

**REQUEST FOR EXPRESSIONS OF INTEREST  
(CONSULTING SERVICES– FIRMS SELECTION)**

**COUNTRY- India**

**NAME OF PROJECT – Uttarakhand Health Systems Development Project**

Loan No./Credit No./Grant No.: 5948-IN

**Assignment Title:** Hiring of /External Auditor for F.Y. 2018-19

**Reference No. :** IN-UKHFWS-117395-CS-CQ

The Govt. of Uttarakhand has received financing from the World Bank toward the cost of the Uttarakhand Health Systems Development Project (UKHSDP) and intends to apply part of the proceeds for consulting services.

The Consulting Services (“the Services”) includes providing Statutory Audit Services in accordance with the provisions of the project and various norms and guidelines governing the project.

The UKHSDP now invites eligible consulting firms (“Consultants”) to indicate their interest in providing the Services. Interested Consultants should provide information demonstrating that they have the required qualifications and relevant experience to perform the Services. The short listing criteria are as per the attached Terms of Reference

The attention of interested Consultants is drawn to paragraph 1.9 of the World Bank’s *Guidelines: Selection and Employment of Consultants [under IBRD Loans and IDA Credits & Grants] by World Bank Borrowers* (“Consultant Guidelines”), setting forth the World Bank’s policy on conflict of interest. In addition, please refer to the specific information on conflict of interest related to this assignment.

A Consultant will be selected in accordance with the Selection based on Consultant’s qualification (CQS) method set out in the Procurement Guidelines.

Further information can be obtained at the address below during office hours [*i.e. 1000 to 1700 hours*].

Expressions of interest must be submitted online only through website [www.uktenders.gov.in](http://www.uktenders.gov.in) ) latest by 17/07/2019 by 1500 hours

Attn: Additional Project Director

Office of Project Director, Uttarakhand Health System Development Project

2<sup>nd</sup> Floor, Red Cross Building, Danda Lakhaund, Sahastradhara Road, Dehradun

Phone -0135-2607610

E Mail – [apd.ukhsdp@gmail.com](mailto:apd.ukhsdp@gmail.com)

## **TERMS OF REFERENCE FOR STATUTORY AUDIT SERVICES**

### **Assignment Title :**

Hiring of External Auditor for F.Y. 2018-19

### **Background**

UKHSDP intends to engage a qualified CA firm for carrying out External Audit, covering all components of the project under these terms of reference.

### **Project Background**

Uttarakhand Health Systems Strengthening Project (UKHSDP) is conceived as a strategic initiative to enhance people's access to quality health care services in the state of Uttarakhand. The Project is financed by the World Bank and implemented by Uttarakhand Health and Family Welfare Society (UKHFWS). The project seeks to support Uttarakhand in improving access to quality health services and in providing health financial risk protection. Specifically, the project would focus on improving access to health services for the predominantly remote population of the state, through strengthening public and private health-delivery systems; promoting greater stewardship and managerial capacity in the health directorate; improving information systems; augmenting monitoring and research; and extending coverage of state health insurance scheme beyond hospitalization to include primary healthcare services.

GoUK has received financing from the International Development Association (the "Bank") for an amount equivalent to US\$ 100,000,000 ("Credit"), towards the cost of the Uttarakhand Health Systems Development Project, and intends to apply a portion of

the proceeds of this Credit to eligible payments for consultancy services for Conducting Gap Analysis of Five Health facilities for Entry Level NABH Standards in Uttarakhand. Payments by the Bank will be made only at the request of the Authority and upon approval by the Bank, and will be subject, in all respects, to the terms and conditions of the financing agreement executed between the Government of India and the Bank (“Financing Agreement”).

Project is to be implemented over six years with total cost of USD 125 Million, out of which the World Bank will provide financial support of USD 100 Million. The project has two components as follows: a) innovations in engaging the private sector (for integrated service delivery and for health financing), and b) stewardship and health systems improvement. A description of the activities under the two project components is provided below.

