

Request for Proposal (RFP)

For Appointment of Concurrent Auditor for State Health Society (SHS) and District Health Society (DHS) for Audit of all programmes under NHM including flexible pools of NRHM-RCH, NUHM, NDCP and NCD.

[2017-18]

REQUEST FOR PROPOSAL (RFP)

State Health Society,.....(Name of State), seeks to invite Proposal from *C&AG empanelled Chartered Accountant firms those are eligible for major PSU audits for the year 2017-18* for conducting the concurrent audit of State and District Health Societies under the National Health Mission for the FY 2017-18.

The details about the background of the auditee, the units to be covered in the audit, scope of work, terms of reference, and the eligibility criteria for selection of the CA firms are given in the following paragraphs.

Terms of Reference (ToR)

National Rural Health Mission (NRHM) of the Ministry of Health & Family Welfare was launched on 12th April, 2005 by the Government of India to improve medical facilities in the country. From 2013-14 onwards the NRHM programme has been subsumed under the umbrella programme of National Health Mission. NHM is overarching NUHM and also includes Communicable and Non-Communicable Diseases (NCD) as well. The NHM seeks to provide accessible, affordable and quality health care to the population, especially the vulnerable sections. It also seeks to reduce the Maternal Mortality Ratio (MMR) in the country from 167 to 100 per 1,00,000 live births, Infant Mortality Rate (IMR) from 40 to 30 per 1000 live births and the Total Fertility Rate (TFR) from 3.0 to 2.1.

One of the visions of the Mission is to increase public spending on health from 1.3% to 2-3% of GDP, with the improved arrangement for community financing and risk pooling. The NHM has provided an umbrella under which the existing Reproductive and Child Health Programme (RCH), various National Disease Control Programmes (NDCPs) and Non-Communicable Disease Programme (NCDs) have been repositioned. National Urban Health Mission (NUHM) has also been added as Submission of National Health Mission.

At present the following Programmes/Schemes fall under the National Health Mission:

A. NHM-RCH Flexible Pool:

- **RCH Flexible Pool** including Routine Immunization (RI), Pulse Polio Immunization (PPI) and National Iodine Deficiency Disease Control Programme (NIDDCP)
- **Health System Strengthening(HSS) under NRHM** including National Programme for Prevention and Control of Deafness (NPPCD), National Oral Health Programme (NOHP), National Programme for Palliative Care (NPPC), Assistance to State for Capacity building (Burn Injury), National Programme for Fluorosis(NPF).
-

B. National Urban Health Mission (NUHM) Flexible Pool.

C. Flexible Pool for Communicable Diseases:

- National Vector Borne Disease Control Programme (NVBDCP),
- Revised National Tuberculosis Control Programme (RNTCP),
- National Leprosy Eradication Programme (NLEP),
- Integrated Disease Surveillance Project (IDSP).

D. Flexible Pool for Non-Communicable Diseases:

- National Programme for Control of Blindness (NPCB),
- National Mental Health Programme (NMHP),
- National Programme for Health Care of the Elderly (NPHCE),
- National Tobacco Control Programme (NTCP),
- National Programme for Prevention and Control of Cancer, Diabetes, Cardiovascular Diseases and Stroke (NPCDCS).

Institutional and Funding Arrangements:

For the implementation of the above programmes, MOHFW has required the creation of an Integrated Health Society at State and District levels (registered as a legal entity at the State and District under Societies Registration Act, 1860). Such integrated State Health Society (SHS) works in close coordination with the Directorate of Health & Family Welfare and District Health Societies (DHSs) work in coordination with the District Collector and District Chief Medical Officer (CMO). Program implementation is done through its District Chief Medical Officer's office, Blocks, Community Health Centres (CHCs), Primary Health Centres (PHCs), Sub- Centres (SCs), Rogi Kalyan Samities (RKS) and Village Health Sanitation & Nutrition Committees (VHSNC). Certain activities may be managed at the State level such as drug procurement, IEC, civil works, training using specialized entities such as SIHFW, IEC Bureau, PWD, the Directorate of Health and Municipal Corporations for the urban health components. In addition funds are also released from SHS/ DHS to NGOs and private entities under public private participation (PPP) arrangements.

Funding & Accounting Arrangements:

Funds for the various programs are transferred from Pay & Accounts Office of MoHFW to the State Treasuries and then from Treasuries to the SHS functioning in the State. Government of India transfer funds in the form of Grants-in-Aid to SHS on the basis of respective State

Programme Implementation Plan (SPIPs) and approved Annual Work Plans which are prepared on the basis of District Health Action Plans (DHAP) of each of the districts in the State. Under the umbrella of the integrated SHS/DHS each program has separate bank accounts, maintains separate books of accounts and other financial records as per the requirements of each program and also submit separate financial activity reports at varying frequencies to the respective monitoring unit in MOHFW (GOI).

