

Immediate



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Dated: 18.12.2023

To
The District Programme Manager
All Districts

Sir / Madam

Sub:- Appointment of Concurrent Auditors -guidelines issued-reg
Ref:- _____

In connection with the implementation of Concurrent Audit mechanism in all the districts and institution level, the revised Terms of Reference attached for strict compliance. The following points to be considered while appointing the auditors.

1. The Ministry of Health & Family Welfare has included Cost Accountants in the internal audit and concurrent audit of National Health Mission (NHM), without being their empanelment with C&AG. Hence while calling for the concurrent auditors, proposal from both Chartered accountants and Cost accountants to be invited.
2. The appointment or reappointment shall be done as per rules and the fees shall be fixed as per the lowest quoted amount. In case of reappointment for second year, the willingness from the firm to continue with the same terms and conditions and at the same rate shall be obtained before issuing appointment letter.
3. The appointment process for 2023-24, if not done earlier, shall be completed by 31st December 2023 and the report of District Society for the period April - December 2023 shall be submitted by 28th February 2024 with ATR.
4. The report of Institutions as on 31.03.2024 shall be submitted by 31.05.2024.
5. The concurrent audit fee shall be booked under the head 194 Planning and programme Management.
6. All the programmes implemented by the District Health Society shall be covered under Audit.

Yours faithfully

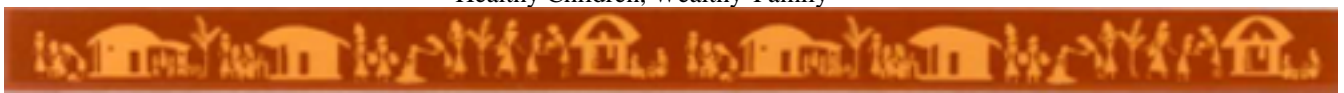
Jeevan Babu K. I.A.S
State Mission Director

Approval Valid

Digitally Approved By
Jeevan Babu K. I.A.S
Date: 18.12.2023
Reason: Approved

The document is digitally approved. Hence signature is not needed.

Healthy Children, Wealthy Family



Terms of Reference for Concurrent Audit

Concurrent audit is a systematic examination of financial transactions on a regular basis to ensure accuracy, authenticity, compliance with procedures and guidelines. The emphasis under concurrent audit is not on test checking but on substantial checking of transactions. It is an ongoing appraisal of the financial health of an entity to determine whether the financial management arrangements (including internal control mechanisms) are effectively working and identify areas of improvement to enhance efficiency.

Independent Chartered Accountant firms are needed to be appointed at District Level to undertake periodical audits and report on vital parameters which would depict the true picture of financial and accounting health of the program.

Objective

The key objectives of the concurrent Audit include:

- To ensure voucher/ evidence based payments to improve transparency
- To ensure accuracy and timeliness in maintenance of books of accounts
- To ensure timeliness and accuracy of periodical financial statements
- To improve accuracy and timeliness of financial reporting especially at sub-district levels.
- To ensure compliance with laid down systems, procedures and policies
- To regularly track, follow up and settle advances on a priority basis
- To assess & improve overall internal control systems

Scope of Audit

The responsibilities of the concurrent auditors should include reporting on the adequacy of internal controls, the accuracy and propriety of transactions, the extent to which assets are accounted for and safeguarded, and the level of compliance with financial norms and procedures of the operational guidelines.

The scope of work of “District Concurrent Auditor” is as follows:

- Review of the DHS Accounts and expenditure incurred by the DHS
- Audit of Financial Statements of DHS
- Certification of the Statement of Expenditure

- Review and analysis of the Age wise and Party wise Advances Report
- Comparison between financial and physical performance and analysis
- Visits to blocks (in a way to cover all blocks once on the completion of financial year. The audit to be completed by April-May for the previous year and submitted to SHS separately along with ATR)
- Filling in the checklist provided
- Vetting of the district ATRs and providing observations thereon
- Any other evaluation work, as desired by the District Audit Committee

Frequency

- Concurrent Audit will be carried out on a “monthly basis”.

