherry	
3	Tripura	Mizoram	Madhya Pradesh	Uttrakhand	Goa	Lakshdweep	Andaman & Nicobar	
4	Chattisgarh	Nagaland	Rajasthan	Punjab	Daman & Diu	Kerala		
5	Sikkim	Manipur	Uttar Pradesh	Chandigarh	Dadra & Nagar Haveli	Telangana		
6		Meghalaya		Delhi	Mumbai DACS			
7				Haryana				
Minimum per year Contract price (inclusive of all costs but exclusive of taxes) (fig. in Rs.)	542260.00	1610000.00	1871820.00	865236.00	3070286.00	2425000.00	775200.00	11159802.00

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

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

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

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

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

2. Inviting Expressions of Interest:

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

For any PAF to be considered for appointment as internal auditor for audit of the World Bank supported projects, it shall meet the Minimum Eligibility Criteria specified below. Failure to satisfy any of the Minimum Eligibility Criteria renders the firm not eligible for the assignment. The Mandatory criterions are:

- a. Criterion 1: The applicant private audit firm is **empanelled with the C&AG for major audits**.
- b. Criterion 2: The applicant firm has **experience in audit of financial statements or internal audit** of –
- Projects financed by bilateral or multilateral agencies; or
 - Agencies implementing government projects (other than above); or
 - Public sector undertakings in the same sector (other than above).
- Only that experience which pertains to audit of the financial statements or internal audit of the project/agency as a whole would be considered.
- c. Criterion 3: Presence in the state/region: The firm must have a head- office in any one of the states comprising the hub for which it is applying in existence/operational for more than 3 years;
- d. Criterion 4: The applicant firm is **Independent of the entity** to be audited.
- The audit firm is not the incumbent Internal Auditor of the project or the Project Implementation Authority (PIA).
 - No partner of the audit firm or any qualified employee of the firm is related to any member of the Governing Body/Executive Committee/Board of Directors or the Project Director/Managing Director/any Director or any of the senior management (as applicable) of the PIA. Relative would mean husband, wife, brother, or sister or any lineal ascendant or descendant.
 - Neither the firm nor its Partners or Associates have any interest in the business of the PIA.
 - From the time of appointment and for one year after (to be counted from the date of issue of final audit report) the Firm ceases to be Statutory auditor and no other assignment of any kind to the PIA/project (including consultancy) will be accepted, either by the firm or by its partners or relatives of partners of the firm or by its associates.
 - The audit will not be done by a person who was either an employee in the project or a partner/employee of the retiring auditor, unless such person is employed with the firm for at least one year.
- e. Criterion 5: The audit firm is not one against which disciplinary orders have been issued by the Public Companies Accounting Oversight Board and these orders are in force.
Also, any partner/senior manager of the audit firm is not associated with the audit in any manner if he/she -
- has been found guilty of professional/other misconduct by the Institute of Chartered Accountants of India under the First or Second Schedule of the Chartered Accountants Act, 1949; or
 - is one against whom disciplinary sanction orders have been passed by the Public Companies Accounting Oversight Board.

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

- a. A self attested copy of the latest empanelment intimation letter issued by the CAG containing the Unique Identification Number and the score. The Private Audit Firm (PAF) confirms that it is included in the panel for major audits ;
- b. A certificate from the firm to the effect that no partner of the firm has been found guilty of professional/other misconduct by the Institute of Chartered Accountants of India under the First or

Second Schedule of the Chartered Accountants Act, 1949 or is one against whom disciplinary sanction orders have been passed by the Public Companies Accounting Oversight Board. In case the firm has such partners, the firm provides details of such partners and certifies that they will not be associated with the audit in any manner;

- c. A Declaration signed by an authorized partner of the audit firm verifying that the applicant is independent of the entity to be audited that they have no relationship with the entity to be audited (in particular, the auditor should not be employed by, serve as director for, or have any financial or close business relationship with the entity during the period(s) covered by the audit or immediately thereafter for a period of two years);
- d. A self attested copy of the latest firm constitution certificate issued by the ICAI (*this certificate shall also act as evidence for verifying the Date of Constitution of the firm*). This certificate should not be older than 30 days as on the date of the EoI.
- e. A Self certified statement giving the date of establishment of the branch and name of Partner/CA qualified employee in-charge of the firm;
- f. Additionally, sufficient information be provided so that NACO may evaluate the auditors' capabilities and eligibility to undertake the assignment. Accordingly, the applicant shall provide the relevant information regarding their work.

