

No. G.27034/19/2011-NRHM-Finance
Government of India
Ministry of Health & Family Welfare
(NRHM Finance Division)

Room No. -210 D, Nirman Bhawan
Maulana Azad Road,
New Delhi-110108
Dated: 1st February, 2012

To,

All Mission Directors (NRHM)
& Principal Secretaries
of States/UTs

Sub: Statutory Audit of the SHS and DHS for the year ending 31st March, 2012.

Sir/Ma'am

As you are aware that the process for conducting Statutory Audit of the State and District Health Societies for the year ending 31st March, 2012 needs to be initiated so that the same could be completed as per the schedule and the consolidated Audit report is submitted to this Ministry within the stipulated date of 31st July, 2012. In continuation of practice followed in previous years, the appointment of statutory auditor for the year 2011-12 is to be made on the basis of Open Tender System. The request for Proposal (RFP) 2011-12, with certain modifications is enclosed herewith for guidance and initiating timely action. The main features and major changes of the amended RFP are outlined below:

- (i) Follow-up on the timeliness of completion of audit is compulsory; hence, state should ensure that the books of accounts are kept ready at all places before the start of audit.
- (ii) It should be clearly understood that **only a single CA Firm is to conduct the audit of all the programmes under NRHM** (RCH, NRHM, Routine Immunization, Pulse Polio, RNTCP, NVBDCP, IDSP, NIDDCP etc.) for the State and all Districts. A certificate in this regard shall have to be provided at the beginning of the Audit Report by the State to the Ministry.

- (iii) In the pre-bid conference held by the State, the scope and requirements of audit should be clearly explained. A copy of the minutes of the pre-bid conference may be sent to the ministry.
- (iv) Re-appointment of the same auditor, if proposed by the State, shall have to be done only after the approval of the ministry but not beyond three years of continuance of the same auditor under any circumstances.
- (v) A copy of the advertisement has to be sent to ICAI at secretary@icai.org and president@icai.org for web hosting on their website before the holding of pre-bid conference.
- (vi) Firms having Head Office only at State Capital may be given preference.
- (vii) Any proposal of the State for re-appointment of the Statutory Auditor for 2010-11 accounts must be submitted to the Ministry for consideration, mentioning the reasons for the same.
- (viii) The Committee for appointment of the statutory auditor & evaluation of bids **must invariably be headed by Mission Director**. The committee shall oversee the selection of the auditor and to follow up on issues of compliance with the audit observations related to previous years.
- (ix) Firms engaged in concurrent audit either at State or District Level in 2010-11 are not eligible to apply for statutory audit.
- (x) The Statutory Auditor should review the concurrent audit reports / quarterly executive summaries and should consider material observations / findings while forming his opinion on overall internal control and truth & fairness of accounts/financial statements. These concurrent audit reports must be provided to the auditor by the state
- (xi) The state needs to submit a weekly progress report on audit progress and appointment of the auditor to the Ministry.
- (xii) On the completion of the audit, the state must organize an exit conference of the auditors chaired by the MD to discuss the audit observations and management's response thereon.
- (xiii) The *Appendix-E* has been added which must be certified by the auditors so as to ensure that reimbursable expenditures are properly elucidated.

- (xiv) Restriction on the number of States as **two** which can be audited by a C.A. firm for a particular year will remain the same as in the previous year. (*Refer Clause (b) of Para III in Section – III of RFP*).
- (xv) The State should clarify to all the bidding firms that they shall have to issue a separate Audit Report for each Programme and for each District and State Level along with a Consolidated Final Audit Report which shall have to be prepared by the C.A. firm and submitted to FMG in the Ministry for acceptance.
- (xvi) In order to avoid under quoting of rates by the bidding firm and so as to ensure a quality audit, a Format of Financial Bid has been provided along with a Template (*Appendix-F*) so as to obtain a unit-wise and Man Days costing. In case the cost estimated by the firm appears to be unrealistic as compared to the volume and quality of work, such proposals may be vetted by the State Audit Committee and considered liable for rejection, with substantive reasons therefor.
- (xvii) Audit Teams visiting the districts and blocks shall have to obtain a certificate of their attendance / actual presence during the audit, giving the name and designation of each team member and the dates of their visit etc. which shall be submitted by them for claim of their TA/DA expenditure.
- (xviii) A copy of the working papers of the auditor shall be retained by the Director (Finance)/ SFM in the State.
- (xix) Two Certificates one duly signed by the Mission Director and other by Director (Finance & Accounts) of the State are required to be furnished along with the report for its acceptance in the Ministry (Formats given as Annexure – I & II).
- (xx) In order to ensure timeliness of completion of audit on the part of the Auditors, if the State feels that in spite of providing all information, documents, and updated books of accounts, there was delay primarily due to act of omission/lacunae by the auditor then the State may deduct the audit fees @ 5% per month from the expected date of completion of audit, as agreed to in the terms of contact. However, a clause in this regard may be incorporated by

the State in the agreement and a deduction may be done only after an opportunity of being heard is given to the auditor.

