



ABSTRACT

Health and Family Welfare department - Tamil Nadu Urban Health Care Project supported by Japan International Co-Operation Agency (JICA) - Engaging of an Internal Auditor for conducting concurrent audit of the Project expenditure - Administrative and Financial Sanction - Orders - issued.

Health and Family Welfare (EAP II-1) Department

G.O (Ms) No. 480

Dated :22.10.2019
Vigari, Iypasi-5
Thiruvalluvar Aandu 2050

Read:

1. G.O(Ms). No. 217, Health and Family Welfare department, dated 8.9.2016
2. From the Project Director, Tamil Nadu Urban Health Care Project Ref.No 4723/TNUHP/JICA/2017, Dated: 03.07.2019.

ORDER:

In the Government Order first read above, among others, the Government accorded administrative sanction for the implementation of Tamil Nadu Urban Health Care Project components viz., Upgrading Tertiary Hospitals, Strengthening Referral and Secondary care Hospitals, Strengthening Hospital Management and Primary Health Care in Non-Communicable Diseases at a total cost of Rs. 1634,69,50,000/- with the assistance of Japan International Co-Operation Agency(JICA).

2. In the letter 2nd read above, the Project Director, Tamil Nadu Urban Health Care Project has stated that, the Tamil Nadu Urban Health Care Project cost is Rs. 1,634 crores to be spent over a period of 7 years and the project activities include the following:

- a) construction of Hospital buildings through Public Works Department (PWD) and
- b) procurement of Equipment through Tamil Nadu Medical Services Corporation Ltd (TNMSC).

The Project is assisted by the consultants a consortium of M/s Mukesh & Associates, Nippon Koei India Pvt Ltd. (a 100% subsidiary of Nippon Koei Co. Ltd., Japan) and EHI International Pvt Ltd. coordinating in the above activities and the Project is funded as follows:

- | | | |
|----------------------------|---|-----------------|
| ➤ Government of Tamil Nadu | : | INR. 246 Crores |
| ➤ Funded by JICA | : | INR.1388 Crores |
| ➤ Total Project Cost | : | INR.1634 Crores |

The above said fund will be allotted through budget every year from the Government of Tamil Nadu to the Tamil Nadu Urban Health Care Project and with that fund the Project expenditures would be incurred. Tamil Nadu Urban Health Care Project then submit their claims for reimbursement to Japan International Co-Operation Agency and Controller of Aid Accounts and

Audit (CAA&A). After verification by CAAA, the claims are forwarded to Japan International Co-Operation Agency for reimbursement and the funds are reimbursed by Japan International Co-Operation Agency to the Government of India under the Sovereign arrangement. As this Project is funded by the Government of Tamil Nadu as well as external agencies like Japan International Co-Operation Agency, the Accountant General (CAG) audit is necessary for the effective financial management of the Project. Moreover, due to the involvement of consultants, Public Works Department, Tamil Nadu Medical Services Corporation Ltd and other activities large amount of expenditure will be taking place during the next 5 years of the Project period. Hence, the Project Director has requested the Government to permit him to engage the services of a Chartered Accountants Firm as Internal Auditors from out of the list of such firms maintained by the Accountant General (AG) by following Tamil Nadu Transparency of Tenders Act and the term of engagement of the Internal Auditors will be for a period of 3 years from the year 2019–20. Further, he has request the Government to permit him to incur an expenditure of Rs. 12.00 lakhs per annum and a total of Rs. 36.00 lakhs for a period of 3 years to be paid to the Internal Auditor firm as quarterly installments subject to the fulfilling of the deliverables for the period as given in the terms of reference, Minutes of Contract Negotiations or Service Level Agreement (SLA).

3. The Project Director has also stated that, the above proposal was approved by the State Empowered Committee and has therefore requested the Government to issue necessary orders in this regard.

4. The Government have examined the proposal of the Project Director, Tamil Nadu Urban Health Care Project in detail and accordingly, do and hereby issue the following orders:-

- (i) The Project Director, Tamil Nadu Urban Health Care Project is permitted to engage the services of a Chartered Accountants Firm as Internal Auditors from out of the list of such firms maintained by the Accountant General (AG) by following Tamil Nadu Transparency of Tenders Act and through the terms of reference mentioned to the annexure of this order and the term of engagement of the Internal Auditors will be for a period of 3 years from the year 2019–20.
- (ii) The Project Director is permitted to incur an expenditure of Rs. 12.00 lakhs per annum and a total of Rs. 36.00 lakhs for a period of 3 years to be paid to the Internal Auditor firm as quarterly installments subject to the fulfilling of the deliverables for the period as given in the terms of reference, Minutes of Contract Negotiations or Service Level Agreement (SLA).
- (iii) The Project Director is permitted to change the terms of reference suitably as per the need before the proposals are called for.
- (iv) The Project Director is permitted to incur the expenditure, pending provision of the same in the BE for the year 2019 -20.

5. The expenditure sanctioned in para 4 above shall be debited to the following head of account

"2210 Medical and Public Health – 01 – Urban Health Services – Allopathy – 110 – Hospitals and Dispensaries – Externally Aided Projects – PC Tamil Nadu Urban Healthcare Project – 309 Grants in Aid – 03 Grants for "Specific Schemes."

DP CODE 2210 01 110 PC 309 03

6. This order issues with the concurrence of the Finance Department vide its U.O.No.51949/Health -II/2019, dated.22.10.2019.

(BY ORDER OF THE GOVERNOR)

**BEELA RAJESH
SECRETARY TO GOVERNMENT**

To
The Project Director, Tamil Nadu Urban Health Care Project, Chennai – 6
The Accountant General, Chennai -18.
The Pay and Accounts Officer, Chennai-35
Copy to:
The Finance (Health-I & II) Department, Chennai-9.
The Health and Family Welfare (DC) Department, Chennai-9.
Stock File / Spare Copy.

