



# **Punjab National Bank**

## **REQUEST FOR PROPOSAL FOR APPOINTMENT OF EXTERNAL AUDITOR FOR CONDUCTING AUDIT OF RISK MANAGEMENT SYSTEMS**

Inspection & Audit Division  
Rajendra Bhawan, Rajendra Place,  
**New Delhi - 110 008**



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## **CHAPTER - 1: INTRODUCTION**

### **1.1. Background – Basic Information for RFP**

Punjab National Bank has a long and glorious history. Over the years, the bank has maintained a consistent business performance. As per the latest figures (31<sup>st</sup> December), The Bank's total business crossed over Rs 6,19,000 crore and the CAR of 11.48% as per Basel II norms. The net NPA ratio was 1.11% and Cost to Income Ratio stood at 41.08%. The Bank has been growing its reach – has a branch network of above 5400 branches and 5793 ATMs with around 29% business being done through alternate delivery channels. The bank has won several awards in various fields ranging from excellence in services, productivity, best use of technology etc.

**Bank has established overseas footprints in 10 countries, via 4 overseas branches & an offshore banking unit in SEEPZ Mumbai, 3 subsidiaries, 1 joint venture and 5 Rep offices**

Some of the recent achievements of the Bank are as under:

- Most Socially Responsive Bank Award 2011 by Business world-PricewaterhouseCoopers (PwC).
- India Prides Award in Corporate Social Responsibility (CSR) for the year 2011 by Dainik Bhaskar with Daily News Analysis.
- Golden Peacock National Training Award 2011 by Institute of Directors.
- SKOCH Financial Inclusion Award 2012 under “Access to banking and Financial Services” category.
- PNB has been conferred with the Best Bank Award 2011 amongst all the Banks in India by Business India.
- MSME National Awards: One award for excellent performance in lending under PMEGP scheme in North Zone and the other award at National level for excellence in lending under Interest Subsidy Eligibility Certificate (ISEC) Scheme of KVIC
- ‘Most Productive Public Sector Bank’ Award 2011, instituted by Federation of Indian Chambers of Commerce and Industry (FICCI) and Indian Banks’ Association (IBA).
- PNB’s Overseas Branch, IDFC, Dubai has received ‘Business Super Achiever Award’ under individual category from Asian Leadership Awards in addition to the Asia’s Most Preferred Branch (Banking & Finance) Award.
- Received “Technology Adoption’ Award in Public Sector Bank Category instituted by Dun & Bradstreet and Polaris software.

### **Risk Management Structure**

The risk management philosophy & policy of the Bank is an embodiment of the Bank’s approach to understand measure & manage risk and aims at ensuring sustained growth of healthy asset portfolio. This would entail in adopting leadership approach in products and segments well understood by the Bank and having pre-determined risk standards of moderate to low risk level, innovative approach in high risk areas taking limited exposure, optimizing the return by striking a balance between the risk and the return on assets and striving towards improving market share to maximize shareholders’ value.



The Bank has robust credit risk framework and has already placed credit risk rating models on central server based system 'PNB TRAC', which provides a scientific method for assessing credit risk rating of a client. The bank has added a new credit risk rating model for 'Advance against Lease Rentals' exposures. Bank is undertaking periodic validation exercise of its rating models and also conducting migration and default rate analysis to test robustness of its rating models. The output of the rating models is used in the decision making of the bank (i.e. sanction, pricing and monitoring of credit portfolio). The bank has set a desired portfolio distribution in terms of Low Risk, Medium Risk & High Risk Categories and the actual portfolio is being monitored on quarterly basis and the same is placed to the Risk Management Committee of the Board. Taking a step further, the Bank has developed and placed on central server scoring models in respect of retail banking and SME sector advances. These processes have helped the Bank to achieve quick & accurate delivery of credit, bring uniformity in the system and facilitate storage of data & analysis thereof. The scoring model for farm sector has also been developed.

The Bank has in place a well defined organizational structure for market risk management functions, which looks into the process of overall management of market risk viz. interest rate risk, foreign exchange risk, liquidity risk and implements methodologies for measuring and monitoring the same. Tools like stress testing, duration, modified duration, VaR etc are being used effectively in managing risk in the Treasury operations.

Asset liability management of the Bank is done on proactive basis to manage any eventuality. Although liquidity position in the system remained tight during the year, the Bank managed to tide over the situation through proactive liquidity management through various prescribed tools like Repo etc. The liquidity situation of the bank is now comfortable. With Core Banking Solution (CBS) covering entire branch network, the Asset Liability Management in respect of all assets and liabilities is being done on daily basis. Moreover, fixation of BPLR/Base rate and interest rates in respect of assets and liabilities products is done on scientific basis. The bank has moved from BPLR to Base Rate System for pricing of fresh loans/renewals of existing with effect from 1.7.2010.

Bank has in place a well defined organizational structure for operational risk management functions, which looks into the process of overall management of operational risk. Bank has robust operational risk management framework with a well-defined ORM Policy. Bank is identifying, measuring, monitoring and controlling/mitigating the operational risk by analyzing historical loss data, Risk & Control Self Assessment Surveys (RCSAs), Key Risk Indicators (KRIs) and Scenario Analysis etc. Bank has also introduced an online OpRisk Solution under Enterprise wide Data Warehouse Project and placed it on central server to take care of various aspects of data capturing and management information system at various levels.

### **New Capital Adequacy Framework**

The Bank has migrated to New Capital Adequacy Framework (NCAF), popularly known as Basel II w.e.f. March 2008. The approaches prescribed by the 'Regulator,' namely Standardized Approach under Credit Risk and Basic Indicator Approach under Operational Risk have been implemented. Earlier, the Bank had adopted



Standardised Duration Approach for Market Risk, since March 2006. As per the requirements of the RBI guidelines, relevant policies such as Policy for Internal Capital Adequacy Assessment Process (ICAAP), Disclosure Policy, Credit Risk Mitigation & Collateral Management Policy and Policy on Stress testing have been got approved by the Board and since been implemented. The Bank is gearing itself to adopt the advanced approaches in due course of time under different risks and the estimation of various risk elements is already in progress. The bank has already got an approval migration to “The Standardized Approach” under Operational Risk on parallel run basis.

## **1.2. Purpose**

For appointment of auditor for conducting external audit of risk management systems of the bank.

## **1.3. Project Scope**

Detailed scope is placed at Annexure A. The overall approach of the Audit shall be constructive/ contributory. The evaluation shall be comprehensive, clear and as per the requirement of RBI.

## **1.4. Invitation**

This RFP seeks Bidder(s) who are committed to the business of risk consulting & risk solutions including Basel-II solution implementation in Indian/International banks and have the capability and experience in audit of banks which are comparable to PNB in terms of size, besides other details as specified in this RFP. Auditor wherever mentioned in RFP means the bidder who will conduct Audit of the Bank.

Evaluation criteria, evaluation of the responses to the RFP and subsequent selection of the successful bidder(s) will be entirely at PNB's sole discretion. Its decision shall be final and no correspondence about the decision shall be entertained.

## **1.5. Time Schedule of Various bid related events**

1.	Date of commencement of availability of Bidding Documents / RFP issuance	28.05.2012
2.	Last date and time for sale & receipt of Bidding Documents.	16.06.2012 14.00 hrs
3.	Date and Time of Technical Bid Opening. (Change if any will be communicated to bidders who have submitted RFP.)	07.07.2012 15.00 hrs
4.	Cost of RFP	Rs. 10,000/- (non refundable) in the form of Bank Draft/Pay order
5.	Earnest Money Deposit Amount	Rs.1, 00,000/- (Rs. One Lac Only in the form of Bank Draft/Pay order Fvg “ Punjab National Bank – Imprest A/C I&AD”



6.	Place of opening of Bids	Punjab National Bank, Inspection & Audit Division, Head Office 2 <sup>nd</sup> Floor, Rajendra Bhawan, Rajendra Place, New Delhi – 110008
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*Note:*

- (i) Technical Bids will be opened in the presence of bidders who choose to attend as above
- (ii) The schedule is subject to change and notice in writing / on the website of the bank of any changes will be provided wherever feasible. The PNB reserves the right to cancel the RFP at any time without incurring any financial obligation to any Bidder or potential Bidder.
- (iii) Any query regarding the RFP may be sent to The Chief Manager, Inspection & Audit Division, Head Office, 2nd Floor, Rajendra Bhawan, Rajendra Place, New Delhi – 110008 within nine days of the RFP issuance date/commencement of availability of bidding documents.
- (iv) Reply / clarification to queries will be provided to the bidders by e-mail / web notice within seven days of the last day for submission of the queries.

**1.6. Confidentiality**

The RFP document is confidential and is not to be reproduced, transmitted, or made available or disclosed in any form or manner by the Recipient to any other person. Punjab National Bank may amend or revise the RFP document or any part of it. The Recipient accepts that they will receive any such revised or amended document subject to the same terms and conditions as this original and also subject to confidentiality.

The Recipient will not disclose or discuss the contents of the RFP document with any officer, employee, consultant, director, agent, or other person associated or affiliated in any way with Punjab National Bank or any of its customers, auditors, or agents without the prior written consent of the Bank. The successful bidder shall execute a Confidentiality & Non Disclosure agreement with the Bank.

**1.7. Non Disclosure Clause**

- i) The bidder (and his employees) shall not, unless the bank gives permission in writing, disclose any part or whole of this RFP document, of the proposal and/or contract, or any specification, plan, drawing, pattern, sample or information furnished by the bank, in connection therewith to any person other than a person employed by the bidder in the pursuance of the proposal and/or contract. In case of consortium proposals, all members of the consortium shall also be bound by this clause. Disclosure to any such employed person shall be made in confidence and shall be to the extent only so far as may be necessary for purposes of such performance. The bidder will ensure that the employees engaged by the bidder will maintain strict confidentiality.



- ii) The bidder, his employees and agents shall not without prior written consent from the bank make any use of any document or information given by the Bank, except for purposes of performing the contract award.
- iii) In case of breach, the bank shall take such legal action as it may deem fit.

## **1.8. RFP TERMINOLOGY**

### **Definitions**

Throughout this RFP, unless inconsistent with the subject matter or context, the following terms will have the meaning as under:

***i. Agreement:***

Any written contract to be entered into between Punjab National Bank and the successful Bidder, including prime bidder, with respect to providing for any deliverables or services contemplated by this RFP. Any Agreement shall be deemed to incorporate, as schedules, this RFP and all supplements issued by the Bank, the bid of the Successful Bidder and any negotiated modifications thereto.