### **Objective**

The objective of the audit of the Project Financial Statement (PFS) is to enable the auditor to express a professional opinion as to whether (1) the PFS present fairly, in all material respects, the sources and applications of project funds for the period under audit examination, (2) the funds were utilized for the purposes for which they were provided, and (3) expenditures shown in the PFS are eligible for financing under the relevant loan or credit agreement. In addition, the auditor will express a professional opinion as to whether the IUFRR submitted by project management may be relied upon to support any applications for withdrawal.

The books of account that provide the basis for preparation of the PFS are established to reflect the financial transactions of the project and are maintained by the project implementation agency (UKHSDP) at the head office.

### **Standards**

The audit will be carried out in accordance with the Auditing Standards promulgated by the ICAI. The auditor should accordingly consider materiality when planning and performing the audit to reduce audit risk to an acceptable level that is consistent with the objective of the audit. Although the responsibility for preventing irregularity, fraud, or the use of loan proceeds for purposes other than as defined in the legal agreement remains with the borrower, the audit should be planned so as to have a reasonable expectation of detecting material misstatements in the project financial statements.

### **Scope**

In conducting the audit, special attention should be paid to the following:

- (a) All external funds have been used in accordance with the conditions of the relevant legal agreements and only for the purposes for which the financing was provided. Relevant legal agreements include the Financing Agreement, the Project Agreement, and the Minutes of Negotiations;
- (b) Counterpart funds have been provided and used in accordance with the relevant legal agreements and only for the purposes for which they were provided;
- (c) All necessary supporting documents, records, and accounts have been kept in respect of all project transactions including expenditures reported via IUFs where applicable. Clear linkages should exist between the books of account and reports presented to the Bank; and
- (d) The project accounts have been prepared in accordance with consistently applied Accounting Standards and present fairly, in all material respects, the financial situation of the project at the year end and of resources and expenditures for the year ended on that date.
- (e) All expenditure, including procurement of goods, works and consulting services have been carried out as per the Project Procurement Manual and World Bank Procurement and Consultant Guidelines.
- (f) The Auditor shall carry out sample physical verification of assets as required by the auditing standards

### **Project Financial Statements**

The Project Financial Statements should include-

- A. Statement of Sources and Applications of Funds: The formats of PFS are set out in Annexure 1.
- B. Reconciliation of Claims to Total Applications of Funds. The PFS include reconciliation between expenditure reported as per the Statement of Sources and Applications of Funds and expenditure claimed from the World Bank through report based methods of reimbursement. The formats are outlined in Annexure 2.
- C. Management Assertion: Management should sign the project financial statements and provide a written acknowledgement of its responsibility for the preparation and fair

presentation of the financial statements and an assertion that project funds have been expended in accordance with the intended purposes as reflected in the financial statements. An example of a Management Assertion Letter is shown at Annexure 3.

### **Interim Unaudited Financial Reports**

In addition to the audit of the PFS, the auditor is required to audit all Interim Unaudited Financial Reports (IUFs) for withdrawal applications made during the period under audit examination. The auditor should apply such tests as the auditor considers necessary under the circumstances to satisfy the audit objective. In particular, these expenditures should be carefully examined for project eligibility by reference to the relevant financing agreements. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted and qualified by the auditor.

### **Audit Report**

An audit report on the project financial statements should be prepared in accordance with the Auditing Standards promulgated by ICAI. Those standards require an audit opinion to be rendered related to the financial statements taken as a whole, indicating “unambiguously whether it is unqualified or qualified and, if the latter, whether it is qualified in certain respects or is adverse or a disclaimer of opinion.” In addition, the audit opinion paragraph will specify whether, in the auditor’s opinion, (a) with respect to IUFs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to the audit report<sup>1</sup>, expenditures are eligible for financing under the Loan/Credit Agreement.

The Project Financial Statements and the audit report should be received by the Bank not later than 6 months after the end of the fiscal year. The auditor should also submit two copies of the audited accounts and audit report to the Implementing Agency.

