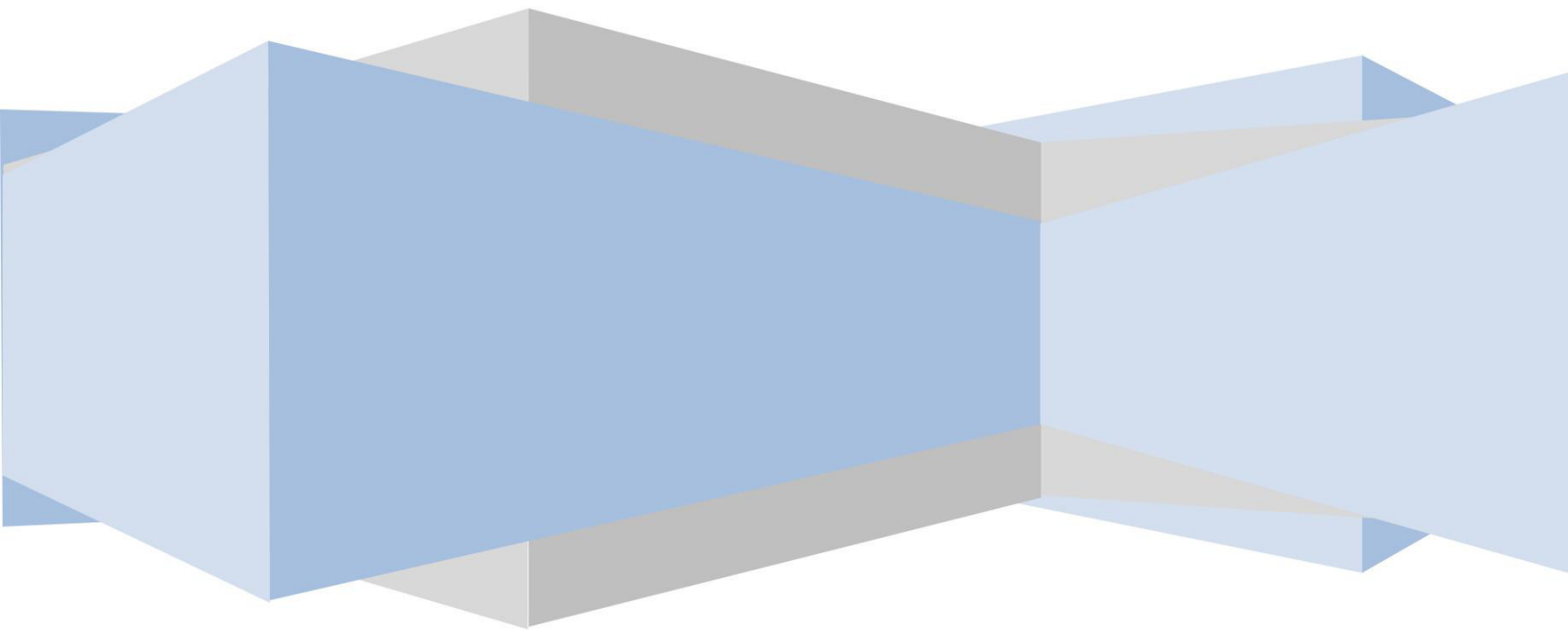


Request for Proposal (RFP)

**For Appointment of Statutory Auditor for State
AYUSH Health Society (SAHS) for Audit of all
programmes under National AYUSH Mission**



1. REQUEST FOR PROPOSAL (RFP)

State AYUSH Health Society, Kerala, seeks to invite Proposal from **Comptroller& Auditor General of India(C&AG) empanelled Chartered Accountant(CA) firms for the year 2018-19** for conducting the statutory audit of State AYUSH Health Society under the National AYUSH Mission for the FY 2018-19.

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 C. A. firms are given in the following paragraphs.