Financing by Development Partners/ Donors:

Some of the programs of NHM are also supported by development partners such as the Asian Development Bank (ADB), GFATM/World Bank etc. for which credit agreements have been entered into by GoI with the respective development partners. Compliance with specific fiduciary requirements of the development partners will additionally need to be reported by the auditors. Copies of the legal agreements and other project documents will be provided to the auditors, if needed, by SHS/ concerned Programme Division in the State.

CONCURRENT AUDIT

Concurrent audit is a systematic examination of financial transactions on a regular basis to ensure accuracy, authenticity, compliance with procedures and guidelines. The emphasis under concurrent audit is not on test checking but on substantial checking of transactions. It is an ongoing appraisal of the financial health of an entity to determine whether the financial management arrangements (including internal control mechanisms) are effectively working and identify areas of improvement to enhance efficiency.

Independent Chartered Accountant firms are needed to be appointed at State & District Level to undertake periodical audits and report on vital parameters which would depict the true picture of financial and accounting health of the program.

Objective

The key objectives of the concurrent audit include:

- To ensure voucher/ evidence based payments to improve transparency
- To ensure accuracy and timelines in maintenance of books of accounts
- To ensure timelines and accuracy of periodical financial statements
- To improve accuracy and timelines of financial reporting especially at sub-district levels
- To ensure compliance with laid down systems, procedures and policies
- To regularly track, follow up and settle advances on a priority basis
- To assess & improve overall internal control systems.

Scope of Audit

The responsibilities of the concurrent auditors should include reporting on the adequacy of internal controls, the accuracy and propriety of transactions, the extent to which assets are accounted for and safe guarded , and the level of compliance with financial norms and procedures of the operational guidelines.

The concurrent audit should be carried out both at state as well as district level.

The scope of work of “State Concurrent Auditor” is as follows:

- Audit of the SHS accounts and expenditure incurred by SHS
- Verification of quarterly FMRs with books of accounts
- Audit of advances at the SHS level
- Audit of the provisional utilization certificates sent to GOI
- Monitoring timely submission of the district concurrent audit reports
- Detailed analysis and compilation of the district concurrent audit reports
- Vetting of the state action taken reports and providing observations thereon
- Follow-up & monitoring over the ATRs prepared by districts on the observations made in the audit
- Preparation of quarterly executive summary to be sent to GOI in the prescribed format
- Any other evaluation work, as desired by the state audit committee.

The scope of work of “District Concurrent Auditor” is as follows:

- Review of the DHS accounts and expenditure incurred by the DHS
- Audit of financial statements of DHS
- Certification of the statement of expenditure
- Review and analysis of the age wise and party wise advances report
- Comparison between financial and physical performance and analysis
- Visits to sample blocks (in a way to cover all blocks in a year) and peripheral units
- Filling in the checklist provided
- Vetting of the district ATRs and providing observations thereon
- Any other evaluation work, as desired by the district audit committee

Frequency

- Concurrent audit will be carried out on a “Quarterly basis”

Coverage

The state concurrent auditors should ensure coverage of all the districts and the

districts concurrent auditors should ensure that all the blocks are covered over the entire year. For districts containing upto 12 blocks, it needs to be ensured that atleast one block is covered every month .for districts consisting of more than 12 blocks, it needs to be ensured that every block is covered at least once during the year.

- The audit plan should include a visit to atleast 50% PHCs/CHCs. 3 sub-centres and 3 VHSNCs located within the block selected for visit .the states may decide to increase the scope for the same.
- The audit has to include accounts maintained under RKS and NDCPs(whenever applicable)

Contents of Audit Report

Concurrent audit report of a “State Health Society” should contain the following financial statements and documents:

- Duly filled in check list provided in the guidelines
- Financial statements as prescribed
 - o Audited trial balance
 - o Audited receipts & payments A/c
 - o Income & expenditure A/c
 - o Balance sheet
 - o Audited SoE
 - o Bank reconciliation statement
 - o List of outstanding advances
- Observations and Recommendations of auditors – particularly covering the following aspects:
 - o Deficiencies noticed in internal control
 - o Suggestions to improve the internal control
 - o Extent of non-compliance with guidelines issued by GOI
- Action taken by state health society on the previous audit observations, along with his Observations on the same

Concurrent audit report of a “District Health Society” should contain the following financial statements and documents:

- Duly filled in check list provided in the guidelines
- Financial statements as prescribed
 - o Audited trial balance
 - o Audited receipts & payments A/c
 - o Audited Income & expenditure A/c
 - o Balance sheet
 - o Audited Statement of expenditure
 - o Bank reconciliation statement

o List of advances

- Observations and Recommendations of the auditors (including observations on blocks visited)
- Action taken by District Health Society on the previous audit observations, along with his observations on the same

Notes:

Soft copy of the district audit report needs to be submitted to Director (finance) at the state level.