***ii. Bidder/Vendor/Auditor:***

A Partnership firm/ Company registered or incorporated in India, submitting a bid in response to this RFP. "Bidder" definition for this specific RFP for appointment of auditor shall include bidder(s) who directly possesses capabilities of conducting such assignments.

***iii. Bank:***

Reference to "the Bank", "Bank", "PNB" and "Punjab National Bank" shall be determined in context and may mean without limitation "Punjab National Bank", a Nationalized Bank in India.

***iv. Proposal/Bid:***

The Bidder's written reply or submissions in response to this RFP.

***v. RFP:***

The Request for Proposal document in its entirety, inclusive of any supplement that may be issued by the Bank.

***vi. ITB:***

Instructions to Bidders as Contained in Chapter – 3.

## **1.9. Disclaimer**

Subject to any law to the contrary, and to the maximum extent permitted by law, PNB and its officers, employees, contractors, agents, and advisers disclaim all liability from any loss or damage (whether foreseeable or not) suffered by any person acting on or refraining from acting because of any information including forecasts, statements, estimates, or projections contained in this RFP document or conduct ancillary to it whether or not the loss or damage arises in connection with any negligence, omission, default, lack of care or misrepresentation on the part of PNB or any of its officers, employees, contractors, agents, or advisers.

## **CHAPTER – 2: BIDDING PROCESS**





## 2.1. Bidding

Cost of the RFP is Rs.10000/- (Rupees ten thousand only). Bidder may purchase RFP from the Bank by remitting the cost in person, by way of demand draft in favour of "Punjab National Bank – Imprest A/C I&AD" payable at New Delhi. The RFP document will be available at the office address mentioned at para 3.2.11 of the document. Alternatively, the same RFP document is also available on the official website of the bank <http://www.pnbindia.in>. If it is downloaded from the website, the cost of RFP as mentioned in the paragraph be submitted along with the Technical Bid documents in a separate unsealed envelope.

Bidders shall submit their Bids in two separate parts, i.e. the Technical Bid and the Commercial Bid at the same time in separate sealed envelopes. The "Technical Bid" will contain the details to prove that it meets the eligibility criteria, whereas the "Commercial Bid" will contain the pricing information. The 'Technical Bid' will NOT contain any pricing or commercial information at all.

Technical Bids will be opened and evaluated first. Those Bidders who meets the eligibility criteria, as per the requirements and the terms and conditions of this document, shall be short-listed. Eligible shortlisted bidders will be intimated about the same and date of opening of the commercial bids which will be opened only for the short-listed Bidders who have qualified in the Technical Bid.

## 2.2. Minimum Eligibility Criteria for Bidder(s)

To become eligible to respond to this RFP the bidder should fulfill the following minimum eligibility criteria:-

- a) Bidder must prove that it is a current legal entity in India and must be financially solvent.
- b) Should be engaged in the business of Risk consulting & implementation of risk solutions including Basel-II solution in domestic/international banks.
- c) Should be a **Partnership firm / Company registered or incorporated in India** with an average annual turnover of Rs.50 crore (Rs fifty crore only) or more for the last three financial years and should be in net profit during all three financial years.
- d) The bidder must have successfully concluded projects involving risk consultancy /implementation of advanced approaches of Basel-II, in last three years in Indian/International banks.
- e) Should have sufficient no. of skilled staff to conduct the said audit, which requires Risk professionals with qualifications like **M.SC (statistics/maths)/ BE/CA/ICWA/FRM/PRM/MBA (Finance) or its equivalent from premier institutions** with at least 3 years experience in risk consultancy/audit of project for implementation w.r.t Basel-II.
- f) Should not have been blacklisted by any nationalized Bank/ RBI/IBA or any other Government agency. Bidders must certify that no legal action is pending against them for any cause in any legal jurisdiction. If such actions are pending, the Bidder must provide details of such action (s).



g) Should be able to provide deliverables in line with the scope of work.

Bidder must submit a detailed statement of facts and profile of company including year of commencement of business, Internet site details and name and title of the authorized signatory for their Bid and their contact numbers and e-mail address.

Bidder should provide the documents in support of their eligibility in terms of above minimum eligibility criteria.

### **2.3. Scope of Bid**

The scope of the bid shall be to appoint External Auditor to conduct audit of risk management systems & processes as per detailed scope at Annexure A.

### **2.4. Amendments/Supplements to Bidding Documents**

At any time prior to the deadline for submission of bids, the bank may, for any reason, modify the Bidding Document by amendments at the sole discretion of the bank. All amendments will be in writing and shall be delivered by hand / post / courier / email or faxed to all prospective bidders who have purchased/ received the physical copy of the bidding document directly from the Bank and will be binding on them. **For this purpose bidders must provide name of the contact person, mailing address, telephone number and FAX numbers on the covering letter sent along with the bids/ request for bidding document.**

In order to provide, prospective bidders, reasonable time to take the amendment into account in preparing their bid, the bank may, at its discretion, extend the deadline for submission of bids.

### **2.5. Rights of PNB**

PNB reserves the right to:-

- Modify any terms, conditions and specifications of the RFP.
- Obtain revised price Bids from the Bidders with regard to modifications/ changes in RFP.
- Negotiate with Bidders.
- Accept any Bid in whole or in part.
- Split orders in favor of more than one Bidder.
- Release order, part order or more than one order.
- Finalize the bill of material and repeat orders.
- Issue the amendments to the RFP at anytime, prior to the deadline for the submission of Bids. From the date of issue, amendments to Tender Document shall be deemed to form an integral part of the Tender Document.

The Bidders shall, at their own cost, arrange to give a presentation/demonstration on their capabilities after submitting their Bid, if required by PNB. PNB shall communicate the venue, duration, date and time of presentation/demonstration to the Bidders at a later stage.

The Bids received and accepted will be evaluated by PNB to ascertain the best and lowest Bid in the interest of PNB. However, PNB does not bind itself to accept the lowest or any Bid and reserves the right to reject any or all Bids at any point of time prior to the placing of order without assigning any reasons whatsoever. PNB reserves the right to re-tender. PNB shall not incur any liability to the affected



Bidder(s) on account of such rejection. PNB shall not be obliged to inform the affected Bidder(s) of the grounds for PNB's decision of rejection. It is to be understood clearly by the Bidders that the selection process requires them to have adequate expertise in the audit domain.

## **2.6. Site Visits**

Site visits may be sought at the discretion of PNB. Bidders shall provide, in addition to their customer sites, an invitation to the Bank to visit Bidder's own work site.

## **2.7. Governing Law and Disputes**

The Bid and the resulting Contract with the successful Bidder shall be governed in accordance with the Laws of India for the time being in force and will be subjected to the exclusive jurisdiction of Courts at Delhi.

All disputes / resolution or differences whatsoever arising between PNB and the Bidders out of the meaning and operation or effect of this Tender Document or breach thereof, shall be settled amicably. If, however, the parties, as above, are not able to resolve them amicably, the same shall be settled by arbitration in accordance with the Arbitration and Conciliation act 1996, and the award made in pursuance thereof shall be binding on the parties. Any appeal will be subject to the exclusive jurisdiction of the courts at Delhi (India). In such instances, the Successful bidder shall continue to work under the Contract during the arbitration proceedings unless otherwise directed in writing by PNB or unless the matter is such that the work cannot possibly be continued until the decision of the Arbitrator or of the umpire, as the case may be, is obtained.

The venue of the arbitration shall be Delhi, India.

## **CHAPTER – 3: INSTRUCTIONS TO BIDDERS (ITB)**

### **3.1. The Bidding Documents**

#### **3.1.1. Cost of Bidding**

The cost of bidding and submission of tender documents in response to this RFP is entirely the responsibility of bidders, regardless of the conduct or outcome of the tendering process. PNB will not be liable for any costs incurred by the Bidder in replying to this RFP. It is also clarified that no binding relationship will exist between any of the Respondents and the Bank until execution of a contractual agreement.

#### **3.1.2. Content of Bidding Document**

The bidding document provides overview of the requirements, bidding procedures and contract terms. It includes Introduction, eligibility criteria, Instruction to Bidders, Broad terms and conditions of Contract, Technical Bid, Commercial Bid. The bidder must conduct its own investigation and analysis regarding any information contained in the RFP document and the meaning and impact of that information.

The Bidder is expected to examine all instructions, statements, forms, terms and specifications in the bidding documents. Failure to furnish all information required by



the bidding documents or submission of a bid not responsive to the bidding documents in every respect will be at the Bidder's risk and may result in rejection of the bid. While the Bank has made considerable effort to ensure that accurate information is contained in this RFP, the information contained in this RFP is supplied solely as guidance for Bidders. Furthermore, during the RFP process, the Bank has disclosed or will disclose in the RFP and supplement, as applicable, available information relevant to the Work to the extent, detail, and accuracy allowed by prevailing circumstances. Subject to the provision in the previous sentence, the Bank has used or will use its best judgment and assessment to fairly and reasonably represent the nature and scope of the Work in order for Bidders to submit viable Proposals. However, the Bank shall not be deemed to give any guarantees or warranties of accuracy of any of the information in this RFP or any supplement, nor of its being comprehensive or exhaustive. Nothing in this RFP or any supplement is intended to relieve Bidders from forming their own opinions and conclusions in respect of the matters addressed in this RFP or any supplement, as applicable.

### **3.1.3. Clarification on RFP**

The Bidder shall carefully examine and understand the specifications /conditions of RFP and seek written clarifications, if required, to ensure that they have understood all specifications/conditions of RFP. Written requests for clarification may be submitted to PNB **within nine days of the RFP issuance date / commencement of availability of bidding Documents. All the questions/clarifications should be sent to the bank by email on the email address [iadrevaudit@pnb.co.in](mailto:iadrevaudit@pnb.co.in).** No requests for clarification will be accepted by over telephone.

Both questions and responses (including an explanation of the query but without identifying the source of the inquiry) will be circulated to all prospective Bidders, i.e. those that have purchased the Tender Document from the Bank.

Thereafter, no more clarification other than that asked by the last date specified for this purpose shall be entertained. No oral consultation either shall be entertained thereafter. The Bid should not carry any sections like clarifications, 'as orally told', 'to be discussed', interpretations and assumptions. With the submission of the Bid, the Bidder acknowledges that he/she has carefully studied and understood the RFP in totality.

