

TENDER NOTICE

Islamabad Healthcare Regulatory Authority (IHRA) invites sealed bids from well reputed Islamabad Based Chartered Accountant Firms Registered by the ICAP to conduct an External Audit three years (FY 20019-20, 2020-21 and 2021-22)

Name of Procuring Agency	Islamabad Healthcare Regulatory Authority (IHRA), Islamabad.
Number of Tenders	One
Method of Procurements	Single Stage – Two Envelope
Title of Procurements	Hiring of firm to conduct an External Audit
Contact Officer	In-charge Procurement Ph: 051-9199-999
Closing Time, Date & Place for receiving of bids	Up to <u>02:00 PM</u> , on <u>08-02-2023</u> at IHRA, 2 nd & 3 rd Floor, DMLC Building (PRCS) Sufi Tabassum Road, H-8/2, Islamabad
Time & Place of publicly opening of bids.	At <u>02:30 PM</u> , on <u>08 -02-2023</u> , at IHRA, 2 nd & 3 rd Floor, DMLC Building (PRCS) Sufi Tabassum Road, H-8/2, Islamabad

Terms of Reference of External Audit Islamabad Healthcare Regulatory Authority (IHRA)

Financial Year: July 01 to June 30

Source of Funds: Ministry of National Health Services Regulation & Coordination.

Period: July 2019- June 2020, July 2020-June 2021, July 2021-June 2022 (3 years)

Background:

Islamabad Healthcare Regulatory Authority is enacted through an Act called Islamabad Health Regulation Act, 2018. According to the Act 2018, it is a statutory requirement to conduct external audit within 120 days after the end of each financial year.

Introduction:

The Islamabad Healthcare Regulatory Authority (IHRA), an autonomous health regulatory body was enacted under the Islamabad Health Regulation Act, of 2018, and started its functions in March 2020. IHRA aims to improve the quality, efficiency, and safety of healthcare services delivery by adopting evidence-based regulatory standards for the registration and licensing of healthcare establishments, health professionals & equipment, and developing and enforcing minimum standards of safety for patients, healthcare professionals, and other staff in healthcare establishments (both in public and private) in the Islamabad Capital Territory. To achieve the objectives of the Authority, the IHRA has gradually expanded its functions, formulated its policies and Standard Operating Procedures (SOPs), and hired its staff. The followings are the activities/functions of the IHRA.

Vision & Mission

Vision: “*Safe and High-Quality Healthcare Services for everyone in the Islamabad Capital Territory*”.

Mission: “*Regulate the provision of healthcare in ICT to ensure high efficiency, safety, and effectiveness in delivering health services both in the public & private sector*”

1. Functions/ Activities

- a) **Registration and licensing** of the healthcare establishments, healthcare professionals, and equipment
- b) **Inspection** to enforce minimum standards of safety for the patient, healthcare professionals, and other staff in a healthcare establishment
- c) **Development of code of conduct** for professionals to meet quality assurance/minimum service delivery standards
- d) **Issue standing orders** to ensure the provision of quality healthcare services by healthcare establishments
- e) Grant, renewal, suspension, cancellation, or revocation of registrations of healthcare establishments, its healthcare professional and equipment
- f) **Monitor and regulate** healthcare services quality levels and standards
- g) **Investigate complaints** relating to healthcare establishments, healthcare professionals, healthcare services, and/or medical negligence
- h) **Training and educative programs** for the stakeholders
- i) **Liaising and coordination** with healthcare establishments, for implementation of various health improvement, disease prevention, curative, rehabilitative, and palliative programs.

2. Strategic Goals

IHRA vision and mission is achieved through the following four Strategic Goals:

- **Regulated and Accountable Healthcare Sector:** By ensuring that all healthcare facilities, professionals, and equipment are registered in the ICT and meet the required minimum service delivery standards as well as licensing standards.
- **Safe and Trusted Health Services:** Through continuous assessment of the quality of health services are provided to ensure compliance with IHRA standards and ensure the safety of medicine and medical equipment used in the healthcare establishment and the safety of clinical research conducted in the ICT.
- **Protected Health Rights:** by Preserving patients’ rights and safety, IHRA will act to protect the rights and the safety of all people using healthcare facilities.
- **Internal Capabilities:** By ensuring strong internal systems, resources and expertise to meet the challenges of the ever-changing regulatory environment.

