



Government of Pakistan

PAKISTAN TELECOM AUTHORITY

Headquarters F-5/1, Islamabad
<http://www.pta.gov.pk>

**EXPRESSION OF INTEREST INVITED
FROM REPUTABLE CHARTERED ACCOUNTANTS
FIRMS TO CONDUCT ANNUAL AUDIT OF PTA**

Pakistan Telecommunication Authority (PTA) intends to appoint Chartered Accountant firms for the audit of Financial Statements of PTA, whose financial year ends in June every year. For this purpose, CA firms in category 'A' list of State Bank of Pakistan can apply, which should have vast experience of audit of public sector organizations including Regulatory Authorities. Only those firms should apply whose Islamabad office will be able to handle the complete assignment independently. The audit of PTA is a time bound exercise and has to be completed within 2 months of the year end. Hence assurance from the CA firms interested in submitting a proposal in this respect will also be required.

Interested firms are encouraged to send their letter of intent/proposal with firm profile, list of clients in Islamabad and rest of Pakistan, CVs of Partners and key staff and detail of the team to be deployed for the Audit of PTA to undersigned for evaluation, within 15 days of publication of this advertisement. The RFP is available on PTA & PPRA website and can also be obtained from undersigned. The technical and financial proposal shall be submitted simultaneously. The Authority has the right to accept or reject one or all the letters of intent/proposal given in response to this advertisement as per PPRA Rules, 2004.

Director General Finance

Ph 051-2878 150, Fax 051- 2878 133 Email: msaleem@pta.gov.pk

10x2



Government of Pakistan
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Request for Proposal

To Conduct Annual Audit of PTA Accounts for the financial year ending 30th June 2015 till 30th June 2019.

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1) Proposal Preparation Instructions

1 Firm's Understanding of the RFP

In responding to this RFP, the firm accepts full responsibility to understand the RFP in its entirety, and in detail, including making any inquiries as necessary to gain such understanding. PTA reserves the right to disqualify any firm who demonstrates insufficient or faulty understanding. Further, PTA reserves the right to determine, at its sole discretion, whether the firm has demonstrated such understanding. That right extends to cancellation of award, if award has been made. Such disqualification and/or cancellation shall be at no fault, cost, or liability whatsoever to PTA.

1.1 Good Faith Statement

All information provided by PTA in this RFP is offered in good faith. Individual items are subject to change at any time. PTA makes no certification that any item is without error. PTA is not responsible or liable for any use of the information or for any claims asserted there from.

1.2 Communication

Verbal communication shall not be binding unless formally confirmed in writing by a specified PTA official in charge of managing this RFP process. In no case shall verbal communication govern over written communication.

1.3 Firms' Inquiries.

Applicable terms and conditions herein shall govern communications and inquiries between PTA and firms as they relate to this RFP. Inquiries, questions, and requests for clarification related to this RFP are to be directed by email to:

Attention: Director General Finance

Telephone: 051 2878150

Fax: 051 2878133

E-mail: msaleem@pta.gov.pk

1.4 Formal Communications shall include, but are not limited to:

- Questions concerning this RFP must be submitted in writing.
- Errors and omissions in this RFP. Firms shall inform to PTA any discrepancies, errors, or omissions that may exist within this RFP. With respect to this RFP, Firms may recommend to PTA any enhancements which might be in PTA best interests.

1.5 Proposal Submission

The Proposal will comprise of single package containing two separate sealed envelopes. One envelop will contain the "Financial Proposal" and the second envelop will contain the "Technical Proposal". Proposals under the "Single Stage Two Envelop Procedure" shall reach to this office within 15 days from the date of issuance of advertisement and will be opened at the same day at 5pm. First Technical proposals will be opened at PTA HQs. Only technically short listed firms will be informed of the date of opening of financial bids.

1.6 Criteria for Selection

The evaluation of each response to this RFP will be based on its demonstrated competence, compliance, format, and organization. The purpose of this RFP is to identify those firms that have the interest, capability, and good rating to do audit.

Evaluation Criteria:

- i. Technical proposals will have 70% weightage in evaluation. Marks will be awarded as per the criteria given at Annex-D. The financial proposals of top 3 audit firms, on the basis of technical proposal, will be opened
- ii. Financial proposals will have 30 % weightage in evaluation. Marks for financial evaluation will be awarded as per the criteria given at Annex-D.
- iii. Only technically qualified firms will be informed to attend the financial bid opening. The financial bids of technically disqualified bidder will be returned un-opened.

