



HIRING OF AUDIT FIRM

Request For Proposal (RFP)

Dated: JULY, 2023

LADY READING HOSPITAL PESHAWAR
MEDICAL TEACHING INSTITUTION
PESHAWAR KHYBERPAKHTUNKHAW

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LETTER OF INVITATION

Subject: REQUEST FOR PROPOSAL FOR SELECTION OF AUDIT FIRM

Health Department, Government of Khyber Pakhtunkhwa, invites "Proposals" from registered, well-reputed firms to undertake a third-party financial audit for the year fiscal year **2021-2022, 2022-2023.**

The firm shall be selected under the "Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules, 2014 based on "Single Stage Two Envelop" bidding procedure. Request for Proposal (RFP) document can be downloaded from the website of LADY READING HOSPITAL MEDICAL TEACHING INSTITUTION PESHAWAR Health Department, Government of Khyber Pakhtunkhwa <https://lrh.edu.pk/downloads/tenders.html> and Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KHYBER PAKHTUNKHWAPRA) www.Khyber Pakhtunkhwapra.gov.pk.

Interested Firms are required to provide explicit information of their capacity/qualification to perform this assignment considering the instructions detailed in the RFP. All the bidding firms ***must be registered with the Khyber Pakhtunkhwa Revenue Authority(KPRA).***

Sealed Technical Proposal in hard as well as in soft form (PDF format) whereas Financial Proposal in the hard form (in a separate sealed envelope), must be delivered to the address given below by or before **11:00 AM on July 25th, 2023.** The Technical Proposals will be opened on the same day at **11:30 AM.**

The Department reserves the right to accept or reject any or all the bids under the KHYBER PAKHTUNKHWA KPPRA rules.

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INSTRUCTIONS FOR PREPARATION OF PROPOSAL

BACKGROUND

Around 60% of the population of Pakistan lives below the poverty line, and this segment of the population is exposed to a number of risks. Of all the risks, health risks pose the greatest threat to their lives and livelihoods. A health shock adds health expenditures to the burden of the poor precisely at the time when they can least afford it. Such shocks impose major costs on both poor and non-poor, resulting in situations that lead these families deeper into poverty. The share of those who had not yet recovered increases with the estimated cost of the shock and is significantly higher for health shocks.

Pakistan spends 2.6% of its Gross Domestic Product (GDP) on healthcare. With per capita income of 1,627 US\$, total health expenditure on health per capita per annum is only 129 US\$. Public spending on healthcare is even lower. Around 57.6% of healthcare expenditure in Pakistan is out of pocket (OOP).

Keeping in view the widespread poverty and High out of pocket expenditure, the Government of Khyber Pakhtunkhwa launched its landmark Medical Teaching Institution Reforms Act (MTIRA). Being an autonomous body Lady Reading Hospital -MTI Peshawar has successfully served the Locality without any discrimination to Poor or Rich.

The success and impact of the earlier phases encouraged the government to extend the programme to all the major hospital of Khyber Pakhtunkhwa .

ELIGIBLE BIDDERS

An applicant should be a Chartered Accountant Firm and should not be disqualified/blacklisted by any of the private/public sector organization in Pakistan (Written statement on Legal Paper must be attached in Bid) .

The bidder shall have the following minimum qualifications:

- The audit firm should have a license from the Institute of Chartered Accountants of Pakistan (ICAP). Only the Auditing Firms (Chartered Accountants) in Category A, Category B, or Category C on the Panel of Auditors maintained by State Bank of Pakistan under Section 35 of Banking Companies Ordinance, 1962 should apply.
- Firm must have an office established in Pakistan and shall have all the requisite licenses/ registrations to do business in Khyber Pakhtunkhwa.
- Firm must have conducted within the last ten (10) years, at least three (3) performance/financial audits.
- Firm must provide copies (hard or electronic) of at least two (2) financial audit reports. The firm must have had primary responsibility for performing the majority of the work on each audit.
- Firm must agree to retain working papers and other performance audit work products for seven (7) years. In retaining these records, the firm should give appropriate consideration to the sensitivity of the information contained in the documents to prevent the unauthorized release of confidential information (On legal Stamp Paper).