Coverage

- The District Concurrent Auditor should ensure that all the blocks are covered once in a year.

Audit Committee

An audit committee should be constituted at the district level to facilitate and monitor the appointments and overall audit process at the district level.

District Level

Members

The members of the district audit committee should be the following:

Person	Designation in Committee
Chief Executive Officer	Member-Secretary
District Programme Manager	Member
Representative from NDCP (at least one)	Member
District Accounts Manager	Member

The DAC should meet at least 4 times in a year (quarterly).

Functions of the DAC

- Selection and appointment of District concurrent auditors
- Monitoring timely audits at the district level and timely submission of audit reports
- Discussing the key audit findings with district concurrent auditor and district accounts manager and suggest appropriate actions
- Monitoring whether adequate follow up action is being taken by the district accounts manager on the audit observations
- Monitor whether ATR has been prepared by the DAM and given to the auditor and whether the same has been vetted and sent by the auditor within the requisite time limit
- Carrying out an assessment of the audits in case the auditors are being considered to be reappointed
- Renewal of the auditors' contracts

Appointment & Selection of Auditors

District level Auditors

- The tender document for the appointment of District Level Auditors will be floated through a advertisement at the District level. EoI format as prescribed in the guidelines along with the Terms of Reference should be provided to all firms in order to receive their Technical Bids. Priority should be given to the firms having head office /branch office within the district.
- Interested firms should be asked to submit their bids directly to the concerned district in two parts- Technical and Financial bids. Both the bids should be submitted in two separate sealed envelopes, which should be opened in meeting of the district audit committee.
- The district audit committee would first open the technical bids and evaluate them on the basis of the criteria as prescribed in the guidelines. The audit committee should arrive at a base minimum figure/ threshold and CA firms scoring above the base minimum figure/ threshold should be deemed to have technically qualified to undertake the job.
- Financial bids of only technically qualified firms should be opened by the committee and audit should be awarded to the lowest bidder.
- If the lowest financial bidder does not agree to undertake the audit work within the prescribed audit fee or the audit committee deems it unfit for

any reason (reasons to be recorded in writing), the job may be awarded to the next lowest financial bidder if the firm agrees to undertake the job. However, the work may only be awarded to a technically qualified bidder (the firms which are above the base minimum figure of the technical evaluation)

Remuneration

- The fee structure for the concurrent auditor should be decided keeping in mind overall scope and coverage of audit. The district may provide an ‘indicative range’ for audit fees, however actual fees for state as well as district level audits should be decided through competitive bidding process.
- The respective audit committees can take a view on the rationalization of fees before approving the same and can also make suitable modifications to limits for the audit fee taking into account factors such as, inflation.
- In case the appointment does not happen within the first quarter the fees should be appropriately reduced as per the decided scope and coverage.
- The decision on remuneration should be judicious and balanced.

Term of appointment of the Auditor

District Level

- At the district level, the concurrent auditor appointed once can be retained/ reappointed for a maximum total term of two financial years i.e. current year and next year.
- However, the contract awarded should be for one year at a time and should be renewed next year on the basis of auditor’s performance review.
- There is no bar on the auditor from applying for the audit of a different district in the same state for the next year, provided it does not exceed the limit of 30% of the districts in the state, or 8 districts, whichever is lower.

Contents of Audit Report

Concurrent Audit Report of a “**District Health Society**” should contain the following financial statements and documents:

- Financial statements as prescribed
 - Audited Trial Balance

- Audited Receipts & Payments A/c
- Audited Income & Expenditure A/c
- Balance Sheet
- Audited Statement of Expenditure
- Bank Reconciliation Statement
- List of advances
- Observations and Recommendations of the auditor (including observations on blocks visited)
- Action Taken by District Health Society on the previous audit observations, along with his observations on the same

Concurrent Audit Report of the “**Institution**” should contain the following financial statements and documents:

- Financial statements as prescribed
 - Audited Receipts & Payments A/c
 - Audited Statement of Expenditure
 - Bank Reconciliation Statement
- Observations and Recommendations of the auditor
- Action Taken by the institution on the previous audit observations, along with his observations on the same

Notes:

1. Soft copy of the district audit report and block audit report needs to be submitted to Director (finance) at the state level.
2. The Director (Finance) at the Centre may call for the concurrent audit report of any district/ state.
3. The reports at district level will include consolidated report covering all the programmes implemented under NHM. In addition, it should also include instances of misappropriation/ unauthorised diversion of funds as noticed during the audit.