Bidders are encouraged to structure their proposal generally along these evaluation criteria.

Information provided that does not pertain to these evaluation criteria will not be taken into account.

1.7 **Selection and Notification**

Firm who get the maximum marks will be awarded the contract.. Incase the firm which secured the maximum marks is not willing to conduct audit then PTA will approach the firm who secured second position and so on.

2) Sample Letter of Intent

2.1 Proposal for External Audit of PTA:

This will express willingness to carry out the audit of PTA

2.2 Introduction of Firm

- a. Brief description of International presence
- b. Brief description of Pakistan presence
- c. Brief description of Islamabad presence

2.3 Capability of the firm to do audit

Please explain why you are capable to perform the assignment.

2.4 Following information must be accompanied with Technical Proposal:

S. No.	Description
1	Firm's profile
2	Category as per SBP (proof must be attached)
3	Number of clients in Public Sector organizations specially regulatory authorities (proof must be attached)
4	Office in Islamabad (proof must be attached)
5	2 months time bound audit assurance (proof must be attached)
6	Number of present clients in Islamabad (proof must be attached)
7	No. of Partners in firm in Pakistan (proof must be attached)
8	Affiliation with an international firm (proof must be attached)
9	Satisfactory QCR by ICAP (proof must be attached)

3) Terms of Reference (ToR) for Annual Audit 2015

Introduction

PTA is established to regulate the telecommunication sector of Pakistan, it gives licenses to establish their business in telecommunication industry of Pakistan, and it regulates the air space for wireless communication throughout the country including AJ&K and GB.

Vision & Mission

Create a fair regulatory regime to promote investment, encourage competition, protect consumer interest & ensure high quality ICT services.

About Pakistan Telecommunication Authority

PTA was established for the regulation of sector as part of Government of Pakistan in looking and fairly promoting the sector. Head office of PTA is in Islamabad and as such the stream of decisions record and other documents are kept in Islamabad, PTA has its offices in all provinces and major cities to enforce compliance of regulations made by PTA. Frequency Allocation Board (FAB) also works hand in hand with PTA and PTA is responsible for the funding requirements of FAB also. However FAB works as an independent entity and control its finances by itself.

PTA has close liason with Ministry of IT (MoIT), and PTA has a responsibility to ensure compliance of policy directives issued by MoIT. Also PTA is liable to ensure payment of various contributions to Public Account by MoIT, this includes correct calculation of dues, enforcing timing of payments and advising rates to be charged. These amounts are not part of PTA's receipts and therefore not reported as income in the PTA's Financial Statements.

PTA collects various dues including Initial licensee fees, Initial spectrum Fee, annual license fee, late payment additional fee and penalties in respect of the telecommunication services being provided by PTA's Licensees, and PTA makes expenditure in Capital and Revenue nature transactions, the surplus of revenue if any has to be surrendered to Federal Consolidated fund of GoP every year but considering the availability of funds and future requirements of PTA to continue its operations.

PTA is liable to Govt. Audit and offers its books for the Audit by the Auditor General of Pakistan office each year, However, as PTA is allowed for the commercial audit also and it keeps its books on the double entry system with Financial Statements prepared in compliance of International Accounting Standards, in conformity with the International financial Reporting Standards, it requires the services of external auditor to give his opinion on the Financial Statements prepared by PTA.

Audit Objectives

To carry out annual financial audit of PTA, review its system of internal control, identify weak areas, and improve reporting of financial statements.

Scope of Work

The Audit shall be carried out in accordance with the International Standards of Auditing (ISA) and shall include such tests and controls that the auditor considers necessary under the circumstances. The Auditors shall also consider the adequacy of controls necessary to secure propriety and transparency in all areas. The comprehensive audit shall be undertaken to cover but not limited to the following areas:

- Licensing and Billing

The audit work shall cover the adequacy and compliances with policy guidelines for issuance of licenses, charging of fees, revision of rates and application of unit of measurement.

- Accounting

The audit work shall cover the adequacy and compliances of the accounting and financial operations and reporting systems. These include budget control, cash management, certification and approving authority, receipt of funds, and disbursement of funds, recording of all financial transactions in expenditure reports, records maintenance and control.

