

# Quaid e Azam Solar Power (Pvt) Ltd

## TERMS OF REFERENCE FOR THE PROVISION OF OUTSOURCED INTERNAL AUDIT SERVICE 2013-14

### 1. **BACKGROUND TO THE QUAID E AZAM SOLAR POWER PVT LTD**

The company is a statutory body established through Companies Ordinance 1984.

### 2. **BACKGROUND TO THE ASSIGNMENT**

2.1 The Corporate Governance Rule for Public Sector Companies 2013 requires the establishment of an effective internal audit function under the control and direction of the Audit Committee. This function will be outsourced by the Company.

### 3. **THE OVERALL OBJECTIVE**

3.1. The objective of this bid is to appoint a suitable independent internal audit service provider who can maintain and support an appropriate internal audit service to the Board and Management of THE COMPANY.

### 4. **CONTRACT PERIOD**

4.1. The duration of the contract is normally anticipated to run for a period of one year and may be extended for a further period THE COMPANY will reserve the right to review the contract at the end of the term. If the Company chooses to cancel the contract during the course of the year, a notice period of 2 months will apply.

### 5. **CONDUCT OF WORK**

5.1. The internal audit service provider will be required to work at the THE COMPANY premises. In some instances, where necessary, work may be extended to where projects are being implemented.

5.2. THE COMPANY will provide office space for the internal auditor as required.

### 6. **ROLE AND OBJECTIVES OF INTERNAL AUDIT**

6.1. In terms of the Public Sector Regulations 2013, THE COMPANY should have an effective internal audit function.

6.2. The internal audit function should assist THE COMPANY to accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

The risk management strategy, which must include a fraud prevention plan, must be used to direct the internal audit effort.

6.3. Some of these objectives/standards/controls subject to evaluation are to review:

6.3.1. The information systems environment;

6.3.2. The reliability and integrity of financial and operational information;

6.3.3. The effectiveness of operations;

6.3.4. Compliance with policies and regulations and contracts;

6.3.5. The safeguarding of assets;

6.3.6. The economical and efficient use of resources;

6.3.7. Achievement of established operational goals and objectives;

6.3.8. Compliance with laws, regulations and controls;

6.3.9. Assisting the Audit Committee, and through them, the Board and Management in the effective discharge of their responsibilities, furnishing them with analyses, appraisals, recommendations, counsel and information concerning the activities reviewed and regular follow up.

## **7. ORGANISATIONAL STATUS OF INTERNAL AUDIT**

7.1. The internal audit function reports directly to the Audit Committee. The function must be Independent of activities that are audited, with no limitation on its access to information.

7.2. The internal audit function is an integral part of the organisation and functions under the policies established by senior management and the Board.

7.5. The Audit Plan of the Internal Audit is formally approved by the Audit Committee.

## **8. SCOPE OF INTERNAL AUDIT**

8.1. The internal audit must be conducted in accordance with the Terms of Reference set by the Audit Committee.

8.2 The scope of the Internal Audit Function includes at least the under -mentioned. Should any other function be regarded as imperative by the bidder, the functions shall be offered and clearly defined.

8.3 The internal audit function must, in consultation with the Audit committee, prepare:

8.3.1. A one year strategic internal Audit Plan based on its assessment of key areas of risk for the public entity, having regard to its current operations, the operations proposed in its corporate or strategic plan and its risk management strategy;

8.3.2. An annual internal Audit Plan;

8.3.3. Plans indicating the scope and time lines of each audit in the annual internal audit;

8.3.4. Audit reports directed to the Audit Committee detailing its performance against the plan to allow for effective monitoring and intervention where necessary;

8.5 The internal audit function must assist the Audit Committee in maintaining effective controls by evaluating those controls and by developing recommendations for enhancement or improvement.

8.6 The internal audit function must assist the Audit Committee in achieving the objectives of the Company by evaluating and developing recommendations for the enhancement or improvement of the processes through which:-

8.6.1 Objectives and values are established and communicated;

8.6.2 The accomplishments of objectives is monitored;

8.6.3 Accountability is ensured;

8.6.4 Corporate values are preserved;

8.6.5 The adequacy and effectiveness of the system of internal controls are reviewed and appraised;

8.6.6 The relevance, reliability and integrity of management, financial and operating data and reports are appraised;

8.6.7 Systems established to ensure compliance with policies, plans, procedures, statutory requirements including updates or revisions and regulations, which could have significant impact on operations are reviewed;

8.6.8 The means of safeguarding assets are reviewed and, as appropriate, verifying the existence of such assets;

8.6.9 The economy, efficiency and effectiveness with which resources are employed, are appraised;

8.6.10 The results of operations or programmes are reviewed to ascertain whether results are consistent with the THE COMPANY's established objectives and goals, whether the operations or programmes are being carried out as planned;

8.6.11 The adequacy of established systems and procedures are assessed.

8.7 The audits that will need to be taken into account at THE COMPANY, are amongst others:-

8.7.1. IT security and systems processes audit;

8.7.2. Conducting special assignments and investigations on behalf of the Audit Committee or CEO into any matter or activity affecting the probity, interest and operating efficiency of THE COMPANY;

8.7.3. Audits designed to detect fraud.

8.8. Fraud and irregularities

8.8.1. In planning and conducting its work, the internal auditor should seek to identify serious defects in the internal controls, which might result in possible malpractices. Any such defects must be reported immediately to the Audit Committee, without disclosing these to any other member of staff or regulatory authority. This also applies to instances where serious fraud and irregularity is uncovered.

