

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

INDIA

MEGHALAYA HEALTH SYSTEMS STRENGTHENING PROJECT

Assignment Title: Engagement of an Internal Auditor for Meghalaya Meghalaya Health Systems Strengthening Project (MHSSP), Department of Health & Family Welfare, Government of Meghalaya

Reference No: DHS/P-53/MHSSP/CS-10/2023-24

The Government of Meghalaya is committed to improving the health status of its citizens. Despite considerable challenges, the state has shown progress in various health indicators over the last decades. To further accelerate the progress, the Department of Health and Family Welfare (DoHFW), Government of Meghalaya with technical and financial support from the World Bank, is implementing ‘Meghalaya Health Systems Strengthening Project’ (MHSSP) in the state. The MHSSP intends to improve accountability, quality and utilization of health services in Meghalaya, especially among public facilities at primary health center (PHC), community health center (CHC) and district hospital levels. In order to achieve its objectives, the MHSSP will over the next five years adopt a systems approach to combine results-based financing and input-based financing with the aim of achieving enhanced performance management in the public sector.

The project activities are structured across 4 broad components as follows:

- i. Component 1: Improve accountability and strengthen governance through Internal performance agreements
- ii. Component 2: Strengthen Systems to Sustain Quality of health service
- iii. Component 3: Increase coverage and utilization of quality health services
- iv. Component 4: Contingent Emergency Response Component

1. Objective of this assignment is:

- a. Evaluate adequacy and effectiveness of financial management and internal control system.
- b. To ascertain compliance with laid down policies in accordance with the Legal Agreement of the Project, World Bank guidelines and Procurement Regulations, Project Operational Manual, State Government procedures, prevailing laws, etc as applicable under the project.
- c. To review maintenance books and accounts and evaluate the adequacy and effectiveness of the financial, procurement and contract management and internal control system;
- d. To identify areas for improvement and critical weaknesses, if any.
- e. Expresses an independent professional opinion on the project operations.
- f. Provide timely information and recommendation to the Management on Financial Management aspects of the project to enable timely corrective actions, as necessary.

2. **Period of Consultancy:** The time period for the said consultancy shall be two years from the date of award of contract. The duration may be extended if required with mutual agreement of the parties. The draft Terms of Reference for the assignment is available at **Annexure-A**
3. The Meghalaya Health Systems Strengthening Project 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:

S#	CRITERIA	SUPPORTING DOCUMENTS
1	The firm should be registered with the ICAI for the last 8 (eight) years as on August 1, 2021.	Incorporation / registration certificate of ICAI
2	The firm should be empanelled with the office of C&AG. Firms empanelled with C&AG for major audits will have an added advantage.	C&AG letter regarding empanelment for FY2018-19 and onwards
3	The firm should have at least two partners and two full-time qualified Chartered Accountants/ Cost Accountants	ICAI firm card
4	The firm should have an average turnover of ₹ 30 lakhs during the last three financial years (FY 2021-22, FY2020-21 and FY2019-20) from audit fees	Audited Financial Statements for the said years. PAN, GST and Registration Copies.
5	The firm should have completed at least three similar assignments of conducting Internal Audit in Government Departments / PSUs during the last 5 years.	Self-certification

NOTE: A mandatory submission of Self declaration by Consultant that “The firm or its members are not presently debarred by ICAI for any professional misconduct” is required to be submitted along with the above requirements.

4. The consultant will be selected in accordance with the Quality & Cost Based Selection (QCBS) method set out in the World Bank’s “Procurement Regulations for IPF Borrowers; Procurement of Goods, Works, Non-Consulting & Consulting Services, July 2016, revised November 2017, August, 2018 and November 2020”, available at www.worldbank.org. Attention of the interested agencies is drawn to paragraph 3.14 of the said Regulations relating to the Conflict of Interest.
5. Consulting firm may associate with other firms in the form of a joint venture or a sub-consultancy to enhance their qualifications. The “Association” may take the form of a joint venture (with joint and several liability) or of a sub-consultancy, and this should be stated clearly in the submission. *Firms may also note that in case of JV submission; credentials of both Lead and JV Partner will be evaluated and all the parties would be required to meet all the shortlisting parameters individually; however, for Sub-Consultancy; Credentials of only Lead Member will be taken into consideration*