BIDDING POCEDURE

Single Stage Two Envelope bidding procedure shall be followed as per the KPPRA rules:

- The bid shall be a single sealed packet/envelope containing two separate sealed envelopes in it, comprising separately the financial and the technical proposals;
- Each respective envelope shall be marked as “Technical Proposal” and Financial Proposal” as the case may be;
- In the first instance, the “Technical Proposal” shall be opened and the envelope marked as “Financial Proposal” shall be retained unopened in the custody of the Client;
- Technical proposals shall be evaluated in the manner prescribed in **Section 5** of this document, without reference to the price and shall reject any proposal which does not conform to the specified requirements;
- During the technical evaluation process, negotiation may be carried out which may include but not limited to offering an opportunity to bidders for clarification or explanation on technical proposal, the proposed technical approach and methodology, work plan, organization and staffing, logistics and reporting;
- After the evaluation and approval of the technical proposals, the financial proposals of the firms who are qualified on the basis of Technical Proposals, shall be opened;
- The financial bids of the bidders who are disqualified on the basis of the Technical Proposal, shall be returned un-opened to the respective bidders.

OBLIGATIONS OF BIDDERS

- It will be the responsibility of the Bidder that all factors have been investigated and considered while submitting the Bid and no claim whatsoever including those of financial adjustments to the contract awarded under this Bid Process will be entertained by the Purchaser. Neither any time schedule, nor financial adjustments arising thereof shall be permitted on account of failure by the Bidder.
- The Bidder shall be deemed to have satisfied itself fully before Bid as to the correctness and sufficiency of its Bids for the contract and price/cost quoted in the Bid to cover all obligations under this Bid Process.
- It must be clearly understood that the Terms of Reference are intended to be strictly enforced. No escalation of unit cost will be permitted throughout the remaining period of completion of the contract.
- The Bidder shall be fully and completely responsible for all the deliveries and deliverables to the Purchaser.

METHOD OF SELECTION

The Firm shall be selected on **QCBS** (Quality and Cost Based Selection) method amongst the technically qualified bidders.

LRH-MTI reserves the right of entering into more than one contracts.

TERM OF THE AGREEMENT

Financial Audit for the fiscal year 2021-2022, 2022-2023

NOTIFICATION OF AWARD

After evaluation and selection of the vendor, Technical evaluation report will be uploaded on the official website of LRH-MTI.

BID VALIDITY

The Bid shall have a minimum validity period of **120 days** from the last date for submission of the Bid. The LRH-MTI may solicit the bidder's consent to an extension of the validity period of the bid. The request and the response thereto shall be made in writing.

PERFORMANCE SECURITY

- The successful Bidder(s) shall furnish Performance Security within **30** days positively of the receipt of the Acceptance Letter from the Purchaser;
- It may be in the form of as prescribed under KPPRA rules.
- **Its value shall be equivalent to 10% of the contract value;**
- The Performance Security shall be denominated in Pak Rupees;
- It should have a minimum validity period until the date of expiry of contract period, support period or termination of services, or fulfillment of all obligations under the contract, whichever is later.
- The Performance Security shall be payable on occurrence of any / all of the following conditions:
 - 1) If the Bidder commits a default under the Contract;

