

Quaid e Azam Solar Power (Pvt.) Ltd

TERMS OF REFERENCE (TOR)

INTERNAL AUDIT SERVICES

FOR THE YEAR ENDED JUNE 30, 2020

1. BACKGROUND OF THE COMPANY

Quaid-e-Azam Solar Power (Pvt.) Limited, herein after referred as “Company”, was incorporated on 16th September 2013 as a private company limited by shares with majority shareholding held by 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 Public Sector Companies Corporate Governance 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, hereinafter referred as “Audit Firm”, who can maintain and support an appropriate internal audit service to the Board and Management of the Company.

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. The company also reserves the right to cancel the contract of the Audit Firm on 2 months’ notice.

5. CONDUCT OF WORK

5.1 The Audit Firm will be required to work at the premises of the company. In some instances, work may be extended to where project is being implemented. The Audit team would be expected to stay at project site for at least 5 working days relating to internal audit assignment.

5.2 The company will provide office space for the Audit Firm as required.

6. ROLE AND OBJECTIVES OF INTERNAL AUDIT

6.1 In terms of the Public-Sector Companies Corporate Governance Rules 2013, the Company should have an effective internal audit function.

6.2 The Audit Firm 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 In planning and conducting its work, the Audit Firm 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. The Audit Firm shall give a certificate that no fraud or irregularity has come to their notice during the period under review.

7. ORGANISATIONAL STATUS OF INTERNAL AUDIT

7.1 The Audit Firm 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 Audit Firm 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 Firm is formally approved by the Audit Committee.

8. SCOPE OF INTERNAL AUDIT

The scope of the Audit Firm shall include the following.

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

8.2 Scope of work of Audit Firm would be as follows:

- 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. Quarterly internal audit plans indicating the scope and time lines of each audit in the annual internal audit;
- iv. Study of the information systems environment ;
- v. Assessment of the reliability and integrity of financial and operational information;
- vi. The effectiveness of operations;
- vii. Effectiveness of Risk Management Strategy
- viii. Compliance with policies and regulations and contracts;
- ix. The safeguarding of assets;
- x. The economical and efficient use of resources;
- xi. Achievement of established operational goals and objectives;
- xii. Compliance with laws, regulations and controls;
- xiii. 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.
- xiv. Audit reports directed to the Audit Committee detailing its performance against the plan to allow for effective monitoring and intervention where necessary;

8.3 The Audit Firm must assist the Audit Committee in maintaining effective controls by evaluating those controls and by developing recommendations for enhancement or improvement.

8.4 The Audit Firm 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 Audit Firm needs to consider all matters related to the company, which 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.

9. EXPECTED OUTCOMES AND DELIVERABLES

9.1 Performing an audit assignment

9.1.1 Each quarterly 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 at a minimum shall include the following:

- 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) Audit Working papers would be handed over to Chief Internal Auditor
- h) Conclusion; and
- i) The Audit Firm 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 quarterly report along with yearly report.

9.3 Compliance

The Audit Firm is required to provide a compliance certificate that the company be complied with the Public Sector Companies Corporate Governance Rules 2013 and identify the non-compliance (if any).

10.QUALITY ASSURANCE REVIEWS OF THE WORK

The Audit Firm 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 quarterly assignment, the Audit Firm shall distribute the reports to the Audit Committee and a yearly report shall also be submitted.

12.INDEPENDENCE AND OBJECTIVITY OF AUDIT STAFF

In carrying out the work, the Audit Firm 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 under reference.
- II. The technical and financial proposals in response to these TOR's should be delivered to the company's office in separately marked sealed 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 of the Company, 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 of taxes, including out of pocket expenses, being the total annual fee, which shall supersede all other amounts. The 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 proposal. 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, bearing the firms stamp and should be signed by the authorized 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 these 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 it 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 15 working days from the date they are intimated about their appointment as internal audit firm, failing which the awarding of assignment and appointment letter issued in this respect would be considered cancelled. The Company 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. Payment

The Company will pay quarterly invoice upon successful submission of reports as mentioned in para 9 of these TOR's.

18. 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, through emails by the evaluation committee, being the successful or unsuccessful bidder. Aggrieved party may submit grievance within 10 days of such intimation.

19. QUERIES

For any queries relating to TOR's or additional information, please contact the Chief Internal Auditor at 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. Punjab Sales tax Registration Certificate
 5. Duly attested affidavit that the firm is not blacklisted by any Government organization.
- ✓ Evidence of the above must be attached in the portion of initial screening in separate envelope.

(B) Technical Evaluation:

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

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

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

At least 10 years	Total Marks	Years	Marks
	15		10
11-20			10
20+			15

Number of Partners (Stamped CVs to be attached) *Please refer Annexure "A"* 20 Marks

At least 01 Partner	Total Marks	No. of Partners	Marks
	20		1-5
6-10			15
10+			20

Number of Offices in Pakistan (Complete contact details to be mentioned) 05 Marks

At least 03 offices	Total Marks	Number of Offices	Marks
	05		3
3+			05

Number of Audit Staff (Attach list of audit staff showing qualification) 10 Marks

Please refer Annexure "B"

At least 50 staff	Total Marks	No. of Staff	Marks
		up to 50	5
	10	50+	10

Govt. / Semi Govt. Experience (Evidence to be attached) *Please refer Annexure "C"* 25 Marks

Experience of Govt. / Semi Govt. Organization's internal and external Audit (singularly) in last 5-years (At least 05 Entities)	Total Marks	No. of Entities	Marks
		At least 05	10
	25	06-10	20
		10+	25

Power Sector Experience (Evidence to be attached) *Please refer Annexure "D"* 25 Marks

Experience of Organization's internal and external 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
		At least 05	10
	25	06-10	20
		10+	25

Annexure "A"

List of Partners (Chartered Accountants) in the firm in Pakistan

<u>Serial No.</u>	<u>Name</u>	<u>Membership Number</u>	<u>Office</u>

Authorized Signatures

Name and title of signatory

Annexure "B"

List of Trainees registered with ICAP

<u>Serial No.</u>	<u>Name</u>	<u>ICAP Registration Number</u>	<u>Designation</u>	<u>Office</u>

Authorized Signatures

Name and title of signatory

Annexure "C"

Government/Semi Government Audit Experience details

<u>Serial No.</u>	<u>Organization</u>	<u>Audit year</u>	<u>Nature of Assignment</u>	<u>Engagement Partner</u>

Authorized Signatures

Name and title of signatory

Annexure “D”

Power Sector Experience details

<u>Serial No.</u>	<u>Organization</u>	<u>Audit year</u>	<u>Nature of Assignment</u>	<u>Engagement Partner</u>

Authorized Signatures

Name and title of signatory