



pnb Housing Finance Limited
In Partnership with Destimoney

Request for Proposal (RFP)

Appointment of reputed Chartered Accountant firms

For

Providing Internal Audit Services

To

PNB Housing Finance Ltd.

Date: 21st October, 2011

Background

PNB Housing Finance Limited (“PNBHFL”, “the Company”) was established in 1988 as a wholly owned subsidiary of Punjab National Bank. Being a Housing Finance Company, PNBHF is governed by National Housing Bank (NHB) regulations.

PNBHF business comprises:

- 1) Financing for housing needs like purchase of houses & plots, construction of houses, repair/renovation/extension of existing house etc. The business is sourced through walk-in customers, our Direct Sales team and through DMAs (Direct Marketing Agents).
- 2) Financing for non housing needs like, loans against immovable property, loan for purchase of commercial property and loan against future lease rentals.
- 3) Retail and inter-corporate Deposits.

PNBHF has a customer base of over 34,000 in loans and approx 20,000 in deposits with asset base is of over Rs.3500 crores.

PNBHF is headquartered at New Delhi and has 30 branches across India which are primarily responsible for dealing with customers and document collection & disbursement. Going forward, the Branches would be sales and recovery units and credit underwriting would take place at three hubs: North, West and South. Below are the details of branch locations:

AGRA	JODHPUR
BANGALORE	JALLANDHAR
BHOPAL	KARNAL
BIKANER	KOLKATA
CHANDIGARH	LUCKNOW
CHENNAI	LUDHIANA
COCHIN	MEERUT
DEHRADUN	MUMBAI
NEW DELHI	NAVI MUMBAI
DWARKA (NEW DELHI)	NOIDA
GHAZIABAD	NAGPUR
GURGAON	PUNE
HYDERABAD	RAIPUR
INDORE	THIRUVANANTHAPURAM
JAIPUR	VARANASI

The proposed structure of Branches and Hubs is enclosed herewith.

PNBHF has ambitious growth aspirations and is in the process of rapidly scaling up its business. The Company intends to appoint Chartered Accountant firm who can assist the Company in

internal audit areas mentioned in this RFP, thereby enabling the Company to achieve its growth aspirations.

Disclaimers

1) Introduction and Disclaimer

This Request for Proposal document (“RFP”) has been prepared solely to enable PNBHF for framing risk based internal audit model for further strengthening internal controls in the Company. The RFP document is not a recommendation, offer or invitation to enter into a contract, agreement or other arrangement in respect of the services.

2) Costs Borne by Respondents

All costs and expenses incurred by bidders in any way associated with the development, preparation, and submission of responses, including but not limited to attendance at meetings, discussions, demonstrations, etc. and providing any additional information required by the Company, will be borne entirely and exclusively by the bidder.

3) No Legal Relationship

No binding legal relationship will exist between any of the bidders and the Company until execution of a contractual agreement.

4) Evaluation of Offers

Each bidder acknowledges and accepts that the Company may, in its absolute discretion, apply whatever additional criteria it deems appropriate in the selection of organisations, not limited to those selection criteria set out in this RFP document.

5) Disqualification

Any form of canvassing/lobbying/influence etc by the bidder will result in disqualification of such bidder.

6) Restriction on Consortium

The bidder should be an individual firm. Consortium shall not be allowed.

7) Cost of Bid

Cost of bid (non refundable) Rs.2500/- in form of DD/PO/Banker's cheque drawn in favour of PNB Housing Finance Ltd, Delhi is required to be deposited along with bids submission.

Process timeframe

The following is an indicative timeframe for the overall selection process. The Company reserves the right to vary this timeframe at its absolute and sole discretion should the need arise.