3 Evaluation and Short listing

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

3.2 The PIA may base the evaluation on the following parameters:

- a. Long standing of the firm;
- b. Turnover of the firm;
- c. Experience of the firm;
- d. Experience and association of the partners;
- e. Experience and association of the full time staff;
- f. Locational presence of the audit firm.

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

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

3.4 Criteria for Short listing at the EOI stage

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

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

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

Criteria	Scoring	Maximum Points	Documentation
	with PQE of more than 1 year with the firm		
4. Experience and Association of qualified full time staff (being CAs or technically qualified staff relevant to the project)	<ul style="list-style-type: none"> • 3 points for each full time staff with PQE of 10 years or more with the firm • 2 points for each full time staff with PQE of 5 years or more with the firm • 1 point for each full time staff with PQE of more than 1 year with the firm 	10	<p>List of full time staff with date of qualification and number of years of PQE with the firm supported by the latest firm constitution certificate issued by ICAI</p> <p>Documentation showing the qualifications and experience of staff other than CAs</p>

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

**Application Form
For
Submission of Expression of Interest for Internal Audit of hub of SACS**

[Letterhead paper of the firm including full postal address, and telephone, facsimile and e-mail address]

Dated: _____

To,

Under Secretary (Finance)
National AIDS Control Organization
Ministry of Health & Family
Welfare, Govt. of India
6th Floor Chanderlok Building,
36 Janpath, New Delhi – 110 001

Sir,

I / We the sole proprietor / partners of M/s _____ Chartered Accountants do hereby jointly and severally verify and declare:

(i) That the EOI is being submitted for Internal Audit in the hub* of following State/UTs:-

SN	Regional Auditors hub no.-1 (of 5 States)	Regional Auditors hub no.-2 (of 6 States)	Regional Auditors hub no.-3 (of 5 States)	Regional Auditors hub no.-4 (of 7 States)	Regional Auditors hub no.-5 (of 6 States)	Regional Auditors hub no.-6 (of 5 States)	Regional Auditors hub no.-7 (of 3 States)
EOI	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No
1	West Bengal	Arunachal Pradesh	Bihar	Jammu & Kashmir	Gujarat	Andhra Pradesh	Tamilnadu
2	Orissa	Assam	Jharkhand	Himachal Pradesh	Maharashtra	Karnataka	Puducherry
3	Tripura	Mizoram	Madhya Pradesh	Uttrakhand	Goa	Lakshdweep	Andaman & Nicobar
4	Chattisgarh	Nagaland	Rajasthan	Punjab	Daman & Diu	Kerala	
5	Sikkim	Manipur	Uttar Pradesh	Chandigarh	Dadra & Nagar Haveli	Telangana	
6		Meghalaya		Delhi	Mumbai DACS		
7				Haryana			

*Note: The audit firm may apply for more than one hub but each hub will be treated as separate assignments for the purpose of evaluation, reporting etc. The firm will have to submit their internal audit report for each state separately & one report for entire hub as hub auditor

- (ii) That the particulars given are complete and correct and that if any of the statements made or the information so furnished in the application form is later found not correct or false or there had been suppression of material information, the firm would not only stand disqualified from the allotment, but would be liable for disciplinary action under the Chartered Accountants Act, 1949 and the regulations framed there under;
- (iii) That the firm proprietor or partners have not been debarred or cautioned by ICAI during the last five years (if cautioned give details);
- (iv) That individually we are not engaged in practice otherwise or in any other activity which would be deemed to be a practice under Section 2(2) of the Chartered Accountants Act, 1949;
- (v) That the constitution of the firm as on 1st January of the relevant year shown in the Expression of Interest is the same as that in the Constitution Certificate issued by the ICAI.