If a Bidder discovers any significant ambiguity, error, conflict, discrepancy, omission, or other deficiency in this RFP, the Bidder should immediately notify the same at the above e-mail address and request modification or clarification of the RFP document, which (modification/clarification) shall be at the sole discretion of the Bank.

### **3.1.4. Correction of errors**

Arithmetic errors in Bids will be corrected as follows:

- i) Where there is a discrepancy in amounts in figures and in words, the amount in words shall govern.

Accordingly, the amount stated in words in the tender shall be considered as binding.



## **3.2. Preparation of Bids**

### **3.2.1. Language of Bid**

The bid prepared by the Bidder, as well as all correspondence and documents relating to the bid exchanged between the Bidder and the Bank shall be written in English language only.

### **3.2.2. Document Constituting the Bid**

The bid prepared by the Bidder shall comprise the following components:

#### **i). Technical Bid**

- a) **Minimum Eligibility criteria** – Details establishing the qualification of the bidder as per Minimum eligibility criteria (see Chapter-2) for the Bidders.
- b) Point wise compliance of the terms and conditions enumerated in Tender Document. Any variation with the Tender Document should be clearly stated with the reasons thereof.
- c) Documentary evidence established in accordance with ITB Section 3.2.6 that the Bidder is qualified to perform the contract if its bid is accepted and that the bidder has financial, technical capability necessary to perform the contract and meets the criteria outlined in the Qualification Requirement and fulfill all the conditions of the Contract.
- k) Bid security furnished in accordance with ITB Section 3.2.8.
- l) An undertaking from the bidder (As per Annexure D) that the bidder is complying with all the conditions of the Contract and Technical Specifications of the Bidding Document as no deviation will be acceptable to the Bank.
- m) All information called for as per above points should be submitted in two separate sealed envelopes.

**Technical Bid should not contain any commercial / pricing details**

- ii) **Commercial Bid** – Commercial Bid will comprise of Bid Form as per Annexures D & G.

### **3.2.3. Bid Form**

The Bidder shall complete the Bid Form and the appropriate Price Schedule furnished in the bidding documents.

### **3.2.4. Bid Prices**

The Bidder shall indicate on total bid prices of the services it proposes to provide under the Contract in Indian Rupee (INR). Prices indicated on the Price Schedule shall be entered separately in the following manner:

Audit fee will be quoted including all costs except duties and taxes. All applicable Taxes and Duties should be indicated separately in the Commercial Bid.

Fixed Price - A bid submitted with an adjustable price quotation will be treated as non-responsive and rejected.



### **3.2.5. Bid Currencies**

All Costs indicated in the Commercial Bids should only be in Indian Rupees.

### **3.2.6. Document Establishing Bidder's Qualification.**

Pursuant to ITB section 3.2.2., the Bidder shall furnish, as part of its Technical Bid, documents establishing the Bidder's qualification to perform the Contract if the bid is accepted.

The documentary evidence of Bidder's qualification to perform the Contract if the bid is accepted should establish to the Bank's full satisfaction that the bidder has the financial, technical and performance capability necessary to perform the Contract and meets the criteria outlined in the Minimum eligibility Criteria specified in this RFP. Bids that do not fully comply with minimum eligibility criteria will be rejected.

### **3.2.7. Documents establishing Solution Conformity to Bidding Documents**

All the documents must accompany the response to this RFP as per Annexure L.

Willful misrepresentation of the facts will lead to the cancellation of the contract without prejudice to any other action that the Bank may take.

All the submissions, including any accompanying documents, will become property of Punjab National Bank. The bidders shall be deemed to have license, and grant all rights to, Punjab National Bank, to reproduce the whole or any portion thereof for the purpose of evaluation, to disclose the contents of submission to other bidders and to disclose and/or use the contents of submission as the basis for RFP process.

### **3.2.8. Bid Security**

- (i) Pursuant to ITB Section 3.2.2., the Bidder shall furnish, as part of its Technical bid, a **bid security of INR 1 Lac (Rupees one Lac only)**.
- (ii) The bid security is required to protect the Bank against the risk of Bidder's misconduct, which would result in the forfeiture of the bid security.
- (iii) The bid security shall be in Indian Rupees and shall be in the form of a Draft / Banker's cheque, in favour of Punjab National Bank-Imprest , I&AD, payable at Delhi.
- (iv) Any bid, not secured in accordance with above will be rejected by the Bank as non-responsive.
- (v) Unsuccessful bidder's bid security will be discharged/returned as promptly as possible but not later than 30 days after the expiry of the period of bid validity prescribed by the Bank. Bank will not be liable for any delay beyond 30 days as aforesaid and no claim for delayed interest will be allowed
- (vi) The successful bidder's bid security will be discharged upon the Bidder signing the Contract, and furnishing the performance security.
- (vii) The bid security may be forfeited, if a Bidder
  - a) Withdraws its bid during the period of bid validity specified by the Bidder on the Bid Form; **or** does not accept the correction of errors ; **or**



- b) In case of a successful Bidder, if the Bidder fails:
- To sign the Contract in accordance with Section 3.4.6; or
  - To furnish performance security in accordance with Section 3.4.7.
- (viii) The Bid Security should NOT be placed in the Commercial Bid envelopes. Submission of Bid Security in the Commercial Bid envelope shall render the Bid liable to be rejected outright on the ground of non-submission of Bid Security.
- (ix) The Bid Security shall be returned to the successful Bidder on his/her submission of Contract Performance Security. For other Bidders, the Bid Security shall be returned on placement of order on the successful Bidder.

### **3.2.9. Period of Validity of Bids**

The bids shall be valid for a period of 180 days from the date of closure for submission of the bid. The bid valid for shorter period shall be rejected as non-responsive.

In exceptional circumstances, the Bank may solicit the Bidder's consent to an extension of the period of validity. The request and the response thereto shall be made in writing. The bid security validity period shall also be suitably extended. A Bidder may refuse the request without forfeiting its bid security. A Bidder granting the request of extension will neither be required nor permitted to modify its bid.

### **3.2.10. Format and Signing of Bid**

- (i) The Bidder shall prepare the Technical Bid and Commercial Bid separately, clearly marking each "Technical Bid" and "Commercial Bid", as appropriate.
- (ii) The bid shall be typed in indelible ink, numbered and shall be signed by the bidder or a person or persons duly authorized to bind the Bidder to the Contract. The authorization shall be indicated by a written power-of-attorney or a board resolution accompanying the bid. The person or persons signing the bid shall sign all pages of the bid, except for an un-amended printed literature.
- (iii) Any interlineations, erasures or overwriting shall be valid only if the person or persons signing the bid sign them.
- (iv) Bid should be typed and submitted on A4 size paper and bound securely. Bidders responding to this RFP must comply with the following requirements:

### **a) COVER LETTER/BIDDER CERTIFICATIONS:**

Certificates and other supporting documents may be attached along with covering letter, while submitting the proposal. Proposals submitted in response to this RFP must be signed by the authorized signatory who has been authorized in writing to act as agent for the person responsible for the decision on prices. Each bid shall stipulate that it is predicated upon the terms and conditions of this RFP and any supplement or revision thereof. By submitting a signed proposal, the bidder's signatories certify that in connection with this assignment:



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- The bidder's organization or an agent of the bidder's organization has arrived at the prices in its bid without consultation, communication or agreement with any other respondent or with any competitor for the purpose of restricting competition,
- The prices quoted in the bid have not been knowingly disclosed by the bidder's organization or by any agent of the bidder's organization and will not be knowingly disclosed by same, directly or indirectly, to any other respondent or to any competitor, and
- No attempt has been made or will be made by the bidder's organization or by any agent of the bidder's organization to induce any other person or firm to submit or not to submit a bid for the purpose of restricting competition.

**b) REFERENCE DATA SHEET:**

For the services offered, Bidder must furnish a list of minimum of two (2) references that will be capable of verifying information supplied by the Bidders in proposal. Bidders should submit additional Reference Data Sheet forms if they have more than two (2) references.

The Bank reserves the right to contact and/or visit any party listed as a reference, which has previously utilized or is presently utilizing service(s) identical or similar to those being proposed by the bidder. The Bank may also utilize other sources of information about the product(s) and/or service(s) proposed by the Bidder where these sources are publicly available and are equally available for all competing bidders. The Bidder should not be present during site visits.

**c) FINANCIAL STABILITY DOCUMENTATION:**

Bidders responding to this RFP must be able to substantiate their financial stability. Audited Financial statements for immediately preceding three years along with additional supporting documentation must be submitted with the bid.

**d) RESPONSE TO GENERAL, TECHNICAL, PERFORMANCE AND SUPPORT REQUIREMENTS:**

Provide a point-by-point response to each and every requirement specified in this RFP. Responses must indicate that either bidder's bid "does comply" with specifications or that it "does not comply." A succinct explanation of how each requirement can be met or cannot be met must be included.

**e) ADDITIONAL INFORMATION:**

Include additional information, which will be essential to an understanding of the proposal. This might include diagrams, excerpts from manuals, or other explanatory documentation, which would clarify and/or substantiate the bid. Any material included here should be specifically referenced elsewhere in the bid.

**f) GLOSSARY:**

Provide a glossary of all abbreviations, acronyms, and technical terms used to describe the services or products proposed. This glossary should be provided even if these terms are described or defined at their first use in the bid response.





**g) PRESENTATION:**

Bidders be required to make presentations to supplement their bids. The Bank will make every reasonable attempt to schedule each oral presentation at a time and location that is agreeable to the bidder. Failure of a Bidder to complete a scheduled oral presentation to the Bank before the date established in the above calendar of events may result in rejection of that Bidder's proposal.

3.2.11. Sealing, Marking and Submission of Bids

Bidders should provide their 'Minimum Eligibility Criteria', 'Technical' and 'Commercial' responses in one original and two additional copies and shall be labeled as "Original" or "Copy" as appropriate. Each of these shall then be sealed in a separate envelope labeled "Original Tender" or "Copy Tender" as appropriate. All the sealed envelopes containing Technical responses shall then be sealed in one envelope marked "**Technical Bid for appointment of External Auditor for conducting audit of Risk management Systems**" in the top left hand corner. Similarly all the sealed envelopes containing Commercial responses shall be sealed in another envelope marked "**Commercial Bid for appointment of External Auditor for conducting audit of Risk management Systems**" in the top left hand corner and all the sealed envelopes containing Minimum Eligibility Criteria shall be sealed in another envelope marked "**Minimum Eligibility Criteria for appointment of External Auditor for conducting audit of Risk management Systems**" in the top left hand corner. The above three envelopes should be put together in a fourth envelope marked "**Appointment of External Auditor for conducting audit of Risk management Systems**" to submit the proposal. The e-mail address and phone/fax numbers of the bidder should also be indicated on the sealed envelope.

