

TERM OF REFERENCE

1. INTRODUCTION OF MUZAFFARABAD PHYSICAL REHABILITATION CENTRE

AJK legislative assembly through Act No. LD/Legis-Act/301-313/2014 established MPRC as an Autonomous Body of Health Department AJ&K to provide quality physical rehabilitation services for people with mobility impairments primarily from AJK thus making them useful members of the community and contribute to their dignity, self-reliance, self-respect and social welfare.

2. NEED

Under Section 17 (ii) of the MPRC Act, All donor provided funds of the Center shall be audited by an auditor who is a Chartered Accountant within the meaning of the Chartered Accountant Ordinance, 1961 (X of 1961), of Pakistan at such time and in such manner as may be prescribed. MPRC current audit will be for one Year transactions **(from July 2016 to June 2017)**.

3. OBJECTIVE

The primary objective of audit of the Financial Statements of the MPRC is to enable the auditor to express a professional opinion on the financial position of MPRC and of the funds received and expenditure incurred at the end of Financial Year.

4. EXISTING SYSTEM

The accounts of the MPRC are maintained on cash basis of accounting.

5. BOOKS OF ACCOUNTS

For proper accounts keeping, the MPRC under the rules is required to maintain the following books.

- i. Cash Book
- ii. Bank Books

6. PREPARATION OF FINANCIAL STATEMENTS

Consulting firm is required to prepare Annual Financial Statement of expenditure and receipts:-

- i. Income and Expenditure statement
- ii. Balance sheet

7. SCOPE OF AUDIT

The Audit shall be carried out in accordance with the International Standards of Auditing (ISA) and shall include such test and control as the Auditor considers necessary under the circumstances. The financial audit of the MPRC shall be undertaken to cover all areas of activities to ensure that: -

- i. Transactions are properly authorized;
- ii. Transactions have been recorded under proper object of expenditures/receipts;
- iii. Funds have been utilized for the purposes for which they were made available;
- iv. Goods and Services have been procured in accordance with MPRC Financial Procedures, 2014;
- v. Transactions are duly supported by the relevant documents.

The Auditors shall also consider the adequacy of controls necessary to secure propriety, economy, efficiency, and effectiveness in all areas.

FINANCIAL STATEMENTS

The compilation of Financial Statements and audit for year **July 2016- June 2017** includes.

- a) Funds received (Cash and Ortho Material)
- b) Funds generated through operation.

DELIVERABLES

The audit firm shall compile and deliver audited Financial Statement separately for the Financial Year 2016-2017 (**July 2016 – June 2017**).

The audit firm shall test the controls in place for stock management and will advise best stock management practice with effective and efficient mechanism to be put in place for future years.

1. AUDIT OPINION

The audit firm shall give its opinion on the Financial Statements of the MPRC. Funds with regard to the maintenance of accounting record in accordance with the generally accepted accounting principles (GAAP). The Annual Audit Report of the MPRC Accounts should include an opinion commenting on accuracy and propriety of expenditures incurred together with the internal controls involved.

2. MANAGEMENT LETTER

In addition to the Financial Statements together with the audit opinion thereon, the Auditor shall prepare a “Management Letter” to be provided along with Audit Report which shall cover

the shortcomings, weaknesses and allied observations that come across during the course of audit assignment, keeping positive approach for improvement of the systems and procedures, including the following:-

- a. Give comments and observations on the accounting records, systems and procedures that were examined during the course of audit;
- b. Identify specific deficiencies and areas of weaknesses in systems and control and make recommendations for their improvement;
- c. Communicate matters that have come to attention during audit which might have a significant impact on the implementations of the MPRC objectives; and
- d. Bring to Management of the MPRC attention any other matter that the Auditors considers pertinent, the Auditor's Findings should be summarized to show the value of:-

i. INELIGIBLE EXPENDITURE

- Fraud and corruption
- Mis-procurements etc

iii. INTERNAL CONTROL WEAKNESSES

For each questioned expense the audit should provide the followings:-

- Criteria which the expense does not meet
- Effect on the MPRC operations
- Recommended action
- Management response and plan of action

TIME SCHEDULE

The audit assignment shall be completed within one month after issuance of acceptance letter and signing of contract agreement. The report along with management letter and certified accounts shall be sent to the Director, MPRC within next one month after completion of audit; otherwise 10% penalty will be imposed.

GENERAL

The Auditor's will be given access to all legal documents, and any other information associated with the MPRC Funds (**Receipts and Expenditures**).