### **Management Letter**

In addition to the audit report on the Project Financial Statements, the auditor may prepare a management letter containing recommendations for improvements in internal control and other matters coming to the attention of the auditor during the audit examination. Where a management letter is prepared by the auditor, a copy of the same will be supplied to the Bank.

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<sup>1</sup> A sample audit report wording for an unqualified audit opinion is shown at Annexure 4.

**General**

The auditor should be given access to any information relevant for the purposes of conducting the audit. This would normally include all legal documents, correspondence, and any other information associated with the project and deemed necessary by the auditor. The information made available to the auditor should include, but not be limited to, copies of the Bank's Project Appraisal Document, the relevant Legal Agreements, a copy of these Guidelines, and a copy of the Bank's Financial Management Assessment of the project entity. It is highly desirable that the auditor become familiar with other Bank policy documents, the Bank's internal guidelines on Financial Management that include financial reporting and auditing requirements for projects financed by the World Bank. The auditor should also be familiar with the Bank's Disbursement Manual. Both documents will be provided by the Project staff to the auditor.

## SCOPE OF ASSIGNMENT

The assignment would be for FINANCIAL YEAR- 2018-2019. This period could subsequently be extended, on a yearly basis based on mutual agreement between the client and the consultant.

## KEY PERSONNEL

An indicative list of key personnel required for the audit is as under:

Key Professionals	Description of Services to be provided	Experience	No. of persons	Total Man months
Team Leader	Overall coordination, & planning, team leadership, reporting, liaison with client	Qualified Chartered Accountant with at least 10years experience as a partner with expertise in statutory audit of external aided projects, its planning, execution and reporting	1	0.5 x 1 = 0.5
Team Members	Field audit	Qualified Chartered Accountant with at least 5years experience with expertise in statutory audit of external aided projects	1	1 x 1 =1

## DURATION OF ASSIGNMENT

The Audit report shall be submitted within 60 days of award of contract.

**MANDATORY CRITERIA**

S. No.	Basic Requirement	Specific Requirements	Documents Required
1)	Entity	Must be a legally constituted entity.	Copy of the Certificate of Incorporation and constitutional documents
2)	CAG empaneled	The entity should be empanelled with CAG	CAG empanelment number

**SHORTLISTING CRITERIA**

S. No.	Basic Requirement	Specific Requirements	Documents Required
1)	Turnover	Should have an Annual Turnover of at least Rs. 50 Laacs and positive net worth during the last three financial years (2015-16, 2016-17, and 2017-18).	Certified copy of the audited financial statements OR certificate from a Chartered Accountant
2)	Number of Partners	The firm should have at least 3 partners.	Copy of Institute registration form issued by ICAI
3)	Staff	Should have 3 or more qualified staff other than partners.	Self-certification of list of such staff with qualification and experience
4)	Overall experience of firm	Should demonstrate at least 10 years' experience of working in auditing area, preferably in the government sector.	Self-certification of details of the experience
5)	Technical Capability	Should have conducted similar audits.	Work orders and work completion certificates from client

## Annexure 1

**UKHSDP PROJECT**  
Sources and used of Funds

Particulars	Expen diture	Non claima ble	Eligibl e Expen diture	Reimbur sement %	Reimb ursable amount
	FOR the year	FOR the year			
<i>Sources</i>	<b>1</b>	<b>2</b>	<b>(3) = (1) - (2)</b>	<b>4</b>	<b>5=3x4</b>
<i>Opening Bank Balance</i>					
Add: Amount received during the year					
Add: Interest					
<i>Total Sources</i>					
<b>Expenditure by Component:</b>					
<b>Component 1: Innovations in engaging the private sector</b>					
Sub-component 1.1: Innovations in integrated delivery of healthcare services					
Sub-component 1.2: Innovations in Healthcare Financing					
<b>Component 2: Stewardship and System Improvement</b>					
Project core team and office expenses					
Capacity building, Information System, Research as per PP					
<b>TOTAL Uses ( PROJECT EXPENDITURE)</b>					
<i>Closing Balance</i>					