The Bids, which are not sealed as indicated above, are liable to be rejected. PNB will not be liable for Postal/Courier delay, non-receipt/non-delivery of documents, loss of documents in transit, etc., if any, in the Bidder receiving the RFP and/or in submitting the Bid before the scheduled time.

**Bidders are requested to submit a "softcopy" version of their Technical and Commercial responses on a CD in Microsoft Office 2003/2007 format. Softcopies are to be sealed within the respective Technical and Commercial Bid envelopes.**

All pages of the Bid including Brochures are to be numbered as Page --- (current page) of --- (total pages). The numbering shall be done for the whole Bid and not section-wise.

The envelopes shall be dated with the current date in the top right hand corner and addressed to as below:

**The Chief Manager,**  
Punjab National Bank,  
Inspection & Audit Division,  
Head Office, 2<sup>nd</sup> Floor,  
Rajendra Bhawan, Rajendra Place,  
New Delhi – 110008

If the envelope is not sealed and marked, the Bank will assume no responsibility for the bid's misplacement or premature opening.



Telex, Email or fax bids will be rejected.

### **3.2.12. Deadline for Submission of Bids**

Bids (Technical and Commercial) must be received by the Bank at the address specified under Section 3.2.11 on or before the last date and time of receipt of the Bid. In the event of the specified date for the submission of Bids being declared a holiday for the Bank, the Bids will be received up to the appointed time on the next working day.

The Bank may, at its discretion, extend this deadline for submission of bids by amending the bid documents in accordance with section 2.5, in which case all rights and obligations of the Bank and Bidders previously subject to the deadline will thereafter be subject to the deadline as extended.

### **3.2.13. Late Bids**

Any bid received by the Bank after the deadline fixed for submission of the bids will not be considered. PNB will not be liable for any delayed receipt due to Postal/Courier delay. Bidder shall ensure timely dispatch so that the same reaches the Bank before deadline.

### **3.2.14. Modification and Withdrawal of Bids**

- i) The Bidder may modify or withdraw its bid after the bid's submission, provided that written notice of the modification or withdrawal is received by the Bank prior to the deadline prescribed for submission of bids.
- ii) The Bidder's modification or withdrawal notice should be sealed and marked accordingly.
- iii) No bid can be modified subsequent to the deadline for submission of bids.
- iv) No bid can be withdrawn during the interval period between the deadline for submission of bids and the expiration of period of bid validity. The act of withdrawal of a bid during this interval will result in the forfeiture of the Bidder's bid security. In other words, no withdrawal of the Bid is allowed after the Dead Line fixed for Submission of the Bid.

### **3.2.15. Acceptance or rejection of bid**

**Incomplete Bid(s), conditional Bid(s), Bid(s) not conforming to the terms and conditions, Bid without bid security are liable for rejection by PNB.**

The Bank reserves the right not to accept any bid, or to accept or reject a particular bid at its sole discretion without assigning any reason whatsoever.

### **3.2.16. Notification of award**

The acceptance of tender, subject to contract, will be communicated in writing at the address supplied by the bidder in the tender response. Any change of address of the Bidder, should therefore be promptly notified to **The Chief Manager**, Punjab National Bank, Inspection & Audit Division, Head Office, 2<sup>nd</sup> Floor, Rajendra Bhawan, Rajendra Place, New Delhi – 110008.



### 3.3. Bid Opening and Evaluation of Bids

#### 3.3.1. Assumptions and Agreements

Offers will be evaluated in following stages. First, the offers will be evaluated against the stipulated eligibility criteria (as per paragraph 2.2 of the RFP). Offers not complying with the eligibility criteria will be rejected summarily. All firms meeting the eligibility criteria will be invited for a presentation before a selection committee. The presentations and discussions will be an important input to understand quality of consultant's methodology, experience and team details furnished by the consultant in Technical Bid. All such firms who were found eligible and who made a presentation before the selection committee will be taken up for technical evaluation and scoring.

PNB reserves the right to accept or reject any proposal without assigning any reason whatsoever.

#### 3.3.2. Opening and evaluation of Technical Bids by the Bank

- i) The Bank will open only the Technical bids, in the presence of Bidders' representatives who choose to attend at the date/time and venue specified in section 1.5. The Bidder's representatives who choose to be present shall sign a register evidencing their attendance. In the event of the specified date of Bid opening being declared a holiday for the Bank, the Bids shall be opened at the appointed time and location on the next working day.
- ii) The technical bids would be evaluated by the Technical Committee as per the following criteria/weights:

Sr. No.	Details	Marking Methodology		Maximum Marks
1	Experience of working in Indian/International Banks on Risk Consulting/Implementation of Basel II  No. of Projects completed	3 Projects	12 Marks	25
		6 Projects	15 Marks	
		9 Projects	20 Marks	
		Above 9 Projects	25 Marks	
2.	Presentation and Discussion on understanding of job; Approach, Work plan and Methodology. (25 minute times will be allowed to each of the shortlisted bidder in technical bids for making presentation)	Understanding of job	10 Marks	25
		Approach	5 Marks	
		Methodology	5 Marks	
		Work Plan	5 Marks	
3.	Quality of team proposed, during the entire period of project. Marks	Experience of more than 3	2 Marks each	25



	will be awarded for qualification & experience, in the field of Risk consulting, of each team member proposed for bank's assignment, for max. up to five members.  Scale of Measurement (for each members of proposed audit team)	years to 5 years		
		Experience of more than 5 years to 7years	3 Marks each	
		Experience of more than 7years	5 Marks each	
4.	Experience in conducting of Risk Audit of the Indian Public Sector / Private Sector Banks	No. of completed audits in banks upto 3 banks	5 Marks	15
		Upto 5 banks	10 Marks	
		Above 5 banks	15 Marks	
	TOTAL MARKS			90

- iii) Bidders invited for the presentation and who score above 60% marks on the technical evaluation criteria as decided by the bank will be considered for financial evaluation. The financial bids of the bidders with technical marks less or equal to 60% will not be considered for commercial/financial evaluation. In case there are less than 3 firms who qualify the bank may at its description, include the next top 2 firms subject to minimum qualifying score of 50%.
- iv) The bidders' names, bid modifications or withdrawals and the presence or absence of requisite bid security and such other details as the Bank at its discretion may consider appropriate will be announced at the time of bid opening.
- v) Bids that are not opened and read out at bid opening shall not be considered for further evaluation, irrespective of the circumstances.
- vi) The Bank will prepare minutes of the bid opening.
- vii) If a bid is not responsive or not fulfilling all the conditions of the RFP or not meeting Technical Specifications and Qualification Requirement, it will be rejected by the bank and may not subsequently be made responsive by the Bidder by correction of the non-conformity.
- viii) Proposal will be reviewed to assess compliance with the requirements set out on this RFP. Proposals that do not fully comply with the minimum requirements will be rejected without further consideration.

Commercial bids whose technical bids are found suitable by the bank shall only be opened.

### **3.3.3. Opening and evaluation of Commercial Bids**

- i) The Commercial bids of only technically short listed bidders subject to their attaining minimum cut-off marks in the technical evaluation as



decided as mentioned in para 3.3.2 (iv) will be opened. In case of rest of the bidders, it will be returned unopened.

- ii) Arithmetical errors will be rectified on the following basis. If there is a discrepancy between words and figures, the amount in words shall prevail. If the Successful bidder does not accept the correction of errors, its bid will be rejected and its bid security may be forfeited.

#### **3.3.4. Clarification of Bids**

During evaluation of bids, the Bank may, at its discretion, ask the Bidder for a clarification of its bid. The request for clarification and the response shall be in writing / through e-mail.

#### **3.3.5. Technical Evaluation Criteria**

- i) Preliminary scrutiny of all the bids received will be done and bids not meeting the eligibility criteria would be rejected.
- ii) Only those bids fulfilling the criteria set out in this RFP would be considered for final short-listing.

#### **3.3.6. Contacting / influencing the Bank**

No Bidder shall contact the Bank or its employees on any matter relating to its bid, from the time of the bid opening to the time the Contract is awarded. If the bidder wishes to bring additional information to the notice of the Bank, it should do so in writing.

Any effort by a Bidder to influence the Bank in its decisions on bid evaluation, bid comparison or contract award may result in rejection of the Bidder's bid.

### **3.4. Award of Contract**

#### **3.4.1. Post qualification**

The Bank will determine to its satisfaction whether the Bidder meets the criteria specified in Section 3.2.6 and is qualified to perform the contract satisfactorily. The determination will take into account the Bidder's financial, technical and performance capabilities. It will be based upon an examination of the documentary evidence of the Bidder's qualifications, expertise, capability submitted by the bidder as well as such other information as the Bank deems necessary and appropriate.

#### **3.4.2. Award Criteria (Combined Technical-Commercial Evaluation Criteria)**

- i. The bank will adopt Combined Quality cum Cost Based system (CQCCBS) to identify the winner. The technical bids will be assigned a weight of 70% while the commercial bids will be assigned weight of 30%.
- ii. The bidder who gets the highest technical score will be awarded 100% marks in technical evaluation. The percentage of marks of other bidders in technical evaluation will be decided on the basis of proportion of percentage of highest bidder's score. If a bidder X gets a technical score of 90, which is the highest score among all technical bids, then the bidder X will be awarded 100% marks



in technical evaluation. If another bidder Y gets a score of 72, then the bidder Y will be awarded  $100 \times 72 / 90 = 80\%$  marks in the technical evaluation.

- iii. The bidder, among the bidders whose commercial bids have been opened, who has quoted the lowest will be given 100% of marks in commercial/financial evaluation and the other bids will be given percentage of marks that are inversely proportional to their prices. e.g. If bidder X quotes 75, which is the lowest price, quoted, he will be awarded 100% of marks in financial evaluation. If a bidder Y quotes 125, then the bidder Y will get percentage which is inversely proportional to the lowest price bidder, i.e. Bidder Y gets  $(75/125) \times 100 = 60\%$  marks in financial evaluation.
- iv. The overall marks will be calculated as weighted average of technical and financial marks i.e. 0.7 times technical marks + 0.3 times financial marks Eg. If technical marks are 50% and financial marks are 60%, the total marks would be  $0.7 \times (50\%) + 0.3 \times (60\%) = 35\% + 18\% = 53\%$ .
- v. The proposal obtaining the highest total combined marks in evaluation of quality and cost will be ranked as H-1. The proposal securing the highest combined marks and thus ranked H-1 will be recommended for award of the contract.
- vi. After identification of H-1 bidder, the Bank will follow the internal procedures for necessary approvals and there after proceed with the notification of award to H-1 bidder.
- vii. The Bank retains the right to finally negotiate the commercials with the selected Bidder (H-1) who is so chosen after following the evaluation processes outlined above to arrive at a reasonable remuneration before awarding the contract. It may be noted that the Bank will not entertain any price negotiations with any other Bidder, till the successful Bidder declines to accept the offer.