- (vi) That the firm is not the incumbent Internal Auditor of the project or the Project Implementation Authority (PIA).
- (vii) That no partner of the audit firm or any qualified employee of the firm is related to any member of the Governing Body/Executive Committee/Board of Directors or the Project Director/Managing Director/any Director or any of the senior management (as applicable) of the PIA. Relative would mean husband, wife, brother, or sister or any lineal ascendant or descendant.
- (viii) That neither the firm nor its Partners or Associates have any interest in the business of the PIA.
- (ix) That from the time of appointment and for one year after (to be counted from the date of issue of final audit report) the Firm ceases to be Statutory auditor, no other assignment of any kind to the PIA/project (including consultancy) will be accepted, either by the firm or by its partners or relatives of partners of the firm or by its associates.
- (x) That the audit will not be done by a person who was either an employee in the project or a partner/employee of the retiring auditor, unless such person is employed with the firm for at least one year.
- (xi) The audit firm is not one against which disciplinary orders have been issued by the Public Companies Accounting Oversight Board and these orders are in force. Also, any partner/senior manager of the audit firm is not associated with the audit in any manner if he/she -
 - a. has been found guilty of professional/other misconduct by the Institute of Chartered Accountants of India under the First or Second Schedule of the Chartered Accountants Act, 1949; or
 - b. is one against whom disciplinary sanction orders have been passed by the Public Companies Accounting Oversight Board.

Sl. No.	Name of the Partner / Sole Proprietor	Membership Registration Number	PAN No.	Dates of payment of fee for the relevant year ____ A/B*	Signature of Partner / Sole Proprietor

*A - for membership, B – for issue of Certificate of practice

(Signature of authorized signatory of the firm and seal)

Enclosures: 'Capability Statement' with total ____ pages

Capability Statement

Status of the Firm Partnership Sole Proprietorship

1. A. Name of the Firm (in CAPITAL letters) _____

B. Addresses of the Head Office & Branch Offices _____

(may use separate sheet)

(Please give complete postal address, telephone no. and e-mail address of each office confirming the presence in the State/UT with year of establishment for giving marking as guidance note of EoI)

C. PAN NO. of the Firm _____

2. ICAI Registration No. _____

Region Name _____

Region Code No. _____

3. Empanelment number with C&AG of India for major audits _____

4. Date of constitution of the firm: _____

5. Full-time Partners (in case of Partnership firm) / Full time Employees (in case of Sole Proprietorship firm) as on 1st January,

2017 (Please provide details in the table below)

Sl. No.	Continuous association with the Firm	Number of CAs
(a)	CA Partner having Post Qualification Experience (PQE) of 1 year or more with the firm	
(b)	CA Partner having Post Qualification Experience (PQE) of 5 year or more with the firm	
(c)	CA Partner having Post Qualification Experience (PQE) of 10 year or more with the firm	

6. Number of other staff employed full time with the firm

Sl. No.	Continuous association with the Firm	Number of CAs/Cost Accountant/Technical Qualified Staff
(a)	Full time Staff having Post Qualification Experience (PQE) of 1 year or more with the firm	
(b)	Full time Staff having Post Qualification Experience (PQE) of 5 year or more with the firm	
(c)	Full time Staff having Post Qualification Experience (PQE) of 10 year or more with the firm	

(list to be attached for Sl. No. 5 to 6 as per guidance note for EoI)

7. Whether the firm has experience in audit of financial statements or internal audit of – Yes / No

- Projects financed by bilateral or multilateral agencies; or
- Agencies implementing government projects (other than above); or
- Project in the same sector (other than above).

(If yes, details may be given on a separate sheet as per guidance note for EoI.)

8. Whether the firm is engaged in any internal or external audit or providing any other services to any Govt. Company / Corporation or co-operative institution etc. Yes / No

(If yes, details may be given on a separate sheet.)

9. Whether the firm is implementing quality control Policies and procedures designed to ensure that all audit are conducted in accordance with Statements on Standard Auditing Practices. Yes / No

(If yes, give brief note of the cases indicating its present status)

10. Whether the firm, while performing audit services, carried out Procurement review / audit to ensure that the procurement is carried out by following World Bank Procurement guidelines and procedures. Yes / No

(If yes, details may be given on a separate sheet, specifying the name of client and the services performed)

11. Whether the firm has experience in performing internal audit in the State(s) of hub for which EOI is submitted.

(If yes, details may be given on a separate sheet, specifying the name of client)

12. Are there any court / arbitration /legal case(s) against the firm (if yes, give a brief note of the cases indicating its present status) Yes/ No