- Human Resource

The audit work shall cover the compliances and competitiveness, transparency, effectiveness of the recruitment and hiring of personnel and include performance appraisal, attendance control, calculation of salaries and entitlements, payroll preparation and payment, and management of personnel records.

- Procurements

The audit work shall cover the competitiveness, transparency effectiveness and controls of the procurement activities in order to ensure that the equipment and services purchased meet the PPRRA requirements.

The work shall include the delegations of authorities for procurements, procurement thresholds, call for bids and proposals, evaluation of bids and proposals and approval/signature of contracts and purchase orders. Management and control over the variation orders.

- Information and communication

The audit work shall cover the information and communication, security of data and equipments.

- General Administration

The audit work shall cover travel activities, vehicle and fuel management, office security and records maintenance. Overall control environment and related risks with recommendations for further strengthening

Methodology

To be determined by auditor.

Pre audit briefing:

Member Finance/ Director General Finance
Director Budget and Accounts

Access

- To all records/materials of the related transactions, planning and management.
- PTA's policies and Financial Guidelines.
- Licensing and other agreements and files.
- Stock and documentation,
- All the financial, administration, and other related records.

Final Report

The auditor shall document the details of the audit with financial statements, which shall be completed in English, by the final day of the assignment. The report shall include:

1. Audit Opinion

The audit firm shall give its opinion on Financial Statements as per International Standards on Auditing.

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 observation that come across during conduct of audit, for improvement of the systems and procedures.

Time Schedule

Audit reports and financials are required till August 30, 2015.

Audit Firm Criteria

The evaluation criteria has been mentioned in detail in "Technical and Financial Evaluation Criteria" sheet.

Submission of Proposals

Both financial and technical proposals can be submitted to:

Director General Finance
Pakistan Telecommunication Authority
Sector F-5/1,
Islamabad. Pakistan
Phone#051-2878150

Last date for submission of proposals is 15 days from issuance of advertisement

4) Technical and Financial Evaluation Criteria

TECHNICAL EVALUATION CRITERIA

Mandatory Requirements:

- i. Firm has a positive QCR rating by ICAP.
- ii. Firm is listed in Category "A" of SBP.
- iii. Minimum experience of five (05) years of audit of public sector organizations including regulatory authorities.

If any of the above mentioned mandatory mentioned criteria is not fulfilled then the proposal will not be evaluated further.

If an audit firm has fulfilled all of the above mentioned requirements then the technical proposal will be further processed as follows:

No.	Criteria	Marks	Comments
1	Firm's Audit Experience of public sector organizations including regulatory authorities	10	<ul style="list-style-type: none"> • 1 mark for each year of experience beyond five years of mandatory experience.
2	Number of clients in Public Sector organizations specially regulatory authorities	5	<ul style="list-style-type: none"> • 5 marks for 10 or more clients. • Deduct 0.5 mark each client if less than 10 clients in public sector
3	Office in Islamabad	5	<ul style="list-style-type: none"> • 5 marks if office in Islamabad • Nil marks if no office in Islamabad
4	2 months time bound audit assurance	5	<ul style="list-style-type: none"> • 5 marks if assurance is given • Nil marks if no assurance given
5	Number of present clients in Islamabad excluding Public sector	20	<ul style="list-style-type: none"> • 20 marks for 40 or more clients • Deduct 0.5 mark each client if less than 40 clients
6	No. of Partners in firm in Pakistan	20	<ul style="list-style-type: none"> • 20 marks for 40 or more partners • Deduct 0.5 mark each client if less than 40 clients
7	Affiliation with an international firm	5	<ul style="list-style-type: none"> • 5 marks if firm is affiliated with international firm • Nil marks if no affiliation with international firm

*The weight-age for final selection of the firm would be on the following basis:-

- 70% for technical proposal
- 30% for financial proposal

FINANCIAL EVALUATION CRITERIA:

Marks will be awarded as per the following formula:

$$\text{Financial score} = 30 \times \frac{\text{Amount quoted by the lowest bidder}}{\text{Amount quoted by the bidder whose financial score is to be calculated}}$$

5) Sample Engagement Letter

ENGAGEMENT LETTER

The purpose of this letter is to confirm our understanding of our mutual responsibilities arising as a result of our engagement as auditors of Pakistan Telecommunication Authority (the Authority) for the year ending June 30, 2015. These terms will remain effective until amended, in writing, with the agreement of both parties.

