



National Power Parks Management Co. (Private) Limited
Ministry of Water & Power, Government of Pakistan

INTERNAL AUDIT SERVICES REQUIRED

National Power Parks Management Company (Private) Limited wishes to hire services of a top rated Chartered Accountancy Firm to conduct its Internal Audit for the period ending June 30, 2016.

TORs, Criteria for Technical & Financial evaluation and all accompanying details are available in the Bidding Documents which can be downloaded from the websites of Ministry of Water & Power, Government of Pakistan and Public Procurement Regulatory Authority (PPRA).

Firm will be awarded points based on their size, experience, longevity, resources and cost of services as detailed in the Bidding Documents. The Procuring Agency reserves the right to reject all proposals at any time prior to award of Assignment.

Interested Chartered Accountancy Firms qualifying to take up the Internal Audit under the Eligibility Criteria defined in the Public Sector Companies (Corporate Governance) Rules, 2013 may apply on or before **October 31, 2015 till 03:00 pm** by sending their "Technical" and "Financial" Proposals in two separate envelopes placed in one sealed envelope clearly marked "Proposal for Internal Audit" either by hand or courier at the following address. Technical Bids will be opened at 03:30 pm on the same date at the address mentioned below.

Chief Executive Officer

National Power Parks Management Company (Private) Limited

Malik Plaza, 2nd Floor, 7-C-1, MM Alam Road, Gulberg III, Lahore.

www.mowp.gov.pk

National Power Parks Management Company (Private) Limited

TERMS OF REFERENCE

For Provision of Outsourced Internal Audit Services for the Period ending June 30, 2016

1. Company Background:

National Power Parks Management Company (Private) Limited (NPPMCL) was incorporated as a Private Company Limited by Shares. The Company is setting up two RLNG based power plants of 1200 MW each at Balloki, District Kasur and Haveli Bahadur Shah, District Jhang.

2. Background to the Assignment:

The Public Sector Companies (Corporate Governance) Rules, 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. 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 the Company.

4. Covering Letters:

Covering Letter must be addressed to the Chief Executive Officer, NPPMCL, Malik Plaza, 2nd Floor, 7-C-1, MM Alam Road, Gulberg III, Lahore.

5. Queries:

For any queries or additional information, please contact Syed Salman Hassan, Company Secretary, NPPMCL on 0331-4503219.

6. Criteria of Evaluation:

The Company will use "**Quality Cost Based Selection Method**" under "**Single Stage Two Envelope Methods**" of selection of consultant under Public Procurement Rules, 2004. Evaluation Criteria for Technical and Financial Evaluation are enclosed. Scores will be allocated

based on evidence available in the proposal only. The Internal Audit Assignment will be awarded to the firm with the highest **total** score based on the following weight ratios:

- **80%** for Technical Score
- **20%** for Financial Score

7. Opening of Proposals:

All Proposals must be delivered to the Company's Office on or before 03:00 pm on October 31, 2015. Technical Proposals will be opened at 03:30 pm on the same day at Malik Plaza, 2nd Floor, 7-C-1, MM Alam Road, Gulberg III, Lahore. For opening of Financial Proposals date, time and venue will be communicated separately.

NOTE: Firms scoring less than **70 points** in Technical Evaluation will be considered non-responsive and Financial Proposals will be returned un-opened.

8. Contract Period:

The duration of the Contract is normally anticipated to run for the period ending June 30, 2016 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.

9. Role and Objectives of Internal Audit

- (i) In terms of the Public Sector Companies (Corporate Governance) Rules, 2013, the Company should have an effective internal audit function.
- (ii) 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.
- (iii) The risk management strategy, which must include a fraud prevention plan, must be used to direct the internal audit effort.
- (iv) Some of these objectives/standards/controls subject to evaluation are to review:
 - (a) The information systems environment;
 - (b) The reliability and integrity of financial and operational information;
 - (c) The effectiveness of operations;
 - (d) Compliance with policies and regulations and contracts;
 - (e) The safeguarding of assets;
 - (f) The economical and efficient use of resources;
 - (g) Achievement of established operational goals and objectives;
 - (h) Compliance with laws, regulations and controls;

- (i) Effectiveness of Risk Management Strategy;
- (j) Assisting the Audit Committee, and through them, the Board and Management in the effective discharge of their responsibilities, furnishing them with analysis, appraisals, recommendations, counsel and information concerning the activities reviewed and regular follow up.

10. Organizational Status of Internal Audit:

- (i) The Internal Audit Function will work in liaison with Chief Internal Auditor and report directly to the Audit Committee. The function must be Independent of activities that are audited, with no limitation on its access to the information.
- (ii) The Internal Audit Function is an integral part of the organization and functions under the policies established by Senior Management and the Board.
- (iii) The Audit Plan of the Internal Audit is formally approved by the Audit Committee.