6. Further information can be obtained at the address below during office hours [10.00 AM – 5.00 PM]
7. Expressions of Interest must be submitted ONLINE via www.meghalayatenders.gov.in on or before **4:00 PM of 1st June, 2023**

Sd/-

The Project Director

Meghalaya Health Systems Strengthening Project (MHSSP)

Top Floor, Regional Training Centre, Directorate of Health Services (DHS)

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TERMS OF REFERENCE FOR ENGAGEMENT OF AN INTERNAL AUDITOR FOR MEGHALAYA HEALTH SYSTEMS STRENGTHENING PROJECT (MHSSP)

Name of Project: Meghalaya Health Systems Strengthening Project

1. Introduction: The Government of Meghalaya (GoM), with the support from Government of India (GoI), has received financial assistance of USD 40 million from World Bank for the Meghalaya Health Systems Strengthening Project (MHSSP). The Project's implementation period is from July 2021 to July 2026, a period of 5 years.

2. Implementation Arrangement: The implementation agency for the project is the Directorate of Health and Family Welfare (DoH&FM). A Project Management Unit at State Level (SPMU), is established, headed by a Project Director for planning, implementation and monitoring of the project activities including, functions of procurement & financial management. The project has also established a team of 1 Junior engineer and 1 District Quality Assurance Associate in each of the 11 Districts to facilitate in the implementation and monitoring of activities at the health Facility Level.

3. Organizational Structure of the Finance and Accounts Wing of SPMU: It is headed by a Chief Financial Officer (CFO) from the DoH&FW. The person is accountable for budget and accounts, payment and compliance-related matters of the Project. The CFO is assisted by a finance consultant and two accountants hired specifically for the project at SPMU.

4. Financial Management Arrangement: The funding requirement of the project was annually budgeted in the DoH&FW State budget. The funds are periodically drawn from the budget into the Bank Account opened by Project. The payment for the project activities is made from the Bank Account using the administrative authority levels of the PMU. Separate books of accounts and subsidiary records are maintained at SPMU to account for the funds utilized under the project. The funds are transferred by SPMU to the Health Facilities/Committees - HF for implementation of Component 1 of the Project.

5. Reimbursement from World Bank: The expenditure reporting framework for the Project is Interim Unaudited Financial Report (IUFR). The IFR is prepared by SPMU from underlying accounting records and periodically submitted to World Bank through the Controller of Aid, Accounts and Audit (CAAA). The IUFR is the basis of disbursement from the World Bank to GoM.

6. Internal Audit: DoH&FM intends to hire an Internal Auditor to provide the Project Management Unit with periodic reports on the efficacy and efficiency of the Financial, Procurement and Contract management system and internal and financial controls, the degree of risk and efficiency of risk management control and governance processes.

7. The auditor will be appointed for a period of 2 financial years for the internal audit of period start date from 1st April 2022 to March 31, 2024. The contract may be extended by another 1 year based on future need and performance of the auditor.

8. Objective of Internal Audit:

- a. Evaluate adequacy and effectiveness of financial management and internal control system.
- b. To ascertain compliance with laid down policies in accordance with the Legal Agreement of the Project, World Bank guidelines and Procurement Regulations, Project Operational Manual, State Government procedures, prevailing laws, etc as applicable under the project.
- c. To review maintenance books and accounts and evaluate the adequacy and effectiveness of the financial, procurement and contract management and internal control system;
- d. To identify areas for improvement and critical weaknesses, if any.
- e. Expresses an independent professional opinion on the project operations.
- f. Provide timely information and recommendation to the Management on Financial Management aspects of the project to enable timely corrective actions, as necessary.

9. Scope of Internal Audit: The scope of the assignment will be comprehensive and will cover all project transactions that include funds spent by SPMU and Health Facilities. The auditor will prepare an **audit checklist** in consultation with SPMU which will be used for the audit.