2. Terms of Reference (ToR)

Department of AYUSH, Ministry of Health and Family Welfare, Government of India has launched National AYUSH Mission (NAM) during 12th plan for implementing through States. National AYUSH Mission of the Ministry of AYUSH was launched on November, 2014 by the Government of India to improve medical facilities in all the area in the country. One of the visions of the Mission is to provide cost effective and equitable AYUSH healthcare throughout the country by improving access to the services.

The schemes may vary as per the State Annual Action Plan for each FY. At present the following Schemes falls under the National AYUSH Mission:

- A. FLEXIBLE POOL**
- B. AYUSH SERVICES**
- C. AYUSH EDUCATIONAL INSTITUTIONS**
- D. QUALITY CONTROL OF ASU & H DRUGS**
- E. MEDICINAL PLANTS**

3. Institutional and Funding Arrangements:

For the implementation of the above programmes, Ministry of AYUSH has required the creation of an Integrated Health Society at State (registered as a legal entity at the State under Societies Registration Act, 1860). Such integrated State AYUSH Health Society (SAHS) works in close coordination with the Directorate of Indian Systems Of Medicine, Directorate of Homoeopathy Department, Directorates of Ayurveda and Homoeopathy Medical Education, Office of the Deputy Drugs Controller and other implementing agencies. Program implementation is done through its District Medical Officer's office. Certain activities may be managed at the State level such as drug procurement through M/s Oushadhi and M/s HOMCO, IEC, and civil works through engineering wing of National health Mission.

4. Funding & Accounting Arrangements:

Funds for the various programs are transferred from Pay & Accounts Office of Ministry of AYUSH 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 SAHS on the basis of respective State Annual Action Plan (SAAP)

Under the umbrella of the integrated SAHS each district 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 Ministry of AYUSH (GOI).

5. Objective of audit services:

The objective of the audit is to ensure that Ministry of AYUSH receives adequate, independent, professional audit assurance that the grant proceeds provided by Ministry of AYUSH are used for purposes intended in line with approved SAAP of individual programs and that the annual financial statements are free from material mis-statements and the terms of the credit/ loan agreements of the development partners are complied with in all material respects.

The objective of the audit of the financial statements - individual financial Statements of State AYUSH Health Society and districts as well as the Consolidated Financial Statements of the State and District as a whole i.e. (Balance Sheet, Income & Expenditure, Receipt & Payment, together with relevant accounting policies) notes to accounts and schedules (Bank Reconciliation Statements, Statement of Funds Position) Reconciliation of Expenditures as per Audited financial statements with the expenditure reported from districts is to enable the auditor to express a professional opinion as to whether:-

(1) the financial statements give a true and fair view of the Financial Position of the SAHS and districts and Consolidated District and State AYUSH Health Societies at the end of each fiscal year and of the funds received and expenditure incurred for the accounting period ended March 31.

(2) the funds were utilized for the purposes for which they were provided, and

The books of accounts as maintained by the State AYUSH Health Society and districts and shall form the basis for preparation of the individual financial statements as well as the consolidated financial statements for the state as a whole.

6. Standards:

The audit will be carried out in accordance with **Engagement & Quality Control Standards (Audit & Assurance Standards)** issued by the Institute of Chartered Accountants of India in this regard. The auditor should accordingly consider materiality when planning and performing (except where a certain minimum coverage of implementing units is specified) the

audit to reduce the risk to an acceptable level that is consistent with the objective of the audit. In addition the auditor should specifically consider the risk of material misstatements in the financial statements resulting from fraud.

7. Criteria for selection of Auditors

- (a) C&AG empanelled major audit firms:** CA firms those are empanelled with C&AG for the year 2018-19 will be eligible for the audit of the NAM programmes. In this regard firms have to submit the details about the firm as per **Form T-2**.
- (b) Selection through Open Tender System:** The selection of the Auditor should be through an Open Tender basis.
- (c) 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 neighboring States.
- (d) 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 (100% districts) to be covered during the course of Audit and minimum no. of days required for completion of audit. The States may refer the website of “The Institute of Chartered Accountants of India (ICAI)” to decide the minimum fees. This is in compliance of the guideline of Guideline No-1-CA(7)/03/2016 dated 7/4/2016 The Institute of Chartered Accountants of India. The States may refer the same as indicative basis. 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.
- (e) 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. The firm quoting the minimum consolidated fees including towards TA/DA expenses will be awarded the work of audit. Bidding Firm should ensure that Audit Team shall have to visit 100% Districts. The Audit Fee should be quoted considering this aspect.