Description	Due Date and Time
Issue Tender Notification	21st October,2011
Bid Submission Deadline	2nd Nov'2011 (18:00 hours)
Date and Time of opening Technical Proposals	3rd Nov'2011 (16:00 hours)
Date and Time of opening Commercial Proposals	Shall be intimated to short-listed bidders
Place of opening of Bids	PNB Housing Finance Ltd., Corporate Office, 9 th Floor, Antriksh Bhawan 22 K G Marg, New Delhi-110001
Address for communication	As above Tel:(011) 23352808 Fax:(011) 23357173
Contact to Bidders	While soliciting any further information or clarification the interested Bidders are requested to send the email to evpfco@pnbhfl.com or sk.chawla@pnbhfl.com or kanika.chawla@pnbhfl.com containing Name of company, contact person, address, Telephone No, Mobile No, Fax No, email address.

PNBHFL reserves the right to accept or reject or short list prospective vendors based on the evaluation done by its bid evaluation committee and no further reference shall be entertained on this matter. Based on the responses to this RFP, vendors would be short-listed and, if required, would be invited to make presentations on their proposal. Detailed bidding process and criteria are described in detail in this RFP.

RFP terms and conditions

1. Project Objective

The Company wishes to appoint a competent internal audit firm to frame a Risk based Internal Audit Model & perform internal audit services for the Company in a co-sourcing model. The objective of the audit is as below:

- Provide recommendation for set up of organizational structure for Internal Audit (IA) function.
- Assistance in defining roles and responsibilities for IA function including the role of selected firm, PNBHF in-house Internal Audit team and external branch audit C.A Firm.
- Preparation of risk based audit plan for next 3 years.
- Assist in appointment of external branch audit C.A Firm to assist in audit activities for branches.
- Conducting audit for scope in functions.
- Suggest and support PNBHF in-house IA team and branch auditors to perform the review of agreed upon scope for branch offices, hubs and corporate office.
- Recommend the processes/systems/documents which need to be changed, established and/or optimised, to strengthen the internal controls.
- Consolidation of internal audit reports and assists management for action plan on the recommendations made by audit team.
- Present on a quarterly basis to Audit Committee/ senior Management on key observations and recommendation of the site audits and at corporate office

2. Scope of Work

A description of the envisaged scope is enumerated as under. However, the Company reserves its right to change the scope of the RFP considering the size and variety of the requirements and the changing business conditions.

Based on the contents of the RFP, the selected audit firm shall be required to independently arrive at the approach and methodology, based on globally acceptable standards and best practices among internal audit firms in India, suitable for the Company.

The audit will be carried out in accordance with Standards of Internal Audit (Internal Auditing Standards Board) issued by the Institute of Chartered Accountants of India in this regard. The

auditor should accordingly consider materiality when planning and performing the audit to reduce the risk to an acceptable level that is consistent with the objective of the audit.

The indicative scope of the internal audit services covering the operational and support functions would be as follows. The firms are expected to detail down the scope and recommend the areas that PNBHF should be focusing:

Areas	Areas
Underwriting & Pricing	Product Development, Marketing & Sales
Operations	Statutory & Regulatory Compliance
Contract Risk Compliances	General Accounting
Information Technology	Investments, Loans and Deposits
Human Resource	Treasury

3. Deliverables

The deliverables shall include the following:

- Internal audit reports on periodical basis for the areas covered.
- Follow up on compliance.
- Suggestive action for correction & improvement.

4. Eligibility Criteria

Audit firm's (bidding entity only) experience as per criteria's listed below.

5. Submission of Bids

The bids shall be in two parts viz. Technical Proposal and Commercial Proposal both of which shall be submitted in separate sealed envelopes superscripted "Technical Proposal" and "Commercial Proposal". These two separate sealed envelopes should be put together in the sealed master envelope superscripted "Appointment of reputed Chartered Accountant firms for providing internal audit services to PNBHF: RFP response".

