

Quaid e Azam Solar Power (Pvt.) Ltd

TERMS OF REFERENCE (TOR)

INTERNAL AUDIT SERVICES

FOR THE YEAR ENDED JUNE 30, 2018

1. BACKGROUND OF THE COMPANY

Quaid-e-Azam Solar Power (Pvt.) Limited was incorporated on 16th September 2013 as a private company limited by share with majority shareholding with the Energy Department, Government of the Punjab, is a statutory body established through Companies Ordinance 1984. The Company has set up 100 MW Solar Power Plant in Bahawalpur.

2. BACKGROUND TO THE ASSIGNMENT

The Corporate Governance Rule for Public Sector Companies Corporate Rules (CGR) 2013 requires the establishment of an effective internal audit function under the control and direction of the Audit Committee. This whole function has been outsourced to the firm selected under this process by the Company in terms of CGR 2013.

3. THE OVERALL OBJECTIVE

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 Quaid-e-Azam Solar Power (Pvt.) Limited.

4. CONTRACT PERIOD

The duration of the contract is normally anticipated to run for a period of one year. The company will reserve the right to review the contract at the end of the term and to extend the same with mutual consent of both parties. If the company chooses to cancel the contract during the year, a notice of 2 months will apply.

5. CONDUCT OF WORK

5.1 The internal audit service provider will be required to work at the premises of the company. 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, Quaid-e-Azam Solar Power (Pvt.) Limited 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 evaluate and improve the effectiveness of risk management, control and governance processes.
- 6.3 The risk management strategy, which must include a fraud prevention plan, must be used to direct the internal audit effort.
- 6.4 Some of these objectives/standards/controls subject to evaluation are to review:
 - i. The information systems environment;
 - ii. The reliability and integrity of financial and operational information;
 - iii. The effectiveness of operations;
 - iv. Effectiveness of Risk Management Strategy
 - v. Compliance with policies and regulations and contracts;
 - vi. The safeguarding of assets;
 - vii. The economical and efficient use of resources;
 - viii. Achievement of established operational goals and objectives;
 - ix. Compliance with laws, regulations and controls;
 - x. 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 will work in liaison with chief Internal Auditor and shall report 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 organization and functions under the policies established by senior management and the Board.
- 7.3 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:

- i. 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;
- ii. An annual internal Audit Plan;
- iii. Plans indicating the scope and time lines of each audit in the annual internal audit;
- iv. Audit reports directed to the Audit Committee detailing its performance against the plan to allow for effective monitoring and intervention where necessary;

8.4 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.

8.5 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: -

- i. Objectives and values are established and communicated;
- ii. The accomplishments of objectives are monitored;
- iii. Accountability is ensured;
- iv. Corporate values are preserved;
- v. The adequacy and effectiveness of the system of internal controls are reviewed and appraised;
- vi. The relevance, reliability and integrity of management, financial and operating data and reports are appraised;
- vii. 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;
- viii. The means of safeguarding assets are reviewed and, as appropriate, verifying the existence of such assets;
- ix. The economy, efficiency and effectiveness with which resources are employed, are appraised;

- x. The results of operations or programs are reviewed to ascertain whether results are consistent with the company's established objectives and goals, whether the operations or programs are being carried out as planned;
- xi. The adequacy of established systems and procedures are assessed.

8.6 The internal audit firm needs to be considered all matters related to the company, are amongst others: -

8.6.1 IT security and systems processes audit;

8.6.2 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

8.6.3 Audits designed to detect fraud.

8.7 Fraud and irregularities

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 program;
- f)** Sampling methodology;
- g)** Mechanisms for follow-up on matters previously reported and feedback to the Audit Committee;
- h)** Confirmation that previous year audit findings have been attended / resolved;
- i)** Mechanisms to ensure that working papers are reviewed at the appropriate level;
- j)** Audit findings and recommendations;
- k)** Reporting (draft internal audit report and final internal audit report);

9.2 Reporting requirements

9.2.1 The audit firm will be reporting to internal audit committee. 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 members of the Audit Committee and Chief Internal Auditor of Quaid-e-Azam Solar Power (Pvt.) limited an electronic copy and one signed hard copy of the final report.

10.QUALITY ASSURANCE REVIEWS OF THE WORK

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

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

12.INDEPENDENCE AND OBJECTIVITY OF AUDIT STAFF

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

- i. have no executive or managerial powers, functions or duties except those relating to internal audit;
- ii. not be involved in the day-to-day operation of the company;
- iii. 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. Proposal

- I. The company intends to invite technical and financial proposal to conduct the Internal Audit for the year ended June 30, 2018.
- II. The technical and financial proposals in response to this TOR should be delivered to the company's office in separately marked envelopes by the closing date as mentioned in the advertisement. The technical proposal would be opened at the given time, as mentioned in the advertisement, in the Committee Room, 3rd Floor, 83-A/E-1, Main Boulevard, Gulberg-III Lahore. For opening of financial proposals, date, time and venue will be communicated separately.
- III. Initial screening and technical proposal must be accompanied with all the evidences as required under each category of technical evaluation. The marks would be strictly awarded based on attached evidences only.
- IV. The fee quoted in the financial bid must be absolute and all inclusive, including out of pocket expenses, being the total annual fee, which shall supersede all other amounts. Out of pocket expenses also include the boarding & lodging expenses to visit the plant site.
- V. As the reporting requirement shall be on quarterly basis, or as decided by the company, the payments would be made accordingly or as decided by the company.
- VI. The bid documents must be serially numbered separately in areas of initial screening, technical and financial. The bid documents must be in binding form, and each category of evaluation should have the separate content page containing all information and paging attached in respective evaluation criteria. The content pages must be the letter head, bear the firms stamp and should be signed by the person who signed the bid submission letter.