### **3.4.3. Dead Line / Critical Dates**

The bidder shall complete all activities before last date.

### **3.4.4. Right to accept any Bid and to reject any or All Bids**

- (a) The Bank reserves the right to accept or reject any or all Bids without assigning any reasons. Bids may be accepted or rejected in total or in any part or items thereof. Any Bid not containing sufficient information, in view of the Bank, so as to enable a thorough analysis may be rejected.
- (b) The Bank reserves the right to verify the validity of bid information, and to reject any bid where the contents appear to be incorrect, inaccurate or inappropriate in the Bank's estimation.
- (c) The Bank shall have the right to determine in its own best judgment, the Bidders who will qualify for the short list, if any, and thereafter, the final successful bidder who shall undertake the work.
- (d) Bids not conforming to the requirements of the RFP may not be considered by the Bank. However, the Bank reserves the right in its sole



discretion, to waive any of the requirements of the RFP, at any time, if it is felt that the best interests of the Bank would be served by such change.

- (e) If, in the opinion of the Bank, any Bidder has clearly misinterpreted the Work and /or underestimated the hours and / or value of the Work to be performed as reflected in the bid content and quoted price(s)/rate(s), then the Bank may reject the bid as unbalanced (i.e. not representative of the Work Scope).
- (f) Further, the bank shall have the right to cancel the RFP process at any time prior to award of the contract, without thereby incurring any liability to the affected Bidder or bidders. Reasons for cancellation, as determined by the Bank in its sole discretion, include, but are not limited to, the following:
  - (i) Services contemplated are no longer required;
  - (ii) Requirements and terms of reference (scope of work) of the RFP were not adequately or clearly defined due to unforeseen circumstances and /or factors and /or new developments;
  - (iii) The RFP did not allow for consideration of all significant elements of the Bank for the work (e.g. new/additional matters have arisen);
  - (iv) Proposed price is unacceptable for the Work; and
  - (v) The Project is not in the best interest of the Bank
  - (vi) Any other reason

#### **3.4.5. Notification of Award of Contract**

Prior to the expiration of the period of bid validity, the Bank will notify the successful bidder in writing by registered letter / courier/ email or by fax, to be confirmed in writing by registered letter, that its bid has been accepted.

The notification of award will constitute the formation of the Contract.

Upon the successful Bidder's furnishing of performance security as specified in Section 3.4.7 thereof, the Bank will promptly discharge the bid security.

#### **3.4.6. Signing of Contract**

At the same time as the Bank notifies the successful bidder that its bid has been accepted; the Bank will send the bidder the Contract Form incorporating all agreements between the parties as enumerated in RFP.

Within 7 days of receipt of the Contract Form, the successful bidder shall sign and date the Contract and return it to the Bank. The Bidder will agree to all the terms and conditions as mentioned in this RFP.

#### **3.4.7. Performance Security- Performance Bank Guarantee**

Within 7 days of the receipt of notification of award from the Bank, the successful Bidder shall furnish the performance guarantee from a scheduled commercial bank, payable on demand for an amount equivalent to Twenty percent (20%) of the contract price for the due performance and fulfillment of the contract by the Successful bidder, in accordance with the conditions of Contract, in the Performance



guarantee form provided in the bidding documents or in another form acceptable to the Bank.

The Performance bank guarantee may be discharged by PNB upon being satisfied that there has been due performance of the obligations by the Successful bidder under the contract. The Performance guarantee shall be valid at least for one year. The format of the performance guarantee form is placed at Annexure B.

Failure of the successful bidder to comply with the requirement shall constitute sufficient grounds for the annulment of the award and forfeiture of the bid security, in which event the Bank may award the project to the next highest scored bidder or call for new bids.

## **Chapter – 4: Broad Terms and Conditions**

This chapter describes the general terms and conditions of the Contract. However, the terms and conditions are not conclusive and PNB reserves the right to add, delete, modify or alter all or any of these terms and conditions in any manner, as deemed necessary by PNB.

The successful Bidder will have to enter into an agreement directly with PNB as per terms and conditions mentioned in this RFP.

If any irregularity / malpractice is detected anytime in respect of the above, PNB will have the right to take appropriate action against the Bidder, as deemed fit by PNB, which at minimum may include rejection of the bid.

### **4.1. Standards**

The services rendered under the contract shall conform to the industry standards/best practices.

### **4.2. Arbitration**

All disputes and differences of any kind, whatsoever, between the parties i.e Successful bidder and PNB, arising out of or in relation to the construction, meaning, operation or effect of the Contract, shall be settled amicably. If, however, the parties are not able to resolve any dispute or differences amicably, the same shall be settled by arbitration in accordance with the Arbitration and Conciliation Act, 1996 and the award made in pursuance thereof shall be binding on the parties.

The Successful bidder shall continue to work under the Contract during the arbitration proceedings unless otherwise directed in writing by PNB, unless the matter is such that the works cannot possibly be continued until the decision of the arbitrator or of the umpire, as the case may be, is obtained.

Save as those, which are otherwise explicitly provided in the Contract, no payment due or payable by PNB, to the Successful bidder shall be withheld on account of the ongoing arbitration proceedings, if any, unless it is the subject matter or one of the subject matters thereof.

The venue for arbitration shall be at Delhi, India.





#### **4.3. Notices**

Notice or other communications given or required to be given under the Contract shall be in writing and shall be hand-delivered with acknowledgement thereof, or transmitted by pre-paid registered post or by recognized courier, or by facsimile, provided that where such notice is sent by facsimile, a confirmation copy shall be sent by pre-paid registered post or by recognized courier within five days of the transmission by facsimile, to the address as mentioned in the contract, or to the changed address of the receiving party by the other in writing, provided such change of address has been notified at least ten days prior to the date on which such notice has been given under the terms of the contract.

Any notice or other communications shall be deemed to have validly given on date of delivery if hand-delivered; if sent by registered post or by recognized courier, then on the expiration of seven days from the date of posting; and if transmitted by facsimile, then on the next business date after the date of transmission.

#### **4.4. Use of Contract Documents and Information**

The successful bidder shall not, without PNB's prior written consent, disclose the contract or any provision thereof, or any specification or information furnished by or on behalf of PNB in connection therewith, to any person other than a person employed by the Successful bidder in the performance of the Contract. Disclosure to any such employed person shall be made in confidence against Non-disclosure agreements completed prior to disclosure and disclosure shall extend only so far, as may be necessary for the purposes of such performance. Any document, other than the Contract itself, shall remain the property of PNB and all copies thereof shall be returned to PNB on termination of the Contract.

#### **4.5. Patent and Copyrights**

The successful bidder shall, at its own cost and expenses, defend and indemnify and keep indemnified PNB against all third-party claims including those of the infringement of Intellectual Property Rights, including patent, trademark, copyright, trade secret or industrial design rights, arising from use of the Products or services or any part thereof in India.

If PNB is required to pay compensation to a third party resulting from such infringement, the successful bidder shall be fully responsible therefore, including all expenses and court and legal fees. PNB will give notice to the successful bidder of any such claim and shall provide reasonable assistance to the successful bidder in disposing of the claim.

The successful bidder shall also be liable to indemnify PNB, at its own cost and expenses, against all losses/damages, which PNB may suffer on account of violation by the Successful bidder of any or all national/international trade laws, norms, standards, procedures etc.

#### **4.6. Deliverables**

The deliverables will be provided by the successful bidder for scope of work interalia covering audit reports, other observations, framework etc.



#### **4.7. Prices**

The bidder shall indicate Price in Annexure H of the commercial bid i.e. total **bid price**. Price will be quoted including all costs except duties and taxes. However, all applicable Taxes and Duties should be indicated in the Commercial Bid.

Bidder will have to perform the audit on the same price and terms and conditions as indicated in the agreement. No escalation in price quoted is permitted for any reason whatsoever. Prices quoted must be firm till the complete execution of the contract.

#### **Payment Terms**

a. Upfront after signing the contract	10%
b. On completion of 25% of the assignment as per the PERT chart*	30%
c. On completion of 50% of the assignment as per the PERT chart*	30%
d. On completion of the assignment i.e. on submission of the reports/documents covering the entire scope of the work/assignment as per RFP.	30%

\*PERT Chart will be prepared by the vendor and the same is to be accepted by the bank.

#### **4.8. Delays in the Performance**

The Successful bidder must strictly adhere to the audit schedule, as specified in the contract in the performance of the obligations and any delay in this regard will enable PNB to resort to any or both of the following:

- (a) Claiming Liquidated Damages
- (b) Termination of the agreement fully or partly and claim liquidated damages.
- (c) Imposing penalty.

#### **4.9. Penalty**

Delayed start of audit, Delayed completion of audit and Delayed submission of report as per agreed terms defined in scope of audit will attract penalty of 0.25 % of total amount payable for that part – (maximum upto 15% of the fees for that part) per day of default / delay. If the report is not submitted within 30 days after completion of audit, the bank may cancel the order & claim refund of fee paid and damages.

Time is the essence of the contract. The successful bidder will be liable to pay PNB liquidated damages (LD) due to any delay in performance or non-performance of any or all the obligations under the contract, 1% of contract value per week maximum upto 10 % of the contract value will be charged. This condition will not be applicable for reasons attributable to PNB as well as Force Majeure, though the onus of proving the same lies with the successful bidder.

PNB will have the rights to recover the liquidated damages, if any, from any amount payable to the Successful bidder.



#### **4.10. Force Majeure**

The successful bidder or PNB shall not be responsible for delays or non-performance of any or all contractual obligations, caused by war, revolution, insurrection, civil commotion, riots, mobilizations, strikes, blockade, acts of God, Plague or other epidemics, fire, flood, obstructions of navigation by ice of Port of dispatch, acts of government or public enemy or any other event beyond the control of either party, which directly, materially and adversely affect the performance of any or all such contractual obligations.