13. Fees earned by the firm for the last 3 years As per the table below:

Type of audit	Govt. Company / PSU / Autonomous body / Co-operative institution			NGOs / Trusts		
	Year 1 (2014-15)	Year 2 (2015-16)	Year 3 (2016-17)	Year 1 (2014-15)	Year 2 (2015-16)	Year 3 (2016-17)
Statutory Audit / 6-monthly audit review						
Internal / Concurrent Audit						
ASSURANCE/FINANCIAL SERVICES						
Total of the Above						

(Signature of authorized signatory of the firm and seal)

List of Annexure:

1. ____
2. ____
3. ____
4. ____
5. ____

Terms of Reference for an Internal Auditor

For Internal Audit of State AIDS Control Society

Under the National AIDS Control Programme Phase-IV

(i) Background

National AIDS Control Organisation (NACO) with partial funding from the World Bank and Global Fund is implementing National AIDS Control Programme throughout the country. It is intended to apply part of the proceeds of this financing to eligible payments under contracts for this assignment. The Programme is being implemented in partnership with the State AIDS Control Societies (SACS) of 36 States/UTs located across the country and 1 District AIDS Control Societies located at Mumbai. The SACS are registered Societies under the control of State Government.

(ii) Objectives

The overall objectives of the internal audit are:

- To express an independent professional opinion with regard to efficiency, effectiveness and economy of the program operations.
- To ascertain and evaluate the adequacy and effectiveness of the financial management and internal control framework.
- To ascertain compliance of the laid down policies, NACP financial norms, State Government procedures, various guidelines, manuals, etc as applicable under the project.
- To identifying areas for improvement and critical weaknesses, if any.
- To provide Project management with timely information and recommendations on financial management aspects of the project to enable timely corrective actions, as necessary.

III. Coverage

The internal audit will be performed on a semi-annual basis of the SACS. The auditor would visit the various field offices. The audit will also include a physical verification of the assets/equipments /supplies procured under the project and located in the above units.

IV. Scope of Work

Scope of Work of Hub Auditor: The internal audit should be carried out in accordance with the International Standards on Auditing (ISA) published by the International Federation of Accounts and should include such tests and controls, as necessary for performance of the audit. The scope of the assignment will be comprehensive and will cover the project activities and transactions of all the cost centers i.e. SACS, NGOs, Periphery Units, and STRCs etc. The responsibilities of the internal auditor includes reporting on the adequacy of internal controls, the accuracy and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the level of compliance with NACP financial norms and State Government procedures. Specific areas of audit should include the following:

- (a) An assessment of the adequacy of the program's financial management system, including internal controls. This would include aspects such as adequacy and effectiveness of accounting, financial and operational controls exercised by the implementing agencies and suggestions of improvement, if any.
- (b) Funds have been used in accordance with the relevant financial norms and financial regulations with due attention to economy and efficiency, and only for the purpose for which the financing has been provided.

- (c) Generally accepted Accounting Principles are followed by all entities that are authorized to incur expenditure under National AIDS Control Programme.
- (d) An assessment of efficiency and timelines of funds flow and reporting (Utilization Certificates) mechanism at the level of SACS, NGOs and peripheral units for implementation of project activities.
- (e) Expenditure Statements submitted by NGOs and the peripheral units have been correctly accounted for and disbursements made to them are as the guidelines and norms prescribed under NACP-IV Programme.
- (f) An assessment of the adequacy of financial and administrative delegation and segregation of duties and controls. And, assessing expenditures incurred/ advances provided are duly authorized as per the financial and administrative delegation approved by the Executive Committee.
- (g) Expenditure incurred are in accordance with the financial norms prescribed in the NACP-IV framework, operational guidelines, legal agreement or any other clarifications issued from time to time.
- (h) Expenditure incurred with reference to the budget allocation approved by NACO. In case the budget allocation is exceeded, proper re-appropriation duly approved by the competent authority has been obtained.
- (i) Adequate and proper supporting documents, namely, purchase orders, tender documents, invoices, vouchers, receipts, pay bills, TA bills etc. are maintained and linked to the transactions.
- (j) Goods, works and services financed have been procured in accordance with relevant provisions of GFR for procurements made under domestic funding and as per World Bank Procurement Procedures for procurements made under World Bank or Global Fund funding.
- (k) The review of procurement process should also cover the progress on establishing grievance redressal mechanism and feedback provided to unsuccessful bidders.
- (l) It should be ensured that the records of all procurement, agreements, work/purchase orders, invoices, receipts, stock registers etc are properly maintained, duly linked and retained including expenditures reported via Interim Unaudited Financial reports (IUFR). The auditor should also review contract management and whether business standards for payment to contractors are being adhered to.
- (m) Reconciliation of Bank Statements and accounts is regularly carried out on a monthly basis and necessary corrections on account of Bank's credits/debits and stale cheques are accounted for concurrently.
- (n) Assets: Completeness, existence, recording, safeguard and utilization for the purpose intended including, physical verification of sample of assets. Review status and report details of assets lying with discontinued NGOs and make recommendations for recovery/ write off.
- (o) Ascertain the reliability of integrity, controls, security and effectiveness of the operation of computerized system. Identify constraints, if any, in the timely updating of the Computerized Project Financial Management System (CPFMS) and in adhering to the internal control procedures.
- (p) The procurement, contracting, disbursement and monitoring of NGOs/Community Based Organizations (CBOs) are carried out in line with the NGO/CBO guidelines and Project Funding Agreements. Summarize key findings and actions taken by SACS on the audit observations of the NGOs.
- (q) The internal auditor shall also verify and reconcile the Statement of Expenditure submitted by NGOs to SACS with reference to records and accounts books maintained at NGOs office and report the variance in tabulation form for