11. Scope of Internal Audit:

- (i) The Internal Audit must be conducted in accordance with the Terms of Reference set by the Audit Committee.
- (ii) 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.
- (iii) The Internal Audit Function must, in consultation with the Audit committee, prepare:
 - a) 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;
 - b) An annual Internal Audit Plan;
 - c) Plans indicating the scope and time lines of each audit in the annual Internal Audit;
 - d) Audit Reports directed to the Audit Committee detailing its performance against the plan to allow for effective monitoring and intervention where necessary.
- (iv) 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.

- (v) 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:
 - a) Objectives and values are established and communicated;
 - b) The accomplishments of objectives is monitored;
 - c) Accountability is ensured;
 - d) Corporate values are preserved;
 - e) The adequacy and effectiveness of the system of internal controls are reviewed and appraised;
 - f) The relevance, reliability and integrity of management, financial and operating data and reports are appraised;
 - g) 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;
 - h) The means of safeguarding assets are reviewed and, as appropriate, verifying the existence of such assets;
 - i) The economy, efficiency and effectiveness with which resources are employed, are appraised;
 - j) The results of operations or programmes are reviewed to ascertain whether results are consistent with the Company's established objectives and goals, whether the operations or programmes are being carried out as planned;
 - k) The adequacy of established systems and procedures are assessed.

- (vi) The audits that will need to be taken into account at the Company, are amongst others:-
 - a) IT security and systems processes audit;
 - b) 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;
 - c) Audits designed to detect fraud.

(vii) Fraud and irregularities:

In planning and conducting its work, the Internal 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.

12. Expected Outcomes and Deliverables:

- (i) Performing an audit assignment, 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.
- (ii) The Internal Audit Firm will be reporting to the 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 & 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.

13. Quality Assurance Reviews of the Work:

The Internal 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.

14. Monitoring Progress of Assignments:

On completion of each assignment, the Internal Audit Firm shall distribute the reports to the Audit Committee.

15. Independence and Objectivity of Audit Staff:

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

- a) Have no executive or managerial powers, functions or duties except those relating to Internal Audit;
- b) Not be involved in the day-to-day operation of the Company;
- c) Not be responsible for the detailed development or implementation of new systems and procedures.

16. Competency and Expertise Requirements:

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

- (ii) It is desirable that the service provider has the knowledge and experience of Internal Audit in a Public Entity.

17. Payment:

- (i) 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.
- (ii) The Company will consider payments on the basis of the specified deliverables as and when produced and accepted as per the approved Contract.

Technical and Financial Evaluation

(A) Initial Screening:

The following documents/ certificates are the pre-requisite and may 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. Declaration on stamp paper regarding non-black listing / delisting
3. Satisfactory QCR Rating of ICAP
4. Taxpayer Registration Certificate
5. Partnership Registration Certificate

(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 ICAP qualified Chartered Accountants employed by the firm in Pakistan
3. Current Internal Audit Client
4. Current Internal Audit Client within Energy Sector
5. Years of existence in Pakistan
6. Membership with Global Audit Firm
7. Number of Offices within Pakistan

Minimum score for competing in the next stage is **70 %**. The Financial Proposal of only that Audit Firm will be opened which secured **70% or more** in the Technical Evaluation.

1. Number of Partners	Total Marks	Range of Partners	Marks
At least 8	20	8 - 15	10
		16 - 25	15
		26 & above	20
2. Number of ICAP Qualified Chartered Accountants Employed by Firm in Pakistan	Total Marks	Range of Qualified Chartered Accountants Employed	Marks
At least 40	20	40 - 80	8
		81 - 100	12
		101 & above	20

3. Current Internal Audit Clients	Total Marks	No. of Clients	Marks
At least 5	15	5	8
		6 - 10	12
		11 & above	15
4. Current Internal Audit Clients within Energy Sector	Total Marks	No. of Clients	Marks
At least 2	10	2	5
		3 - 6	7
		7 & above	10
5. Years of Existence in Pakistan	Total Marks	No. of Years	Marks
At least 15	15	15	8
		15 – 30	12
		31 & above	15
6. Membership with Global Audit Firm having no. of Offices Worldwide	Total Marks	No. of Offices	Marks
At least 50	10	50	3
		51 – 100	6
		101 & above	10
7. Number of Offices in Pakistan	Total Marks	No. of Offices	Marks
At least 2	10	2	6
		3 & above	10

(C) **Financial Evaluation:**

Financial Proposals of only Technically Qualified Audit Firm will be opened. The Audit Firm getting maximum marks on 80-20 weight age (80% for Technical and 20% for Financial) will be selected as Auditors.

Max 20 Points:

The formula for determining the Financial Score is the following:

$$Sf = 100 \times Fm / F$$

Where, **Sf** is the Financial Score; **Fm** 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:

$$T = 0.80 \text{ and } F = 0.20$$