3. Budget and Expenditure

Financial Year	Total Budget for the Year (Rs.)	Expenditures (Rs.)
2019-20	88,610,000	86,055,555
2020-21	70,000,000	54,364,256

2021-22	147,480,000	146,171,091
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4. Available Documents

The IHRA is responsible to provide access to all kinds of records to facilitate the audit process. This would cover as a minimum:

- All kinds of agreements;
- Main supporting schedules to the financial statements including income and expenditure, assets and liabilities, and cash records;
- Interim monthly or quarterly reports (programmatic as well as financial);
- General ledger, cash book, other important books, and records;
- Original supporting documentation to all reported expenditures (invoices, full support for all procurement (petty & tender), payrolls, bank vouchers, journal vouchers, etc);
- Bank statements;
- Important correspondence between the Ministry, Board of Authority, and other stakeholders, etc.
- Financial procedures manuals, systems descriptions or any other documentation explaining the processes contributing to the production of reliable financial reports and maintaining internal control;
- Internal audit reports relevant to expenditures or any systems, or governance.

5. Objective of the Audit

The objective of the audit of Financial Statements is to enable the auditor to express an opinion on:

- **Ture and Fair View:** Whether the financial position of the IHRA at the end of the reporting period and of the funds received and expenditures for the reporting period, are presented fairly in all material respects by the Authority;
- **Ensure Compliance:** Whether, in all material respects, the funds have been used in conformity with the provisions of the Agreement and IHRA Act 2018, including the approved budget and work plans.
- **Reconciliation:** Whether the financial statements reconcile with information reported to AGPR and Ministry.

6. Audit Approach/Methodology

- a) The IHRA intends to have a **full-scope audit** for three years (2019-20, 2020-21 & 2021-22). The auditor will provide a separate audit report and management letter for each financial year. Each audit report and management letter will be addressed to the Chairman of the Finance & Audit Committee of the IHRA Board. Conduct entry and exit meetings with the IHRA Finance & Audit Committee and with the CEO of IHRA.

7. Responsibility for the preparation of Financial Statements (FS).

The responsibility for the preparation of financial statements for each financial year lies with the management of IHRA.

The IHRA will prepare the FSs in accordance with applicable accounting standards.

8. Financial Statements (FS).

The FS should include:

- a) An Income and Expenditure Statement (IES) or a Statement of Sources and Uses of funds (SSUF), showing funds received from the Government, revenue generated through IHRA's own resources, any other income/donation received, and all reported expenditures;
- b) A note, statement, or annex showing total funds received (Government & IHRA own resources) and reconciliation of such amount to the IHRA cash balances at the end of the reporting period;
- c) A note, statement, or annex showing advances and reconciliation of the total amount advanced by the Authority with the recorded expenditure and cash balances at the end of the reporting period.
- d) A reconciliation between the AGPR and Financial Statements.

9. Audit Scope of Work

9.1 The audit will be carried out in accordance with International Standards on Auditing (ISA) and will include such tests and controls as the auditor considers necessary under the circumstances;

9.2 In addition to the actions considered necessary by the auditor in order to form their opinion on the financial statements, additional agreed-upon procedures will be required in relation to the following:

- a. **Compliance with applicable legislation and manuals** – Verify that the transactions comply in all material respects with any applicable legislation and manuals /guidelines;
- b. **System of internal controls** - Assessment of the adequacy and effectiveness of the accounting and overall internal control system to monitor expenditures and other financial transactions including special attention to the adequacy and effectiveness of controls around cash transactions;
1. **Follow up on the findings of previous audit reports** – The auditor should follow up on management's intended actions to address the findings of previous audits, including external audits and relevant internal audits. The Auditor shall refer to the complete report, including recommendations of an Internal Audit of IHRA that was carried out in 2022. The Auditor shall provide a professional opinion on whether IHRA's actions based on the recommendations have been truly and properly carried out and or whether further improvement and corrective steps remain to be taken.
- c. **Safeguarding of assets** - Verify that the Authority has put in place mechanisms for the tracking and safeguarding of assets purchased with funds and that they are being used for the intended purposes. Verify that Authority's fixed assets register exists and is maintained in accordance with the applicable standards.
- d. **Goods and services** - have been procured transparently, competitively and in accordance with the PPRA rules.
- e. **Data retention and supporting documentation** - Necessary supporting documents, records, and accounts have been retained in compliance with applicable laws. Procedures exist for the security and management of electronic data (backup systems and procedures, etc.);