Provided either party shall within ten (10) days from the occurrence of such a cause notify the other in writing of such causes. Unless otherwise directed by the Bank in writing, the Successful bidder shall continue to perform his obligations under the contract as far as possible, and shall seek all means for performance of all other obligations, not prevented by the Force Majeure event.

#### **4.11. Correspondences**

PNB and the successful bidder each shall nominate a Project Manager immediately on acceptance of the order, who shall be the single point of contact for the project. However, for escalation purpose, details of other persons shall also be given. The project manager nominated by the Bidder should have prior experience audit of risk management systems in the past and should be a qualified professional.

#### **4.12. Successful bidder's Obligations**

The following forms illustrative obligations of the successful bidder. These are not exhaustive.

The Successful bidder will abide by the job safety, customs and immigration measures prevalent and laws in force in India, and will indemnify PNB against all demands or responsibilities arising from accidents or loss of life, the cause of which is the Successful bidder's negligence. The Successful bidder will pay all indemnities arising from such incidents and will not hold PNB responsible or obligated.

The Successful bidder is responsible for, and obligated to conduct all contracted activities with due care and diligence, in accordance with the Contract and using state-of-the-art methods and economic principles, and exercising all reasonable means to achieve the performance specified in the Contract.

The Successful bidder is obliged to work closely with PNB's staff, act within its own authority, and abide by directives issued by PNB that are consistent with the terms of the contract. The successful bidder is responsible for managing the activities of its personnel, and will hold itself responsible for any misdemeanors.

The successful bidder shall be solely responsible for the performance of the contract to the satisfaction of PNB.

#### **4.13. Contract Amendments**

Any change made in any clause of the contract which shall modify the purview of the contract within the validity and currency of the contract shall be deemed as an amendment. Such an amendment can and will be made and be deemed legal only when the parties to the contract provide their written consent about the amendment,



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subsequent to which the amendment is duly signed by the parties and shall be construed as a part of the contract. The details of the procedure for amendment shall be as specified in the contract.

#### **4.14. Extension of Bank Guarantees**

The Bidder shall be responsible for extending the validity date and claim period of all the bank guarantees as and when it is due. PNB shall invoke the guarantee before expiry of validity if work is not completed and the guarantee is not extended, accordingly.



**1 SCOPE OF WORK/AUDIT**

- 1.1.** The journey of risk management in bank started in 1999 and the bank has made substantial progress in Credit, Market and Operational risks. Bank has implemented Standardized approach for Credit risk, Standardized duration approach for Market risk and Basic Indicator Approach for Operational risk. Bank has also got approval from RBI on parallel run basis for migrating to The Standardized Approach of Operational Risk.
- 1.2.** The Bank is intending to migrate to the advanced approaches of capital calculation for Credit, Market, and Operational Risks. The bank has put in place the appropriate frameworks for the said purpose which inter alia includes internally developed rating/scoring models placed on central web based server, validation framework in line with Basel, estimates of credit risk parameters, software for computation of VaR, Back testing methodologies, Internal Loss Data Collection Framework, KRI Framework, Operational Risk Management Framework & Operational Risk Measurement Solution etc. Apart from these, bank has also formulated ICAAP, Stress Testing policy, Credit Risk Mitigation & Collateral Management Policy in line with the New Capital Adequacy Framework.
- 1.3.** The scope of the external audit is to conduct independent review of its existing risk management systems/processes adopted by the bank in all major risk areas namely Credit, Market, Operational & Liquidity Risks for adoption of the basic/advanced approaches as well the ICAAP document including assessment of Pillar II risks. The scope of services would broadly comprise the following five areas.

**1.4. Credit Risk:**

The External Audit broadly to be done in line with the international best practices & the requirement enumerated in the various RBI guidelines including the final guideline on 'Implementation of the Internal Ratings Based Approaches for calculation of capital charge for credit risk' issued by RBI dated 22.12.2011. The broad requirements with respect to the audit may be summarized as under:

- a) Audit of the bank's rating systems and its operations, including the operations of the credit function and the estimation of PDs along with LGDs and EADs/CCFs. Adherence of all applicable minimum requirements should for carrying out the independent review. The external auditors should ensure inter alia the following:
- (i) Whether internal validation of models is being done satisfactorily and objectively by the Credit Risk Control Unit.



- (ii) Whether the internal models used by the bank is sufficient to cover all of the bank's activities and geographical coverage of operations.
  - (iii) Ensure that data flows and processes associated with risk measurement system are transparent and accessible to both the internal and external auditors and they have access to model's specifications and parameters.
  - (iv) Document the validation procedure, tests and reasons if applicable to conclude that the model is valid.
- b) Assessment as to whether the written rating definitions are clear and detailed enough to allow third parties to understand the assignment of ratings, such as independent audit body and RBI, to replicate rating assignments and evaluate the appropriateness of the grade/pool assignments.
  - c) Review of the established management systems, procedures, and control functions for ensuring the periodic and independent review of all elements of the internal modeling process, including approval of model revisions, vetting of model inputs and review of model results, such as direct verification of risk computations. Proxy and mapping techniques and other critical model components should receive special attention. These reviews should assess the accuracy, completeness, and appropriateness of model inputs and results and focus on both finding and limiting potential errors associated with known weaknesses and identifying unknown model weaknesses.

The list provided above is indicative & not exhaustive.

#### **1.5. Market Risk:**

The audit broadly is to be done in line with the international best practices & the requirements enumerated in the various RBI guidelines including the final guidelines issued by RBI on 'Implementation of Internal Models Approach for Market Risk' vide Circular No. DBOD.No.BP.BC.86/ 21.06.001 (A)/ 2009-10 dated 7.04.2010. The broad requirements which need audit may be summarized as under:

- a) Adequacy of the documentation of risk management system and process
- b) Organization and functioning of the risk control unit
- c) Integration of market risk measures into daily risk management
- d) Approval process for risk pricing models and valuation systems used by front and back-office personnel
- e) Validation of any significant change in the risk measurement process
- f) Scope of market risks captured by the risk measurement model
- g) Integrity of management information system
- h) Accuracy and completeness of position data
- i) Verification of the consistency, timeliness and reliability of data sources used to run internal models, including the independence of such data sources



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- j) Accuracy and appropriateness of volatility and correlation assumptions
- k) Accuracy of valuation and risk transformation calculation
- l) Verification of the model's accuracy through frequent back-testing.
- m) Review of models covering the following:
  - i) Review of concept notes, technical documentations and other collaterals relating to the proposed products to understand the structures.
  - ii) Review and validate the assumptions made while structuring the products.
  - iii) Validate the appropriateness of the input parameters used in a particular model and justification sought from the Bank. This would also involve extensive use of independent / internal data sources to verify the deal input variables.
  - iv) Verify the independence of access controls around model and review controls for data inputs (automated or manual).
  - v) Validate the model dynamics using generally accepted quantitative methodologies and verify the relevance of using a particular class of model for a particular product line
  - vi) Re-performance of valuations for assessment of values derived from a particular model. We would also seek justification for any adjustments made on the input parameters and output.
- n) Audit of validation of the model's accuracy covering broadly the following:
  - i) Verify that the internal validation processes are operating in a satisfactory manner in line with the requirement as per RBI guidelines.
  - ii) Ensure that the formulae used in the calculation process as well as for the pricing of options and other complex instruments are validated by a Risk Control Unit, which in all cases should be independent from the trading area.
  - iii) Check that the structure of internal models is adequate with respect to the bank's activities and geographical coverage.
  - iv) Check the results of the banks' back-testing of its internal measurement system (i.e. comparing VaR estimates with actual profits and losses) and ensure that the model provides a reliable measure of potential losses over time.
  - v) Ensure that the data flows and processes associated with the risk measurement system are transparent and accessible to the internal/external auditors and the RBI for easy accessibility to the models specifications and parameters.
  - vi) Assessment of the adequacy of processes adopted for identification, assessment and monitoring of market risk positions across the Bank and verification thereof.

The list provided above is indicative & not exhaustive.



### **1.6. Asset Liability Management:**

The audit requirement covering asset liability management may be summarized as under:

- a) Audit of the models/software being used by the bank covering the integrity and validation of data/ assumptions being used to generate the results, its validation and functioning of the entire system of liquidity & interest rate risk management.
- b) Audit of validation process of models and related assumptions & verification w.r.t.:
  - i. Structural Liquidity Statement/ Dynamic Liquidity Statement
  - ii. Stock Ratios
  - iii. Behavioral models
  - iv. Total Gap Analysis
  - v. Duration Gap Analysis
- c) Audit of related systems & processes in line with the RBI's guidelines & international best practices.

The list provided above is indicative & not exhaustive.

### **1.7. Operational Risk:**

The External Audit broadly to be done in line with the international best practices & the requirement enumerated in the various RBI guidelines including guidelines on New Capital Adequacy Framework covering 'Basic Indicator Approach' and the final guidelines on 'The Standardized Approach' & 'Advanced Measurement Approach' of Operational Risk. The broad requirements with respect to the audit may be summarized as under:

#### **Scope of External Audit in Operational Risk under Basic Indicator Approach & The Standardize Approach**

##### **a) ORM and Business Line Mapping Policy**

It involves checking of logics for overall OR framework, Mapping policy and ORM elements. The examples of validation process may include assessing:

- Whether the governance structure is appropriate and functioning effectively
- Whether all activities of the bank are mapped correctly to respective business lines
- Whether all the business lines are sufficiently integrated into the overall OR framework





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- Does the use of four data elements (Internal loss data, External loss data, Scenario Analysis, BEICFs) make sense for risk management and quantification, and
- Whether unit of measure provide sufficiently granular results,
- Whether the BEICF/RCSA tool is effectively assessing business and internal control environments,
- Does the reporting process is providing necessary and appropriate information to each level of the institution.

**b) Computation of capital charge under BIA**

It involves the checking the methodology adopted to arrive at the Gross income and calculation of the capital charge.