Director Finance

Project Director

## Notes:

1. This financial statement is prepared on \_\_\_\_\_ basis of accounting.
2. Any other project specific Note.

**UKHSDP**  
**Reconciliation of Claims to Total Applications of Funds**

(Rs. in Lakhs)

Particulars	Schedules	Current Year	Previous Year	Project to date
<b>Bank Funds claimed (A)</b>	I			
Withdrawal claims for 1 <sup>st</sup> half year as per IUFR				
Withdrawal claims for 2 <sup>nd</sup> half year as per IUFR				
<b>Total Bank funds claimed</b>				
<b>Total expenditure made during the year (B)</b>				
Expenditure as per books of account				
<i>Less:</i>				
<i>Ineligible expenditure (C)</i>	II			
<i>Expenditures not claimed (D)</i>	III			
<b>Total eligible expenditure claimed (E)=(B)-(C)-(D)</b>				
<b>World Bank Share @ 80% of (E)=(F)</b>				
<b>Excess/ Shortage of claims over expenditure (A)-(F)</b>				

Director Finance

Project Director

Notes:

1. Total expenditure made during the year (B above) must be the same as the Total Project Expenditure (A) shown on the Statement of Sources and Applications of Funds.
2. Expenditures not claimed (D above) may reflect timing differences for eligible expenditures incurred during the year but claimed after the year end.

**Example of a Management Assertion Letter<sup>2</sup>**

(Project Letterhead)

(To Auditor)

(Date)

This assertion letter is provided in connection with your audit of the financial statements of the UKHSDP for the year ended \_\_\_\_\_. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with the **cash/accrual** basis of accounting, and we confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

1. The project financial statements are free of material misstatements, including omissions.
2. Project funds have been used for the purposes for which they were provided.
3. Project expenditures are eligible for financing under the Loan/Credit agreement.
4. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the project financial statements.
5. We have made available to you all books of account and supporting documentation relating to the project.
6. The project has complied with the conditions of all relevant legal agreements, including the Financing Agreement, the Project Appraisal Document, and the Minutes of Negotiations.

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 [Project Director(s)]

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 (Director Finance )

<sup>2</sup> This sample management assertion letter is based on ISA 580, "Management Representations," Handbook of International Auditing, Assurance and Ethics Pronouncements, International Federation of Accountants, 2007

### Sample Audit Report—Unqualified Opinion

Addressee<sup>3</sup>

#### Report on the Project Financial Statements

We have audited the accompanying financial statements of the \_\_\_\_\_ Project financed under World Bank Credit No. \_\_\_\_\_, which comprise the Statement of Sources and Applications of Funds and the Reconciliation of Claims to Total Applications of Funds<sup>4</sup> for the year ended \_\_\_\_\_, these statements are the responsibility of the Project's management. Our responsibility is to express an opinion on the accompanying financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards promulgated by the ICAI. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit examines, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the sources and applications of funds of UKHSDP for the year ended \_\_\_\_\_ in accordance with accounting standards issued by the ICAI.

In addition, in our opinion, (a) with respect to IUFRs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and (b) except for ineligible expenditures as detailed in the audit observations, if any, appended to this audit report, expenditures are eligible for financing under the Loan/Credit Agreement. During the course of the audit, IUFRs [*each application no. and amount to be indicated*] and the connected documents were examined and these can be relied upon to support reimbursement under the Loan/Credit Agreement.

[Auditor's Signature]

[Auditor's Address]

[Date<sup>5</sup>]

<sup>3</sup> The auditor's report should be addressed to the person stipulated in the underlying financing agreement as responsible for providing audited project financial statements.

<sup>4</sup> Insert titles of other required statements and schedules included in or annexed to the project financial statements, if any.

<sup>5</sup> The report should be dated as of the date to which the auditor has become aware of and considered the effects of events and transactions. This is generally the final date of fieldwork, as opposed to the date of signing the audit report.