(f) Re-appointment of auditor: The auditor once appointed can continue for two more years subject to the satisfaction of the performance by the State and the State which wishes to re-appoint the same auditor shall have to seek the approval of the Executive Committee after obtaining the consent of the auditor and confirming that the said firm is in the panel of C&AG and eligible for conducting audit of major PSUs for the year for which firm is being re-appointed. Further, any comments/remarks/observation of the Ministry in this regard shall have to be considered while re-appointing the same auditor.

(g) 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): -

(i) Past Experience in handling Government Contracts & Conduct of the firm; and

(ii) Turnover of the firm

(h) The other major points related to Statutory Audit are as follows:

a. To ensure timely completion of audit, State should ensure that the books of accounts are ready at all places before the start of audit. Further, timely availability of information to the auditors should be ensured for completion of audit on time.

b. In the pre-bid conference to be held, the participant firms should clearly be explained about the requirements of audit as regards to the number of districts and physical visit of the team at each location, number of implementing agencies from whom Utilization Certificates (UCs) /Statement of Expenditure (SOEs) received and incorporated in Annual Financial Statements etc. so that a quality audit is not compromised.

c. It should be clearly ensured that a Standing Committee headed by Mission Director (NAM) is constituted in the State for the selection of auditor and for follow up and issue of compliance to the audit observations of the previous years.

d. After the completion of audit, State should organize an exit conference of the auditors to discuss the audit observations.

e. A copy of the working papers of the auditors shall be retained by the State Finance Manager (FM) in the State.

f. The process of appointment of auditor has to be completed by 31st May 2019.

- g. The State should get the audit of all the Districts and State completed by 30th June 2019 and the Audit Report issued on or before 15th July 2019.
- h. The consolidation of audit reports of all the districts with State along with all the necessary requirements such as, Accounting Policies, Notes on Accounts and Management Letter is to be completed by the State in time and final report submitted by 15th July 2019.
- i. Audit Report as per Appendices of the RFP has to be submitted in triplicate with spiral binding along with the soft copy(PDF/Scanned) in a C.D also by 15th July 2019.

8. **Scope & Coverage of audit:** In conducting the audit special attention should be paid to the following:

- a) An assessment of adequacy of the project financial systems, including financial controls. This should include aspects such as adequacy and effectiveness of accounting, financial and operational controls; level of compliance with established policies, plans and procedures; reliability of accounting systems, data and financial reports; methods of remedying weak controls ; verification of assets and liabilities and a specific report on this aspect would be provided by the auditor annually as part of the management letter;
- b) Funds have been spent in accordance with the condition laid down by the Department of AYUSH, Government of India from time to time with due attention to economy and efficiency, and only for the purpose for which the financing was provided. Counterpart contribution from State Government, where required has been provided.
- c) Goods and services financed have been procured in accordance with the relevant procurement guidelines issued by the GOI/ State Government. Such requirements are available within the State/ District's concerned Program Officers. For such externally funded programmes, auditor must satisfy that all expenditure, including procurement of goods and services have been carried out as per the procurement manual of the individual programmes and guidelines issued by the Programme Divisions of GoI and have all the necessary supporting documentation.
- d) All necessary supporting documents, records and accounts have been kept in respect of the project.
- f) **Coverage of District Project Implementing Units:** Audit will cover State Programme Management Unit (SPMU) and implementing agencies in 14 districts. All the vouchers pertaining to the health facilities will be available at the respective health facility (District Hospitals,dispensaries) and other implementing agencies for the purpose of audit.