- 2) If the Bidder fails to fulfill the obligations under the Contract;
 - 3) If the Bidder violates any of the terms and conditions of the Contract.
 - 4) The Bidder shall cause the validity period of the performance security to be extended for such period(s) as the contract performance may be extended. The Performance Security shall be returned to the bidder within thirty working days after the expiry of its validity on written request from the Bidder.
 - 5) In case the Bidder fails to furnish Performance security in the shape of bank guarantee/**CDR/Insurance bond** within the stipulated period given under Letter of Acceptance and subsequent formal contract, or till end of the currency of the said contract, the amount of bank guarantee, as required, shall be deducted from the amount payable to the Bidder.
- Audit of the claims payment procedure including:
 - a) Analysis of 100% of medical claims paid to hospitals. This should include, but not be limited to verifying accurate plan design, exclusions, and limitations such as maximum visits per month, prior authorization, package limits and others.
 - b) Check for areas of fraud, waste, or abuse, adherence to best practices/standards, and investigations of other party liability.
 - c) Verify that sufficient documentation was provided to support the sampled claim payment and an adequate review was performed, taking into consideration the claim amount.
 - d) Identify potential duplicate payments, including claims for the same services with different procedure codes. Where applicable, verify medical necessity, appropriate discounts and correct reimbursement procedures were followed
 - e) Identify common errors and determine the causes and effects and provide recommendations to correct the errors.

AUDIT REPORTS

The audit report(s), shall be issued in English language and shall cover all aspects specified in the following paragraph ("scope"):

- Provide a schedule showing receipts and disbursements during the audit period
- Include the balance of special accounts at the beginning and the end of the audit period
- Comprise the auditor's statement of appraisal and quantify the consequences of the specific deficiencies, if any.
- Give comments and observations on the accounting records, systems and controls examined during the audit (as far as necessary for the understanding of the financial reports and the statements of expenditure),
- Identify specific deficiencies and areas of weakness in systems and controls that have come to the auditor's attention, especially with regard to withdrawal, purchase, storage and payment transactions, and make recommendations for their improvement,
- Report on actions taken by the parties to make improvements concerning deficiencies and areas of weakness reported in the past,
- Bring to the attention of the Project Executing Agency any other matters that the auditor considers pertinent.

DELIVERABLES

The Audit Firm shall deliver the following All the below mentioned deleiverables will be separate for both Phase 1 and Phase 2 of the assigned work.

1. Audit Plan

The auditor will develop a financial and performance audit plan based on a comprehensive risk assessment model, developed by the auditor, which identifies in priority order the functions or operational areas to audit. The detailed audit plan will adhere to international Auditing Standards and provide the methodology the auditor will use to address the audit objectives. The audit plan will describe both the nature and extent of audit procedures to be used for gathering and analyzing evidence, including the specific steps and tests the auditors will perform. The auditor will design the audit methodology to obtain sufficient, appropriate evidence to address the audit objectives, reduce audit risk to an acceptable level, and provide reasonable assurance that the evidence is sufficient and appropriate to support the findings and conclusions. The plan will include the expected dates for completing field work for each audit objective.

2. Draft Report

The auditor will provide a written draft performance audit report that contains observations, conclusions, and actionable recommendations for the Procuring entity. The draft audit report must be fully supported with sufficient and appropriate evidence. The auditor must communicate its findings, conclusions, and recommendations to the Procuring Entity, who will review it and comment accordingly.

3. Draft Final Report

The auditor will provide a written draft final financial and performance audit report that contains observations, conclusions, and actionable recommendations. The draft final audit report must be fully supported with sufficient and appropriate and contain the following:

- a) Executive summary;
- b) The objectives, scope, and methodology of the audit;
- c) the audit results, including findings, conclusions, and recommendations, as appropriate;
- d) A statement about the auditors' compliance with generally accepted international auditing standards;
- e) A summary of the views of the client and

- f) If applicable, the nature of any confidential or sensitive information omitted. In addition, the auditor will create a presentation (i.e., PowerPoint) to convey the results of the audit and make the presentation to the Procuring entity.

4. *Final Report*

The auditor will submit a final audit report to CLIENT management, including an executive summary and CLIENT management's response to the recommendations. The auditor will provide a minimum of five hard copies and one electronic copy (on CD) of the final report.