However, the State may keep in mind that the books of accounts shall have to be furnished to the statutory auditor in time and in complete shape for any penal provision for delays to be effected.

2. Other Terms and Conditions remain unchanged. The eligibility criteria, selection methodology, and the related formats of the RFP stands accordingly amended. The amended RFP is being sent herewith and also hosted on the website of this ministry www.mohfw.nic.in under the link 'Financial Management Group'.

3. You are now requested to please follow the following time frame and guidelines in this regard:

- (i) The appointment of the auditor is to be made for the year 2011-12 through **Open Tender System only** as per amended RFP. An activity-wise tentative schedule is also annexed herewith for your convenience. If the State intends to appoint the same auditor for this year, proposal in this regard giving proper justification with reasons should be sent in advance to the Ministry and it must be ensured that the previous auditor has followed the provisions of timeliness and completeness. Only on receipts of the Ministry's approval should the State go ahead with such re-appointment. For proper understanding of the volume and quality of the work, a pre-bid conference of C.A. Firms should be held.
- (ii) For appointment and further follow-up an Audit Co-ordination Committee has to be formed as suggested in earlier years and the name and designation of the Nodal Officer has to be intimated to this Ministry.
- (iii) The process of appointment of the auditor has to be completed by 31st March, 2012 and intimation of the auditor appointed along with the fees fixed and evaluation sheet for the appointment has to be submitted to the Ministry by 10th April, 2012.

- (iv) The State may issue necessary instructions to all the districts to ensure that the books of accounts are kept ready and complete for the audit and all concerned personnel are available to help, coordinate the audit.
- (v) The State should co-ordinate with the auditors for ensuring that the audit is begun in tune in all the districts and 40% blocks (not the same blocks as for 2010-11) are selected for audit this year.
- (vi) The State should ensure that the audit of all the District Health Societies is completed by 31stMay, 2012.
- (vii) The guidelines for final accounts issued, if any, by any programme divisions (such as RNTCP & IDSP) shall have to be followed in the finalization of annual audited statements.
- (viii) The consolidation of all audit reports of all the districts in the State along with all the necessary documentary requirements such as Accounting Policies, Notes on Accounts, Management Letter, Reconciliation of FMR for the last qtr. (March, 2012) with the audited expenditures etc. should be completed by the State in time and final report submitted before **31st July, 2012**.
- (ix) Audit Report as per *Appendices A to E of RFP* has to be submitted in triplicate with spiral binding **along with a soft copy** (PDF / Scanned) mailed to fmg.mohfw@gmail.com and in a C.D. also **by 31st July, 2012**.
- (xxi) The instructions issued for audit mapping vide JS (P)'s letter of even no. issued in June, 2010 must be followed as provided in the RFP document, subject only to any modifications outlined in this letter.
- (xxii) Concurrent audit firms should not be engaged for the Statutory audit of districts and blocks by/ or in lieu of the Statutory Auditor.
- (xxiii) The same statutory audit firm should audit all SHS, DHS, NDSPs and PPI under the Mission in the State and a consolidated report for all programmes must be sent to the Ministry.
- (xxiv) The SHS, DHS and 40% (50% of Blocks need to be new blocks not covered in the previous year) of Blocks as outlined above must be covered by the Statutory Auditor.

4. I would, therefore, request that the process for appointment of Statutory Auditor for the year 2011-12 may be initiated at the earliest as per modified RFP so that the various steps involved as listed above are completed in time so that a smooth flow of funds may be ensured to your State during the next financial year.

This issues with the approval of the AS & MD.

Yours faithfully,

J Bhagat
1/2/2012

(Jaya Bhagat)
Director (NRHM-Finance)
Tel. No. -2306 1360

Encls: PDF File (read only) of RFP