9. **Project Financial Statements**

Project Financial Statement shall include the following:

- i. Audit Opinion as per *APPENDIX-C*.
- ii. Balance sheet showing accumulated funds of the project balances other assets of the project, and liabilities, if any.
- iii. Income & Expenditure account for the year ending on 31st March 2019
- iv. Receipt and Payment Account for the year ending on 31st March 2019
- v. Other Schedules to the Balance sheet as appropriate, but which shall include
 - Statement of Fixed Assets in the form of a Schedule,
 - Schedule of Loans and Advances (Age-wise analysis),
 - Schedule of all Cash & Bank Balances (supported by bank reconciliation statements),
 - Program wise statement of expenditure
- vi. Notes on Accounts showing the accounting policies followed in the preparation of accounts in the State AYUSH Health Society and any other significant observation of the auditor.
- vii. Auditor shall have to specify the significant observations, including internal control weaknesses for each program and also specify the institution to which these relates to enable/ facilitate appropriate follow up action.

The Auditor has to disclose whether the State has received any interest on delayed transfer of funds from State Treasury to SHS bank account.
- viii. Sanction wise Utilization Certificates (UCs) as per Form 12C of GFR 2017; duly tallied with the Income & Expenditure on Fixed Asset during the financial year (which have been shown as capitalized) **[Attach a statement showing the details of expenditures clubbed in the Utilisation Certificate tallying with the Income & Expenditure Account and Schedules forming part of it].**
Also a separate utilisation certificate for state share contribution needs to be issued by auditor.
- ix. Achievement cum performance reports, statement of fund position, showing unspent balance, funds released as advance, interest earned on unspent balance as and when due and taxation shall be applicable as per laws also to be issued.
- x. Action Taken Report on the previous year's audit observations.
- xi. **Representation by Management:** The DHS and SHS management should sign the financial statements and provide a written acknowledgement of its responsibility for the preparation and

fair presentation of the financial statements and an assertion that the project funds have been expended in accordance with the intended purposes as reflected in the financial statements.

10. **Reporting and Timing**

The final Audit Report for FY 2018-19 should be submitted on or before **15th July 2019**, to the State AYUSH Health Society and the State Society should then promptly forward **3 copies (Spiral Bound) and also soft copy in MS Excel / MS Word and Scanned (Both) is also to be submitted in mail or CD** of the audited financial statements and audit report along with the **final Utilization Certificates** signed by the State and Auditor both, to GoI with their comments, if any.

Submission of the Statutory Audit Report by the prescribed date is a Record of Proceedings conditionality for release of second tranche of funds to the State which ultimately ensures smooth implementation of the Mission and leads to better outcomes as funds are expended when needed by the State. In view of the above following measures need to be taken by the State: -

- a) The duty of the State is to ensure that the process for appointment of the auditor is completed by 31st May 2019.
- b) The State should make sure that complete cash book, ledgers, vouchers and other financial statements are ready at the time of visit of auditors.
- c) **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(NAM) 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.

11. Additional Instructions to Auditors

- a. Audit Report of the State AYUSH Health Society (SAHS) shall include audit of all the transactions at the State level as well as all the transactions in the Districts within the State.
- b. Audit for the financial year will include all the components under NAM.
- c. The auditor appointed shall be **required to issue separate Consolidated Audit Report for the State and each District, comprising all programmes under NAM.**
- d. All state level report shall have to be issued in three sets (Two sets to GOI and one set for State). Consolidated Report is to be sent to NAM-Finance Division and individual reports of individual programmes along with UCs to the respective programme divisions of the Ministry).
- e. Financial Statements and relevant schedules shall be prepared in accordance with the format following in National Health Mission provided by Ministry of Health and Family Welfare, GOI (***APPENDIX-A -FORMAT of FINANCIAL STATEMENTS***)
- f. Auditor shall certify all the Utilization Certificates in the prescribed format (Form 12C of GFR, 2017) of GOI for all programmes of NAM. The Utilisation Certificate shall be furnished sanction wise and Utilisation Certificate shall be issued for each sanction issued during the respective financial year. The Utilization Certificates should be jointly signed by the State Mission Director and the Auditor.
- g. The auditor shall also append the Checklist (***APPENDIX-B - CHECKLIST FOR AUDITOR***).
- h. Audit Opinion as per the Model Format provided at ***APPENDIX – C***.
- i. Management Letter as per ***APPENDIX – D*** along with the comments/reply of the Mission Director, State AYUSH Health Society.