15.EVALUATION CRITERIA

As narrated in the TOR's, the firms will be evaluated based on the technical and financial criteria; as detailed herein below:

a) Technical Evaluation

The technical marks will be awarded to the firms according to the technical evaluation criteria attached with this TOR's which would be their technical score. However, their scoring against 100 marks would be prorated on 70%.

b) Financial Evaluation

Remaining 30% marks have been allotted to the financial evaluation. Financial evaluation is based on the financial score secured which would be calculated as follows:

$$FS = \frac{100 \times LP}{P}$$

Where:

FS: Financial Score

LP: lowest price quoted

P: the price of the proposal under consideration

So, the weightage of total score for technical and financial evaluation would be 70% and 30% respectively. Score of technical and financial evaluation would be added to determine the total score of each firm.

In order to qualify for the financial bid opening stage, the firm is required to secure at least 65 marks at technical evaluation stage. The financial bid of the firms would be returned unopened if couldn't meet the threshold of 65 marks.

16.AWARDING OF ASSIGNMENT

The assignment will be awarded to the firm with the highest total score based on the technical and financial evaluation.

The selected firm would be required to commence internal audit immediately but not later than 10 working days from the date they were intimated about their appointment as internal audit firm. Failing to which the awarding of assignment and appointment letter issued in this respect would be considered cancelled. QA Solar may choose to award the assignment to the next

lowest bidder on its respective fee with the same condition of commencement of internal audit assignment as mentioned above.

17. GENERAL CONDITION

The process will be governed under Punjab Procurement Rules, 2014, as amended from time to time and instructions of the Government of the Punjab received during the completion of the process. PPRA Rules 2014 may be obtained from PPRA's website <http://www.ppra.punjab.gov.pk>

Moreover, in case of any ambiguity, the whole bidding process shall be construed and interpreted in line with PPRA Rules.

All bidders would be duly informed being the successful or unsuccessful bidder. Aggrieved party may submit grievance within 10 days of such intimation.

18. QUERIES

For any queries or additional information, please contact the Chief Internal Auditor cia@qasolar.com

Evaluation Criteria

(A) Initial Screening:

The following documents / certificates are the pre-requisite and shall be used for initial screening. The Audit Firm will go in the next stage if it fulfills all the requirement of initial screening which are as under:

1. The firm must be "A" ranking as per State Bank of Pakistan
 2. The firm must have a Satisfactory QCR Rating of ICAP
 3. NTN Certificate
 4. Sales tax Registration Certificate
 5. An affidavit that the firm is not blacklisted.
- ✓ Evidence of the above must be attached in the portion of initial screening.

(B) Technical Evaluation:

The Firm cleared from initial screening will be evaluated as per following criteria:

1. Number of Partners in the firm within Pakistan
2. Number of Audit Staff
3. Government & Semi Government Audit Experience
4. Power sector experience
5. Years of existence in Pakistan
6. Number of Offices within Pakistan

Number of Partners (CVs to be attached)

20 Marks

		No. of Partners	Marks
At least 10 Partners	Total Marks	10-17	10
		18-25	15
	20	26 & Above	20

Number of Audit Staff (Attach list of audit staff showing qualification)**20 Marks**

At least 100 staff	Total Marks	No. of Staff	Marks
		100-150	5
	20	151-200	10
		201-300	15
		301 & Above	20

Govt. / Semi Govt. Experience (Evidence to be attached)**18 Marks**

Experience of Govt. / Semi Govt. Organization's Audit (singularly) in last 5-years (At least 05 Entities)	Total Marks	No. of Entities	Marks
		05	5
	18	06-10	10
		11-14	14
		15 & Above	18

Power Sector Experience (Evidence to be attached)**18 Marks**

Experience of audit of Power Sector Companies with capacity of equal to or greater than 55 MW (singularly) in last 5-years (At least 5 Entities)	Total Marks	No. of Entities	Marks
		05	5
	18	06-10	10
		11-14	14
		15 & Above	18

Years of Existence in Pakistan (Attach ICAP certificate and partnership deed bearing firms CURRENT Name) 15 Marks

	Total Marks	Years	Marks
At least 15 years		15-25	5
		26-35	10
	15	36 & Above	15

Number of Offices in Pakistan (Complete contact details to be mentioned) 09 Marks

	Total Marks	Number of Offices	Marks
At least 02 offices		2	05
		3-4	07
	09	5 & above	09