9.3 Financing and Procurement of goods, works, and services:

- a. Verify that all such financing and procurement have been in accordance with the IHRA Act and IHRA established rules, regulations, and procedures, and where applicable Pakistan Public Procurement Regulatory Authority (PPRA).
- b. The procurement shall cover:
 - i. All assets – fixed and material current assets including annual inventory status;
 - ii. Personnel - hiring of personnel, covering contractual staff, temporary staff (under Contingency), consultants, and the fixation of their respective terms of agreement and service.
 - iii. A detailed audit of at least fifty percent (50%) of procurements (numbers) samples, specifically in FY 2022 – year ending 30 June 2022, with emphasis on the higher valued procurements covering both goods and services.
 - iv. All procurement – goods, services, and personnel are to be seen in the context of whether there has been strict compliance with rules and regulations, whether funds utilized were for purposes for which they were provided, whether there has been appropriate segregation of authority, powers, and responsibility to ensure transparency and fairness in all such procurement

9.4 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.

10. Auditor's opinion

- A. In preparing the audit report, the selected audit firm will issue an appropriate audit opinion on the financial statements in accordance with ISA. Where additional agreed-upon procedures have been included in the assignment, the report shall also be provided in accordance with these standards.
- B. The expected contents of the auditor's opinion would include at least the following:
 - a. Expressing an opinion on whether the FS in its entirety presents fairly in all material respects and financial position at the period end and that the funds were utilized for the purposes defined by the approved budget and agreement.
 - b. That it is prepared under an agreed scope of work and its intended use.
 - c. Confirming the adequacy of accounting standards and principles that have been applied and indicating the effect of any deviations from those standards/principles;
 - d. Confirming that the audit standards comply with ISA requirements in all material respects;
 - e. Confirming that sufficient audit evidence has been gathered to substantiate in all material respects the accuracy of the FS;
 - f. Expressing an opinion on the system of internal control to confirm that it provides an adequate control environment for the orderly and efficient control of resources, including the safeguarding of assets, the accuracy and completeness of the accounting and financial records as well as the timely preparation of reliable and transparent financial statements.
- C. Additionally, the Auditor shall provide an executive report for the total period that is covered by the audit.

11. Management Letters

- 11.1 In addition to the audit report, the auditors will prepare management letters and obtain responses from the management of each financial year, and shall:
- a. Set out any instances of non-compliance noted by the auditors in the course of their work to form an opinion on the FS;
 - b. Communicate matters that have come to their attention pertaining to financial, procurement or other actions that have been in violation of accepted norms, applicable rules and regulations, fairness and transparency; such actions may have been carried out with a view to gain or advance undue advantage or favors, and commitment of fraud.
 - c. Communicate matters that have come to their attention during the audit which might have a significant impact on the sustainability of the organization.
 - d. Comment on instances of non-compliance in the accounting records, procedures, systems and controls that were examined during the course of the audit with particular reference to the systematic weaknesses;
 - e. Provide recommendations to address the observed deficiencies and areas of weakness in systems and controls which may be affected promptly;
 - f. Report on the implementation status of recommendations contained in previous audit reports;
 - g. Include responses made by the Authority in discussing audit recommendations, along with a timeline for implementing agreed recommendations. In cases where either the Authority's management does not accept an audit finding or the auditor disagrees with the adequacy of the management response, the management report will acknowledge that disagreement. All observations and recommendations will be discussed with the Authority's management before the letter is finalized.
 - h. Suggest and recommend steps and measures that would enable IHRA to become competitive and efficient in terms of financial management considering transparency, accountability, and resources at its disposal.
- 11.2 It must be clearly noted on the face of the Management Letter that it is a confidential document and must be treated as such.
- 11.3 The Management Letter should state that the auditor acknowledges and agrees that the Management Letter shall be shared with the Chairman of the Finance Committee (Board of Authority) and the Chief Executive Officer on a confidential basis.
- 11.4 The Management letter should use a system of grading points depending on their level of severity.

