

REQUEST FOR PROPOSAL (RFP)

State Health Agency, Kerala, seeks to invite Proposal from Comptroller & Auditor General of India (C&AG) *empanelled Chartered Accountant (CA) firms those are eligible for major Public Sector Undertakings (PSU) audits for the year 2020-21* for conducting the statutory audit of State Health Agency for the FY 2020-21.

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 Health Authority (NHA) of the Ministry of Health & Family Welfare (MoHFW) was launched on 23th September, 2018 by the Government of India (GOI) to implement Ayushman- Bharat Pradhanmantri Jan Arogya Yojna (AB-PMJAY) medical treatment assurance/insurance facilities in the country. From 01 April 2019 onwards Government of Kerala has implemented the PMJAY Scheme in Kerala by amalgamating the existing schemes RSBY,CHIS,CHIS PLUS and SCHIS. The scheme then branded as Karunya Arogya Suraksha Padhathi and implemented in the state through Comprehensive Health Insurance Agency of Kerala (CHIAK) till State Health Agency's formation. State Health Agency Kerala, started function from 27th May 2020.

Currently two schemes are implemented through State Health Agency which are described below,

1. Ayushman Bahrath – Pradhanmandri Jan Arogya Yojna (AB PMJAY), Karunya Arogya Suraksha Padhathi (KASP).

Government of India revamped the health insurance scheme of Rashtriya Swasthya Bima Yojna (RSBY) and Senior citizen Health Insurance (SCHIS) to PMJAY on 23rd September 2018, the scheme covers health protection to beneficiaries up to Rs.5 Lakhs annually and the benefit is provided through the empaneled hospitals. During the transition period 21 Lakhs families covered under RSBY scheme in the State of Kerala were automatically enrolled under PMJAY scheme.

Government of Kerala widened the RSBY Benefits to other eligible families identified by State Government and enrolled them by naming a separate name as Comprehensive Health Insurance Scheme (CHIS), the State Government settled the cost of such beneficiaries. These beneficiaries also covered under PMJAY scheme by enrolling them separately namely Karunya Arogya Suraksha Padhathi (KASP), the total benefited family strength during the period of migration is around 20 Lakhs families. Therefore, Government of Kerala implemented the PMJAY Scheme in the State of Kerala as PMJAY KASP Scheme. There is no difference in treatment or implementation.

During the financial year 2020-21 PMJAY KASP scheme was implemented both Insurance model (01.04.2020 to 30.06.2020) and assurance model (01.07.2020 to 31.03.2021). The insurance model was implemented through M/s Reliance General Insurance Co Limited and the assurance model is implementing through Vidal Health Insurance TPA Limited and M/s Health India Insurance TPA Private limited.

Total cost expected to implement the scheme is Rs.700 Crore.

2. The revamped Karunya Benevolent Fund scheme.

Government of Kerala revamped the Karunya Benevolent Scheme which was implemented through Taxes Department now transferred to Health Department and the total modes of implementation are changed. Now, the scheme was linked with PMJAY KASP scheme by utilizing the IT system of PMJAY KASP. The scheme provide free health benefit up to Rs.200,000/- (300,000 for Kidney related diseases) for a family in a life time. The treatment protocol and mode of implementation other than selection of beneficiary is the same as PMJAY KASP Scheme. The estimated cost of KBF a year is Rs. 70 Crore.

1. Institutional and Funding Arrangements:

For the implementation of the above programmes, MoHFW has required the creation of an State Health Agency (registered as a legal entity at the Travancore Cochin Literary, scientific and charitable societies act, 1955). State Health Agency works in close coordination with the National Health Authority (NHA), Department of Health and Family Welfare, various Public Hospitals, Private Hospitals, autonomous bodies (RCC,MCC and

CCRC), District Collector and District Chief Medical Officer (CMO). Program implementation is done through its District Project Coordinators who is stationed at District Programme Managers NHM's office, IEC, civil works, training using specialized entities such as NHA, and WHO

2. Funding & Accounting Arrangements:

Funds for the various programs are transferred from Pay & Accounts Office of NHA and Government of Kerala to the Escrow Bank account of SHA. Government of India transfer funds in the form of Grants-in-Aid to escrow account through PFMS on the basis of respective scheme. Government of Kerala transferring fund from state treasuries each program has separate bank account 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 units in NHA and GoK.

3. Objective of audit services:

The objective of the audit is to ensure that Government of Kerala receives adequate, independent, professional audit assurance that the grant proceeds provided by State and central are used for purposes intended in line with approved schemes and Annual Work Plan (AWP) of individual programs and that the annual financial statements are free from material mis-statements.