The Technical Proposal shall be organized and submitted as per the following sequence:

- Table of Contents
- Executive Summary
- Details pertaining to the bidder for each of the qualifying criteria mentioned below. For each assignment, please indicate, inter alia, the scope of work, timing and duration of the assignment, contract amount, nature of firm's involvement.
- Proposed approach, deliverables and timelines.
- Proposed team composition (Project Director/Partner, Project Manager and team members) and their credentials [professional qualifications, details of relevant experience.
- Appendix: All copies of certificates, appointment letter, documentary proofs etc. in support of claims made with respect to eligibility criteria as per list of documents mentioned below

The Commercial Proposal shall indicate:

Price of drafting Internal Audit model & carrying audit for each of the audit area as per scope of work exclusive of taxes for next 3 years.

In addition, details and rates of applicable taxes shall also be mentioned. The bid amount should also include all out of pocket expenses including travel, boarding and lodging. The bid shall be in Indian Rupees (INR) only.

One (1) hard copy and one (1) soft copy on CD ROM of all submissions must be provided as part of the submission. It should be noted that in case of any discrepancy in information submitted by the bidder in hard-copy and soft-copy, the hard-copy will be given precedence.

The Bids shall be addressed to:

The Managing Director,

PNB Housing Finance Ltd.

9th Floor, Antriksh Bhawan, 22 K G Marg

New Delhi -110001

Only one submission of response to RFP by each audit firm will be permitted.

RFPs will remain valid and open for evaluation for a period of at least six (6) months from the time the RFP submission process closes on the deadline for submission of bids.

6. Evaluation of Bids

6.1. Evaluation of Technical Proposal

Following criteria would be considered for evaluation of Technical Proposal –

Sl. No.	Criteria	Maximum Marks	Allocated Score	Documents (to be submitted)
1	Firm's General Experience & Experience in Accounting/ Internal Audit:		200	
	a. CA firm registered with ICAI and have at least 150 professionals on the ground in India having 10 or more FCA Partners;	50		- Registration certificate issued by ICAI - Certificate by HR indicating the number of professionals and partners with their FCA number.
	b. The CA firm must have at least 10 years in existence [as per ICAI's certificate]	25		Registration certificate issued by ICAI.
	c. Association with audit of Banks/HFC/NBFCs dealing with mortgage business or its subsidiary companies.	50		Completion certificate or work Order and reference details of the client
	d. CA firm having 15 or above Internal Audit clients with at least 5 clients having asset base (Home Loans & Home Equity Loans) of 5000 crores or more	50		Completion certificate or work Order
	e. CA firm with 2 Public Sector Undertakings and provided accounting/ Internal Audit services	25		Completion certificate or work Order

2	<p>Approach & Methodology for proposed assignment; Workplan</p>		400	
	<p>Understanding of Objectives:</p> <p>Criteria: General understanding of the project requirements and coverage of principal components as provided in the RFP.</p> <p>Factors to consider: The following aspects will be considered:</p> <p>General understanding 45%</p> <p>Components coverage 55%</p> <p>Maximum points will be given if both the above aspects are positively judged.</p>	200		Detailed Proposal
	<p>Quality of Methodology:</p> <p>Criteria: The degree to which the presented written methodology / approach addresses the requirements of the RFP.</p> <p>Factors to consider: Assessment of the inter-relationship of work program and methodology write-up. A consistent relationship is to be given maximum points</p>	100		Detailed Proposal
	<p>Work Program:</p> <p>Criteria: A work program showing graphical presentation of activities (bar chart).</p> <p>Factors to consider: Work program will be assessed on logical sequence of events.</p>	50		Detailed Proposal

	<p>Personnel Schedule:</p> <p>Criteria: Relationship between required person-months and proposed work program.</p> <p>Factors to consider: The Personnel Schedule will be assessed based on phasing of activities of the work program and allocation and timing of individual inputs.</p>	25		Detailed Proposal
	<p>Proposal Presentation:</p> <p>Criteria: Clarity and ease of assessment of the entire proposal (including material presentation).</p> <p>Factors to consider: If all items requested in the RFP are covered in a clear and easily understandable form and the proposal is assembled in a professional manner, maximum points will be given.</p>	25		Detailed Proposal
3	Qualification and Experience of Team Leader & Other Key Professionals		200	Detailed resume

6.2. Evaluation of Technical Proposals

The Client's 'Review Committee' (RC) will be responsible for evaluation and ranking of Proposals received.