Key Timelines

The key timelines which need to be adhered to are summarized below:

Activity	Timeline
Appointment of the SHS and DHS Concurrent Auditors	Before 25 th April of the current year
Carrying out concurrent audit	Monthly
Submission of Audit Report by Auditor to DHS	20 th of the next month
Submission of soft copy of district audit report to the Director (Finance) at state level	20 th of the next month
Submission of District Concurrent audit reports to the SHS	28 th of the next month

Monitoring and evaluation

- An Action Taken Report submitted by District Accounts Manager (and in case the DAM's post is vacant, the DPM) should be vetted by the district concurrent auditor and sent along with his observations to the Director (Finance) of the state within 30 days of completion of audit. SAM/ SFM should compile the ATRs of the state and districts and submit it to the Director (Finance) and Mission Director of the State at the end of every quarter.
- These reports will indicate the actions to be taken emerging from the latest audit reports including responsibility of implementation and timelines as well as provide the current status on action taken on the past observations.
- The Quarterly Consolidated ATRs of all the districts consolidated by the Director (Finance) of the state (as member-secretary) also need to be placed before the Mission Director
- The auditor's fees shall be released only after ATR has been received by Director (Finance) of the state.

Indicative format of ATR is as follows:

S. No	Observation	Action to be taken	Responsibility to Implement	Timeline agreed	Current Status

- In order to ensure follow up of observations at the Block level, discussion on the audit observation and the way forward should be carried out during the monthly meeting convened by the DPM held at the district in the presence of District Accounts Manager.
- In order to effectively handle the audit observations, they should be classified as 'material' and 'non-material' based on their impact. Observations related to system deficiency should also be separately noted for system improvements.

Responsibilities of DHS

- **Timely Closure of Books of Accounts**
DHS finance personnel need to ensure timely closure of books of accounts. Draft trial balance, income and expenditure a/c and balance sheet should be prepared and kept ready. This will facilitate in commencing audit quickly.
- **Production of relevant documents for Audit**
The district programme units, along with CHCs/ PHCs and other RCH Programme implementing agencies shall be under obligation to provide the following:
 - Books of Accounts
 - Prescribed Registers
 - Files regarding purchases of all types of goods/ items
 - Files of Construction works
 - Any other document requested by auditor in support/ reference of the above

The responsibility for the same shall lie with District Accounts Manager at the District Level

- **Facilitation of the Audit**

The following arrangements need to be made for the auditors:

- To provide proper space for sitting during conduct of Audit
- To provide requisite explanations & documents on the queries raised by the auditor during audit
- To provide auditors with ATRs on previous audit observations without any delay
- To arrange payments to the Auditor at the agreed times

- **Provide Relevant Guidelines issued by GoI to Auditors**

All relevant programme guidelines issued by GoI should be provided to the auditors before the audit work starts.

Few Important points – things to remember

- Audit Reports should be submitted on a monthly basis. Sometimes, states/ districts tend to submit audit reports together for few months (e.g. submission of 3 reports at the end of the quarter even if monthly audit is being carried out). **This practice should be strongly discouraged.**
 - In case of districts/ blocks visited during the audit, the audit report should contain a separate checklist for each unit covered and respective observations should also be included.
 - The audit report should also cover qualitative issues emerging from the audit other than the financial statements.
 - Checklists should be thoroughly filled and each aspect should be adequately elaborated. Observations reported on accounting and internal control issues should be properly detailed and substantiated
 - Financial statement of all programmes should be included in the consolidated audit report and audited
 - The District Audit Committee shall meet at least 4 times in a year (i.e. once in every quarter) for follow up on the observations made by the auditor.
- Compliance status on the observations made in the previous audits should be properly reported and an Action Taken Report should be sent to the audit committee by the DAM (or DPM at the state level, where DAM's post is vacant)

