

EXPORT DEVELOPMENT FUND

**MINISTRY OF COMMERCE
GOVERNMENT OF PAKISTAN**

TERMS OF REFERENCE (TORs)

FOR

PREQUALIFICATION OF AUDIT FIRMS

Terms of Reference (TOR)
For Pre-Qualification of Audit Firm

1. Introduction:

The Federal Cabinet in its meeting dated 30-05-1991 decided that an Export Development Surcharge (EDS) equivalent to 0.25% of the export value of all exports may be levied with effect from 1st July, 1991 and that the proceeds of the surcharge should be transferred by the Government to the Export Development Fund.

The decision for levy of surcharge was enacted through Clause 11 of the Finance Act 1991 and Export Development Fund was formally established through a Resolution on 01-09-1992. Later on, through a Bill passed by the Parliament, an Act came into existence called the "Export Development Fund Act, 1999", which was published in the Gazette of Pakistan on 31-07-1999. The Fund is non-lapsable in terms of section 3(3) of the Act.

As per Act, the fund shall be administered by the Board and the money shall be utilized for the following activities and objectives, namely: -

- i) Establishment of training institutes for export-oriented trading and industrial sectors;
- ii) Subsidizing of delegations and sale missions going abroad;
- iii) Establishment of offices abroad of the Federation of Pakistan Chambers of Commerce and Industry and Exporters Association;
- iv) Subsidizing participation in exhibitions abroad including single country fairs;
- v) Engagement of consultants;
- vi) Strengthening of Pakistan Trade Offices abroad;
- vii) Publicity;
- viii) Research and Development activities of Exporters Association, Federation of Pakistan Chambers of Commerce and Industry;
- ix) Market and product Development by trade associations. Federation of Pakistan Chambers of Commerce and Industry, Chambers of Commerce and Industry and individual exporters;
- x) Establishment and maintenance of display centers in and outside Pakistan;
- xi) Support to export services; and
- xii) Any other activity which is relevant for promotion of exports and approved by the Board.

2. Background:

Export Development Fund Board of Administrators since 1992 has been approving various projects/proposals submitted by diverse public/private sector organizations such as trade associations, chambers, foreign trade missions, Federal Ministries, other Government departments etc. for achieving objectives laid out in the Act. The nature of the funding also differs keeping in context some projects are 100% funded by the EDF while some include contributions from beneficiaries as well foreign donor agencies.

Keeping in context that proposals are coming from associations/chambers, government departments, federal ministries, private companies, educational institutes, consortiums involving funding from international donor agencies etc. each perform under different legal/accounting environment and adopt variant accounting practices.

3. Objective of the Audit/Assignment & Auditors

The objective of having panel of audit firms is to enable EDF to ensure proper/effective utilization of the funds disbursed to the projects/organizations/entities by applying relevant and applicable set of audit processes and procedures.

The objectives of the audit are:

- a) To identify and assess the risks of material misstatement caused by fraud or error while examining the complete or part of transactions of the entity/project/assignment;
- b) To obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error, through designing and implementing appropriate audit procedures.
- c) To perform financial evaluation of the projects where international firms/organizations are involved as co-sponsored.
- d) To determine the Financial viability of funding/project.

4. Scope of Services, Tasks (Components) and Expected Deliverables.

The scope of audit services not limited to and may include any or all of the following: -

1. Financial Audit.
2. Performance Audit.
3. Forensic Audit.
4. Tax Audit.
5. Report on Due Diligence and Risk Assessment.
6. Attend meetings of EDF Board, Finance and Executive Committees etc. on invitation from EDF.

Audit of the record/transaction of EDF funded project/entities/organizations may be for the complete fiscal year or part of the year as deemed appropriate by EDF. Special assignment may also be assigned by EDF to be carried out by the auditors.

The audit services will be contracted by EDF, not only limited to the aforementioned audit or assignment of EDF funded project/entities/organizations but may include any audit or assignment in relation to any funded entity/project/organization as deemed appropriate by the management of EDF.