A Technical Proposal may not be considered for evaluation in any of the following cases:

- i. The Applicant Firm that submitted the Proposal is found not to be legally registered or established in India; or
- ii. The Technical Proposal was submitted in the wrong format; or

- iii. The Technical Proposal reached the Client after the submission closing time and date specified in the Data Sheet.

Following Documents needs to be submitted -

- I. Letter of Transmittal (**Form T-1**)
- II. Details of the Firm along with Details of Partners (**Form T-2**),
- III. Details of Qualified Staff & Semi-qualified Staff (**Form T-3**),
- IV. Details of the Team Composition (**Form T-4**): Firm must provide the structure and composition of the teams which shall be deputed. Firm should provide the Curriculum Vitae of the key personnel (experts) proposed for the assignment,
- V. Description of Approach, Methodology & Work Plan for performing the Audit (**Form T-5**)
- VI. Brief of the relevant experience (**Form T-6**)
- VII. Comments & suggestions on the TOR (**Form T-7**)

6.3. Evaluation of Commercial Proposal

Financial proposals of the Technically Qualified & shortlisted Firms shall be opened publicly and read out. Firms' attendance at the opening of Financial Proposals is optional.

The evaluation committee will review the detailed content of each Financial Proposal. During the review of the Financial Proposals, the Committee and any Client personnel and others involved in the evaluation process, will not be permitted to seek clarification or additional information from any Firm, who has submitted a Financial Proposal. Financial Proposals will be reviewed to ensure that these are free from computational errors and if there are errors, those will be corrected.

For financial Evaluation, financial quote (excluding service tax) will be considered.

The lowest price bid shall be given 100 points. Whereas the other bids shall be given points on pro-rata basis in inverse proportion.

$$C(s) = (LP / BP) \times 100, \text{ where}$$

- C(s) stands for Commercial Score out of 100
- BP stands for Bidder's price
- LP stands for the Lowest price among all the short-listed bidders

The technical and financial scores shall be added and the contract will be awarded to the agency which scores maximum points.

The financial bid shall be submitted as per Form **F-1**.

From the time the Proposals are opened to the time the contract is awarded, the Applicant Firm should not contact the Client on any matter related to its Technical and/or Financial Proposal. Any

effort by an Applicant Firm to influence the Client in examination, evaluation, ranking of Proposals or recommendation for award of contract may result in rejection of the Applicant Firm's Proposal.

Technical Proposal shall be opened first. Those who do not qualify technically, their financial proposal shall not be opened.

6.4. Techno-Commercial Evaluation and Final Scoring

The final selection will be done on the basis of combined Techno-Commercial scoring.

The proposals will be ranked in terms of total scores arrived at as above. The proposal with the highest total score will be considered first for award of contract and will be invited for price and contract negotiation.

PNB Housing Finance is not bound to accept the lowest or any proposal or to give any reason for awarding or rejecting any proposal.

7. General Terms and Conditions

7.1. Execution of Contract:

Soon after the Company notifies the successful bidder that its bid has been accepted; the Company will send the bidder the Contract Form incorporating all agreements between the parties as enumerated in the RFP and subsequent negotiations/discussions. Within 7 days of receipt of the Contract Form, the successful bidder shall sign and date the Contract and return it to the Company. The Bidder will agree to all the terms and conditions as mentioned in this RFP.