making necessary corrections/adjustments by SACS while releasing further grants. This will be electronic checking by passbook.

- (r) An assessment of the action taken by SACS on the recommendations related to procurement process made in the previous half-yearly audit reports.
- (s) The auditor should ensure the efficiency and timeliness of the funds flow mechanism at the State, District and Peripheral Units level and whether there are delays and which could impact the timely implementation of project. The auditor should also identify and report the reasons for such delays and possible remedial measures.
- (r) The scope of work will additionally include detailed review of the issue of advances, staff advances and cash payments for items purchased. Exceptions should be identified and reported. The following should be covered in the detailed review:
 - (i) **Advances to NGOs and Peripheral Units:**
 - a. An assessment of system being followed for monitoring of advances; whether ageing analysis is being carried out by the SACS on continuous basis;
 - b. An assessment of the adequacy of the system of review and approval before the settlement of advance and the evidence of the review being retained;
 - c. Assess whether fresh advances are being given only after settlement of previous advance.
 - d. Ascertain the timeliness of settlement of advances;
 - e. Present a status report of the pending advances for more than one year;
 - f. Review status of advances with discontinued NGOs and recommend actions for early settlement
 - (ii) **Staff Advances:**
 - a. Review of advances paid to staff, their purpose and if the staff rules in this regard are followed.
 - b. Review the settlement of staff advances as per the operational rule of the programme.
 - c. Present a status report of the pending staff advances for more than one year old with an opinion on the recoverability of the same.
Assess the State Staff Advances rules and comment if the same are in lines with NACO operation guidelines.
 - (iii) **Cash Payments:**
 - a. Review the payments made in cash in the programme (directly or through staff) and advise if the NACO operational guidelines / rules in this regard are being followed on consistent basis (payment made by bearer cheque is considered as cash payment)
 - b. Review the record keeping for recording the purchases made against cash and advice if this is sufficient to ensure that programme's fiduciary interest is fully safeguarded.
 - c. Provide an opinion on adequacy of the limit on cash payments as per NACO operational guidelines/rules.
- (s) The scope of work will include the **detailed review of the salary payments made under the programme** and the following need to be reported:
 - (i) Details of the employees worked under the programme and ensure that the employees shown should actually exist.
 - (ii) Details of the salary payments made to the employees at (i) and ensure that salary payments must be made directly into the bank account of employees and must be within the ambit or as per the guidelines of NACO.
- (t) The scope of work will also include the **review of the programme process/progress indicators** issued by the programme division at NACO in terms of their availability with SACS and the adherence to the same thereon.
- (u) The scope of work will also include the **detailed report on compliance on previous audit observations** (Internal Audit of SACS/Statutory Audit of SACS/Internal Audit of NGOs) needs to be specifically given in the internal audit report. For this, auditors need to go through the following: -
 - (i) Audit observations of the immediate last internal audit of SACS conducted by NACO's appointed