AFTER PREBID

PROPOSAL REQUIREMENTS

GENERAL SUBMISSION REQUIREMENTS

- Technical and financial proposal must be submitted in response to this RFP.
- The requirements established by this RFP for proposal content and format will be used to evaluate proposals.
- The bidder's compliance to the format prescribed herein, as well as the bidder's response to each specific requirement and question stated in the RFP, will be considered during the evaluation process.
- Proposals should provide a concise but complete description of the bidder's ability to meet the requirements of the RFP.
- The Technical and Financial Proposals must be submitted in separate sealed envelopes/packages and placed in a third package.
- The two sections should be marked as follows:
 - a) "Technical Proposal-Financial Audit and
 - b) "Financial Proposal- Financial.
- Each section should be identified with the name of the bidder and RFP
- All evidence and documentation requested under this RFP must be provided at the time the proposal is submitted.
- Sealed Technical Proposal in hard as well as in soft form (PDF format) whereas Financial Proposal in the hard form (in a separate sealed envelope), must be delivered to the address given in the advertisement by or before **11:00 AM on 25-07-2023**. The Technical Proposals will be opened on the same day at **11:30 AM**.

TECHNICAL PROPOSAL

All proposals should be type written on standard A4 size paper (larger size paper is permissible for charts, spreadsheets, etc.) and placed within a binder with tabs delineating each section. Bidders should utilize both sides of the paper where practical. The Technical Proposal should include the following:

- 1) LETTER OF TRANSMITTAL
- 2) EXPERIENCE AND QUALIFICATIONS OF THE FIRM
- 3) EXPERIENCE AND QUALIFICATIONS OF PROPOSED PERSONNEL

4) WORK APPROACH

The bidder must provide a Letter of Transmittal that contains the following elements:

1. A summary of the firm's pertinent expertise, skills, client base and services provided.
2. A primary contact for the proposal, including the name, address, telephone numbers and email address.
3. Statement that if awarded the contract as the primary contractor, the bidder will accept full responsibility for successful performance of the entire scope of work.
4. Statement that the firm acknowledges and will comply with the terms, including all of the insurance requirements

1. Experience and Qualifications of the Bidding Firm

This section of the proposal should demonstrate the bidder's qualifications, experience and capacity to conduct this audit. Bidders must provide references and work samples to substantiate this experience.

This section of the bidders' proposals should include the following information:

1. Legal status of the firm (sole proprietorship, partnership, corporation, etc.) and the year the entity was organized to do business as the entity now exists.
2. Main business location, office location from which bidders' staff will work on this performance audit, names of principals, number of employees, client base, areas of specialization and expertise, and any other information that will assist the RFP Evaluation Committee in formulating an opinion about the stability and strength of the firm and corporate status.
3. Describe how the bidder meets the minimum qualifications specified in **Section 2**.

2. Methodology and Work Approach

The bidder's proposal must provide Methodology of work in detail, outlining the implementation of this project. The following details should be provide:

1. Accessibility and Staffing
2. Database and Reporting
 - a) Describe the bidder's ability to design and maintain a standardized data- base to record data and information as mentioned earlier and export the raw data into a delimited flat file, spreadsheet software, such as Microsoft Excel. Attest that the bidder will collect all required information.
 - b) Describe the bidder's ability to produce reports at required intervals.

- c) Describe the bidder's ability to collate and update data and information from various sources.

3. Management Reports

- a) Describe the bidder's capability to submit detailed management reports on each test, as well as summary reports.
- b) Describe the quality control measures in place to assure accuracy and timeliness of all reports.

4. Quality Assurance and Improvement

Describe how the bidder will ensure quality paradigms of the submitted reports and processes.

FINANCIAL PROPOSAL

The Financial Proposal should include the following:

1. TRANSMITTAL LETTER
2. FINANCIAL PROPOSAL COST
3. PROPOSAL WORKSHEET
4. EVIDENCE OF FINANCIAL CAPACITY/STABILITY

1. Transmittal Letter

The transmittal letter must be signed in ink by an official authorized to bind the bidder to the provisions contained therein. The letter should include:

- a) An affirmation that the offer is to remain in effect for the duration of the assignment.
- b) A statement indicating that the bidder will provide the services at the prices contained in the cost proposal.
- c) A statement indicating that the bidder prepared its Cost Proposal without collusion or other communication with any other prospective bidder.