**c) Computation of Capital charge under TSA**

It involves checking the following:

- Methodology adopted to consolidate the income from different business units namely CO, HO divisions, Overseas branches, Treasury...etc
- Income mapping to different business line
- Methodology adopted to arrive the Gross income
- Finally computation of capital charge

**Scope of External Audit in Operational Risk under AMA**

External validation will broadly comprise:

- a) Whether bank is capable of deriving consistent and predictive estimates of AMA parameters.
- b) Bank's underlying assumptions at the development stage and following significant changes in methodology and assumptions and it should be able to ensure the validity of the inputs and outputs on an ongoing basis.
- c) Validation techniques should take into account the changing market and operating conditions.
- d) Validation should encompass both quantitative and qualitative estimates of the AMA elements and cover key operational risk processes and systems.
- e) The validation of the ORMS by the bank should include at the minimum, the elements described below:
  - (i) Regular comparison of realized outcomes with estimates of the AMA elements, using historical data over as long a period as possible.
  - (ii) use of appropriate validation methodology and tools, quantitative or otherwise and comparison with relevant (i.e. in terms of appropriateness, timelines and time period) external data sources where applicable
  - (iii) well-articulated validation standards for the input of data into the ORMS to ensure the accuracy, completeness and relevance of the estimates of the AMA elements, data feeds and processes associated



with the ORMS, and to distinguish situations where deviations in realized outcomes from estimates of the AMA elements becomes significant enough to call into question the predictability of the estimates of the AMA elements;

- (iv) monitoring the performance and stability of the ORMS and reviewing the inherent statistical relationships and assumptions of the ORMS;
- (v) ORMS validation should ensure that the relationship between the inputs and outputs of the ORMS are stable and logical and that the techniques underlying the ORMS are transparent and intuitive;
- (vi) Validation of material data above the thresholds to ensure that they are comprehensive, appropriate and accurate. Validation should cover all data types including actual data, constructed data, figures generated by scenario analysis and BE&IC. Particularly for constructed data, validation should ensure that the assumptions are unbiased and the results are realistic ; and
- (vii) Validation should include testing and verifying adjustments to operational risk capital requirement estimates, including operational risk exposure as well as assumptions underlying operational risk exposure, AMA models and operational risk regulatory capital requirement.

The list provided above is indicative & not exhaustive.

### **1.8. ICAAP document including Assessment of Pillar II risks**

The audit broadly is to be done in line with the international best practices & the requirements enumerated in the various RBI guidelines including the same on new capital adequacy framework/ICAAP guidelines issued by RBI. Validation of the ICAAP framework/ICAAP document (qualitative and quantitative aspects) of the bank in line with the RBI guidelines including monitoring and testing of risk management processes to ensure:

- a) Integrity, accuracy, and reasonableness of the processes;
- b) Appropriateness of the bank's capital assessment process based on the nature, scope, scale and complexity of the bank's activities;
- c) Timely identification of any concentration risk;
- d) Accuracy and completeness of any data inputs into the bank's capital assessment process;
- e) Reasonableness and validity of any assumptions and scenarios used in the capital assessment process;
- f) The bank to conduct appropriate stress testing.
- g) Audit of the identification, measurement & management of major Pillar II risks such as Liquidity Risk, Concentration Risk, Interest Rate Risk in Banking Book, Reputational Risk etc.



**Annexure – B**

**Performance Guarantee Form**

Date:

To,

The Chief Manager,  
Punjab National Bank,  
Inspection & Audit Division,  
Head Office, 2<sup>nd</sup> Floor,  
Rajendra Bhawan, Rajendra Place,  
New Delhi – 110008

Dear Sir,

**PERFORMANCE BANK GUARANTEE – Audit of the risk management systems of Punjab National Bank as per scope in RFP.**

WHEREAS

M/s.(name of Bidder), a Partnership Firm /company registered under the Companies Act, 1956, (as applicable) having its registered and corporate office at (address of the Bidder), ( hereinafter referred to as “our constituent”, which expression, unless excluded or repugnant to the context or meaning thereof, includes its successors and assigns), entered into a Agreement dated.....(hereinafter , referred to as “the said Agreement”) with you (Punjab National Bank) for conduct of audit as detailed in the said Agreement.

We are aware of the fact that in terms of sub-para (...), Section (...), Chapter (...) of the said Agreement, our constituent is required to furnish a Bank Guarantee for an amount of Rs.....( in words and figures), being 20% of the Contract Price of Rs..... (in words and figures), as per the said agreement, as security against breach/default of the said Agreement by our Constituent.

In consideration of the fact that our constituent is our valued customer and the fact that he has entered into the said Agreement with you, we, (name and address of the bank), have agreed to issue this Performance Bank Guarantee.

Therefore, we (name and address of the bank) hereby unconditionally and irrevocably Guarantee you as under:

I. We, (Name of the bank), do hereby undertake to pay the amounts due and payable under this guarantee without any demur, merely on a demand from Punjab National Bank stating that the amount claimed is due by way of loss or damage caused to or would be caused to or suffered by Punjab National Bank by reason of breach by the said bidder of any of the terms or conditions contained in the said agreement.

II. We hereby undertake to pay you forthwith on demand such sum/s not exceeding the sum of Rs..... (In words and figures) without any demur notwithstanding any dispute or disputes raised by our constituent in any suit or



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proceeding pending before any Court or Tribunal relating thereto, our liability under this present being absolute and unequivocal.

III. Notwithstanding anything to the contrary, contained in the said Agreement, We agree that your decision as to whether our constituent has made any such default/s/ breach/es, as afore-said and the amount or amounts to which you are entitled by reasons thereof, will be binding on us and we shall not be entitled to ask you to establish your claim or claims under this Performance Bank Guarantee, but will pay the same forthwith on your demand without any protest or demur.

IV. We, (Name of the bank), further agree that the guarantee herein shall remain in full force and effect during the period that would be taken for the performance of the said Agreement and that it shall continue to be enforceable till Punjab National Bank certifies that the terms and conditions of the said Agreement have been fully and properly carried-out by the constituent and accordingly, discharges this guarantee.

V. We further agree that the termination of the said Agreement, for any reasons, empowers you to demand for the payment of the above said amount under this guarantee and we have an obligation to honour the same without demur.

VI. In order to give full effect to the guarantee contained herein, we (name and address of the bank), agree that you shall be entitled to act as if we were your principal debtors in respect of your claims against our constituent. We hereby expressly waive all our rights of surety ship and other rights, if any, which are in any way inconsistent with any of the provisions of this Performance Bank Guarantee.

VII. We confirm that this Performance Bank Guarantee will cover your claim/s against our constituent made in accordance with this Guarantee from time to time, arising out of or in relation to the said Agreement and in respect of which your claim is lodged with us on or before the data of expiry of this Performance Guarantee, irrespective of your entitlement to other claims, rights and relief, as provided in the said Agreement.

VIII. Any notice by way of demand or otherwise hereunder may be sent by special courier, telex, fax, registered post or other electronic media to our address, as aforesaid and if sent by post, it shall be deemed to have been given to us after the expiry of 48 hours when the same has been posted.

IX. If it is necessary to extend this guarantee on account of any reason whatsoever, we undertake to extend the period of this guarantee on the request of our constituent under intimation to you (Punjab National Bank).

X. This Performance Bank Guarantee shall not be affected by any change in the constitution of our constituent nor shall it be affected by any change in our constitution or by any amalgamation or absorption thereof or therewith or reconstruction or winding up, but will ensure the benefit to you and be available to and be enforceable by you.

XI. Notwithstanding anything contained hereinabove, our liability under this Performance Guarantee is restricted to Rs.....(in words and figures) and shall continue to exist, subject to the terms and conditions contained herein, unless a



written claim is lodged on us on or before the afore-said date of expiry of this guarantee.

XII. We hereby confirm that we have the power/s to issue this Guarantee in your favour and the undersigned is/are the recipient of authority by express delegation of power/s and has/have full power/s to execute this guarantee under the Power of Attorney issued by the bank in his/their favour.

XIII. We further agree that the exercise of any of your rights against our constituent to enforce or forbear to enforce or any other indulgence of facility, extended to our constituent to carry out the contractual obligations as per the said Agreement, would not release our liability under this guarantee and that your right against us shall remain in full force and effect, notwithstanding any arrangement that may be entered into between you and our constituent, during the entire currency of this guarantee.

Notwithstanding anything contained herein:

- a. Our liability under this Performance Bank Guarantee shall not exceed Rs..... (in words and figure) ;
- b. This Performance Bank Guarantee shall be valid only up to .....; and
- c. We are liable to pay the guaranteed amount or part thereof under this Performance Bank Guarantee only and only if we receive a written claim or demand on or before .....( date).

This Performance Bank Guarantee must be returned to the bank upon expiry of the claim period as under (C) above. If the Performance Bank Guarantee is not received by the bank within the above-mentioned period, subject to the terms and conditions contained herein, it shall be deemed to be automatically cancelled.

Dated.....this.....day.....2012.

Yours faithfully,  
For and on behalf of the .....Bank,

(Signature)

Designation

(Address of the Bank)

Note:

- a) This guarantee will attract stamp duty as a security bond.
- b) A duly certified copy of the requisite authority conferred on the official/s to execute the guarantee on behalf of the bank should be annexed to this guarantee for verification and retention thereof as documentary evidence in the matter.



**Undertaking from Bidder  
(Part of Technical BID)**

Date:

To,  
The Chief Manager,  
Punjab National Bank,  
Inspection & Audit Division,  
Head Office, 2<sup>nd</sup> Floor,  
Rajendra Bhawan, Rajendra Place,  
New Delhi – 110008

Dear Sir,

**Reg: Audit of the risk management systems of Punjab National Bank as per scope in RFP.**

Dear Sir,

Having examined the RFP Documents, the receipt of which is hereby duly acknowledged, we, the undersigned, offer to conduct external audit of risk management systems & processes in conformity with the said RFP Documents and hereby undertake that we accept all the conditions of the contract as per the Bidding Document and will audit the complete risk management systems as per the Technical Specifications of the bidding documents. We further undertake that we fulfill the Minimum eligibility criteria stated in Chapter 2 clause 2.2 and for this purpose we enclose the details. In addition to this, the particulars of our organization such as legal status, principal place of business, details of experience and past performance, capability statement and the required bid security in shape of bank draft are furnished with this bid form.

We further undertake, if our bid is accepted, to execute the audit assignment in accordance with the requirements and the delivery schedule as mentioned in the Schedule of Requirements.

If our bid is accepted, we will obtain the guarantee of a bank in the form prescribed by you for a sum equivalent to 20% of the Contract Price for the due performance of the Contract.

We agree to abide by this bid for the Bid validity period specified in section 3.2.9. of the ITB and it shall remain binding upon us and may be accepted at any time before the expiration of that period. Until a formal contract is prepared and executed, this bid, together with your written acceptance thereof and your notification of award shall constitute a binding Contract between us.