- internal auditor of SACS.
 - (ii) Audit observations of the immediate last statutory audit of the SACS conducted by SACS's appointed statutory auditor of SACS.
 - (iii) Audit observation of the immediate last internal audit of the NGOs conducted by the SACS's appointed internal auditor of NGOs.
 - (iv) The extent to which the compliance has been done on the above by SACS need to be reported observation wise and the acceptance of the same as well.
- (v) The scope of work will also include the report on **implementation of Public Financial Management System (PFMS) and electronic mode of payment** by SACS/NGOs/PUs. The Government of India has been directing to utilize the PFMS and electronic mode of payments. NACO has also given the directions to SACS/NGOs/PUs for usage of PFMS and electronic form of payments. It will be incumbent on internal auditor to provide a list of payments made electronically and will also provide a detailed report on the usage of PFMS. The internal auditor will opine about the non usage of electronic mode of payments & PFMS by SACS/NGOs/PUs and will note down the constraints as intimated by them. The internal auditor will also opine about the authentic steps being taken by SACS/NGOs/PUs to migrate 100% on to electronic mode of payment.

A checklist (covering financial management and procurement issues) is provided along with the TOR as guidance to the internal auditors. This should be attached and submitted along with the audit report.

V. Other Information

Timing for audit and submission of the audit report:

Period of Audit	Submission of SACs and Hub Report	Submission of Hub Auditor Report
April – September	15 th November	30 th November
October – March	15 th May	30 th May

Reporting and deliverables: The internal auditors should furnish a half yearly audit report (along with the checklists) to each State Project Director separately for their State with an executive summary of the critical issues/findings that require attention of the senior management and a copy of this report must also be placed with the Executive Committee and Audit Committee of SACS.

A consolidated report for the hub along with a copy of executive summary and the Internal Audit Reports of the SACS must be sent to NACO. A soft copy of the Internal Audit Report must also be shared with Statutory Auditors and Funding Agencies, if requisitioned.

Non submission of Audit Report within stipulated period may attract a penalty of 0.5% of total contracted value per week basis after a grace period of 1 ½ months of submission period.

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

General: The auditor will be given access to all legal documents entered into with the World Bank/Global Fund, Project Implementation Plan, books of accounts, NGO/CBO guidelines, Procurement Manual, Financial Management Manual, Scheme books and any other information associated with the Programme and deemed necessary by the auditor.

Review: A review committee consisting of Project Director, head of the financial management group at the State AIDS Control Society will review the internal audit report submitted by the internal auditor and take further remedial measures on the discrepancies pointed out in internal audit.

Audit Resources: As the project is being implemented by a registered society within the Government, it is a pre-requisite

that the key personnel should be familiar with the government accounting and financial procedures. The list of key personnel and whose CVs and experience requirement are as follows:-

S. NO	Key professionals	Description of services to be provided	Experience	No. of persons and person days (per state depends on size & expenditure incurred by that state)
1	Partner/Audit Manager	Overall coordination, & planning, and team leadership, reporting, liaison with client	Qualified Chartered Accountant with at least 10 years of experience as a partner with expertise in the area of internal audit planning, execution and reporting	1 person 02 – 08 days
2	Audit Team Leader	Responsibility to lead the audit teams in the field, planning and execution of the audits, discussions with head of office at state and report writing and finalization	Qualified Chartered Accountants with at least 5 years of experience in internal audit with expertise in procurement audit desirable and with ability to lead the team and interact with senior level government officials	1 person 05 – 20 days
3	Team Member	Field level audit (including visits to a sample of peripheral units)	Person with experience in GFR, budgets, and financial rules of the Govt. experience in procurement audit desirable	Sufficient numbers 05 –20 days
4	Team Member	Field level audit (including visits to a sample of peripheral units)	Assistant with experience in internal audit and report writing. Experience in procurement audit is desirable.	Sufficient numbers 05 – 20 days

List of Annexures to ToR:

- Annex 1 - Reporting Format
- Annex 2 –Internal Audit Coverage Report
- Annex 3 –Internal Audit Checklist format

Annex1 - Reporting Format:

The audit report will be in the form of a Management Letter (including an Executive Summary, highlighting key issues for management) which will inter alia have the following sections:

- Objective of the audit;
- Methodology of the audit;
- The status of implementation of the financial management records, system and controls;
- The status of compliance of the previous audit report, including major audit observations pending compliance;
- The key areas of weaknesses, needing improvement
- Recommendations for improvements;

Matters requiring immediate attention of the management and persisting irregularities should be highlighted separately by the auditors.