2. *Financial Proposal Cost*

The bidding firm should quote cost for performing the assignment as per requirement of the Client.

3. *Evidence of Financial Capacity/Stability*

Bidders must be able to provide evidence of their financial ability to perform the terms and conditions of the contract. Each bidder must include independently audited financial statements (not annual reports) for the last three years of operations.

VALUATION OF PROPOSALS

The Client will conduct a comprehensive and impartial evaluation of all proposals through a Procurement Committee notified for the purpose.

At the discretion of the Client, all or any of the bids may be rejected with a cogent reason. The technical and financial proposals will be evaluated separately. The results of the technical and financial evaluations will be weighted and combined for the purpose of awarding contracts. Evaluation of the bids will include, but not be limited to the following considerations:

- Meeting the RFP requirements;
- An assessment of the bidder's experience and qualifications;
- The technical merit of the proposal;
- The clarity of the proposal; and
- The total cost.

MANDATORY REQUIREMENTS

Any firm, who do not qualify any of the following conditions, shall be disqualified at the initial screening:

1. Timely submission;
2. Separate financial and technical proposals;

3. The bidder fulfills all the technical requirements for carrying out the audits
4. Legal and valid Registration of firm/Join Venture (JV)
5. A Certificate that the provision of services will be conducted in conformity with the system requirements and Terms of References (TORs) by following the professional approach under supervision of nominated Key Expert(s).
6. Valid NTN
7. Registration with KPRA
8. The vendor must be a public/private limited company registered in Pakistan under SECP and should have been in operation for at least 2 years;
9. Income tax return for the last two years.
10. Has not been blacklisted by any of Provincial or Federal Government Department, Agency, Organization or autonomous body or Private Sector Organization anywhere in Pakistan. (Submission of undertaking on legal stamp paper is mandatory).

EVALUATION OF TECHNICAL PROPOSAL (70 POINTS)

A. Experience and Qualification of the firm	Scoring indicators	Total score (10points)
<p>KPRA Registration</p> <p>IFAC</p> <p>Valid & Active QCR Certification</p>	Mandatory	05 05
B. Qualified Partners		Total score (20 points)
C.Experience and qualification of proposed staff	<p>05 Marks for ACA or CMA or above</p> <p>02 Marks for CA Inter /CMA Inter/ACCA</p>	
<p>D.Commencement of Business</p> <p>(It will be determined based on the following formula) $(a/b) * c$</p>	02 Marks for each year	Total score (20 points)
E.Average Turn Over	Highest Turnover in last 05 years will get full marks	10
F. Service Provider Offices	Scoring indicators	Total score (10 points)
Availability of office in KHYBER Pakhtunkhwa	Rent Agreement/Ownership deed must be attached	06
National Office	Rent Agreement/Ownership deed must be attached	04

The Procurement Committee will evaluate and score each proposal that meets the initial pass/fail requirements by assessing each bidder's ability to provide the services based on the Evaluation Criteria system below:

EVALUATION OF FINANCIAL PROPOSAL (30 POINTS)

The bidder's financial score will be determined based on the following formula:

$(a/b)*c$ where:

a = Total Cost quoted in the lowest cost proposal,

b = Total Cost quoted in the proposal being scored

c = Total Points available for Financial Proposal (30).

TOTAL COMBINED SCORE

To arrive at the Total Combined Score, the Technical and Financial Scores shall be combined. The maximum score any bidder can receive is 100.

FINAL SELECTION AND AWARD OF CONTRACT

At the conclusion of the evaluation of the technical and financial proposals, the Client will identify the bidder(s) that best meet the Client's needs based on the evaluation of both the proposals.

AFTER PREBID

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