12. Auditor qualifications, independence, and selection criteria

- 12.1 In accepting this assignment, the selected audit firm will maintain impartiality and independence from all aspects of management or financial interests in the Authority. To further strengthen impartiality and independence, the selected firm will not, during the period covered by the audit nor during the undertaking of the audit, be employed by, serve as a board member, or have any financial or close business relationships with any senior participant in the management of the Authority, connected directly or indirectly with the implementation of the activities.
- 12.2 All the partners of the firm shall be compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan.
- 12.3 The audit firm shall meet the following criteria:

- a. The audit firm should be registered, have a license from the Institute of Chartered Accountants of Pakistan, and shall have a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan
- b. The firm should have relevant experience in accounting and auditing of autonomous bodies which receives funds from the Government and generate funds through their own resources.
- c. The engagement partner, manager and audit team should have appropriate professional qualifications and suitable experience with ISA, including experience in auditing the accounts of entities comparable in size and complexity to the Authority audited.
- d. The key audit team will comprise, at least:
 - i. An engagement partner who is a fellow member of the Institute of Chartered Accountants of Pakistan
 - ii. An audit manager with at least 8 years of experience in auditing and with a sound knowledge of autonomous bodies. In addition, he/she should be a member of the Institute of Chartered Accountants of Pakistan
 - iii. A team leader with a recognized professional accountancy and/or audit qualification in auditing/accounting or equivalent with a minimum of 5 years' experience in auditing; and
 - iv. Assistant auditors with adequate experience and professional qualifications.

13. Audit Duration:

The audit work shall be completed within 06 weeks from the date of commencement of the audit.

14. Deliverables

The Auditors on completion of the audit work will submit 6 (six) original copies of the Audit Report appended to the Financial Statements along with the reports to the attention of the Finance Committee (4 copies), the CEO (1 copy), and the Dy. Director Finance (1).

Instructions to Bidders

1. The proposer shall bear all costs of preparation and submission of the proposal.
2. The language of the proposal and all communications shall be in the English language.
3. Contents of the technical proposal shall be as follows
 - a. Profile of the Audit Firm including
 - i. Total no of Audit professionals employed which shall be distinguished by designation – audit partners, audit managers, audit seniors, and audit associates.
 - ii. Major clients of the firm including the description of the nature of business of the client and the services being rendered by the firm.
 - b. The audit approach that will be followed by the firm to meet the engagement objectives and how will it meet the engagement requirements
 - c. The time frame for the performance of the engagement including breakup by hours required by audit staff, manager, and the partner
4. Contents of financial proposal shall be as follows
 - a. The fee proposed on the basis of the time spent by the audit team
 - b. The lump-sum fee which the audit firm is willing to charge
 - c. The fee quoted shall be inclusive of all taxes and all related costs but excluding out-of-pocket expenses
 - d. The basis for charging out-of-pocket expenses –if any (subject to a maximum limit of 10% of the audit fee and furnishing of details)
 - e. The cost of preparation of the audit proposal shall not be reimbursable
5. The RFP and the proposal to be submitted shall be confidential and no contents of any document shall be copied, furnished, used or provided to any third party in any form without the approval of the IHRA.
6. The proposals shall not be returned once received; however, the audit firm may provide addendums to the financial proposal.
7. The technical evaluation will be made in line with the selection criteria mentioned above which includes the experience of the firm in rendering audit services to autonomous bodies, firm standing and rating in the accountancy circles, a profile of the firm, the experience of the audit team, the responsiveness of the proposal and methodology of the firm to the engagement requirements, schedule of the audit deliverables
8. The overall evaluation will be made based on the technical and financial proposals, with the technical proposal having 75% weightage and the financial proposal having 25% weightage.
9. Ministry of National Health Services Regulation & Coordination & Office of the Accountant General of Pakistan endorsement will be required for the successful firm.
10. IHRA reserves the right to accept or reject any proposal in the best interest of the Authority without assigning any reason.
11. The working papers shall be the property of the IHRA and shall be kept in the custody of the selected firm. IHRA may direct the firm for a transfer, destruction, or disposal of the working papers as per instructions in written form.
12. The contract shall, between the selected firm and the IHRA, last till subject to completion of the audit engagement and acceptance of the final deliverables by the Authority.
13. The firm may be required to provide ancillary information of the engagement services performed as and when requested by the Authority.