The comments from the Project Implementation Unit (PIU) and concerned officers must be incorporated in the report as Management comments.

Format for Executive Summary:

Para No.	Major Observations	Implication with risk involved	Recommendations for improvement	Auditee's Comments/ Agreed Actions	Timeline

Format for Executive Summary for Hub Audit Report:

Para No.	Observations	Implication with risk involved	Recommendations for improvement	Auditee's Comments/ Agreed Actions	Timeline
		Hub Auditor			

Annex2–Internal Audit Coverage Report

The internal hub auditor needs to annex this checklist with the internal audit report in the below specified format specifying the coverage of observations taken. Similarly the hub auditor should also annex internal audit checklist in a similar detailed format specifying the coverage of observations taken to form an opinion at project level.

Particulars		Coverage of SACS		
		Total Units	Audited Units	% Audited
Hub 1	State 1			
	State 2			
	State 3			

Annex3–Internal Audit Checklist format

Internal Audit Checklist				
S.No	Assessment Parameters/Internal Checks/Controls	Observation		
		Major		Minor
A	Payments and receipts			
1	Are the payments for expenditures in line with the approved annual work plan			
2	Are the payments properly approved in line with the financial delegation			
3	Are the supporting documents filed properly and easily accessible			
4	Is there a serial control over payment, receipt and journal vouchers			
5	Are the expenditures/ payments charged to the correct account code and head of expenditure			
6	Is the system generated voucher used as the basis for approval of payments			
B	Fund Flow			
1	Are there any delays in receiving funds from the centre to states and states to districts? Has the project or any component been out of funds in the last one year?			
2	Whether the State is transferring the funds to Districts electronically or by physical transfer?			
	Is there any delay in transfer of funds to Peripheral Units? If yes, please mention reasons.			
3	Whether the fund transfer by State to Districts is being done like RCH flexible pool or does the State carry out activity wise fund transfer to the Districts.			
4	What is the average frequency of fund transfer in a year?			
5	Comment on a process flow improvements that can be made.			
C	NGOs			
1	Is there a TSU to support NGO/CBO activities and does it have a finance staff			
2	Is there a TSU to support NGO/CBO activities and does it have a			

	finance staff		
3	Has the financial management capacity of the NGO been assessed by the TSU and the process documented during the selection process.		
4	Are there any critical FM capacity issues identified during selection process and how are these planned to be addressed.		
5	Does the contract with the NGO contain the Financial Management aspects		
6	Is the tranche release to NGOs in compliance with the contractual obligations and in adherence to the NGO/CBO guidelines?		
7	Are funds released without settlement of previous advance or without receipt of quarterly financial report?		
8	Is the NGO/CBO timely in submitting financial reports to the SACS/PSU? If not what actions are being taken to address this issue.		
9	Is the financial review of NGOs by the TSU adequate in terms of the quality and frequency		
10	Are on-site visits to the NGOs made by the finance staff of the TSU		
11	Have annual audited financial statements received from the NGOs.		
12	Carry out on site (where covered under the scope of the audit) audit of NGOs/CBOs as per the TOR provided in the NGO/CBO guidelines and attach a separate report of the NGO/CBO covered. Where this is carried out by independent auditors comment on the adequacy of the actions taken by SACS to address the observations of the auditors.		
13	Electronic payments through RTGS and use of PFMS to pay the remuneration to outreach worker and peer educators in NGOs.		
D	Peripheral Units		
1	Has a sanction letter been issued for the proposed activity by the peripheral unit		
2	Are the financial management, financial reporting and date of settlement of advance indicated in the sanction letter?		
3	Is the settlement done on time and is supported by a proper utilization certificate		