//Forwarded by Order//

10-10-19
22/10/19
SECTION OFFICER

Annexure

(G.O(Ms). No.480, Health and Family Welfare (EAP II-1) department, dated 22.10.2019)

Terms of Reference (TOR)

1. The Appointment of an audit Firm is to conduct concurrent audit of Tamil Nadu Urban Health Care Project (JICA) for 3 years from 2019-20 to 2021-22 with the objective
 - a) to provide Tamil Nadu Urban HealthCare Project with timely information on the effectiveness of the financial management aspects of Tamil Nadu Urban Health Care Project (JICA) programme
 - b) to keep minimum 3 persons as per the qualifications given hereunder at the Tamil Nadu Urban Health Care Project office on all working days
 - i. to verify the Invoices submitted by the Consultants (Three) on monthly basis in line with the contractual obligations,
 - ii. to verify the Civil Contractors bills duly passed by the Public Works Department and
 - iii. to verify the Procurement bills received from various Equipment suppliers duly passed by the Tamil Nadu Medical Services Corporation Ltd before effecting the payment
 - c) The auditor shall verify and ensure that all the bills submitted by the consultants, Public Works Department and Tamil Nadu Medical Services Corporation Ltd every month are in accordance with the terms of the contracts entered with the Consultants, Civil contractors and Equipment Vendors with the Tamil Nadu Urban HealthCare Project, Public Works Department and Tamil Nadu Medical Services Corporation Ltd respectively for this Japan International Co-Operation Agency Project. The Auditors shall also verify and ensure that all the recoveries such as Tax Deducted at Source (Income Tax & GST) and advances provided to the said Consultants and Contractors are all promptly done in accordance with all the statutes at present in vogue.
 - d) To enable the Auditor to express a professional opinion on the operation of the overall financial management systems including internal controls, compliance with MOU /financing agreements. This audit is to assess the adequacy of the Tamil Nadu Urban HealthCare Project (JICA) financial management system, including internal controls in the implementing entities, under the programme. The audit firm shall nominate:
 - The Concurrent Audit Team of Tamil Nadu Urban HealthCare Project (JICA) shall be conducted by minimum three auditors, out of which one Auditor shall be a senior officer with Chartered Accountant qualification (with adequate project experience) with two Audit Assistants with adequate project experience who shall assist him for this Project.
2. The first review of financial management system shall include the activities from April 1, 2019 until the commencement of this assignment and thereafter this would be done regularly every month. This would include all aspects such as –
 - Adequacy and effectiveness of accounting and adequacy of the financial records, financial Bills of the consultants, and any need for revision;
 - Reimbursement bills and Payment made to the vendors
 - Submission of Claims with Japan International Co-Operation Agency
 - Level of compliance under various statutes,

- plans and procedures,
 - Reliability of accounting systems, data and financial reports,
 - Methods of remedying weak controls or creating them where they are nonexistent,
 - Verification of assets and liabilities;
 - Maintenance of all accounting records and records under the Tamil Nadu Societies Act
3. An assessment of compliance with provisions of financing agreements with Government of Tamil Nadu especially those relating to accounting and financial matters.
 4. That all external funds received under the programme have been used in accordance with the MOU / financing agreement i.e. projected cost / Government Order, duly attending to economy, efficiency and utilized only for the purpose for which the financing was provided;
 5. That counterpart funds have been provided and used in accordance with the relevant financing agreements, with due regard to economy, efficiency and only for the purpose for which they were provided;
 6. That adequate records are maintained regarding the assets created and assets acquired by/for the programme, including details of cost, identification and location of assets, carry out physical verification of sample of assets created out of the programme and comment on its utilization;
 7. The auditor should verify all the bills submitted by the consultants every month in accordance with the terms of the contract between Tamil Nadu Urban HealthCare Project with the consultants. The taxes etc., also should verify.

Reporting would be done in accordance with National standards. The Concurrent Auditor will provide monthly reports to Project Management Unit highlighting the findings to enable Project Management to take timely action. This will be in the form of a Management Report (including an executive summary highlighting key issues for management which will interalia include)

- a. Comments and observations on the financial management records, system and controls that were examined during the course of audit.
- b. Deficiencies and areas of weakness in systems and controls and specific recommendation for their improvement;
- c. Compliance with agreement and comments, if any, on internal and external matters affecting such compliance;
- d. Matters that have come to attention during the audit that might have a significant impact on the implementation of the project; and
- e. Any other matter that the auditors consider pertinent from the programme implementation point of view.
- f. Status of Compliance with / follow up on agreed actions from previous audit reports.
- g. The report (together with an executive summary) should be submitted within 15 days after the end of each quarter to programme management for their comments and these must be incorporate in the report as management comments.

The Concurrent Auditor will provide Monthly Report within 7 days after the end of every month showing specifically the Receipts and Payments account of Tamil Nadu Urban HealthCare Project (JICA) for their comments and this must be incorporated in the reports as management comments which is to be submitted to Project Management Unit, Tamil Nadu Urban HealthCare Project within 10 days after the end of every month in duplicate. This shall form the basis for payment to Consultants.

The Draft Consolidated Monthly Report (together with and executive summary) should be submitted within 10 days after the end of every month to programme management Tamil Nadu

Urban HealthCare Project (JICA) for their comments and these must be incorporated in the reports as management comments and Final Quarterly Report should be submitted to Project Director within 15 days after the end of each quarter in duplicate along with quarterly Financial Monitoring Report.

Any other special work assigned by the Project Director from time to time shall also be attended.

BEELA RAJESH
SECRETARY TO GOVERNMENT

//True Copy//

22/07/19
SECTION OFFICER