

# **CHENNAI METRO RAIL LIMITED**



**TENDER DOCUMENT**

**FOR**

**CMRL CONCURRENT AUDIT**

## NOTICE INVITING TENDER

# CHENNAI METRO RAIL LIMITED

### TERMS OF REFERENCE FOR OUTSOURCING OF CONCURRENT AUDIT

#### 1. BACKGROUND

Chennai Metro Rail Limited (CMRL) is a joint venture of the Government of India (GoI) and the Government of Tamil Nadu (GoTN) for the construction of Metro Rail in the city of Chennai city with loan assistance from Japan International Co-operation Agency (JICA).

The total length is 54.1km (Phase 1 of the Chennai Metro Rail Project). Chennai Metro Phase 1 with Extension comprises of two corridors — Corridor I from Wimco Nagar to Airport covering a distance of 32.1 kilometers and the Corridor II from Central to St. Thomas Mount covering 22.00 kilometers. There will be 40 stations of which 21 will be underground and 19 will be elevated.

CMRL undertook the construction for Metro Rail and presently the Corridor-I from Chennai Central to St. Thomas Mount and Corridor-I from Washermanpet to Airport stations of Phase -1, stations are operational from February 2019.

The civil & system works of Phase-I extension from Washermenpet to Wimco Nagar covering a distance of 9.051 km at a project cost of Rs.3770 crore (7 stations) have been completed and commenced from February 2021.

Phase II of the project covering 118.9 Kms has been approved by the Government of Tamil Nadu (GoTN) for implementation of three Corridors and foundation stone has been laid on 21<sup>st</sup> November 2020.

The project aims to alleviate the traffic problems of the city and reduce vehicular pollution. The Company intends to invite Tenders to carry out a Concurrent Audit function for both the project activity as well as the operations activities. The period of audit shall be for a period of 2 years.

#### 2. PURPOSE

The Audit service is responsible for providing an independent audit of the entire project and operational activities, financial or otherwise. It should provide a service to the whole organization, including all the levels of management. It is not an extension of, nor a substitute for, good management, although it can have a role in advising management. The Audit service is responsible for evaluation and reporting to Audit Committee through Director

Finance and thereby providing assurance on the arrangements for risk management, control, governance & quality of data.

Based on above, CMRL invites tenders from audit firms to conduct risk-based assessment, identifying the potential risk areas and agree on an annual concurrent audit plan for the period of 2 years from 01/04/2022.

### 3. ELIGIBILITY CRITERIA:

Firms must qualify in the following minimum criteria:

Sl. No.	Particulars	Minimum Criteria
1	Number of Full Time Partners associated with the firm for not less than 3 years and shall be a member of ICAI/ ICMA.	3
2	Turnover of the firm (Annual turnover of the firm in each of last three financial years i.e 2018-19, 2019-20 & 2020-21.)	Rs. 1 crore
3	No. of Years of Firm Existence (Experience in EPC/Infrastructure project for a minimum period of 2 years)	5 years
4	No. of assignments of Statutory Audit/Internal Audit of Corporate/PSUs entities [except Bank / Branch Audit] having an average turnover of not less than Rs 100 crores in the last 3 years.	2 Assignments
5	The firm should have Head Office / Branch Office in Chennai	3 Years

If any firm is already associated with CMRL for 3 years or more, in the capacity of Internal Audit/Concurrent Audit/Statutory Audit, not eligible to participate in this tender. Any firm not qualifying these minimum criteria need not apply and their proposal shall be summarily rejected.

#### Supporting Documents for Eligibility Criteria:

Following supporting documents must be submitted by the firm along with the technical proposal:

- i. For Sl. No. 1 above, the firm must submit an attested copy of Membership Certificate of Institute of Chartered Accountants / Cost Accountants of India.
- ii. For Sl. No. 2, the firm must submit a copy of the balance sheet & Income & Expenditure Account for the last three years.
- iii. For Sl.No.3, the firm shall submit a declaration for no of years in existence.
- iv. For Sl. No. 4, the firm must submit a copy of the appointment letters from the auditee organizations and Annual reports evidencing the turnover of the auditee organizations. Bank/Branch Audit of any Bank shall not be considered while taking into account the total number of assignments.
- v. For Sl. No.5: A declaration from the audit firm in the letter head stating that they have Head Office / Branch Office in Chennai atleast for 3 Years.

