



PUNJAB MUNICIPAL DEVELOPMENT FUND COMPANY

QUALIFICATION CRITERIA & TORs

FOR

SHORTLISTING OF CONSULTANTS

FOR

**HIRING OF AUDIT FIRM FOR EXTERNAL AUDIT OF FINANCIAL STATEMENTS
OF PARTNER LOCAL GOVERNMENTS (16-MCs)**

UNDER

“PUNJAB CITIES PROGRAM (PCP)”

184-Scoth Corner, Lahore

Tel #: 042-99204386-89

Fax #: 042-99204390

Website: www.pmdfc.org.pk

E-mail: info@pmdfc.org.pk

QUALIFICATION CRITERIA

EOI Applications will be evaluated based on the following criteria:

A. Mandatory Documents for Prequalification

Description	Requirement/Points
Certificate of Company/Firm Registration/Incorporation under the laws of Pakistan	Mandatory
Valid Income Tax Registration (Status = Active with FBR)	Mandatory
Valid General Sales Tax Registration (Status= Active with PRA)	Mandatory
Submission of undertaking on legal valid and attested stamp paper that the firm is not black listed and not involved in litigation with any of Provincial or Federal Government Department, Agency, Organization or autonomous body anywhere in Pakistan. In case involved in any litigation process, proof of dispute resolution is required.	Mandatory
At least 15 years' experience in the relevant filed since establishment & registration with the relevant professional body.	Mandatory

B. Firm Experience

Experience shall be awarded on the basis of following qualifications:

Sr. No.	Description	Maximum Marks
i)	Five (05) Completed Projects of similar nature of minimum Rs.10.00 million in total consulting cost completed in last 15 years in any sector	40
ii)	Four (04) completed projects of similar nature in Public Sector	40
iii)	Two (02) completed projects of similar nature with Municipal entities	20

Note: Documentary evidences (i.e., completion certificates and contract agreements) of each activity/assignment indicating cost charged & completion status must be provided. No scores will be awarded without above mentioned evidences.

TERMS OF REFERENCE

HIRING OF EXTERNAL AUDIT FIRM FOR PUNJAB CITIES PROGRAM (PCP) PARTNER LOCAL GOVERNMENTS

I. Brief Background

- A Program captioned as Punjab Cities Program (PCP), introduced as a Program for Results (P4R), funded by World Bank with total cost of 200.00 million USD and gestation period of 5 years, is being launched in 16 MCs of Punjab. The development objective of the Program is to strengthen the performance of participating Municipal Committees (MCs), focusing on urban management and improvement of municipal services infrastructure for satisfactory service delivery. The operation is financed through a hybrid of Investment Project Financing (IPF) and Program-for-Results (PforR) instruments.
- The PforR (Window-1) will pilot the Performance Based Grants (PBGs) to the MCs of the 16 selected cities (*Bahawalnagar, Burewala, Daska, Gojra, Hafizabad, Jaranwala, Jhang, Jhelum, Kamalia, Kamoki, Khanewal, Kot Addu, Muridkey, Okara, Vehari, and Wazirabad*).
- The IPF (Window-2) will support provincial government agencies i.e. Local Government & Community Development Department (LG&CDD), Punjab Local Government Board (PLGB), Punjab Municipal Development Fund Company (PMDFC) and PFC Unit of Finance Department (FD) in Program Management, release of funds, Capacity building of MCs in municipal service delivery along with developing and implementing gender responsive systems for human resource management, grant management, reporting and audit, and MC performance assessment.
- External audit of LGs is a mandate of District Government Audit. However, to ensure completion of audit within stipulated timelines of the program, the audit is outsourced to a well reputed private audit firm on terms agreed with the World Bank for the initial years of the Program. In order to accomplish above mentioned task PMDFC plans to hire a well reputed Audit firm for a period of two year to perform audit of LGs as per TORs mentioned below.

II. Objectives of the Assignment

- The objective of the audit of Local Government's financial statements is to enable the auditors to express an independent professional opinion on the financial position of Local Governments and to ensure that the funds utilized to LGs activities have been used for their intended purposes.
- The books of accounts of LGs provide the basis for preparation of the LGs Financial Statements. It is to ensure that proper books of accounts as required by law (PLGA 2019, PLGA 2017, and PLGBR 2017) have been maintained by LGs and also maintain adequate internal controls and supporting documentation for the transactions.