The objective of the audit of the financial statements - financial Statements of State Health Agency 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 is to enable the auditor to express a professional opinion as to whether:-

- i. the financial statements give a true and fair view of the Financial Position of the State Health Agency at the end of each fiscal year and of the funds received and expenditure incurred for the accounting period ended March 31, 2021,
- ii. the funds were utilized for the purposes for which they were provided, and

4. **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.

5. **Criteria for Selection of Auditors**

A. **C&AG empanelled major audit firms:** CA firms those are empanelled with C&AG for the year 2020-21 and eligible for conducting audit of PSUs only will be eligible for the audit of the SHA 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 Head Office (H.O.)/Local Branch office in the State Capital:** The firms must have H.O. Office in Kerala State and must have a /Local Branch office at Thiruvananthapuram. Such office must exist within the State for not less than three years as per the ICAI Certificate.

D. Firms have to give 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.

E. **CA firms eligible for audit:** CA firms those are empanelled with C&AG for the year 2020-21 and eligible for conducting audit of major PSUs only will be eligible for the audit of the SHA programmes. Further, CA firms eligible for conducting audit of PSUs in 2020-21 and having their H.O/ Branch offices in Thiruvananthapuram may be given additional weight-age in the evaluation of Technical proposal. On clearance of Technical proposal, the auditor will be finalized on the basis of Financial Bids. In this regard, firms have to submit the details about the firm as per Form T-2.

F. **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 requests the State for stay arrangement etc., then cost to the SHA for such stay arrangements etc. will be adjusted against the consolidated fees quoted.

G. **Re-appointment of Auditor:** The auditor once appointed can continue for two more years subject to the satisfaction of the performance by the SHA and the SHA 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 executive committee or Governments in this regard shall have to be considered while re-appointing the same auditor.

H. Maximum No. of Auditors under SHA: 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

I. The other major points related to Statutory Audit are as follows:

- a. To ensure timely completion of audit, SHA 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 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 Executive Director (SHA) is constituted in the SHA 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 Joint Director Finance and Administration/ Manager Finance in the SHA.
- f. The process of appointment of auditor has to be completed by 31st March 2021 and intimation of the auditor appointed along with the fees fixed and evaluation sheet for the appointment has to be submitted to the Executive Committee or Government of Kerala.
- g. The SHA should get the audit and the Audit Report issued before 30th June 2020.
- h. The of audit reports of State along with all the necessary requirements such as, Accounting Policies, Notes on Accounts and Management Letter is to be completed by the SHA in time and final report submitted by 31st July 2020.
- 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)mailed to statehealthagencykerala@gmail.com and in a C.D. also by 31st July 2020.

J. 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 Health & Family Welfare, Government of India/National Health Authority 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. However, for various programmes, special attention must be paid to the requirements of the agreement between GOI and Development Partners, if any 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.

K. The Statutory Auditor may review the concurrent audit reports / quarterly executive summaries and may consider material observations / findings while forming his opinion on overall internal control and truth & fairness of accounts/financial statements.

Project Financial Statements

Standard format of such financial statements and relevant schedules showing the consolidation of all the programmes.

Project Financial Statement shall include the following:

- i. Statements.
- ii. Balance sheet showing accumulated funds of the project balances other

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assets of the project, and liabilities, if any.

iii. Income & Expenditure account for the year ending on 31st March 2021.

iv. Receipt and Payment Account for the year ending on 31st March 2021.

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 SHA 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.

viii. Auditor shall have to certify the delay status of funds transferred from State Treasury to SHA for the FY 2020-21.

ix. The Auditor has to disclose whether the SHA has received any interest on delayed transfer of funds from State Treasury to SHA bank account.

x. Sanction wise UCs as per Form 12-C of GFR 2017; duly tallied with the Income & Expenditure and 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 Utilization Certificate tallying with the Income & Expenditure Account and Schedules forming part of it**].

Also, a separate UC for state share contribution needs to be issued by the auditor.

xi. Action Taken Report on the previous year's audit observations.

xii. **Representation by Management:** SHA 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.

