

Terms of Reference
Hiring of Chartered Accountant Firm
For the Period 2016-17 & 2017-18

1. Background

Benazir Income Support Program (BISP) was established in 2008 and became an autonomous government entity through an act of parliament (BISP Act 2010). The program's main objectives are to strategize, formulate and implement poverty reduction policies by targeting vulnerable and low income families. BISP has autonomy under the Act to develop its own financial management policies and procedures to ensure the execution of its mandate.

The BISP Act ("Act") provides for the governance structure of the program, which includes the Chairman, Board and associated program management. According to the Act, the federal government has the authority to constitute the Board that would include members from both government and non-government organizations with equal representation. Similarly, the government appoints the Secretary who is also member of the Board and the Principal Accounting Officer (PAO) of BISP.

Key Positions

Chairman
Secretary (PAO)

DG Cash Transfer
DG Finance & Accounts
DG Internal Audit
Director Donor Coordination
FM Specialist-I

The audit services will be contracted by: Benazir Income Support Program, Government of Pakistan

You are invited to submit a proposal and a work plan to provide the audit services described in this letter. The proposal should address, among other things:

- Specific actions required on the part of the BISP (e.g., access to computer systems and records, disclosures).
- The timetable for provision of opinions and reports.

This section defines the terms used in this document.

Consolidated Annual Financial Statements (AFS)

Annual Financial Statements (AFS) are prepared on Cash basis of accounting as per "Financial reporting under Cash Basis of Accounting"- International Public Sector Accounting Standards (IPSAS) and will include:

- Statement of Financial Performance (Receipt and Payment), in accordance with International Public Sector Accounting Standards (IPSAS), for the year 2016-17 and 2017-18 with a comparative of last year.

- Statement of Fund Flows,
- Comparison of Budget and Actual amount and
- Notes to the Financial Statements

Agreed Financial Reporting Standards

The BISP management will prepare the financial statements in accordance with Cash Basis “IPSAS *Financial Reporting under the Cash Basis of Accounting*”

Agreed Auditing Standards

International Standards on Auditing] the International Standards on Auditing (ISA) promulgated by the International Auditing and Assurance Standards Board (IAASB).

2. Objective of the Assignment

The objective of the financial audit of BISP is to enable the auditor to express an opinion in accordance with International Standards on Auditing (“ISA”) that: the financial statements present a true and fair view of the financial performance of the entity or that the financial statements are prepared and presented in accordance with the applicable financial reporting framework.

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

The scope of this audit covers financial years 2016-17 & 2017-18. Without detracting from the overall requirements to perform the audit in accordance with ISAs, the auditors are required to pay particular attention to the following:

- a) **Fraud and Corruption:** In accordance with ISA 240 (The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements) the auditors shall identify and evaluate risks related to fraud, obtain or provide sufficient evidence of analysis of these risks and assess properly the risks identified or suspected.
- b) **Laws and Regulations:** In preparing the audit approach and in executing the audit procedures, the auditors shall evaluate the Program’s compliance with the provisions of laws and regulations that might impact significantly the Project as required by ISA 250 (Considerations of Laws and Regulations in an Audit of Financial Statements).
- c) **Governance:** Communicate with the Program’s Management responsible for Governance regarding significant audit issues related to governance in accordance with ISA 260 (Communication with those charged with Governance).
- d) **Risks:** 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. This is in accordance with ISA 330 (The Auditor’s Responses to Assessed Risks)

The auditor will review the financial statements to ensure that all the disclosures requirements of the Cash Basis International Public Sector Accounting Standards (“IPSAS”) have been complied with.

While performing the audit, the auditor may take into consideration any other final audit reports that are available for the same periods (e.g., a regulatory audit of BISP or special purpose audit

reports issued to comply with the requirements of various international financing agencies who have funded a part of BISP's operations), in accordance with applicable ISA.

Each page of the audited financial statements shall be initialed/signed by the auditor for identification purposes.

