

Terms of Reference (TOR)

for

External Auditor the Agency- National Health Mission (NHM) under the India COVID-19 Emergency Response and Health Systems Preparedness Project funded by World Bank (Credit No. 9086-IN) & Asian Infrastructure Investment Bank (Loan No. AIIB-C1660)

Background:

National Health Mission is one of the implementing agency of the India COVID-19 Emergency Response and Health Systems Preparedness Project (ERHSPP) in the States/UTs through State Health Societies (SHS). The Project seeks to prevent, detect and respond to the threat posed by COVID-19 and strengthen health system preparedness. Under the project, only actual expenditures incurred (including mobilization advances paid to contractors/vendors as per the terms of agreement) by the implementing agencies will be eligible for financing by the World Bank. The implementing agencies will submit separate IUFRR/s reporting the actual expenditure for the Project during such period for reimbursement by the Bank. The same will be subject to reconciliation with audited expenditures reported for the period. Details of the Financial Management and procurement arrangements for the project are available in the Project Implementation Manual (PIM).

Objective of the Audit:

1. The objective of the audit of SHS financial statements is to enable the auditors to express an independent professional opinion on the financial position of funds released to the States/UTs for ERHSPP and to ensure that the funds utilized to project activities have been used for their intended purposes.
2. The books of accounts provide the basis for preparation of Financial Statements. Proper books of accounts as required by law have been maintained by SHS and also maintain adequate internal controls and supporting documentation for the transactions.
3. Audit of this project will be undertaken along with the Annual Audit being done at present for all other activities under NHM by the same auditor.

Scope of the Audit:

1. The audit will be carried out in accordance with the Accepted Indian Auditing Standards and will include tests and verification procedures as the auditors deem necessary.
2. External Auditors to verify all funds have been used in accordance with the established rules and regulations of the project and only for the purposes for which the funds were provided.
3. Goods and services financed are in adherence to the Bank's guidelines for procurement (under Components 2 to 6) and/or Government's rules and regulations (under Component 1) and as per the established rules and procedures & guidance note issued by the Ministry. (Refer: **Annexure-1** for Project Components)
4. Appropriate supporting documents, records and books of accounts relating to all activities have been kept. Clear linkages should exist between the books of accounts and the financial statements presented.
5. The financial statements have been prepared by the management in accordance with applicable accounting standards and give a true and fair view of the financial position of Project and of its receipts and expenditures for the period ended on that date.
6. Comprehensive assessment of the adequacy and effectiveness of the accounting and overall internal control system to monitor expenditures and other financial transactions.
7. Express an opinion as to reasonableness of the financial statements in all material respects.
8. Include in their reports opinion on compliance with procedures designed to provide reasonable assurance of detecting misstatements due to errors or fraud that are material in the financial statements.
9. In addition to the audit report, the auditors will provide the following:
 - a. Give comments and observations on the accounting records, procedures, systems and controls that were examined during the course of the audit.
 - b. Identify specific deficiencies and areas of weakness in systems and controls and make recommendations for improvement.
 - c. Report on the implementation status of recommendations pertaining to previous period audit reports.
 - d. Communicate matters that have come to their attention during the audit which might have a significant impact on the sustainability of the organization.
 - e. Auditors will verify the Procurements under Component 1 (Emergency COVID-19 Response) which require to be carried out as per Government rules and procedures (Refer procurement Chapter of PIM). In addition, auditors will also verify that anti-corruption

- undertakings of the World Bank and AIIB have been signed by the seller/contractor/consultant as per the format enclosed with the PIM.
- f. Auditor will carry out detailed audit of 10% of procurements (numbers) samples under Component 1 (samples would be preferably taken from higher valued procurements covering goods and services both) and representative of methods/agencies to be checked for adherence to prescribed guidelines.

Deliverables:

1. Auditor will have to certify the Statement of expenditures as per the FMR Codes designated for the project and its reconciliation with unaudited quarterly FMR submitted to GOI depicting the differences. (Format as per **Annexure -2 as per JS(P) D.O. letter no.F.No.Z-18015/19/2020-NHM-II-Part-1 dated 09/11/2020**)
2. Auditor will issue a management letter specifying the weaknesses, if any, on matters requiring attention of the management.
3. Procurement audit reports in line with scope mentioned under para 9 (e) &(f) above.
4. Auditor to countersign Utilization Certificate prepared by SHS in Form 12C specifying the status of funds received, utilized and unspent balances along with a statement that all procurement procedures have been followed as per WB and AIIB while also certifying that undertaking for Anti-corruption have been signed for all contracts amounting for more than Rs. 3,00,000/- as per the guidance note issued by the Ministry time to time.
5. Auditor to issue Audit Opinion as per the revised format of Audit Opinion. (Format is given as per **Annexure-3**)

ANNEXURE-1

Project components are outlined below:

- Component 1: Emergency COVID-19 Response
- Component 2: Strengthening National and State Health Systems to support Prevention and Preparedness
- Component 3: Strengthening Pandemic Research and Multi-sector, National Institutions and Platforms for One Health
- Component 4: Community Engagement and Risk Communication
- Component 5: Implementation Management, Capacity Building, Monitoring and Evaluation
- Component 6: Contingent Emergency Response Component (CERC)