2. Basic objective of the engagement

We will conduct the audit of financial statements of the Authority which comprise the balance sheet as at June 30, 2015 and the related income and expenditure account, the statement of comprehensive income, the statement of changes in federal consolidated fund and the cash flow statement together with the notes forming part thereof for the year ending June 30, 2015, prepared in accordance with approved accounting standards as applicable in Pakistan, notified under the Companies Ordinance, 1984.

Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as and as notified under the Companies Ordinance, 1984 (the 'Ordinance').

Upon completion of the audit, we will provide you with our audit report on those financial statements for submission to members of the Authority.

3. Scope of the audit

The objective of an audit is the expression of an opinion on the financial statements. Our audit will be conducted in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs as applicable in Pakistan.

4. General responsibilities of the management with respect to the financial statements

Our audit will be conducted on the basis that the management acknowledges and understands that it has the responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with the IFRSs as applicable in Pakistan;
- b. for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- c. to provide us with:
 - i. Access to all information of which management is aware that is relevant to the preparation of the financial statements such as original records, documentation and other matters;
 - ii. additional information that we may request from management for the purpose of the audit; and
 - iii. unrestricted access to persons within the Authority from whom we determine it necessary to obtain audit evidence.

As required by the applicable auditing standards, we will make specific inquiries of management and others about the representations embodied in the financial statements and the effectiveness of internal control over financial reporting. Auditing standards also require that we obtain a representation letter covering matters material to the financial statements from certain members of management together with information of uncorrected misstatements in the financial statements that are immaterial. The results of our audit tests, the responses to our inquiries and the written representations of management comprise the evidential matter upon which we intend to rely in forming our opinion on the financial statements. The audit of financial statements does not relieve management of their responsibilities.

5. Responsibility for preventing and detecting fraud and errors and non-compliance with laws and regulations

The management is responsible for safeguarding the Authority's assets and for the prevention and detection of fraud and error. The management is also responsible for identifying and ensuring that the Authority complies with the laws and regulations applicable to its activities. We will design our audit to obtain reasonable, but not absolute, assurance of detecting errors or fraud that would have a material effect on the financial statements as well as other illegal acts having a direct and material effect on the financial statements. Our audit will not include a detailed audit of transactions, such as would be necessary to disclose errors or fraud that did not cause a material misstatement of the financial statements. It is important to recognise that there are inherent limitations in the auditing process. Audits are based on the concept of selective testing of the data underlying the financial statements, which involves judgment regarding the areas to be tested and the nature, timing, extent and results of the tests to be performed. Audits are, therefore, subject to the limitation that error, fraud or other illegal acts having a direct and material financial statement impact, if they exist, may not be detected. Because of the characteristics of fraud, particularly those involving concealment through collusion and falsified documentation, an audit designed and executed in accordance with generally accepted auditing standards might not detect a material fraud. Further, while effective internal control reduces the likelihood that errors, fraud or other illegal acts will occur and remain undetected, it does not eliminate that possibility. For these reasons we cannot ensure that errors, fraud or other illegal acts, if present, will be detected. However, we will communicate to you any illegal act, material errors, or evidence that fraud may exist which is identified during the audit.

6. Identifying and reporting internal controls deficiencies

Our audit is not designed to identify all significant deficiencies in the Authority's system of internal financial controls. In making our risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our review of internal financial control systems is performed only to the extent required to express an opinion on the Authority's financial statements. This consideration will not be sufficient to enable us to provide assurance on the effectiveness of internal control over financial reporting.

However, we shall communicate to you in writing any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit. Any such report may not be provided to a third party without our prior written consent. Such consent will be granted on the basis that such reports are not prepared " " se or benefit of anyone other than the Authority.

7. Responsibility for other documents accompanying audited financial statements

ISAs as applicable in Pakistan require that we read any annual report and other documents that contain our audit opinion. The purpose of this procedure is to consider whether 'other information' (as defined in the standards) in the annual report, including the manner of its presentation, is materially consistent with information appearing in the financial statements. The inclusion of 'other information' in the annual report is the responsibility of the Authority's management. Our responsibility is to read the 'other information' prior to the signing of the audit report. We assume no obligation to perform procedures to verify such 'other information' as part of the audit. To discharge our responsibility, we will require sufficient time for such 'other information' to be provided to us for our reading and comments prior to the documents being issued. In situations where the 'other information' has not been read by us at the time of issuing the initialed draft audit report, this matter may be included as a 'signing condition' in our letter to the Authority accompanying the draft financial statements and the draft initialed audit report thereon.