Audit report

The audited financial statements shall include:

- a) The Auditor's Report/Opinion on the Consolidated Financial Statements
- b) Complete Set of Consolidated Financial Statements
- c) Management Letter

The **auditor's report** shall include a reference to the financial reporting framework according to which the BISP's financial statements are prepared.

The auditor will sign the auditor's report that will comply with the requirements of ISA 700 "The Independent Auditor's Report on General Purpose Financial Statements". The auditor will address its report to the Board of Directors of BISP on the Audit Firm's letter head. The auditor's report will include the following elements:

- i. A title
- ii. An addressee
- iii. An introductory paragraph that identifies the financial statements audited
- iv. A description of the responsibility of management for the preparation of the financial statements
- v. A description of the auditor's responsibility to express an opinion on the financial statements and the scope of the audit, that includes, a reference to International Standards on Auditing and the law or regulation and a description of an audit in accordance with those standards.
- vi. An opinion paragraph containing an expression of opinion on the financial statements and a reference to the applicable financial reporting framework used to prepare the financial statements and application of funds for the purpose intended in the financing agreement.
- vii. The auditor's signature
- viii. The date of the auditor's report
- ix. The auditor's address.

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

- 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
- Any material weaknesses in the accounting and internal control systems that were identified during the audit;
- Recommendations to rectify identified weaknesses;
- Practical recommendations on the steps that the organization could take to become materially compliant with the agreed accounting standards (see terms and definitions), 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.

4. Team Composition and Qualification Requirements for the Key Experts (and any other requirements which will be used for evaluating the Key Experts under Data Sheet 21.1 of the ITC), total national input of 13 person.

S. No	Designation	Position	International/National	Input (Person Months)
	Key Experts			
1	Team Leader /Coordinator	1	National	1
2	Senior Auditor-1	1	National	1
3	Senior Auditor-2	1	National	1
4	Senior Auditor-3	1	National	1
5	Senior Auditor-4	1	National	1
6	Senior Auditor-5	1	National	1
7	Audit Officer-1	1	National	1
8	Audit Officer-2	1	National	1
9	Audit Officer-3	1	National	1
10	Audit Officer-4	1	National	1
11	Audit Officer-5	1	National	1
12	Audit Officer-6	1	National	1
13	Audit Officer-7	1	National	1
Total		13		13

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. 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. The auditor should not have any close personal relationships with any senior participant in the management of the entity. The auditor must disclose any issues or relationships that might compromise their independence.

The auditor must be authorized to practice in the country and be capable of applying the agreed auditing standards. The auditor should be listed in the category 'A' list of State Bank of Pakistan, have vast experience in auditing public organizations and have a satisfactory Quality Control Rating form the Institute of Chartered Accountants in Pakistan. 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.

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.

5. Reporting Requirements and Time Schedule for Deliverables

The auditor will provide the following opinions and reports to the Board of Directors, in accordance with the following timeframes:

- An Audit Opinion on the Annual Consolidated Financial Statements for FY 2016-17 and FY 2017-18, respectively, and
- Management Letter(s).

The audit of the Annual Consolidated Financial Statement for FY 2016-17 and FY 2017-18 will need to be completed within one month of effectiveness of the contract and must be in the English language.

6. Client's Input and Counterpart Personnel

(a) Services, facilities and property to be made available to the Consultant by the Client:

The auditor will have full and complete access, at all reasonable times, to all records and documents including books of account, legal agreements, bank records, invoices, and any other information associated with the BISP program and deemed necessary by the auditor.

The auditor will be provided with full cooperation by all employees of BISP. The auditor will be assured rights of access to banks and depositories, consultants, contractors, and other persons or firms hired by the employer

7. Client will provide the following inputs, project data and reports to facilitate preparation of the Proposals:

The Management of BISP will provide the following financial statements and supporting documentation to the auditor within 5 working days following the contract for audit services has become effective:

- Draft consolidated Annual Financial Statements for FY 2016-17 and FY 2017-18 including:
 - Receipt & Payments statement
 - Fund flow statement
 - Comparison of Budget versus Actual
 - Notes to the financial statements
- Financial Management Manual
- All lead accounting schedules and supporting documentation.