10. Coverage and Standards for the Internal Audit: The Internal Audit shall cover project transactions at,

- a. SPMU at the State level
- b. **Pilot Implementation of Component 1 – Results-based Financing (RBF):** The Project has started the RBF component in two pilot districts w.e.f 1st January 2023 for a period of 6 months. The list of pilot health facilities and administrative units is attached. All IPA entities should be audited.
- c. **Statewide Implementation of Component 1 – Results-based Financing (RBF):** The Project is expected to roll out the implementation of the RBF component to the entire state from 1st October 2023 for a period

of 4 years. The list of facilities is not yet finalized but the number of facilities will be similar to that in the pilot districts. The Consultant may consider 69 PHCs, 18 CHCs, 10* DHs, 11 DMHOs, 3 Directorates, 1 MHIS and 1 MMDSL (Meghalayan Medical Drugs and Services Limited) in each district for the purpose of estimating the quantum of work. Please note that the number of Health Facilities may increase depending on the availability of funds. All IPA entities should be audited.

The audit should be carried out in accordance with the **Standards on Internal Audit** prescribed by the Institute of Chartered Accountants of India and will include such tests and controls, as the auditors consider necessary for the performance of the audit. The specific areas of audit should include the following:

- a. Adequacy and quality of the accounting and financial management records maintained at SPM, the health facilities and administrative units. The auditor will verify whether adequate supporting documents such as bills, vouchers and contract records are maintained in respect of project transactions;
- b. Assess the adequacy of internal and financial controls exercised by SPMU, the health facilities and administrative units in the processing of transactions;
- c. Assess the level of compliance as laid down in the project operations manual;
- d. Review the efficiency and timeliness of receipt of funds into the project bank account and payment for project activities. The auditor will report delays (if any) on receipt of funds from GoM and payments made by SPMU to RBF entities, suppliers, vendors and consultants;
- e. Review the correctness of the financial transactions recorded in the Project Accounting System with underlying accounting records
- f. Provide support to the SPMU in maintaining accurate financial records in TALLY;
- g. Verify whether expenditures accounted under the project are eligible for financing;
- h. Verify whether Interim Unaudited Financial Report (IUF) submitted to the World Bank is prepared from the financial statements generated from the accounting system and underlying accounting records; verify whether these expenses are classified correctly as per the disbursement category of Legal Agreements;
- i. Verify whether clear linkages exist between the accounting records, IUF (submitted to World Bank) and Project Financial Statements; the auditor shall support SPMU in the preparation of Project Financial Statements at the year-end that will be submitted by SPMU to CAG.
- j. Assess whether an adequate system is in place to ensure that goods, works and services are being procured in accordance with the procurement arrangements and procedures prescribed for the project. The audit should report by exception any such cases found where these are not followed;
- k. Verify whether fixed assets procured under the Project are appropriately recorded in the books of accounts and utilized for the Project purpose only. The auditor will carry out physical verification of samples of assets;
- l. With respect to Funds advanced to Health Facilities (HF) as part of Results Based Financing (RBF), the auditor will carry out a detailed review of (a) disbursement records maintained by SPMU and report delays (if any) in the release of funds to HF, (b) maintenance of accounting records and supporting documents at HF, procurement function carried by HF, validate the expenditures reported in the Utilization Certificates. This task will involve field visits to 100% HF in each audit cycle. The auditor may also be required to provide hands-on training to HF staff during the visit on good accounting practices.
- m. Review of statutory compliance as required, including Tax Deduction at Source, IT and GST, etc
- n. Expenditure Statements/UCs submitted by the Health Facilities have been accounted for and disbursements made to them are as per the Project guidelines.
- o. Reconciliation of Bank Statements and accounts is regularly carried out on a monthly basis and necessary corrections on account of the Bank's credits/debits and stale cheques are accounted for concurrently in SPMU and Health Facilities.
- p. Checking of advances to contractors, project staff, suppliers and service providers and monitoring of settlement thereof

11. Data, services and facilities to be provided by SPMU: The Internal audit would be given access to:

- a. All the project documents such as Project Appraisal Document, copies of Legal Agreements and papers relevant to the audit, including Project Operations Manual, Government Resolutions, minutes of executive committee meetings, policies and procedures issued by SPMU, etc.;
- b. Access to all documents, correspondences and any other information relating to the project and deemed necessary by the auditor;
- c. A one-day briefing meeting will be organized by SPMU for giving details of the project and the

implementation arrangements. It should be attended by all the members of the audit team.