**Expression of Interest for short listing Chartered Accountant Firms for the
monthly concurrent Audit of the accounts of the District Health and Family
Welfare Society**

Status of the Firm Partnership

Sole Proprietorship

1. (a) Name of the firm (in Capital letters) _____
- (b) Address of the Head Office _____
(Please also give telephone no. _____
and e-mail address) _____
- (c) PAN No. of the firm _____
2. ICAI Registration No. _____ Region Name _____
Region Code No. _____
3. (a) Date of constitution of the firm:
- (b) Date since when the firms has a full time FCA
3. Full-time Partners/Sole Proprietor of the firm as on 1st January 20--

Sl. No	Years of Continuous association with the firm	Number of FCA	Number of ACA
(a)	Less than one year		
(b)	1 year or more but less than 5 years		
(c)	5 year or more but less than 10 years		
(d)	10 year or more but less than 15 years		
(e)	15 year or more		

(Please attach the copy of Firm's Constitution Certificate issued by ICAI as on 01.01.20--)

4. Number of Part time Partners if any, as on 01.01.20--

5. Number of Full time Chartered Accountants as on 01.01.20--
6. Number of audit staff employed full-time with the firm
 - (a) Articles/Audit Clerks _____
 - (b) Other Audit Staff (with knowledge of book keeping and accountancy) _____
 - (c) Other Professional Staff (Please specify) _____
7. Number of Branches if any (Please mention Places & locations): _____

Whether the firm has conducted statutory / internal audit in institutions/societies under Kerala Health Services Department and if so provide complete details (attach separate sheet if space is insufficient)

8. Whether the firm is implementing quality control Policies and procedures designed to ensure That all audit are conducted in accordance with Statements on **Standard Auditing Practices**. Yes/No
(If yes, a brief note on the procedure adopted is to be enclosed)
9. Whether there are any court/arbitration/any Other legal case against the firm Yes/No
(If yes, give a brief note of the case indicating its percent status)
10. Total Turnover of the firm during the last two years
(The latest Income Tax Return duly acknowledged by IT department should be enclosed)
11. Please indicate below any specific conditions that is essential for you to be agreeable to take up the work:
 - a.
 - b.
 - c.

Undertaking

I/We do hereby declare that the above mentioned information are true & correct and I / We also undertake to abide by the terms & condition of the contract and would make compliance of terms laid-down in the contract if executed by us with the State Health and Family Welfare Society.

Date:

Place:

Signature of Proprietor/ Sole Partner

**Expression of Interest for short listing Chartered Accountant Firms for the
monthly concurrent Audit of the accounts of the State Health and Family
Welfare Society & District Health and Family Welfare Societies**

Financial Bid

- a. I / we are agreeable to concurrent monthly audit of the **State Health and Family Welfare Society, Trivandrum**, at a fees of Rsper month, which is inclusive of cost of travel.
- b. I understand that TDS will be deducted at source.
- c. I understand that GST at applicable rates, will be extra.
- d. Other financial terms are:
 - a.
 - b.
 - c.
 - d.

Date:

Place:

Signature of Proprietor/ Sole Partner

**GUIDELINES CUM CHECKLIST FOR AUDIT OF NATIONAL
RURAL HEALTH MISSION**

DISTRICT HEALTH SOCIETY,---- (for the month of)