#### **4. SCOPE OF THE WORK**

This assignment of Concurrent Audit will be done on a full time basis by at least one qualified Chartered / Cost Accountant who can be replaced only with prior approval of CMRL. The audit compliance includes the pre-pay audit of running bills and final bills of the contractors for the project and Operations & Maintenance activities within the time frame as per CMRL existing policy & procedures.

- i) To verify and scrutinize payments to contractors with reference to respective agreements and adjustment thereof while accounting for the work done by them and ensure that deductions in respect of mobilization & other advances, Statutory deductions, etc. are correctly made from the bills. Also verify that all accounts are reconciled from time to time.
- ii) To verify work-in-progress with reference to field records such as Interim payment certificates and certification of progress issued by the executive, quantum of work-in-progress recorded should be compared with work orders/ contracts and subsequent approvals for variations, to ensure that payments are duly authorized.
- iii) Interim report on scrutiny of contractors bills to be submitted **within 5** working days as and when referred by Finance Division of CMRL so as to release payment to the contractors.
- iv) To conduct audit of all the Operations & Maintenances contracts and before making payment to the Contractor, wherein formal agreements have been entered into with the respective contractors.
- v) To review terms and conditions of tender documents and agreements, verification of bank guarantees, insurance policies and specific emphasis to be given on final payments.

All work done by the Audit Service should be properly documented, evidenced and filed for any reference. The documentation shall comply with the guidelines prescribed by the ICAI. A detailed scope of work is enclosed in Annexure.

#### **5. PERIOD OF AUDIT**

The period of concurrent audit would be two years and it shall be running concurrently with the year during which the audit is done. Audit observations noticed during concurrent audit shall be rectified immediately. An audit report will be submitted in four phases of three months each ending on 30<sup>th</sup> June, 30<sup>th</sup> September, 31<sup>st</sup> December and 31<sup>st</sup> March in respect of any issues to be resolved. The appointment letter of auditors shall contain the details vis, date of commencement of audit, completion of audit work in each phase, the date by which reports are to be submitted and phase-wise fees payable.

## **6. AUDIT REPORTS**

### A) Submission of interim audit report in respect of Contractor's bills / non Routines/ Expert opinions.

Audit report on scrutiny of Contractors bills shall however be submitted within 5 working days as and when referred by Finance Division of CMRL so as to release payments to contractors' bill within the time frame. The audit report of contractor's bill shall also be issued in original along with a soft copy. The Audit Report will also be supported with the certificate from the Audit Firm that they have thoroughly checked required number of records/packages as per terms of reference and their findings are based on the same.

### B) Quarterly report

a) audit observations; (b) implications of the observations; (c) suggested recommendations; (d) management's comments/agreed actions and (e) status of actions on the previous recommendations. In addition, the auditor should prepare and submit a consolidated report on a quarterly basis, summarizing the individual contract package wise interim reports and highlighting the critical issues which require the immediate attention of CMRL. The reports should be submitted to CMRL within 30 days of the close of each quarter. The auditor should discuss results of audit with the Director Finance of CMRL and the Audit Committee. The report in respect of CMRL shall be submitted in triplicate for each phase along with a soft copy.

## **7. RIGHTS OF THE AUDITOR**

The Auditors have right of access to all CMRL records, information and assets which they consider necessary to fulfill the responsibilities.

## **8. RESPONSIBILITY**

The responsibility of the Auditor would be:

- Develop a flexible annual audit plan using an appropriate risk based methodology, including any risks or control concerns identified by management, and submit that plan to the audit committee for review and approval as well as periodic updates.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the audit committee.
- Maintain professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.

- Issue periodic reports to the audit committee and management summarizing results of audit activities, including significant audit issues and management action plans.
- Keep the audit committee informed of emerging trends and successful practices in auditing.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify management, the external auditors and the audit committee of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.
- In turn, the Audit Service agrees to comply with any requests from the external Auditors from CMRL's Internal Audit Division for access to information, files or working papers obtained or prepared during the audit work that they need to discharge their responsibilities.

## **9. REPORTING**

The Concurrent Audit should report to the Audit Committee any serious weakness, significant fraud or major accounting breakdown discovered during the normal course of audit.

The manner and intervals in which the audit shall be conducted and reported to the Board shall also be in compliance with the Companies Act 2013 and the relevant rules made thereunder.