12. Periodicity of internal audit & Audit Reports

- a. The internal audit shall be conducted **semi-annually** at the SPMU, administrative units and HF levels. The Internal auditor shall be required to prepare an audit plan and audit schedule in consultation with SPMU in advance and will commence the audit work after receipt of confirmation from SPMU. The auditor will be required to prepare **a separate audit checklist** (each for SPMU, HF and administrative units) in consultation with SPMU to be used for internal audit and reporting. The Internal auditor should maintain satisfactory documentary evidence to support their conclusions.
- b. The auditor will provide separate audit reports with each for SPMU, HF and administrative units. The comments from SPMU, HF and administrative units must be incorporated in the final report, as Management Comments. The final audit report shall include the following:
 - a. Executive Summary highlighting key audit observations;
 - b. Detailed comments and observations on the financial management records, system and controls that were examined during the course of internal audit;
 - c. Compliance with the provision of legal agreements;
 - d. Deficiencies and areas of weakness in FM system and control environment with recommendations for improvement;
 - e. Matters that may have a significant impact on the implementation of the project;
 - f. Compliance with the previous audit observations;
 - g. Any other matter that the internal auditor considers pertinent.

13. Team Composition & Qualification: The audit personnel should have familiarity with Government accounting/ financial procedures and preferably, the local language. The audit team shall also include procurement expert(s) in order to facilitate the procurement/contract review function. The key personnel in the internal audit team, their qualifications are indicated below:

Sl. No	Key Professionals	Description of Services to be provided	Experience	No. of persons and indicative staff weeks for the assignment
1	Audit Partner / Team Leader	Overall coordination & planning, team leadership, reporting & liaison. S/He shall guide the audit team to ensure the timely completion of the audit, discuss audit findings with Govt officials and issue an audit report.	Qualified Chartered Accountant with at least 8 years of experience as a partner with expertise in audit planning, execution and reporting. Preference will be given to a person with knowledge and experience in dealing with Govt / Social sector projects and Donor funded schemes.	1 No (Minimum 2 weeks in each FY)
2	Audit Team- 1) Qualified CA for Audit Team - 2 positions 2) Semi-Qualified CA for Audit Team - 2 positions	<ul style="list-style-type: none"> ✓ Review of FM records and transactions of SPMU, admin entities & HF. ✓ Assist Procurement expert in the review of procurement aspects in HF. ✓ Prepare draft audit report 	<ul style="list-style-type: none"> ✓ Qualified CA / Cost Accountant with experience in internal audit of at least 4 years ✓ Semi-qualified CA/ Cost Accountant with experience in internal audit of at least 3 years 	2 Nos. Minimum 1 week in SPMU, 6 weeks to cover HFs and administrative units in each FY and Minimum 2 weeks to prepare audit reports.

3	Procurement Expert	<ul style="list-style-type: none"> ✓ Review of Procurement records/ transactions of SPMU, admin entities and HF ✓ Prepare procurement section of audit report 	Graduate with at least 3 years experience in Govt. or public sector procurement, well versed with CAG/ CVC guidelines and with World Bank Procurement Regulations.	1 No (Minimum 4 weeks in each FY)
Please note that we recommend the constitution of two audit teams consisting of 1 CA / Cost Accountant and 1 semi-qualified CA / Cost Accountant to cover the health facilities in an efficient and timely manner. The team would prepare the audit report that will be finalized by the Audit Partner / Team Leader.				

14. Deliverables and Payment of Audit Fees

Financial Year	Period	Audit Coverage	Audit to be completed	Audit report to be shared with SPMU	Payment of audit fees
Audit Fees for FY2022-23 is 40% of contract value					
2022-23	April 01, 2022 to March 31, 2023	SPMU	May 30, 2023	June 30, 2023	<ol style="list-style-type: none"> 1. 10% of contract value on submission of audit report 2. 15% of contract value on acceptance of audit report
2022-23	Jan 01, 2023 to March 31, 2023	As per Annexure 1	May 30, 2023	June 30, 2023	<ol style="list-style-type: none"> 1. 5% of contract value on submission of audit report 2. 10% of contract value on acceptance of audit report
Audit Fees for FY2022-23 is 60% of contract value					
2023-24	April 01, 2023 to March 31, 2024	SPMU	Nov 30, 2023 May 30, 2024	Dec 31, 2023 June 30, 2024	<ol style="list-style-type: none"> 1. 10% of contract value on submission of audit report 2. 15% of contract value on acceptance of audit report
2023-24	Jan 01, 2023 to March 31, 2024	69* PHCs , 18* CHCs , 10* DHs, 11 DMHOs, 3 Directorates, 1 MHIS and 1 MMSDL	Nov 30, 2023 May 30, 2024	Dec 31, 2023 June 30, 2024	<ol style="list-style-type: none"> 1. 15% of contract value on submission of audit report 2. 20% of contract value on acceptance of audit report