Without detracting from the overall requirements to perform the audit in accordance with applicable laws and regulations, the auditors are required to pay particular attention to the following:

5. Governance, Risk/Fraud, Laws and Regulations:

To communicate with the management of the project/entity/organization responsible for governance regarding significant compliance/governance issues as applicable under rules and regulations and general practices.

In preparing the audit approach and in executing the audit procedures, the auditors shall evaluate the project/entity/organization in compliance with the provisions of laws and regulations that might have significant impact thereon.

With a view to reducing audit risks to a relatively low level, the auditors will apply appropriate audit procedures and handle anomalies/risks identified during their evaluation.

While performing the audit, the auditor may take into consideration any other final audit reports that are available for the same periods (e.g. regulatory audit or special purpose audit reports issued to comply with the requirements of various international financing agencies who have funded a part of the project/entity/organization).

6. Auditor's Responsibilities

An auditor's prime responsibility is to express an opinion on whether the beneficiary has fairly presented the information in the financial record/transactions/statements. To do so, the **auditor** collects evidence to obtain reasonable assurance that the record/accounts/transactions are free of material misstatement caused by any fraud or error. The other responsibilities are mentioned below: -

- 1- The auditor will be impartial and independent from any aspects of management or financial interest in the entity under audit. In particular, the auditor should be independent of the control of the entity.
- 2- The auditor should not, during the period covered by the audit, be employed by, or serve as director for, or have any financial or close business relationship with the entity.
- 3- The auditor should not have any close personal relationships with any senior participant in the management of the entity.
- 4- The auditor should maintain professional skepticism throughout the audit, considering the potential override of management on the controls and recognizing the fact that audit procedures are effective enough for detecting any fraud or error.
- 5- The auditor must disclose any issues or relationships that might compromise their independence.
- 6- The auditor must be authorized to practice in the country and be capable of applying the agreed auditing standards.
- 7- The auditor should have adequate staff, with appropriate professional qualifications and suitable experience, including experience in auditing the accounts of entities comparable in nature, size, and complexity to the entity whose audit they are to undertake.
- 8- To this end, the auditor is required to provide curriculum vitae (CV) of the auditors who will provide the opinions and reports, together with the CVs of managers, supervisors, and key personnel likely to be involved in the audit work. These CVs should include details of audits carried out by these staff, including ongoing assignments.

7. Reporting Requirements and Time (Audit & Audit Report)

The auditor will provide the following reports to the management of EDF:

- a. The Auditor's Report
- b. Management Letter

On completion of assignment, the auditing firm shall provide a comprehensive report to the management of EDF. The auditor's report shall include a reference to the financial reporting framework according to which the financial records were prepared. The report must be in the English language.

The auditor will sign the auditor's report that will comply with the requirements and relevant law applicable thereto. The auditor will address its report to the management of EDF on the Audit Firm's letter head.

7.1. Audit Report

The auditor's report will include the following elements:

- 1- A title
- 2- An addressee.
- 3- An introductory paragraph that identifies the financial record/transactions audited.
- 4- A description of the responsibility of management for the preparation of the financial record/transactions/statements.
- 5- A description of the auditor's responsibility to express an opinion on the financial record/transactions.
- 6- Scope of the audit that includes, a reference to law or regulation and a description of an audit in accordance with those applicable laws.
- 7- An opinion paragraph containing an expression of opinion on the financial records/transactions.
- 8- A reference to the applicable financial reporting framework used to maintain and present the financial record/transactions/statements.
- 9- A description of application of funds for the purpose intended in the financing agreement.
- 10- The auditor's signature.
- 11- The date of the auditor's report.
- 12- The auditor's address.

Each page of the audit report shall be signed or initialed by the auditor for identification purposes.

The auditor shall be liable to submit the report on completion of the audit assignment as per agreed terms and time frame given by the management of EDF at the time of allocation of the audit assignment.