12. Re-appointment of Auditor:

As the auditor once appointed can continue for two more years, subject to the satisfaction of the performance by the state and the State which wishes to re-appoint the same auditor shall have to seek the approval of the Executive Committee after obtaining the consent of the auditor and confirming that the said firm is in the panel of C&AG is being re-appointed. Further, any comments/remarks/observation of the Ministry in this regard shall have to be taken into account while re-appointing the same auditor.

- 13. General Provision:** The State should ensure that the Auditor must be appointed for all the programmes under NAM and Uniform Accounting system is being followed for all the programmes under NAM. The State should also ensure that the auditor should follow the latest formats given in the RFP.

The auditor shall be given access to any information relevant for the purpose of conducting the audit, in addition to all financial and procurement records, SAAP, MOU/LOU signed between Ministry of AYUSH and the State/ SHS, instructions issued by GOI regarding scheme guidelines , administrative orders issued by the SAHS including cost norms etc.

Guidelines for Submitting the Proposals:

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

- i. The original and all copies of the Technical Proposal shall be placed in a sealed envelope clearly marked “TECHNICALPROPOSAL” Similarly, the original Financial Proposal shall be placed in a separate sealed envelope clearly marked “FINANCIALPROPOSAL” followed by the name of the assignment and with a warning “DONOTOPENWITHTHETECHNICAL 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 “DONOTOPEN, EXCEPTINPRESENCEOFTHEOFFICIALAPPOINTED. 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 ground for declaring the Proposal non-responsive/ invalid.
- ii. All agencies must comply with the Technical Specification, General Conditions and Format/Requirements for Technical and Financial proposal.
- iii. 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.
- iv. Financial proposals submitted by the firm should be valid for 6 months from the date of submission of the proposal by the firm.
- v. Each page, Form, Annexure and Appendices of the Technical and Financial Proposal must be signed by the Authorised signatory of the firm.

- vii. All blank spaces in the financial proposal must be filled in completely where indicated, either typed or written in ink.
- viii. **State AYUSH Health Society (SAHS) 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 organisation.**
- ix. 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.
- x. 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.
- xi. The firm shall give an undertaking that the team members are proficient in the State's official language (both oral and written).
- xii. Firm shall have to depute appropriate no. of teams for timely submission of Audit Report and to attain quality of audit.
- xiii. 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***)

Letter of Transmittal

To,

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

Dear Sir,

We, the undersigned, offer to provide the audit services for [*Name of State AYUSH 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 AYUSH 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,

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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 (2018-19) 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	Audit Experience of the Firm: 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	Copy of the Offer Letter & the Fee Charged for each assignment. (Relevant evidences to be given of the turnover and fee)

	3. Experience in the NHM audit	
10	<p align="center">Details of Partners: Provide following details:</p> <ul style="list-style-type: none"> • Number of Full Time Fellow Partners associated with the firm <ul style="list-style-type: none"> • Name of each partner • Date of becoming ACA and FCA <ul style="list-style-type: none"> • 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 01/01/2019) 	<p>Attested copy of Certificate of ICAI not before 01.01.2019</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)
<p>AUDIT FEE</p> <p>a. Audit fess----- (Including cost of TA/DA)</p> <p>b. Service Tax-----</p> <p>c. Total Fees-----</p> <p><u>Note:Percentage of funds involved shall not be a basis of quoting the Audit Fee.</u></p>	<p>Both in Numeric and in Words.</p> <p>Rs. _____/-</p> <p>(Rupees _____).</p>

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