7.2. Other terms and conditions:

1. The Company reserves the right to:

- Reject any and all responses received in response to the RFP
- Waive or Change any formalities, irregularities, or inconsistencies in proposal format delivery
- To negotiate any aspect of proposal with any bidder and negotiate with more than one bidder at a time
- Extend the time for submission of all proposals
- Select the most responsive bidder (in case no bidder satisfies the eligibility criteria in totality)
- Select the next most responsive bidder if negotiations with the bidder of choice fail to result in an agreement within a reasonable time frame
- Share the information/clarifications provided in response to RFP by any bidder, with any other bidder(s) /others, in any form.
- Cancel the RFP/Tender at any stage, without assigning any reason whatsoever.

2. **Substitution of Project Team Members:** During the assignment, the substitution of key staff identified for the assignment will not be allowed unless agreed to by PNBHF
3. **Professionalism:** The audit firm should provide professional, objective and impartial advice at all times and hold the Company's interests paramount and should observe the highest standard of ethics while executing the assignment.
4. The Company reserves the right to ascertain information from the clients to which the bidders have rendered their services for execution of any projects.
5. **Terms of Payment:** The audit firm's fees shall be paid on a quarterly basis based on invoices raised by the audit firm, subject to meeting the deliverables detailed in the Contract.
6. **Authorized Signatory:** The selected bidder shall indicate the names, contact details (address, email, telephone, mobile, fax) and designation of the authorized signatories who can discuss and correspond with the Company, with regard to the obligations under the contract.
7. **Applicable Law and Jurisdiction of court:** The Contract with the selected bidder shall be governed in accordance with the Laws of India for the time being in force and will be subject to the exclusive jurisdiction of Courts at Delhi (with the exclusion of all other Courts). Appropriate arbitration mechanism shall also be included in the Contract.
8. **Assignment:** Neither the contract nor any rights granted under the contract may be sold, leased, assigned, or otherwise transferred, in whole or in part, by the audit firms, and any such attempted sale, lease, assignment or otherwise transfer shall be void and of no effect without the advance written consent of the Company.
9. **Subcontracting:** The audit firm shall not subcontract or permit anyone other than its personnel to perform any of the work, service or other performance required of the audit firm under the contract.

End of Document

Form T-1 - Letter of Transmittal

To,

The Managing Director,

PNB Housing Finance Ltd.

9th Floor, Antriksh Bhawan, 22 K G Marg

New Delhi -110001

Dear Sir,

We, the undersigned, offer to provide the internal audit services for [Insert title of assignment] in accordance with your Request for Proposal dated [Insert Date]. We are hereby submitting our Proposal, which includes this Technical Proposal, and a Financial Proposal sealed under a separate envelope.

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

The prices quoted by us in the Financial Proposal (Form F-1) are valid till six months from the date of submission of the quotation. We confirm that this proposal will remain binding upon us and may be accepted by you at any time before the expiry date.

Prices have been arrived independently without consultation, communication, agreement or understanding (for the purpose of restricting competition) with any competitor.

We agree to bear all costs incurred by us in connection with the preparation and submission of the proposal and to bear any further pre-contract costs.

We understand that PNB Housing Finance Limited is not bound to accept the lowest or any proposal or to give any reason for award, or for the rejection of any proposal.

I confirm that I have authority of [Insert Name of the Agency/Firm] to submit the proposal and to negotiate on its behalf.

Yours faithfully,

()