7.2. Management Letter

On conclusion of the audit, the auditor will prepare a management letter, detailing:

- a) Follow-up of on the action/status of previously identified issues in the Audit Report and subsequent client's response to the findings and recommendations.
- b) Any material weaknesses in the accounting and internal control systems that were identified during the audit;
- c) Recommendations to rectify identified weaknesses.
- d) Practical recommendations on the steps that the organization could take to become materially compliant with the agreed accounting standard practices as applicable laws, rules and regulations together with a time frame for making these changes.

Any other matters that the auditor considers should be brought to the attention of the organization's management.

8. Eligibility Criteria

The following documents/certificates are the pre-requisite and may be used for initial considerations for short listing. The firm/bidder:

1. Must be registered as audit firm with the ICAP.
2. Must hold “**Satisfactory**” QCR Rating issued by ICAP.
3. Must be minimum "B" ranking as per State Bank of Pakistan.
4. Should hold Partnership Registration Certificate.
5. Is an active tax payer of National Tax (NTN) and General Sales Tax (GST).
6. Must produce documentary evidence of tax return for minimum last three (03) years.
7. Must produce documentary evidence as proof of financial stability such as Bank Statement for period of minimum three (03) years.
8. Declaration on stamp paper that the firm /bidder has not been blacklisted by any of Provincial or Federal Government Department, Agency, Organization or Autonomous Body or Private Sector Organization anywhere in Pakistan;
9. Provides documentary proof of the assignments carried out in last five (5) years such as copies of work orders etc.

Note: Verifiable documentary proof for all above requirements is mandatory. In case of non-provision of any or all of the documents as mentioned above, the firm may be treated as ineligible to qualify to the next stage of technical evaluation for pre-qualification.

9. Bidding Process

Firms/bidders will be selected after an open and transparent bidding process in accordance with Public Procurement Regulatory Authority (PPRA) guidelines. Bidding process shall be carried out for pre-qualification of the audit firms as follows:

- a) The technical proposals will be opened only for the bidders who successfully qualified through initial screening under “Eligibility Criteria” and the technical proposals will be returned to the bidders who did not qualify at initial screening stage.
- b) The bid shall comprise on “TECHNICAL PROPOSAL” a single package containing one envelope only. Technical Proposals to be submitted by the applicants shall be in compliance with all the requirements laid down.
- c) Sealed documents/bids marked as “TECHNICAL PROPOSAL” prepared as required must reach at Export Development Fund 2nd Floor FPCCI House, Mauve Area G-8/1 Islamabad on or before **30th September, 2020, at 11:00 am.**
- d) Initially, “TECHNICAL PROPOSAL” shall be opened on **30th September, 2020 at 12:00 noon** in the presence of interested bidders or their authorized representatives.
- e) Once opened the “TECHNICAL PROPOSAL” will be evaluated as tabulated below under Evaluation Criteria.
- f) Scores will be allocated based on evidence available in the bidding document only.
- g) The firms will be pre-qualified for a period of three (03) years initially.

General Terms and Conditions for Pre-Qualification shall also apply:

- Pre-qualification will be carried out in accordance with PPRA Rules 2004.
- Interested firms must provide information indicating that they are qualified to perform the services (organizational structure, list of clients, annual reports, description and experience of similar assignments, availability of appropriate skills among permanent/full time staff in the firm, etc.).
- Each page of document provided must be duly numbered, signed and attested by the applicant; document attached according to the Serial No as mentioned above an index with page No be provided.
- In case of incomplete information, application will not be considered for Pre-qualification.
- Information to firm regarding Pre-qualification will be intimated after approval from the Pre-qualification Evaluation Committee.
- Only successfully Pre-qualified firms shall be allowed to participate in subsequent bidding.
- EDF reserves the right to accept any or reject all offers keeping in view of the provisions of Public Procurement Rules 2004.
- No court proceeding against the Pre-qualification will be allowed and decision of the Pre-qualification committee will be considered as final.
- Any misrepresentation or concealment of the information mentioned above, if found at any stage, may result in disqualification. In case of fake documents submitted by the firm, if found at any stage, may lead to black listing of the firm.