## **10. OTHER TERMS AND CONDITIONS:**

1. Firms selected by CMRL shall maintain ethics of faith and the information provided by CMRL shall be kept strictly confidential. The firm shall execute "Confidentiality Non-Disclosure Agreement" before commencement of the Audit Assignment.
2. The selected audit firm shall deploy on full time, minimum 6 Article/Audit Assistants, 2 Semi-Qualified Audit Executives and one Senior Audit Manager (Chartered Accountant) to administer the day-to-day audit activity. The audit firm shall employ such more qualified and experienced Personnel as and when required for audit. The firm shall furnish the list of personnel deputed for CMRL audit with details before commencement of audit. The list shall be reviewed and approved by CMRL with or without modification. Except as CMRL may otherwise agree, no change shall be made in the approved list of personnel. If for any reason beyond the reasonable control of the Audit Firm, it becomes necessary to replace any of the Personnel, the Audit Firm shall forthwith provide as a replacement, a person of equivalent or superior qualification with the prior approval of CMRL.

The company can determine the manner and intervals in which the Audit shall be conducted and reported to the Board to comply with the Companies Act, 2013 and the relevant rules made thereunder.

3. In case of any dispute, the decision of MD, CMRL shall be final and binding.
4. All assignments shall be carried out with due diligence maintaining quality of work done and in least possible time.

5. CMRL reserves the right to cancel selected firms, if it considers necessary.
6. In case of non-fulfillment of any instructions issued by CMRL, CMRL will be entitled to cancel the audit work without any obligations.
7. The successful firm shall not be entitled to claim any additional amount for any reason whatsoever for the above audit work.
8. The CMRL reserves the right to reject any or all offers received without assigning any reasons.
9. These are only proposed draft terms and conditions and can be modified at any time by the CMRL at its sole discretion.
10. The Audit party will consist of sufficient number of experienced and qualified professionals in relevant field.

## **11. CONTENTS OF THE TENDER PROPOSAL**

This is a two bid open tender. Tenderer has to submit the offer in two different packets. One packet will be for technical bid packet "A" and another packet will be for financial bid as packet "B". The packet "A" shall be superscripted as "Technical & Commercial Cover" and the packet "B" shall be superscripted as "Financial Bid". Both the covers should be in sealed condition and placed in a larger cover which should be superscripted with the tender No. CMRL/Concurrent Audit/2021. The tender shall be addressed to GENERAL MANAGER (F & A), CMRL Depot, Admin Building, Poonamallee High Road, Koyambedu, Chennai 600 107.

- (i) Technical bid (Packet A) will be opened on due date (as per Notice for Invitation of Tender). This packet must contain the following:
  - a. A proposed plan of action to achieve the objectives of the audit function of CMRL. Such a plan should cover short- and medium-term steps to manage the audit function.
  - b. A list of references of internal audit appointments;
  - c. The curricula vitae of the staff who will be available for the duration of the work;
  - d. An undertaking to ensure continuity of staff on the project.
  - e. Details of staff training and development policies and procedures, with specific mention of employment equity policies.
  - f. In so far as is possible, a comprehensive budget, showing the service Activities proposed, with charge-out rates and budgeted hours per activity, detailing all assumptions made in arriving at a proposed budget, including all costs factors such as travelling. Preference will be given to tenders which show ingenuity in conducting the work.
  - g. Finally, all the supporting documents as in clause. 2(a) as above & clause 13.2 & 13.5 to assess the eligibility criteria/technical evaluation may also be furnished.
- ii. Financial bid (Packet B) will be in the separate sealed envelope, which will contain
  - a) Price bid as per Forms Fin 1 to Fin 3
  - b) In case tenderer's bid disqualifies technically, bidders unopened financial



bid will be kept in the office under intimation to the bidder, who can have it collected through authorized representative within 15 days of intimation.

## 12. TENDER PRICE

The tender price is to be in Indian currency and must include applicable taxes and the firm must complete the price table as in Fin 1 to Fin 3 for one year. The quoted tender price shall be valid for a period of 120 days from the opening date of tender. The price is firm and fixed throughout the agreement period of 2 years without any escalation.