Sl. No.	Questionnaire	Remarks
A. REQUIREMENTS AS PER GOI GUIDELINES		
1.	Whether FMRs or SOEs are based on the books of accounts?	
2.	Whether advances are shown as expenditure in the FMRs? If yes, give details.	
3.	Whether SOEs are being prepared in the format prescribed by GOI?	
4.	Whether FMR reporting is being done on time every month?	
5.	Whether books of accounts of DHS are computerized?	
6.	Whether the post of District Programme Manager and District Accounts Manager are filled up ? If vacant since when?	
B. MAINTENANCE OF BOOKS OF ACCOUNTS		
7.	Whether books are updated in the Tally Software for the month of audit	
8.	Whether cash book is being maintained in the format prescribed	
9.	Whether separate Cash Books with Cash and Bank Balance on Cash System of accounting are being maintained properly and are up-to-date?	
10.	Whether cash book is closed daily and is authenticated and duly signed by authorized signatory on daily basis?	
11.	Whether the Society is carrying heavy cash balances i.e. exceeding Rs. 5000/-?	
12.	Whether updated pass book/bank statement is available?	
13.	Whether bank reconciliation statement is prepared on a monthly basis for all bank accounts?	
14.	Whether proper explanation has been given by the persons responsible regarding un-reconciled entries?	
15.	Are ledgers being maintained properly?	
16.	Whether journal register maintained?	
17.	Whether register for advances maintained as advance to -staff - contractors/suppliers -TA/DA advance	
18.	Whether stock register are being maintained properly for • Civil works	

	<ul style="list-style-type: none"> • Machinery and Equipment • Furniture and other non-consumable articles • Register for drugs and medicines • Register for consumable articles? 	
19.	Whether dispatch register maintained properly?	
20.	Whether office attendance register is there and maintained Properly?	
21.	Whether all the files of the society are systematically numbered and recorded in the register?	
C. RECEIPT & INCOME		
22.	Whether limits received are recorded as receipt in Cash book?	
23.	Whether grants received have been recorded under proper heads according to the purpose for it was received?	
D. PAYMENTS & EXPENDITURE		
24.	Whether all the vouchers/proceedings are checked for the payments made?	
25.	Whether vouchers/proceedings have been filled properly and complete in all aspects?	
26.	Whether the vouchers/proceedings are kept serially numbered?	
27.	Whether all the vouchers are supported with appropriate documentary evidences?	
28.	Whether necessary approval from appropriate authority has been taken for expenditure made?	
29.	Whether all the approvals are within the sanctioning powers of the authority?	
30.	Whether procedure for obtaining the sanction has been followed? If no please specify the number of cases in which it is not followed?	
31.	Whether expenditures are classifies into capital and revenue expenditure properly?	
32.	Whether expense is debited to proper activity for which it was given?	
33.	Whether the amount is been actually utilized for the purpose for which it was disbursed? If no, please give details?	
34.	Whether there is any deviation between the amount of expenses shown as per Income & Expenditure and as per the SOEs in SNA?	
E. ASSET SIDE		
a) Fixed Asset		

35.	Whether fixed register has been maintained in the prescribed format?	
36.	Is the procedure for purchase of fixed assets being followed? Report deviation if any please specify?	
37.	Does physical stock tally with that recorded in the register?	
b) ADVANCES		
38.	Whether advances are given after following required procedure?	
39.	The proper purpose for which advance was given comply with the Bye-laws?	
40.	Whether advance tracking register is maintained properly?	
41.	Specify whether as Age analysis of Advances has been maintained as per format given?	
42.	Whether there are huge unadjusted advances (say more than one month)?	
43.	If the answer to above is affirmative please give details of such unadjusted advances and reasons for not adjusting the same.	
F. LIABILITIES SIDE		
a) Grants /Funds Received		
44.	Whether Grant-in-aid received have been properly classified as that received from GOI towards <ul style="list-style-type: none"> • Flexible Pool under NHM • PM ABHIM • XV FC grants • COVID grants • Other receipts 	
b) Capital Fund		
45.	Whether capital fund account has been created to the extent of fixed assets purchased and capitalized?	
G. STATUTORY REQUIREMENTS		
46.	Whether TDS/GST TDS has been deducted approximately wherever required?	
47.	Whether tax has been deducted at source at the rates prescribed?	
48.	Whether tax has been remitted within the time line?	