10. Evaluation Criteria for Pre-Qualification

The firms who submitted all the documents/certificates as mentioned under eligibility criteria shall only be evaluated for pre-qualification.

The eligible firms shall be evaluated/judged on the basis of two essential elements directly linked to the capability of any firm to perform credibly on a given project as mentioned below:

1. Professional staff having the specific expertise to meet its obligations during the assignment. Therefore, the expertise required should be listed and the firm shall be required to submit short CV's of their experts.
2. Previous experience on similar projects. Firms are required to submit all relevant documents/certificate bearing experience in civil/mechanical/electrical engineering related contracts/projects involving services as feasibility studies, design work, procurement, civil/mechanical/electrical engineering supervision and management etc.

The following evaluation criteria will be applied during evaluation of the potential bidders:

EVALUATION CRITERIA				
S.NO	Description	Total Marks	Range	Marks
1	Number of Partners (At least 02)	10	02	5
			03-04	7
			Above 04	10
2	Number of ICAP Qualified Chartered Accountants Employed by Firm in Pakistan (At least 05)	20	5	10
			6-10	15
			Above 10	20
3	Experience of conducting Audit of Development/Construction Projects within last five years (At least 02)	30	2	15
			3-5	20
			5 & above	30
4	Experience of Conducting Audit of worth 100 Million or more of Projects (At least 100 Million)	30	1	15
			2-3	20
			4 & above	30
5	No. of offices in Pakistan (At least 2)	10	2	6
			3 & above	10
	Total Marks	100		
	Minimum Passing Marks	70		

Firms/bidders scoring minimum 70 marks will be considered as pre-qualified firms/bidders.

- After the technical evaluation is completed, EDF shall inform the Bidders, who have submitted Proposals about the scores obtained by their Technical Proposals, and shall notify those Firms who could not qualify the initial screening process (the minimum eligibility criteria) or were considered non- responsive to the TOR.
- The firms will be pre-qualified for a period of three (03) years initially.
- The engineering audit firms as prequalified MUST respond to all requests (RFQs, RFPs) raised by EDF management in relation to render the services to any project/entity/organization.
- In case of not participating in the competition RFQ/RFP with “NIL” values may also be submitted.

11. Payment Terms

- a) The payment of audit fee will be made on issuance of Final Signed Reports.
- b) The payment will not be paid in cash and only be made through cross cheque or bank transfers.
- c) Partial payments can be made against the audit services provided but only at discretion of EDF.
- d) Completion certificate issued by EDF along with the report must be submitted as supporting document to the invoice.
- e) The payment will become due minimum 30 days period after submission of the invoice for the services rendered.
- f) On successful completion of the audit services against any particular task or assignment a completion certificate will be issued by EDF for payment process purposes.
- g) The successful bidder shall pay all such taxes, Stamp duty or other duties, fees and other impositions levied under the applicable law, the amount of which is deemed to have been included in the financial bid.
- h) All applicable taxes will be deducted at the time of the payment as per government rules and regulations.
- i) Payments will be subject to clearance of active taxpayer status of the suppliers at the time of release of payment.
- j) If registered audit firm is not an Active tax payer, their payments may be stopped till their name appears as Active tax payer on FBR website.

12. Completion Period & Delay in Completion of Assignment

The following terms will be applicable to the successful bidder/selected audit firm in respect of time period of an audit or assignment:

- 1) The timelines of completion report shall be observed as mentioned in RFQ/RFP by the successful bidder (selected audit firm).
- 2) The period will be counted from date of initiation of Audit till Final Report date.
- 3) In case of delay (excluding any delay on part of EDF) in providing the final report in relation to an assignment beyond its deadline, liquidated damages or penalties may be imposed as damages for the failure to perform under a contract.
- 4) The amount of liquidated damages/penalties will be calculated at the rate of 0.10% per day (of chargeable fee to be imposed as damages for each day beyond due date as per final delivery date).