***May increase depending on the availability of funds.**

15. Consultant's obligation: The Internal Auditor would be required to mobilize the audit teams and pay for necessary transport and accommodation (to and fro Meghalaya and field visits to HFs and administrative units) to conduct the internal audit as prescribed in the ToR. Travel and accommodation should be arranged by the Internal Auditor. The fees quoted for this assignment will include all (i.e. audit consultancy, travel and accommodation).

16. Composition of review committee and review procedure to monitor consultant's work

Chairman:	PD MHSSP
Vice Chairman :	APD MHSSP
Member Secretary:	APD, MHSSP
Member:	TL, PC, Finance Section

The reports will be reviewed jointly by Health Department and World Bank before providing approval for acceptance

17. Adherence to World Bank's Environmental and Social policies and guidelines:

To meet the Objective of the Services and in conducting the activities mentioned as part of Scope of Work, the consultant will factor compliance of World Bank's environmental and social policies and relevant guidelines. Key aspects related to health care including, but not limited to, health, safety, hygiene, safe disposal of medical waste, and WASH practices shall be duly factored. In addition, non-discrimination to access medical care based on caste, ethnicity, gender, sexual orientation, disability, and other vulnerabilities will need to be included in the assessment methods. These aspects will need to be incorporated in the study design and developing the BCC materials. Wider stakeholder consultations are expected following the WHO COVID-19 guidelines. The Project's Environmental and Social Management Framework (ESMF) and the Stakeholder Engagement Plan (SEP) shall be referred to and followed. These are available at www.nhmmeghalaya.nic.in

Institutions selected for the pilot implementation at State Level				
S #	Type of Health Institution	Name of the Health Institution		
1	Directorate	Directorate of Health Services (Medical Institutions)		
2	Directorate	Directorate of Health Services (Maternal Child Health & Family Welfare)		
3	Directorate	Directorate and Health Services (Research)		
4	SNA	Megha Health Insurance Scheme (State Nodal Agency)		
Facilities/ Administrative Entities selected for the pilot implementation in WGH and RB Districts				
S #	District	Name of Block	Type of Health Institution	Name of the Health Institution
1	West Garo Hills	-	DMHO	DMHO West Garo Hills
2	West Garo Hills	Rongram	DH	Tura Civil Hospital
3	West Garo Hills	Rongram	DH	Tura Maternal and Child Health Hospital
4	West Garo Hills	DALU	CHC	Dalu CHC
5	West Garo Hills	Selsella	CHC	Phulbari CHC
6	West Garo Hills	Rongram	PHC	Asananggiri PHC
7	West Garo Hills	Rongram	PHC	Babadam PHC
8	West Garo Hills	Tikrikilla	PHC	Tikrikilla PHC
9	West Garo Hills	Selsella	PHC	Bhaitbari PHC
10	Ri Bhoi District	-	DMHO	DMHO Ri Bhoi
11	Ri Bhoi District	Umling	DH	Nongpoh Civil Hospital
12	Ri Bhoi District	Jirang	CHC	Patharkhmah CHC
13	Ri Bhoi District	Umsning	CHC	Bhoirymbong CHC
14	Ri Bhoi District	Umsning	CHC	Umsning CHC
15	Ri Bhoi District	UMLING	PHC	Byrnihat PHC
16	Ri Bhoi District	UMLING	PHC	Marnagar PHC
17	Ri Bhoi District	UMSNING	PHC	Kyrdem PHC
18	Ri Bhoi District	UMSNING	PHC	Mawhati PHC
19	Ri Bhoi District	UMSNING	PHC	Mawlasnai PHC

DMHO -District Medical health Office, DH – District Hospital, CHC – Community Health Centre and PHC – Primary Health Centre.