## **9. EXPECTED OUTCOMES AND DELIVERABLES**

9.1. Performing an audit assignment

9.1.1. Each assignment should at least consist of the following:

- a) Pre-audit survey;
- b) Audit Planning memorandum;
- c) Risk assessment document;
- d) System description(s);
- e) Audit programme;
- f) Sampling methodology;
- g) Mechanisms for follow-up on matters previously reported and feedback to the Audit Committee;
- h) Mechanisms to ensure that working papers are reviewed at the appropriate level;
- i) Audit findings and recommendations;
- j) Reporting (draft internal audit report and final internal audit report);
- k) Follow up of previous audit findings.

9.2. Reporting requirements

9.2.1. The audit firm will be reporting to internal audit committee on Quarterly basis The structure of the internal audit report is to be as follows:-

- a) Introduction;
- b) Audit objective and scope;
- c) Background;
- d) Executive summary, highlighting significant findings;

- e) Findings, recommendations and management responses (including implementation dates);
- f) All audits are to be carried out according to the internal Audit Plan approved by the Audit committee;
- g) Conclusion; and
- h) The auditor is to deliver to the chairperson of the Audit Committee and the CEO THE COMPANY an electronic copy and one signed copy of the final report.

## **10. QUALITY ASSURANCE REVIEWS OF THE WORK**

10.1. The auditor shall ensure that all work conforms to the Standards for the Professional Practices. Such work may further be subject to an external quality assurance as may be considered necessary.

## **11. MONITORING PROGRESS OF ASSIGNMENTS**

11.1. On completion of each assignment, the auditor shall distribute the reports to the Audit Committee;

## **11.2. INDEPENDENCE AND OBJECTIVITY OF AUDIT STAFF**

12.1. In carrying out the work, the auditor must ensure that its personnel maintain their objectivity by remaining independent of the activities they audit. The consultant shall:-

12.2. Have no executive or managerial powers, functions or duties except those relating to internal audit;

12.3. Not be involved in the day-to-day operation of the THE COMPANY;

12.4. Not be responsible for the detailed development or implementation of new systems and procedures.

## **13. COMPETENCY AND EXPERTISE REQUIREMENTS**

13.1. Audit firms must be registered with Institute of Chartered Accountants of Pakistan (ICAP) and should have satisfactory Quality Control Rating done by ICAP.

13.2. It is essential that the service provider has the knowledge and experience of internal audit in a public entity.

## **14. PAYMENT**

14.1. The THE COMPANY undertakes to pay valid invoices in full within thirty (30) days from statement date, for work done to its satisfaction upon presentation of a substantiated claim.

14.2. The THE COMPANY will consider payments on the basis of the specified deliverables as and when produced and accepted as per the approved contract.

## CONDITIONS OF TENDER

### EVALUATION CRITERIA

1. Evaluation criteria for technical and financial evaluations are enclosed. Scores will be allocated based on evidence available in proposal only. The assignment will be awarded to the firm with the highest total score based on following weighted ratios
  - 75 % of Technical Score
  - 25 % of Financial Score
2. The single stage single envelop method under PPRA 2014 will be used for evaluation.

### OPENING OF PROPOSALS

All proposals delivered to this office on or before 3:00 pm on 30th May 2014, shall be opened at 3:30 pm on the same day in the committee room situated at QA Solar Office.

### Technical and Financial Evaluation criteria:

CRITERIA	SCORES
<b>Technical: 75%</b>	
<b>Size and Resourcefulness (85 Scores)</b>	
Number of ICAP qualified Chartered Accountants employed by the firm in Pakistan	Max 35 Each number of Chartered Accountant more than 30 will fetch one point.
Number of Partners in the firm within Pakistan	Max 30 Each Partner more than 25 will fetch one point.
Number of Offices within Pakistan	Max 20 Each office will fetch 5 point.
<b>Current and Prior Experience (45 Scores)</b>	
Current Internal audit client with in energy sector	Max 20 points Each Client will fetch 2 point
Current Internal audit client with in public sector	Max 15 points Each Client will fetch 3 point
Years of existence in Pakistan	Max 10 Each Year exceeding 30 years will fetch one point
<b>Global Affiliation and Recognition (35 Scores)</b>	
SBP Category	Category A: 20 Category B: 10

Membership with global Audit Firm	Max 15 points
<b>Financial: 25%</b>	
Max 20 points	
The formula for determining the financial scores is the following: $S_f = 100 \times F_m / F$ , in which $S_f$ is the financial score, $F_m$ is the lowest price and $F$ the price of the proposal under consideration.	
The weights given to the Technical (T) and Financial Proposals (F) are: $T = 0.75$ , and $F = 0.25$	