Annexure-2

FMR FORMAT FOR REPORTING EXPENDITURE UNDER COVID-19 PROJECT(ECRP-1) FOR FY 2021-22					
					<i>Amount in Rs.</i>
Sl.	As per New COVID FMR Codes			Total Provisional Expenditure (As Reported in FMR/SoE)	Variation, if any
No.	FMR Codes	Name of Activity	Audited Expenditure for the FY 2021-22 (w.e.f. 01.4.2021 to 31.03.2022)		
1	2	3	4	5	6
	B.31	COVID 19 (Grand Total)			
1	B.31.1	Diagnostics including sample Transport (Total)			
	B31.1 (a)	Exp.on procurements of value less than Rs. 3.00 lakh (out of B31.1)			
2	B.31.2	Drugs and supplies including PPE and masks (Total)			
	B31.2(a)	Exp.on procurements of value less than Rs. 3.00 lakh (out of B31.2)			
3	B.31.3	Equipment/facilities for patient-care including support for ventilators etc. (Total)			
	B.31.3(a)	Exp.on procurements of value less than Rs. 3.00 lakh (outof B31.3)			
4	B.31.4	HR (Exiting and Additional) including incentives for Community health Volunteers (Total)			
5	B.31.5	surveillance & mobility Support (Total)			
	B.31.5 (a)	Exp.on procurements of value less than Rs. 3.00 lakh (out of B31.5)			
6	B.31.6	IT systems including Hardware and software.etc. (Total)			
	B.31.6(a)	Exp.on procurements of value less than Rs. 3.00 lakh (out of B31.6)			
7	B.31.7	IEC/BCC (Total)			

	B.31.7 (a)	Exp.on procurements of value less than Rs. 3.00 lakh (out of B31.7)				
8	B.31.8	Training (Total)				
	B.31.8 (a)	Exp.on procurements of value less than Rs. 3.00 lakh (out of B31.8)				
9	B.31.9	Miscellaneous (Total)				
	B.31.9(a)	Exp.on procurements of value less than Rs. 3.00 lakh (out of B31.9)				
TOTAL EXPENDITURE						
Unspent balance as on 01/04/2021						
FUNDS RECEIVED FROM GOI during the Year						
UNSPENT BALANCE WITH STATE as on 31/03/2022						
SIGNATURE BY STATE MISSION DIRECTOR			SIGNATURE BY STATE DIRECTOR FINANCE		SIGNATURE BY STATE AUDITOR	
PLACE						
DATED						

FORMAT OF AUDIT REPORT/OPINION

To,

The Mission Director,

..... State Health Society,

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Introduction

We have audited the accompanying expenditure statements / financial statements of the society under National Health Mission [partly financed for **India COVID-19 Emergency Response and Health Systems Preparedness Project under World Bank Credit No. 9086-IN & Asian Infrastructure Investment Bank (AIIB) Loan No. AIIB C1660 (COFN)**] implemented through theState Health Society, as of 31st March, 20.....

Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with standards on auditing issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. In forming our opinion we have relied upon the audit findings / observations in(nos.) District Health Society/..... State Health Society's financial statements, which have been audited by other auditors. We believe that our audit provides a reasonable basis for our opinion.

Opinion

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our examination.

- b. In our opinion, proper books of account have been kept by the State Health Society, so far as appears from our examination of the books.
- c. The statements of account dealt with this report are in agreement with the books of account.
- d. The statements of account dealing with this report include funds received from **World Bank under NHM for COVID-19 (Cr. No. 9086-IN) & Asian Infrastructure Investment Bank (AIIB) Loan No. AIIB C1660 (COFN) and** *We have audited the accompanying expenditure statements / financial statements for the India COVID-19 Emergency Response and Health Systems Preparedness Project, under IBRD Loan 9086-IN, implemented by this Society.*

*In addition, (a) with respect to FMR/SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; (b) the expenditures so claimed are eligible for financing under the Legal Agreement; and (c) Procurements under Component 1 (**Emergency COVID-19 Response**) have been carried out as per the agreed procurement procedures.'*

With respect to certification (c) above, it is clarified that all procurements of goods/services/works under Component-1 are carried out as per the Government rules and procedures. It is further confirmed that the Anti-corruption undertaking of the World Bank has been signed by the seller/contractor/consultant and is enclosed in the contract file. Further (a) Sample of 10% of procurements under Component 1 based on value (rather than number of contracts) and representative of methods/agencies to be checked for adherence to prescribed guidelines; and (b) In the report the value of contracts (in the reporting period) under Component 1 in the State have been mentioned.

- e. Financial Statements of the State is the consolidated Financial Statements of the State and District Societies.
- f. In our opinion and to the best of our information and according to the explanations given to us the said consolidated accounts of the State and District Societies, gives the information in the manner so required and give a true and fair view:-

1. In the case of the balance sheet, of the State of affairs of the Society as at 31stMarch,2022.

2. In the case of the Income and Expenditure Account of the excess of income over expenditure / deficit of income over expenditure for the year ended on that date.
 3. In case of Receipts and Payments Account of the receipts and payments during the year ended on that date.
- g. In addition with respect to FMR/SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred;
- h. The expenditures so claimed are eligible for financing under the Credit Agreement; and
- i. Procurements have been carried out as per the Program Implementation / Procurement Manual by NHM and other concerned Division(s) of the Govt. of India.

Place:

Date:

Signature of Auditor (s)

Notes:-

1. In case, a qualified opinion or disclaimer is given by the auditor, the audit report should state in a clear and informative manner all the reasons for such an opinion.
2. Audit Report to be accompanied by:
 - a) Management Letter stating the status of implementation of Program and response on the remarks of the auditors.
 - b) Reconciliation of Expenditure as per FMR/SOEs claims with the actual expenditure as reported in the audited financial statements.
3. Matters which have been underlined/ italics need proper attention of the auditor.