## 13. EVALUATION CRITERIA FOR SELECTION OF AUDITOR (Expression of Interest)

The Evaluation Criteria for selecting the auditor are mentioned below:

<i>Sl No</i>	<i>Evaluation Criteria</i>	<i>Maximum marks</i>
<i>I</i>	Number of Partners (Partners should necessarily be a member of ICAI/ ICMAI) (4 marks up to 3 partners, 1 for each additional partner)	<i>10</i>
<i>Ii</i>	Presence of the Firm in Chennai. The firm having HO/ Branch office and have adequate staff to undertake audit work at Chennai. The staff includes Articles, Audit clerks and professionals. The total staff strength up to 50 person will be given 5 marks and above 50 persons will be given 10 marks**	<i>10</i>
<i>Iii</i>	Number of Professionally Qualified Staff (with associate /fellow membership of ICAI/ ICMAI) up to 10 Staff -(5 marks) and more than 10 Staff-(10 marks)	<i>10</i>
<i>Iv</i>	Turnover for the last three years of the firm **More than 100 lacs and up to 150 Lacs-4 marks for each year **More than 150 Lacs-5 marks for each year	<i>15</i>
<i>V</i>	Number of internal/statutory audit undertaken during the last 3 years in the corporate entity or PSUs (whose average turnover is more than Rs.100 crores in the last 3 years.)* (5 marks for each assignment, maximum 11 assignments)	<i>55</i>
	<b>Total Marks (Technical )</b>	<i>100</i>

*\*evidence of turnover being more than Rs.100 cr shall be furnished by the firm viz auditee's Annual report etc.*

*\*\* declaration of staff strength be furnished along with technical bid*

*"Bidders are free to quote for one or both the tenders. However, Employer will award only one Package to a tenderer.*

*In case the same bidder is the lowest (L1) in both the tenders, the award of tender to a bidder will be done to ensure the combined least cost to the Employer.*

*No Bidder will be awarded more than one Audit.*

*CMRL Reserves the right to accept or reject any Bid without assigning any reason thereof."*

**The Minimum qualifying mark is 75%.**

**The formula for determining the financial scores is as below:**

**$S_f = 100 \times F_m / F$  where  $S_f$  is the financial score,  $F_m$  is the lowest price quoted by any consultant and  $F$  the price of the Proposal under consideration.**

**The weights given to the Technical & financial proposal are:**

**$T = 0.6$  &  $F = .4$**

**Total of all the score =  $S_f \times .4 + S_t \times .6$**

#### **14. REGULATION OF AUDIT FEES**

The payment of Audit Fees as fixed will be made only after completion of Audit Work and submission of Audit Report for every quarter on pro rata basis. Completion of Audit includes conduct of audit, submission and discussion of report with CMRL. CMRL will not pay any advance to theselected audit firm under any circumstances.

Bill for Audit Fees will be submitted to the Internal Audit Division of CMRL along with a certificate indicating that audit work has been completed as per the agreed terms and conditions.

CMRL shall cause payment to the Audit Firm to be made in quarterly basis within 30 days from the date of receipt of the bill along with supporting documents. Tax as applicable will be deducted at source and tax deducted certificate will be issued as per the law in force.

#### **15. PENALTY**

Penalty equivalent to 10% of the quarterly billing rate will be recovered for non-deployment of the Professional as per the agreed list of personnel. Replacement penalty shall be levied at 5% of the quarterly bill rate for replacement of any personnel from the approved list.

## Chennai Metro Rail Limited

### **CONCURRENT AUDIT – SCOPE OF WORK**

<b>A)</b>	<b>PROJECT AND O&amp;M SEGMENTS</b>	<b>Frequency</b>
	a. All Project contract payments of Phase I	On Event
	b. All Project contract payments of Phase I Extension	On Event
	c. All Project payments of Phase II works	On Event
	d. General Consultants payments	On Event
	e. Full & Final Settlement of contractors	On Event
	f. Providing all necessary information for arbitration process	On Event
	g. Validity and value of Bank Guarantees and Insurance policies	On Event
	h. All Operations and Maintenance (O&M) regular contract bill certification	On Event
<b>B)</b>	<b>REPORTING</b>	
	Quarterly reports	
	Qtr I – April – June	July 30 <sup>th</sup>
	Qtr II – July – Sep	Oct 30 <sup>th</sup>
	Qtr III – Oct – Dec	Jan 30 <sup>th</sup>
	Qtr IV – Jan – Mar	Apr 30 <sup>th</sup>
<b>C)</b>	<b>ORIENTATION PROGRAMS</b>	
	Convene programs on	
	- Budget – Govt. of India, Govt. of Tamil Nadu	Annually
	- Important amendments which have an impact on CMRL / Employees etc.	On event
	- Tax matters	Half yearly
	- Any other matters which are relevant to CMRL	On event

**CHECKLIST:**

The following checklist is intended to help the tenderers in submitting offer which are complete. An incomplete offer is liable to be rejected. Tenderers are advised to go through the list carefully and take necessary action.