III: Terms of Reference (TORs) for External Audit Firm

1. Duties & responsibilities

- The audit shall be carried out in accordance with the public sector auditing standards (ISSAI) issued by INTOSAI.
- Review of Accounts of all receipts and expenditure of a local government by applying audit procedures i.e. test of control and conducting substantive test to ensure that there is no inherent risk and the books of accounts along with financial statements of the respective MCs are free from material miss statements.
- Examine access and inspect all books, deeds, contracts, accounts, vouchers, receipts, maps, plans, documents, or other information, materials or things as may reasonably require.
- Auditors will review the Local Governments system of internal controls and financial policies.
- The auditors will review the financial statements prepared by LGs are in accordance with applicable accounting standards, prescribed in the local government accounting rules and give a true and fair view of the financial position of LGs and of its receipts and expenditures for the respective year.
- Complete a financial risk assessment to ensure all financial risks are identified assessed and mitigation strategies or policies developed and implemented. (segregation of duties, reconciliation etc.)

- Review of financial compliance as per applicable laws.
- Identify specific deficiencies or areas of weakness in systems and controls, and make recommendations for their improvement.
- Appropriate supporting documents, records and books of accounts relating to all activities have been kept. Clear linkages should exist between the books of accounts and the financial statements presented to.
- Audit of Performance Based Grants (PBGs) in light of the World Bank Documents and Operation Manual
- Physically inspect assets/inventory on test basis to obtain sufficient and appropriate evidence for the existence of assets.
- Carry out assessment on the potential for fraud and corruption in implementation of development schemes
- Provide details of any actual fraud or corruption incidents during the period under review and the value of possible losses.
- Review of LGs investment portfolio and investment policy (if any) to ensure both are compliant with legislation and maximize the LGs financial performance and resources.
- Review and assess the LGs banking services at least six months prior to any contract expiry to determine if a new procurement process is required or if the current contract should be negotiated to be extended with the same or different conditions.
- Review the current banking services contract at any time to ensure the LG is maximizing liquid and long term investments effectively, subject to provincial and federal legislation.
- Goods, works and services financed have been procured in accordance with PPRA rules and procedures.

2. Core Team of the Consultant

Following core minimum team of the consultant will be required but not limited to

The firm of consultants will have the following profile:

1) Program Coordinator (Team Leader)- 1

a) *Qualifications:* CA

b) *Experience:* Post qualification audit experience of 5 years

Field Team Assistants to the Program Coordinator:

a) Supervisors- 3

- **Qualifications:** CA finalist
- **Experience:**
Post articles minimum experience of 2 years

b) Job In charge-6:

- **Qualifications:** CA Foundation or equivalent
- **Experience:** Final year of articles

c) Audit Senior-6:

- **Qualifications:** CA Foundation
- **Experience:** Minimum 2 year of articles.

Regional offices will be established by the Consultant where Resident Engineer will be responsible for overall supervision of works.

3. Hiring Process

The hiring shall be done in line with World Bank guidelines through competitive bidding based on **“Consultants Qualification-based Selection (CQS) method.”**

4. Duration of Assignment

- (i) Assignment is for two years (2021-22 & 2022-23) and each year likely to be completed within 3 months of the signing of contract agreement.
- (ii) The consultant shall furnish final report by October 30th of each year.

5. Deliverables/Reports with timelines

The following deliverables/reports will be submitted to the Client by October 30th of each year:

Deliverables:

- On completion of audit of accounts of a local government the external Auditor shall prepare audited financial statements along with an audit report which provides opinion on the fair presentation of the financial statements.
- The external auditor will also share the management letter on material impropriety, irregularity, loss, misappropriation, waste or misapplication of expenditure or on the

recovery of moneys due to the local government which comes to their notice during the audit. The external auditor will also suggest ways to improve overall control environment in the local government.

- The auditor will submit the audit report and management letter to Secretary LG&CD Department with copies forthwith to the respective Chief Officer, the World Bank Secretary Finance Department and Client.