We undertake that, in competing for (and, if the award is made to us, in executing) the above contract, we will strictly observe the laws against fraud and corruption in force in India namely "Prevention of Corruption Act. We understand that you are not bound to accept the lowest or any bid you may receive.

Dated this ..... Day of ..... 20.....  
(Signature and the capacity of the person duly authorized to sign Bid for and on behalf of)



**Commercial BID FORM**

Date:

The Chief Manager,  
Punjab National Bank,  
IT Audit Cell, Inspection & Audit Division,  
Head Office, 2<sup>nd</sup> Floor,  
Rajendra Bhawan, Rajendra Place,  
New Delhi – 110008

Dear Sir,

**Reg: Audit of the risk management systems of Punjab National Bank as per scope in RFP.**

Having examined the Bidding Documents, the receipt of which is hereby duly acknowledged, we, the undersigned, offer to supply and deliver ..... (*Description of System and Services*) in conformity with the said Bidding Documents for the sum of ..... (*Total bid amount in words and figures*) or such other sums as may be ascertained in accordance with the Schedule of Prices attached herewith and made part of this bid, and hereby undertake that we accept all the conditions of the contract of the Bidding Document and will execute the audit work as stipulated in RFP. We further undertake that we fulfill the Eligibility requirement and for this purpose we enclose the details. In addition to this, the particulars of our organization such as legal status, principal place of business, details of experience and past performance, service support details, capability statement and the required bid security in the shape of Bank draft are furnished with this bid form.

We further undertake, if our bid is accepted, to deliver the goods in accordance with the delivery schedule finalized.

If our bid is accepted, we will obtain the guarantee of a bank in the form prescribed by the Purchaser for a sum equivalent to 20% of the Contract Price for the due performance of the Contract.

We agree to abide by this bid for the Bid validity period specified in section 3.2.9 of the ITB and it shall remain binding upon us and may be accepted at any time before the expiration of that period.

Until a formal contract is prepared and executed, this bid, together with your written acceptance thereof and your notification of award shall constitute a binding Contract between us.

We undertake that, in competing for (and, if the award is made to us, in executing) the above contract, we will strictly observe the laws against fraud and corruption in force in India namely "Prevention of Corruption Act 1998".

We understand that you are not bound to accept the lowest or any bid you may receive.

Dated this ..... day of ..... 20.....

---

(Signature) (In the capacity of duly authorized to sign Bid for and on behalf of)



**Undertaking- 1**

To,  
The Chief Manager,  
Punjab National Bank,  
Inspection & Audit Division,  
Head Office, 2<sup>nd</sup> Floor,  
Rajendra Bhawan, Rajendra Place,  
New Delhi – 110008

Date

Dear Sir,

**Reg: Audit of the risk management systems of Punjab National Bank as per scope in RFP.**

We understand that

- a) You are not bound to accept the lowest or any bid received by you, and you may reject all or any bid.
- b) If our Bid for the above job is accepted, we undertake to enter into and execute at our cost, when called upon by the purchaser to do so, a contract in the prescribed form. Unless and until a formal contract is prepared and executed, this bid together with your written acceptance thereof, shall constitute a binding contract between us.
- c) If our bid is accepted, we are responsible for the due performance of the contract.
- d) You may accept or entrust the entire work to one vendor or divide the work to more than one vendor without assigning any reason or giving any explanation whatsoever.
- e) Vendor means the bidder who is decided and declared so after examination by combined evaluation of technical and commercial bids.
- f) The names of shortlisted bidders after the completion of first stage (Technical Bid), and the name of successful bidder to whom the contract is finally awarded after the completion of second stage (Commercial Bid), shall be displayed on the Notice Board of the purchaser at Punjab National Bank, IT Audit Cell, Inspection & Audit Division, Head Office, 2<sup>nd</sup> Floor, Rajendra Bhawan, Rajendra Place, New Delhi – 110008

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

*(Signature and the capacity of the person duly authorized to sign Bid for and on behalf of)*





**UNDERTAKING - 2**

To,  
The Chief Manager,  
Punjab National Bank,  
Inspection & Audit Division,  
Head Office, 2<sup>nd</sup> Floor,  
Rajendra Bhawan, Rajendra Place,  
New Delhi – 110008

Date

Dear Sir,

**Reg: Audit of the risk management systems of Punjab National Bank as per scope in RFP.**

- a) We hereby confirm that all the requirements as enumerated in RFP as per requirement of the Bank have been included in the commercial bid. Further, we hereby undertake and agree to abide by all the terms and conditions stipulated by the Bank in this RFP. We understand that any deviation may result in disqualification of bids.
- b) We undertake that adequate number of qualified auditors will be deployed for audit process to complete the audit within stipulated time.
- c) We undertake that reporting formats should at the minimum include all the requirements as laid down in Annexure A.
- d) We have the tool, which is capable of providing audit report that support dashboard format (subsequent details through links). It is capable of presenting reports sorted on major domains and presentable in pie chart/ graphs. Bank will have the right to use that tool. We shall demonstrate the capability of the tool which shall be used for reporting purpose.
- e) We undertake that we will have legal right to use any third party software if required for audit and under such licenses, in terms set out under any relevant license or sub-license agreement. We will indemnify the Bank for any and all costs that may arise out of the use of software, in which it is alleged that any rights of the owners of such software have been infringed.
- f) We shall provide Risk Movement for various activities as desired.
- g) We have not been blacklisted by any nationalized Bank/ RBI/IBA or any other Government agency. No legal action is pending against us for any cause in any legal jurisdiction.

(Deviation to the above if any, the Bidder must provide details of such action (s).)

- 1)
- 2)
- 3)
- 4)

*(Signature and the capacity of the person duly authorized to sign Bid for and on behalf of)*



**Annexure – G**

**Commercial Bid**

To,  
The Chief Manager,  
Punjab National Bank,  
Inspection & Audit Division,  
Head Office, 2<sup>nd</sup> Floor,  
Rajendra Bhawan, Rajendra Place,  
New Delhi – 110008

Date:

**Reg: Audit of the risk management systems of Punjab National Bank as per scope in RFP.**

Dear Sir,

We undertake to conduct audit of PNB as per detailed scope of audit in Annexure A of RFP at a cost of:

Audit Fee including all costs Rs	.....
(for one year payable as per clause 4.8 of RFP)	
Taxes (Pl specify rate and type of tax)	.....
Total	.....

**(In words)**.....

These prices will be applicable for annual audit for 1<sup>st</sup> year. Bank may at its discretion, extend the services for 2<sup>nd</sup> year also. We undertake to perform the audit in 2<sup>nd</sup> year also on the same price and terms and conditions.

We confirm that cost of all the factors required for Audit as per RFP have been included in the commercial bid. Further, we understand that Bank reserve the right to use reverse auction method.

*(Signature and the capacity of the person duly authorized to sign Bid for and on behalf of)*



**Technical Compliance Sheet**

<b>S.No.</b>	<b>Criteria</b>	<b>Details</b>			
a	Bidder must prove that it is a current legal entity in India and must warrant that it is financially solvent.	Successful bidder's Firm/Company Name: Registered Head office: Offices at other locations: 1. 2. Brief Profile: Year of commencement of Business Website: Authorized person: Designation: Phone No Email Address			
b	Should be a Company /Firm /Organization /independent subsidiary with an average annual turnover of Rs.50 (fifty) crore or more during the last three financial years and should be in net profit during all three financial years.	Turn over and profit during last 3 years: (In Indian Rupee) <table style="margin-left: 200px;"> <tr> <td>2010-11</td> <td>2009-10</td> <td>2008-09</td> </tr> </table> Turnover Net Profit Attach copy of audited balance sheets of above periods.	2010-11	2009-10	2008-09
2010-11	2009-10	2008-09			
c	The audit firm must have successfully concluded projects involving risk consultancy /implementation of advanced approaches of Basel-II, in last three years in Indian/International banks.	Conducted following Audits in last three years: Organizations Fill details in Annexure J			
d	Should not have been blacklisted by any nationalized Bank/ RBI/IBA or any other Government agency. Bidder must warrant that no legal action is pending against them for any cause in any legal jurisdiction. If such actions are pending, the Bidder must	Signed Undertaking in annexure G			



	provide details of such action (s).	
e	Should be able to provide deliverables as per Annexure A of RFP.	<p>a) Time Lines – should be able to deploy adequate number of auditors to complete the audit process within stipulated time.</p> <p>b) Reporting formats - should provide reports as per of scope of audit.</p> <p>c) Name of Tool used:</p> <p>Successful bidder will use some tools, shall be capable of providing audit report which should support dashboard format (subsequent details through links). It should be capable of presenting reports sorted on major domains and presentable in pie chart/ graphs. Bank will have the right to use that tool.</p> <p>Tool capabilities will be evaluated on the basis of presentation made by bidder.</p> <p>d) Provide Risk Movement for various activities.</p> <p>(Undertaking in Annexure G)</p>



**ANNEXURE I**

**Other related assignments in the area of risk consultancy / risk audit & implementation of risk solutions:**

Organization Website address:	Audit scope  (Attach copy of order / contract)	Date/ Period when conducted	Date of completion

**ANNEXURE J**

**Professional's details**

S.NO	Name and Designation	Qualification (Educational & Professional)	Experience ( in Years with details)	Since when in the organizati on	Experience in risk audit (if any) of organization(s) with brief scope and when conducted

**ANNEXURE K**

**Number of auditors (approx) with experience defined under 2.2 (e) & annexure J to be deployed for audit**

S.NO	Audit	Conducting Audit	Preparation of Draft report for discussion
1	Credit Risk		
2	Market Risk		
3	Operational Risk		
4.	Asset-Liability Management		
5.	ICAAP document including assessment of Pillar II risks		



**ANNEXURE L**

**Check list for the Documents to be submitted**

Document	Particular	YES/NO
Company Details	Brief Profile	
Audited Balance Sheets	Copy of balance sheets for 2010-11, 2009-10 and 2008-09	
Annexure C	Undertaking from Bidder-Part of Technical Bid	
Annexure D	Commercial BID FORM	
Annexure E	Undertaking 1	
Annexure F	Undertaking 2	
Annexure G	Commercial Bid	
Annexure H	Technical Compliance Sheet	
Annexure I	Other related assignments in the area of risk consultancy / risk audit & implementation of risk solutions	
Annexure J	Professional's details	
Annexure K	Number of auditors (approx) to be deployed for audit	