AUDIT FIRM SELECTION PROCEDURE

TASK

Selection of a Chartered Accountants firm for conducting the audit of the accounts of MPRC Funds for the Financial Year 2016-2017 with the purpose to specify and evaluate an Audit Firm. In addition to describe the requirements that an Audit Firm has to fulfil for selection

SELECTION CRITERIA

Following criteria will be used for the selection of the Audit Firm:

a) Assignment undertaken;

Similar assignments undertaken by the audit firm shows the experience of the firm. The firm with better and relevant experience will be awarded more points and this will give them an edge during the final selection.

b) Reputation of the Firm in the market;

The reputation and experience of the Audit Firm in the market will be considered for appointment.

c) Capabilities and Credibility of the firm;

The MPRC desires to select the Audit Firm with relevant human resource having proven practical experience of qualified staff.

FINANCIAL EVALUATION

Technical and financial proposals should be submitted in separately sealed envelopes. Please provide the audit cost showing breakup of the activities and their associated costs.

DOCUMENTS REQUIRED

1. Firm's profile showing all information outlined above.
2. State Bank of Pakistan rating of the firm and satisfactory placement in QCR survey of ICAP.
3. Copy of NTN of the firm or Chartered Accountant concerned in office providing services.
4. Certificate/Material evidence of audits carried out at three previous client companies mentioning duration and names of the auditors engaged in audit activities.
5. Proof of company establishment.
6. Detailed technical skill level (CVs) of available principal/lead and associate auditors on board. The CVs should mention the nationality and status of the auditors that is registered/coordinator/lead auditor/associate.
7. Provide sealed and signed Financial bids separately that must contain the audit methodology, audit fee and period of conducting and submitting complete audit reports.

DISQUALIFICATION

1. In case the Audit Firm does not have three registered coordinators, lead auditors each having at least 2 years of auditing experience.
2. Firm failing to provide documentary evidence/regional partner holding practice license to carry out audit.
3. Audit partner firm or any of its affiliated entity is declared blacklisted by the Government of Pakistan or any other organization in any origin. An affidavit to this effect should be provided.

PAYMENT TO THE AUDIT FIRM

Payment shall be made within 30 days after the delivery of audit report, financial statements and management letter (includes suggestion and discussion with the top management of MPRC on improving internal controls and financial system of the Authority) by the audit firm. In case of any delay in submission of Audited financial statement 10% penalty will be impose on the total claim.

ALL PROPOSALS SHOULD ACCOMPLISH THE ABOVE REQUIRMENTS.

**MUZAFFARABAD PHYSICAL REHABILITATION CENTRE ADMINISTRATION DEPARTMENT Near
CMH Road, Muzaffarabad 05822-443018-05822-442063**

FORM OF CONTRACT AGREEMENT

This agreement made and entered into this day ____ of _____ 2017 by and between the Muzaffarabad Physical Rehabilitation Centre, Muzaffarabad (hereinafter referred to as the "The MPRC") and M/S _____ having its principal office of business at (No. _____ Pakistan (hereinafter referred to as "The Firm")

Whereas the Director MPRC, on the recommendation of Selection Committee and approval Chairman MPRC Board of Directors on the basis of lowest and reasonable rates in response to Expression of Interest (EOI) for Selection of Chartered Accountant Firm for conducting Audit of Accounts of the MPRC Accounts for the Financial year July 2016- June 2017 (select the M/S

_____, who have agreed to provide services for the Audit of MPRC Accounts as per detail in Term of Reference (TOR) in the consideration of the mutual agreement hereinafter contained, the parties agree as follow:

TERMS & CONDITIONS:

- The audit assignment shall be completed within one month.
- The report along with management letter and certified accounts shall be sent to Director , MPRC within next one month after completion of audit.
- Payments will be made within 30 days after the delivery of audit report, financial statements and management letter.
- In case of any delay in submission of report 10% penalty will be imposed.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be signed their respective name and duplicate, each party retaining one (1) on copy thereof.

____ day of _____ 2017 as of the day and year first herein before written.

For and on behalf of the MPRC

Witness

(The MPRC)

Signature _____

Signature _____

Name _____

Name _____

Title _____

Title _____

CNIC _____

CNIC _____

For and on behalf of the Firm

Witness

Signature _____

Signature _____

Name _____

Name _____

Title _____

Title _____

NIC _____

NIC _____

(Seal)