Reporting and Timing

The final Audit Report should be submitted by **31st July 2021**, (i.e. within four months of the end of the financial year) to the SHA and the SHA should then promptly forward **3 copies (Spiral Bound) and also soft copy in MS Excel / MS Word and Scanned (Both) in mail or CD** 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 Record of Proceedings (ROP) conditionality for release of funds to the State which ultimately ensures smooth implementation of the Scheme and leads to better outcomes as funds are expended when needed by the State/SHA. In view of the above following measures need to be taken by the State: -

- a. The duty of the SHA is to ensure that the process for appointment of the auditor is completed by 31st March and intimation of the auditor appointed along with the fees fixed & evaluation sheet for the appointment has to be submitted to the Executive committee or Government of Kerala. Also timely availability of information to the auditor needs to be ensured strictly.
- b. The SHA 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 SHA 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 SHA in the agreement. However, in case of delay in submitting the audit report due to unforeseen circumstances like flood, earthquake, election, etc., the Executive Director of the SHA has the right to waive off the penalty. Further, before imposing penalty, the firm may be given an opportunity to be heard.

14. Additional Instructions to Auditors

- a. Audit Report of the SHA shall include audit of all the transactions at the SHA
- b. Audit for the financial year will include all the components under SHA
- c. The auditor appointed shall be **required to issue separate Audit Report for the PMJAY KASP Scheme. The relevant formats for Audit Report as issued by KASP PMJAY Division**

All State level report shall have to be issued in three sets (Two sets for MoHFW and one set for State). Consolidated Report is to be sent to SHA-Finance Division and individual reports of individual programmes, if any,

Re-appointment of Auditor: The auditor once appointed can continue for two more years, subject to the satisfaction of the performance by the SHA. The SHA 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 the firm is being re-appointed. Further, any comments/remarks/observation of the Ministry/Department in this regard shall have to be taken into account while re-appointing the same auditor.

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, , MOU/LOU signed between MoHFW and the State/ SHA, instructions issued by MoHFW regarding scheme guidelines (e.g. PMJAY etc.), administrative orders issued by the SHS/ SHA/ including cost norms etc. Where programs are financed by Development Partners, copies of the legal agreement, project appraisal document should be made available to the auditors.

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 “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 SHA 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. Single Proposal (Multiple Firms): In case SHA decides to appoint more than one CA firm as auditor, the Bidding CA firm may submit proposal for SHA
- iii. All agencies must comply with the Technical Specification, General Conditions and Format/Requirements for Technical and Financial proposal.
- iv. 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.
- v. Financial proposals submitted by the firm should be valid for 6 months from the date of submission of the proposal by the firm.
- vi. 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 Health Agency (SHA) 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.**
- ix. If the required constitution of the team is not deployed the SHA may take appropriate action as it deems fit (including blacklisting of the firm) against the firm, keeping the Ministry informed.

- x. 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 Thiruvananthapuram, Kerala. (Form U).**
- xi. Firm shall have to depute appropriate no. of teams for timely submission of Audit Report and to attain quality of audit.
- xii. 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*)

Letter of Transmittal

To,

The Executive Director,

State Health Agency,

5th and 8th floor, Artech Meenakshi Plaza,
Opp WnC Hospital Thycaud, Thycaud, Thiruvananthapuram-695014.

Sir,

We, the undersigned, offer to provide the audit services for [*Name of State Health Agency*] 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 Agency [*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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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 (2019-20) 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 align="center">Audit Experience of the Firm:</p> <p>1. Number of Assignments in Commercial/Statutory Audit</p> <p>2. Number of Assignments of Externally Aided Projects/Social Sector Project (excluding audit of Charitable Org.) Institutions &NGOs</p> <p>3. Experience in the NHM audit</p>	<p>Copy of the Offer Letter & the Fee Charged for each assignment.</p> <p>(Relevant evidences to be given of the turnover and fee)</p>
10	<p align="center">Details of Partners:</p> <p align="center">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 <ul style="list-style-type: none"> • 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 01/01/2020) 	<p>Attested copy of Certificate of ICAI not before 01.01.2020</p>

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

Form F- 1**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	Both in Numeric and in Words.
a . Audit fess----- (Including cost of TA/DA)	Rs. /-
b . Service Tax-----	(Rupees
c . Total Fees-----	-).
Note: Percentage of funds involved shall not be a basis of quoting the Audit Fee.	

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

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

To,

The Executive Director, State Health Agency,
5th and 8th Floor, Artech Meenakshi Plaza,
Opp WnC Hospital, Thycaud, Thiruvananthapuram-695014. Sir,

We, the undersigned offer to provide the audit services for [*Name of State Health Agency*] 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 Kerala..... and is situated at address proof (photocopy of letter for incorporation of firm, lease agreement, phone connection, Electric Connection etc.) of this office in the State is enclosed herewith.

We hereby also give an undertaking that the firm’s staff deputed for the audit are proficient in State’s/UTs 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

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Encl:

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