Form T-2**Particular / Details of the Firm**

S. No.	Particulars	Supporting Documents required to be submitted along with this Form
1	Name of the Firm	
2	Address of the Firm	
a.	Head Office	Phone No: Fax No: Mobile No of Head Office In-charge:
b.	Branch Office 1,2,3.. (Particulars of each branch to be given)	Phone No: Fax No: Mobile No of Branch Office In-charge:
3	Firm Income Tax PAN No.	Attach copy of PAN card
4	Firm Service Tax Registration No.	Attach copy of Registration
5	Registration No. with ICAI	
6	No. of years of Firm existence and date of establishment of Firm	Copy of Charter document of the Firm
7	Particulars of Internal Audit clients including those having (a) turnover of Rs. 2,000 Crores or more and (b) equity share capital of Rs. 100 Crores or more	Copy of the Offer Letter, documents substantiating the turnover and equity share capital of the client and the fee charged.
8	Particulars of assignment with Public Sector Undertakings and provided services related to accounts / Internal Audit work: - Detail of the Assignment - Start and Completion dates - Brief description of services provided - Team members involved - Fees for the assignment	Copy of the letter of award/ contract, documents substantiating the scope of work and the fee charged.
9	Details of FCA Partners: Provide following details: - Number of Full Time Fellow Partners associated with the firm for not less than 3 years (As per Certificate of ICAI as on 31.03.2011) - Name of each Partner - Date of becoming ACA and FCA - Date of joining the firm - Membership No. - Qualification - Experience - Whether the Partner is engaged full time or part time with the firm.	Attested copy of Certificate of ICAI as on 31.03.2011

Form T-3

A. Details of Qualified Staff (Chartered Accountants)

(Please provide attested copy of Certificate of ICAI as on 31.3.2011 for each qualified staff)

	Name of Staff	Length of Association with the Firm (in years)	Educational Qualifications	Area of Key Expertise	Membership No.	Relevant Experience

B. Details of Semi-qualified Staff (including Article Clerks etc.)

S. No.	Name of Staff	Length of Association with the Firm (in years)	Educational Qualifications	Area of Key Expertise	Membership No.	Relevant Experience
Semi Qualified Staffs:						
1						
2						
..						
Articled Clerks:						
1						
2						
..						
Others:						
1						
2						
..						

Form T-4

**Details of Structure & Composition of Team and Task Assignments
– Deployed for Proposed Assignment**

Name	Position	Educational Qualifications	Key Responsibilities or Tasks Assigned	Relevant Experience	Estimated Man Days

Form T-6

Format for Relevant Experience:

Assignment name:	Approx. value of the contract (in INR):
Country: Location within Country:	Duration of assignment (months):
Name of Client:	Total number of person-months of the assignment:
Address:	Approximate value of the services provided by your firm under the contract (INR):
Start date (month/year): Completion date (month/year):	No of professional person-months provided by the joint venture partners or the Sub-Consultants:
Name of joint venture partner or sub-Consultants, if any for the assignment:	
Name of senior regular full time employees of the firm involved and functions performed	
Narrative description of Project:	
Description of actual services provided in the assignment:	

Form T-7

Comments and Suggestions on the Terms of Reference

[Firm can present and justify here any modifications or improvements to the Terms of Reference which can significantly improve performance in carrying out the assignment (such as deletion of some activity which the firm considers unnecessary, adding other activities of significance, reorganizing the activities, additional human resource required at various levels etc. Such suggestions should be concise and to the point, and incorporated in the proposal]

Form F-1

FORMAT FOR FINANCIAL BID:

Date, Place

To,

The Managing Director,

PNB Housing Finance Ltd.

9th Floor, Antriksh Bhawan, 22 K G Marg

New Delhi -110001

Subject:

Dear Sir,

We, the undersigned, offer to provide the professional audit fee for [insert assignment name] in accordance with your Request for Proposal dated [insert date] and our Technical Proposal.

Our Financial Proposal is for the sum of INRonly (Indian Rupeesonly). This amount is exclusive of Service Tax. Detail of the same is provided below:

Sl.No.	Project Description	Total Fee (in Indian Rupees)
1		
2	Taxes including Service Taxes (@ 10.30%) if any	
	TOTAL	

Inwords: _____

We hereby confirm that the financial proposal is unconditional and we acknowledge that any condition attached to financial proposal shall result in rejection of our financial proposal.

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.

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

We remain,

Yours sincerely,

Authorized signature (in full and initials)

[name, designation, address]