The Director(finance) /i/c Finance at the centre may call for the concurrent audit report of any district/state

The reports at both the state and district level will include consolidated report of RCH, additionalities under NRHM, immunization and NDCPs. In addition, it should also include instances of misappropriation/unauthorized diversion of funds as noticed during the audit.

Quarterly executive summary

- The state is required to send a quarterly executive summary to the centre by compiling the observations from the state as well as district concurrent audits (format attached as annexure XXXVII)
- The executive summary should provide information on aspects like quality of FMRs, maintenance of books of accounts, advances, compliance with audit observations etc.
- It shall be signed by both the concurrent auditors and the Mission Director at state level and sent to the Mission Director, MOHFW.

Key Timelines

The key timelines which need to be adhered to are summarized below

Activity	Timeline
Appointment of the SHS and DHS Concurrent Auditors	Before 31 st March of the current Year
Carrying out concurrent audit	Quarterly
Submission of Audit Report by Auditor to DHS/SHS	Quarterly- by 10 th of the first month of the next quarter
Submission of soft copy of District audit report to the Director (Finance) or i/c. at State Level	Quarterly- by 10 th of the first month of the next quarter
Submission of District Concurrent audit	Quarterly- by 15 th of the first month of the

reports to the SHS	next quarter
Submission of soft copy of the consolidated executive summary & Action Taken Report to the Mission Director	Quarterly- by 20 th of the first month of the next quarter
Submission of Executive Summary report by the SHS to Centre	Quarterly- by 25 th of the first month of the next quarter

• **Penal provision on failure to complete the Audit on time:**

In order to ensure timeliness on the part of the Auditor, if the State feels that in spite of providing all information, documents, and updated books of accounts, there was delay in submission of Audit Report from the auditor, the State may deduct the audit fees @ 5% per month from the due date of completion of audit. A clause in this regard should be incorporated by the State in the agreement. However in case of delay in submitting the audit report due to unforeseen circumstances like flood, earthquake, election, etc., the Mission Director (NHM) of the State has the right to waive off the penalty. Further, before imposing penalty, the firm may be given an opportunity to be heard.

Additional Instructions to Auditors

- a. Audit Report of the State Health Society (SHS) shall include audit of all the transactions at the State level as well as all the transactions in the District Health Societies (DHSs) within the State.
- b. Audit for the financial year will include all the components under NHM.
- c. The auditor appointed shall be required to issue separate Consolidated Audit Report for the State and each District, comprising all programmes under NHM (RCH, Mission (HSS), RI, PPIP, NUHM, NDCPs & NCDs).

Criteria for Selection of Auditors

C&AG empanelled major audit firms: Chartered Accountant firms those are empanelled with C&AG for the year 2016-17 and eligible for doing major PSU audits only will be eligible for the audit of the NHM programme. In this regards firm have to submit the details about the firm as per **Form T-Selection through Open Tender System:** The selection of the Auditor should be through an Open Tender basis. **Preference of firms having H.O./Local Branch office in the State Capital:** The firms having H.O./Local Branch Office in the State capital of the same State for which the proposal is given to be given preference at the time of finalizing the financial bid. Such office must exist within the State for not less than three years as per the ICAI Certificate. However, in case of NE States/ UTs where availability of Auditor is scare, the States/UT may consider the proposals of audit firms from the neighbouring States. Firms have to be given an undertaking that the