<b>S.No.</b>	<b>Description</b>	<b>Yes</b>	<b>No</b>
1.	An attested copy of Membership Certificate of Institute of Chartered Accountants / Cost Accountants of India as in Clause 3(i)		
2.	Copy of the balance sheet & Income & Expenditure Account for the last three Financial years as in Clause 3 (ii)		
3.	A declaration from the firm for no of years in existence as in Clause 3 (iii)		
4.	Copy of the appointment letters from the auditee organizations and Annual reports as in Clause 3 (iv)		
5.	A declaration from the audit firm in the letter head stating that they have Head Office / Branch Office in Chennai at least for 3 Years as in Clause 3 (v)		
6.	A proposed plan of action to achieve the objectives of the audit function of CMRL.		
7.	A list of references of internal audit appointments ;		
8.	The curricula vitae of the staff who will be available for the duration of the work		
9.	An undertaking to ensure continuity of staff on the project;		
10.	Details of staff training and development policies and procedures, with specific mention of employment equity policies		
11.	a comprehensive budget showing the service Activities proposed		
12.	Evidence of turnover being more than Rs.100 crore shall be furnished by the firm viz auditee's Annual report etc.		
13.	Declaration of staff strength be furnished along with technical bid		
14.	Any other document which the tenderer considers relevant		

## Form FIN-1: Financial Proposal Submission Form

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Date

To:  
General Manager (Finance)  
CMRL Depot- Admin Building  
Poomallee High Road  
Koyambedu  
Chennai 600 107

Dear Sir:

We, the undersigned, offer to provide the Concurrent Audit Services for Chennai Metro Rail Limited in accordance with your Request for Proposal dated [*Insert Date*] & its addendum. Our attached Financial Proposal is for the sum of [*Insert amount(s) in words and figures*<sup>1</sup>]. This amount is inclusive of all the taxes, cess duties and levies.

Our Financial Proposal shall be binding upon us subject to the modifications resulting from Contract negotiations, up to expiration of the validity period of the Proposal.

No Commissions and gratuities paid or to be paid by us to agents relating to this Proposal and Contract execution.     -

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

We remain,

Yours sincerely,

Authorized Signature [*In full and initials*]: \_\_\_\_\_

Name and Title of Signatory: \_\_\_\_\_

Name of Firm: \_\_\_\_\_

Address: \_\_\_\_\_

## Form FIN-2: Summary of Costs

<i>Item</i>	<b>Costs</b>	
	Unit <sup>2</sup>	Indian Rupees
Costs of Financial Proposal inclusive all local taxes, duties, fees, levies ,other impositions except GST for conduct of concurrent audit. (Total of 1A+1B in Fin.3)	C/o	
GST in INR <sup>1</sup>	__%	
Total cost inclusive of all taxes (i.e., local taxes, duties, fees, levies ,other impositions and service taxes included) <sup>3</sup>	C/o	

Note :

1. GST shall be reimbursed separately at actuals. If there is any increase or decrease in the taxes due to change in applicable law during the currency of contract, such additional or reduced cost shall be paid by or credited to the Client.
2. C/o means carried over from Form FIN 3.
3. The audit firm shall indicate the local taxes, duties, fees levies etc except GST including percentage of taxes considered in their financial proposal in a separate format.
4. **Bidders are free to quote for one or both the tenders. However, Employer will award only one Package to a tenderer. In case the same bidder is the lowest (L1) in both the tenders, the award of tender to a bidder will be done to ensure the combined least cost to the Employer. No Bidder will be awarded more than one Audit. CMRL Reserves the right to accept or reject any Bid without assigning any reason thereof."**

### Form FIN-3: Breakdown of Costs by Activity

#### 1. Audit Team Cost Break down

##### A. Remuneration

Position	Name	Staff Months/Hours	Unit rate in INR	Amount in INR
Partners				
Managers				
Seniors				
Intermediates				
Juniors				
Others				

##### B. GST

Description	Indicate percentage	Amount in INR
Goods and Service tax	—%	

**Note:** 1. The Remuneration & Reimbursable shall include all local taxes, duties, fees levies and other impositions except service tax. The GST percentage applied on A shall be indicated and corresponding amount also be indicated in the above table. The total cost including all taxes, duties, fees levies and other imposition including service tax shall be carried over in the "Form Fin-2 :Summary of cost".