

QUALIFICATION CRITERIA

Shortlisting of the consultants will be based on the criteria given below regarding applicant's Mandatory Documents and Firm's experience as demonstrated by the Applicant's responses. EOI applications will be evaluated based on the following criteria.

A. Mandatory Documents for Prequalification

Description	Requirements
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 undertakings on legal valid and attested stamp paper that the firm is not blacklisted and has no conflict of interest.	Mandatory

B. Firm Experience

Experience shall be evaluated based on the following parameters:

Sr. No.	Description	Maximum Marks
1	Experience in the relevant field since establishment & registration of firm with the relevant professional body. <ul style="list-style-type: none">• For 15 Years Experience = 30 Marks• For 10 Years Experience = 15 Marks• No marks for less than 10 years of firm establishment	30
2	Three (03) completed projects of similar nature i.e., Audit of financial statements of minimum Rs. 10.0 million each in total consulting cost completed in last 10 years in any sector	30
3	Two (02) completed projects of similar nature i.e., Audit of financial statements in Public Sector	20
4	Two (02) completed projects of similar nature i.e., Audit of financial statements with Municipal entities	20
Total Marks		100

Note: Minimum passing score is 70 and most advantageous firm will be selected for further procurement process. Firm must submit unique projects for all above sections i.e., 2, 3, 4 of Firm Experience criteria. Firms must submit their most relevant and top value projects.



**LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT
DEPARTMENT**

TERMS OF REFERENCE

FOR

**HIRING OF AUDIT FIRM FOR EXTERNAL AUDIT OF FINANCIAL STATEMENTS
OF PARTNER LOCAL GOVERNMENTS**

UNDER

“PUNJAB INCLUSIVE CITIES PROGRAM (PICP)”

184-Scoth Corner, Lahore
Tel #: 042-99204386-89
Fax #: 042-99204390
Website: www.pmdfc.org.pk

TERMS OF REFERENCE

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

I. Brief Background

- The Punjab Inclusive Cities Program (PICP) is a World Bank funded initiative with a total outlay of USD 400 million and a five-year implementation period. The Program is designed with two integrated components: a **Program for Results (PforR)**, which channels financing against achievement of defined results, and an **Investment Project Financing (IPF)** window, which provides targeted technical assistance and institutional support. Together, these components aim to strengthen local governments, enhance municipal service delivery, and promote inclusive urban development across participating cities in Punjab.
- The Program for Results (PforR) component will provide funding to Faisalabad Waste Management Company (FWMC) and 16 Local Governments (LGs), namely Ahmadpur East, Arifwala, Chakwal, Chiniot, Chistian, Haroonabad, Jampur, Jatoi, Kasur, Khanpur, Mandi Bahauddin, Pakpattan, Rajanpur, Sadiqabad, Samundari, and Shujabad.
- The IPF component will support provincial government agencies i.e. Local Government & Community Development Department (LG&CDD), Excise and Taxation Department, Punjab Municipal Development Fund Company (PMDFC), and Faisalabad Waste Management Company (FWMC) or its successor(s).
- 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 5 years of the Program.
- Subsequently, the audit firm will also undertake the audit of 16 Program Cities Program (PCP) LGs for last one (1) financial year (i.e., FY2023-24). These include Bahawalnagar, Burewala, Daska, Gojra, Hafizabad, Jhelum, Kamoke, Muridke, Jaranwala, Jhang, Okara, Kamalia, Khanewal, Kot Addu, Vehari and Wazirabad. Similar audits were previously conducted under the PCP to ensure compliance with World Bank requirements. The same approach will be maintained to uphold consistency, transparency, and adherence to donor

standards. The audit will be performed in accordance with the prescribed TORs and applicable financial and audit guidelines.

- In order to accomplish the above mentioned task PMDFC plans to hire a well reputed Audit firm for a period of one (1) 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 LGs 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 PforR disbursements in light of the World Bank Documents and Operation Manual. Ensure the PforR financing is used for eligible expenditure.
- Ensure procurements are compliant with the World Bank Anti-corruption guidelines and procurement contracts are not awarded to debarred or blacklisted firms.
- 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

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 Selection (COS)” method.**

4. Gestation Period

The duration of assignment shall be of one (1) year. The audit exercise is expected to be completed within two (02) months.

5. Audit Fees

The audit fees will be fixed through a competitive bidding process. The breakup of audit fee/contract price will be as follows:

Sr.	Detail of Deliverable	Percentage of Contract Price
1	Inception Report	10%
2	Complete Audit Report for FY2023-24 (PICP Cities)	30%
3	Complete Audit Report for FY2024-25 (PICP Cities)	30%

6	Complete Audit Report for FY2023-24 (PCP Cities)	30%
---	--	-----

6. Deliverables/Reports with timelines

The following deliverables/reports will be submitted to the Client within two (02) months of contract signing.

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(s), the World Bank, Secretary Finance Department and Client.