audit team members are proficient in State's official language (both oral and written) and will be headed by a Chartered Accountant on regular basis. **CA firms eligible for audit:** Chartered Accountant firms those are empanelled with C&AG for the year 2017-18 and eligible for doing major PSU audits only will be eligible for the audit of the NHM programme. Further, Chartered Accountant firms with major PSU audits and are having their H.O/ Branch offices in designated State may be given additional weight-age in the evaluation of Technical proposal. However, in case of NE States/ UTs where availability of Auditor is scare, the States/UT may consider the proposals of audit firms from the neighboring States. On clearance of Technical proposal, the auditor will be finalized on the basis of Financial bids. In this regards firms have to submit the details about the firm as per Form T-2.**Disclosure of Minimum Fees in the RFP document:** The States are allowed to fix the minimum fees for audit firms in the Tender document keeping in view of resources involved, no. of districts and blocks to be covered during the course of Audit and minimum no. of days required for completion of audit. Further, for the purpose of finalization of minimum fees the State may also take the average of audit fees paid during the last 3 years. **Audit Fees and TA/DA:** The firms those are interested to be appointed will have to quote consolidated audit fees including expenses on TA/DA and Taxes. In case the audit team request with the state for stay arrangement etc. then cost to the state for such stay arrangements etc. will be adjusted against the consolidated fees quoted. Bidding Firm should ensure that Audit Team shall have to visit Districts and blocks within each district. The Audit Fee should be quoted considering this aspect.**Maximum No. of Audits under NHM:** No auditor can take the assignment of audit of more than three (3) States in a year. A certification from the auditor in this regard may be obtained from the auditor. In case same audit fee is quoted by two or more CA firms, the selection of auditor shall be done considering the following factors (priority-wise) Past Experience in handling Government Contracts & Conduct of the firm and Turnover of the firm

Guidelines for Submitting the Proposals:

Agencies are required to submit the proposal as per the guidelines and formats detailed out in the following paras:

The original and all copies of the Technical Proposal shall be placed in a sealed envelope clearly marked "**TECHNICAL PROPOSAL**" Similarly, the original Financial Proposal shall be placed in a separate sealed envelope clearly marked "**FINANCIAL PROPOSAL**" followed by the name of the assignment and with a warning "**DO NOT OPEN WITH THE TECHNICAL PROPOSAL.**" The envelopes containing the Technical and Financial Proposals shall be placed into an outer envelope and sealed. This outer envelope shall bear the submission address, reference number and title of the Assignment, and be clearly marked "**DO NOT OPEN, EXCEPT IN PRESENCE OF THE OFFICIAL APPOINTED.**" The Society shall not be responsible for misplacement, loss or premature opening if the outer envelope is not sealed and/or marked as stipulated. This circumstance may provide a case for Proposal's/ bid's rejection. If the Financial Proposal is not

submitted in a separate sealed envelope duly marked as indicated above, this shall constitute grounds for declaring the Proposal non-responsive/ invalid.

Single Proposal (Multiple Firms): In case State decides to appoint more than one C.A. firm as auditor, the Bidding CA firm may submit proposal for State and also for one Group of districts.

All agencies must comply with the Technical Specification, General Conditions and Format/Requirements for Technical and Financial proposal.

The Technical Proposal shall be marked “ORIGINAL” or “COPY” as appropriate. All required copies of the Technical Proposal are to be made from the original. If there are discrepancies between the original and the copies of the Technical Proposal, the original governs.

Financial proposals submitted by the firm should be valid for 6 months from the date of submission of the proposal by the firm.

Each page, Form, Annexure and Appendices of the Technical and Financial Proposal must be signed by the Authorized signatory of the firm.

All blank spaces in the financial proposal must be filled in completely where indicated, either typed or written in ink.

State Health Society (SHS) reserves the right to accept or reject any proposal without giving any explanation and can change the evaluation criteria as per its requirements in the interest of the organization.

If the required constitution of the team is not deployed the state may take appropriate action as it deems fit (including blacklisting of the firm) against the firm, keeping the Ministry informed.

A firm cannot undertake the audit assignments of more than three states in a year. The audit assignment must be opted for as awarded by States chronologically i.e. on First come first served basis. If a CA Firm appointed in more than 3 state then they have to withdraw their name so as to keep it up to 3 States/ UTs only. As a state may opt to appoint multiple auditors, therefore, if a firm appoints for audited of a group of district any state then for the purpose of ceiling of 3 states, group of state shall take as a state.

The firm shall give an undertaking that the team members are proficient in the State's official language (both oral and written). **The auditors must have the H.O/ Branch Office in the allotted state.(Form U)**. However, in case if NE States/ UTs where availability of Auditor is scare, the States/UT may consider the proposals of audit firms from the neighboring States

Firm shall have to depute appropriate no. of teams for timely submission of Audit Report and to attain quality of audit.

Each team shall have to be headed by a qualified chartered accountant.