4	Are subsequent tranches released without settlement of the first advance		
5	Comment on the quality and adequacy of the financial records maintained by the peripheral units (for the sample covered during the course of quarterly internal audit)- attach a separate sheet where necessary.		
6	Whether the Peripheral Units have shown any expenditure on procurement from the proceeds of NACP-III		
E	Overall Monitoring of advances		
1	Is the system for monitoring and control of advances adequate		
2	Are there a large number of advances overdue		
3	Is there an ageing report generated for review by the project director on a periodic basis.		
4	Are there advances outstanding with discontinued NGOs? Has the project taken adequate action to settle the same?		
F	Operation of bank account.		
1	How many Bank accounts are being maintained and are Bank reconciliations carried out on a monthly basis?		
2	Are there any un-reconciled or un-accounted for balances		
3	Are payments made directly into the bank account of beneficiary electronically?		
4	Is there adequate physical control over cash, receipt book and blank cheque books		
G	Fixed Assets		
1	Have the procurement procedures prescribed in the Procurement Manual followed by the SACS for procurement of assets purchased by the SACS.		
2	Are these supported by adequate and valid supporting documents		
3	Are the assets procured documented in the fixed assets register giving its location etc.		
4	Are there assets lying with discontinued NGOs? Please quantify and recommend remedy.		
5	Carry out a sample verification of fixed assets both in SACS and the peripheral units/ NGOs		

6	Are assets received in kind also recorded in the fixed asset register giving the date of receipt, location etc.		
7	Has a material been purchased for the activity?		
8	Has the purchased material been entered in the stock register? Is it upto date and physical stock in agreement with book balances?		
H	Purchase of Goods & Services by SACS		
1	Have the procurement procedures prescribed in the Procurement Manual followed by the SACS for procurement of goods & services purchased by the SACS.		
2	Have the SACS procured any drugs or medical supplies (such as test kits, condoms etc.) from the proceeds of NACP-III		
3	Whether the value of any contract exceed US\$ 50,000 equivalent (US\$ 75,000 equivalent only for NGO/CBO contracts)		
4	Whether the SACS has procured directly or any other procurement support agency has handled the procurement		
5	Are these supported by adequate and valid supporting documents		
6	Where goods including drugs are procured are these correctly recorded in the inventory register?		
7	Carry out a sample verification of inventory of consumables, drugs supplied to the NGO's peripheral units		
8	Are goods (ART drugs, test kits etc.) received in kind also recorded in the inventory register? Do the physical balances agree with the book balance? Comment on the variance if any.		
I	Accounting		
1	Is the CPFMS operational and upto date		
2	Are there any constraints in using the system		
3	Are back up processes adequate		
4	Have the financial reports for the previous quarter generated from the CFMS sent to NACO in a timely manner		
J	Staff Advances		
1	Staff advances paid to staff is in accordance with the staff rules & for the purpose within rules.		

2	The settlement of staff advances are as per the operational rule of the programme.		
3	A status report on the pending staff advances for more than one year old with an opinion on what amount could be considered actually receivable has been obtained.		
4	Comment on the staff advances rules, whether rules are in accordance with NACO operation guidelines and/or if they need amendment.		
K	Procurement process		
1	Have the procurement procedures prescribed in the Procurement Manual followed by the SACS for procurement of goods/works/contract of staff etc. by the SACS.		
2	Are these supported by adequate and valid supporting bidding, approval of competent authority, supply order etc. documents?		
3	Are the goods/works/contract of staff etc procured documented in the relevant stock/work/personal registers/files giving its quantity receive/issue/balance etc.		
4	Carry out a sample verification of goods/works/contract of staff etc both in SACS and NGOs		
5	Is physical stock in agreement with book balances?		
L	Additional Matters to be reported for SACS/NGOs/PUs		
1	Has the details & identification of employees worked under the programme by SACS/NGOs/PUs been obtained {refer point (s) of scope of work of TOR}.		
2	Is salary payments made to employees as stated above electronically by SACS/NGOs/PUs {refer point (s) of scope of work of TOR}.		
3	Is Program Process/Progress indicator available with SACS and the adherence to the same is made or not {refer point (t) of scope of work of TOR}.		
4	Is the compliance on previous audit observations of Internal & Statutory audit of SACS and Internal audit of NGOs made by SACS and Is the same is accepted to auditor {refer point (u) of scope of work of TOR}.		
5	Has the implementation of PFMS and electronic mode of payment been done by SACS/NGOs/PUs {refer point (v) of scope of work of TOR}.		
M	Other Issues		
1	Any other issues that the firm may like to address		

Signature of the CA Firm