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भारत सरकार
स्वास्थ्य एवं परिवार कल्याण मंत्रालय
निर्माण भवन, नई दिल्ली - 110011
Government of India
Ministry of Health & Family Welfare
Nirman Bhavan, New Delhi - 110011

D.O.No. G.25020/1/2015-16-NHM-Finance

Dated: 23rd February, 2016

Dear *Mission Director,*

As you are aware, the process for conducting Statutory Audit of the State and District Health Societies for the year ending 31st March, 2016 is now to be initiated so that the same is completed as per schedule and the consolidated Audit Report is submitted to this Ministry by the prescribed date. As in the past years also, the appointment of auditor is to be made on the basis of Open Tender System. The request for Proposal (RFP), 2015-16 with certain modifications is enclosed herewith for guidance and initiating timely action. The major changes in the RFP along with general instructions are outlined as per Annexure-1. In order to facilitate this process, RFP is being sent herewith through mail and also hosted on the website of National Health Mission www.nhm.gov.in under the link 'Financial Management Group'.

I would, request that the process for appointment of Statutory Auditor for the year 2015-16 may be initiated at the earliest as per modified RFP so that the various steps involved as listed in the RFP are completed in time.

With regards,

Yours sincerely,

(Manoj Jhalani)

Note: RFP and List of C&AG empanelled firms for 2015-16 is being sent in mail.

To,

All Mission Directors (NRHM) of States/UTs.

Copy for information:

All Divisions under NHM

A. Mission Flexible Pool named as Health Systems Strengthening (HSS):

The budget pool of Health System Strengthening will also comprise five programmes i.e. 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. Accordingly the Annual Financial Statements has been revised to cover these programme / activities under this pool.

B. Audit Opinion:

On account of funding by Asian Development Bank (ADB) for NUHM Program, the auditor has to insert a clause in the Audit Opinion as under:

The audited financial statements include funds received from the Asian Development Bank under "Supporting National Urban Health Mission – Results Based Lending", Loan # 3257 dated July 28, 2015" and amounts claimed under the loan are eligible for financing under the credit arrangements. The expenditure as mentioned in the respective schedule for NUHM has been incurred during the year under review for the National Urban Health Mission by the SHS from all sources of funds including loan proceeds, and allocation for use of loan proceeds has not been shown separately.

Necessary changes in the format of the Audit Opinion has been made and incorporated in the RFP vide Appendix-C, the State/ UT need to get the Audit opinion as per the format.

C. General instructions:

- (i) Scope of the audit will include the audit of funds given for NUHM, NDCPs, and NCD Programs being part of National Health Mission (NHM).
- (ii) Since SHS also handles funds other than NHM and therefore all such funds shall also have to be reflected in the consolidated financial statements.
- (iii) Firms have to give an undertaking that the audit team members are proficient in the State's official language (both oral and written) and will be headed by a Chartered Accountant on regular basis.
- (iv) As a CA firms cannot do audit of more than 3 states in a particular year, therefore, CA firms have to give an undertaking that if appointed in more than 3 states then they have to withdraw their name so as to keep it up to 3 States/ UTs only.
- (v) The Formats of Financial Statements have been revised and attached to include all programmes under NHM i.e. RCH, HSS, RI, PPIP, NIDDPC, NUHM, NDCPs, NCDs and Non-NHM Funds. (Refer Appendix-A).
- (vi) Mission Director shall issue a certificate stating that all bank accounts in the name of State Health Society has been incorporated into the consolidated financial statements and also that the consolidated financial statements include all programmes of NHM.
- (vii) Only C.A. Firms those are empaneled with C&AG for major PSU audits for the year 2015-16 will be eligible to apply. A list of such C. A. Firms as issued by C&AG is also being sent herewith.
- (viii) Audit Fee to be quoted has to include expenses towards TA/DA also.
- (ix) To ensure timely completion of audit, state should ensure that the books of accounts are ready at all places before the start of audit.

- (x) In the pre-bid conference to be held, the participating firms should be clearly explained about the requirements of audit as regards the no. of districts, blocks, physical visit of the team at each location, no. of implementing agencies from whom UCs/ SOE is received and incorporated in Annual Financial Statements etc. so that a quality audit is conducted.
- (xi) Re-appointment of the same auditor can be done by State/ UT but not beyond three years i.e. 1+2 years, but make sure that the firm, which is being re-appointed is duly empanelled with C&AG for audits of major PSU for the year 2015-16 as per list provided by C&AG and sent herewith.
- (xii) Copy of 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.
- (xiii) It should be clearly ensured that a Standing Committee headed by Mission Director is formed in the State for the selection of auditor and for follow up and issue of compliance to the audit observations of the previous years.
- (xiv) After the completion of audit state should organize an exit conference of the auditors to discuss the audit observations and should settle the observations which have been complied with.
- (xv) A copy of the working papers of the auditor shall be retained by the Director (Finance)/ SFM in the State.

The RFP is being sent herewith through mail and also hosted on the website of National Health Mission www.nhm.gov.in under the link 'Financial Management Group'.

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

- (i) The appointment of the auditor is to be made for the year 2015-16 through **Open Tender System only** as per amended RFP 2015-16. If the State intends to appoint the previous year auditor for this year, the same should be intimated giving proper justification to the Ministry and it must be ensured that the previous auditor has followed the provisions of timeliness and completeness.
- (ii) The process of appointment of the auditor has to be completed by 31st March, 2016 and intimation of the auditor appointed along with the fees fixed and evaluation sheet for the appointment has to be submitted to the Ministry latest by 10th April, 2016.
- (iii) The State must issue necessary instructions to all the districts to get ready for the audit and ensure that the books of accounts are kept ready and complete for the audit.
- (iv) The State should co-ordinate with the auditors for starting the audit in all the districts and ensures that different blocks are selected for audit this year.
- (v) The State should get the audit of all the District Health Societies completed by 31st May, 2016 and the Audit Report is issued before 30th June, 2016.
- (vi) The guidelines for final accounts issued, if any, by any programme divisions (like RNTCP & IDSP) shall have to be followed in the finalization of annual audited statements. In the past it has been noticed in some states that a separate audit report for these programmes as per their formats is not issued on time, therefore, it should be ensured that Audit Report of these programmes is issued and on time. State may also plan to get the audit of these small programmes on priority.
- (vii) The consolidation of all audit reports of all the districts with State along with all the necessary requirements such as, Accounting Policies, Notes on Accounts, Management Letter, Reconciliation of FMR for the last qtr. (March, 2016) with the audited expenditures etc. should be completed by the State in time and final report is submitted by **31st July, 2016**.
- (viii) 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, 2016**.
- (ix) The SHS, DHS and 40% of B'locks as outlined above must be covered by the Statutory Auditor.