Technical & Financial Proposal will consist:

- i. Letter of Transmittal (*Form T-1*)
- ii. Technical Proposal format (*Form T-2*)
- iii. Financial Bid format (*Form F-1*)
- iv. Undertaking of presence of HO/Branch offices in State (*Form U*)

Form T-1

Letter of Transmittal

To,
The Mission Director,
State Health Society,
Name & Address of State

Sir,

We, the undersigned, offer to provide the audit services for [*Name of State Health Society*] in accordance with your Request for Proposal dated [*Insert Date*]. We are hereby submitting our Proposal, having details about the firm and proposed audit fees.

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

The Fees quoted by us is valid till six months from the date of submission of the proposal. We confirm that this proposal will remain binding upon us and may be accepted by you at any time before the expiry date.

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

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

We understand that State Health Society [*Insert Name of the State*] is not bound to accept the lowest or any proposal or to give any reason for award, or for the rejection of any proposal.

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

Yours faithfully

Form T-2

Format for Technical Proposal

Sl. No.	PARTICULARS	Supporting Documents required to be submitted along with this Form
1	Name of the Firm	
2	Addresses of the Firm:	
	Head Office	Phone No:
		Fax No:
		Mobile No. of Head Office In-charge:
	Date of establishment of the firm	
	Date since when is H.O. at the existing Station	
	Branch Office 1,2,3.....(Particulars of each branch to be given)	Phone No: Fax No: Mobile of each Branch Office In-charge:
	Mention the date of establishment of each branch offices since when existed at the existing place	
3	Firm Income Tax PAN No.	Attach copy of PAN card
4	Firm Service Tax Registration No.	Attach copy of Registration
5	Firm's Registration No. with ICAI	Attach a copy of certificate downloaded from ICAI Website showing the name & address of H.O., B.O. and partners etc.
6	Empanelment No. with C&AG	Attach proof of empanelment with C&AG for the year under Audit (2016-17) confirming that the firm is eligible for major PSU audits.
7	No. of Years of Firm Existence & Date of establishment of Firm	Attach copy of Partnership Deed
8	Turnover of the Firm in last three years	Attach a copy of Balance Sheet and P & L Account of the last three years or a C.A. Certificate give Break-up of Audit Fee and Other Fees Received.

9	<p>Audit Experience of the Firm:</p> <ol style="list-style-type: none"> 1. Number of Assignments in Commercial/Statutory Audit 2. Number of Assignments of Externally Aided Projects/Social Sector Project(excluding audit of Charitable Org.) Institutions &NGOs 3. Experience in the NHM audit 	<p>Copy of the Offer Letter & the Fee Charged for each assignment. (Relevant evidences to be given of the turnover and fee)</p>
10	<p>Details of Partners: Provide following details:</p> <ul style="list-style-type: none"> • Number of Full Time Fellow Partners associated with the firm • Name of each partner • Date of becoming ACA and FCA • Date of joining the firm • Membership No. • Qualification • Experience • Whether the partners is engaged full time or part time with the firm • Their Contact Mobile No., email and full Address (Attested copy of Certificate/letter of ICAI not before 01/01/2017) 	<p>Attested copy of Certificate of ICAI not before 01.01.2017</p>

Note: The firm shall give an undertaking that the team members are proficient in the State's official language (both oral and written).

FORMAT FOR FINANCIAL BID

(Please provide the break-up of Firm's quoted fees for each work and unit)

Particulars	Total Amount (in Rupees)
AUDIT FEE a. Audit fess----- (Including cost of TA/DA) b. Service Tax----- c. Total Fees----- Note: Percentage of funds involved shall not be a basis of quoting the Audit Fee.	Both in Numeric and in Words. Rs. _____/- (Rupees _____). _____).

Note: In case of change in the rate of Service Tax the revised Service Tax shall be paid.

Form U

(Letter of undertaking for having the local office in the state)

To,
The Mission Director,
State Health Society,
Name & Address of State

Sir,

We, the undersigned offer to provide the audit services for [*Name of State Health Society*] in accordance with your Request for Proposal dated [*insert date*] . We hereby submit our Proposal, having details about the firm and proposed audit fees.

We hereby declare that our firm is having Head/ Branch offices in the State of
and is situated at
..... address
proof (photocopy of letter for incorporation of firm, lease agreement, phone connection, Electric Connection etc..) in regard of this office in the state is enclosed herewith for needful.

We hereby also give an undertaking that the firm's staff deputed for the audit are proficient in State's/U.Ts local language, both in oral and written form.

We, hereby understand that any information given here if found to be false or misleading will be treated as fraud and appropriate action can be taken in this regard.

Yours faithfully

()

Encl:

- 1.....
- 2.....