8. Responsibility for communicating information about facts affecting financial statements after signing of the audit report

The management will inform us of facts that may affect the financial statements and of which the management may become aware during the period from the date of the audit report to the date the financial statements are issued.

9. Electronic distribution of our opinion

If the Authority intends to publish or reproduce its financial statements electronically (e.g. on an Internet Web Site), then the following note should be placed as a foot note to our report:

"In case of any discrepancy on the Authority's website, the auditors shall only be responsible in respect of the information contained in the hard copies of the audited financial statements available at the Authority's registered office."

10. Third party users of our opinion

Our audit opinion is intended for the benefit of only those to whom it is addressed. The audit will not be planned or conducted in contemplation of reliance by any third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.

11. Confidentiality and data protection

All data relating specifically to the Authority's business and any other information which reasonably should be understood to be confidential to the Authority are confidential information of the Authority ('Confidential Information'). We will use the 'Confidential Information' only in relation to the provision of services provided by us to the Authority ('the Services') and will not disclose such 'Confidential Information' to any third party without the Authority's prior written consent save as provided in this letter. We will not be obligated to treat as confidential any information disclosed by the Authority which: (i) Is rightfully known to us prior to its disclosure by the Authority; (ii) is released by the Authority to any other person or entity without restriction; (Ni) is independently developed by us without any use of or reliance on 'Confidential

Information' ; (iv) is in or enters the public domain without breach of this confidentiality obligation; and / or (v) may be lawfully obtained by us from any third party.

12. Ownership of and access to audit files

The working papers and files for this engagement created by us during the course of the audit, including electronic documents and files, are the sole property of (Name of Audit Firm) and would be subject to Quality Control Review by the Institute of Chartered Accountants of Pakistan (ICAP) without any reference to the Authority.

13. Internet communication

During the engagement we may from time to time communicate with you electronically. However, as you are aware, the electronic transmission of information cannot be guaranteed to be secured or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or be incomplete or otherwise be adversely affected or unsafe to use. Accordingly, while we will use reasonable procedures to check for the then most commonly known viruses before sending information electronically, we shall not have any liability to you arising from or in connection with the electronic communication of information to you.

14. Process for assessing client satisfaction with our services

It is our desire to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the engagement partner (Mention name of Partner and contact number) or engagement manager (Mention name of Manager and contact number). In this way we are able to ensure that your concerns are dealt with carefully and promptly.

15. Fees and expenses

Our fee for the audit of financial statements of the Authority for the year ending June 30, 2015 shall be (mention the audit fee) inclusive of out-of-pocket. expenses incurred and exclusive of government taxes and levies, where applicable. We may add that presently there are no taxes/levies on professional services charges in Islamabad. In the event any taxes/levies are imposed these will be billed in addition to our fee.

Invoices rendered are due and payable upon receipt.

16. Other services to be subject of separate contracts

Any additional services that you may request and that we agree to provide will be the subject of separate written arrangements.

17. Independence

Independence rules impose restrictions on our partners and audit team members subsequently being employed by an audit client. You should be aware that if the Authority appoints an individual, who was a partner of the firm or a member of the audit team within a two year period prior to such appointment, as. the CEO, CFO, internal auditor, director or in a position to exert

direct and significant influence over the subject matter of the audit, then this may create a threat to our independence so significant that we may be required to resign our audit appointment. The Authority will inform us if any such appointments are made.

18. Applicable law and governing jurisdiction

The contract formed by this engagement letter, when accepted, shall be governed by, and construed in accordance with the laws of Pakistan and it is hereby irrevocably agreed and accepted that the courts of Pakistan shall have exclusive jurisdiction to settle any claim, difference or dispute.

19. Form and content of our reports

The form of our audit report will be in accordance with ISA 700 "Forming an opinion and reporting on financial statements". The form and content of our reports may need to be modified in the light of our audit findings.

20. Name of the engagement partner

The partner responsible for this engagement is (Name of partner)

Yours truly

The terms of this engagement are accepted by _____ on behalf of the Authority to represent that he is authorized to accept these terms on behalf of the Authority.

Signature:

Date:

6) Financial Bid Form

From,

.....

.....

.....

Contact No. (Mobile and Landline)

To,

DG Finance
PTA HQ's
F-5/1

Having read and understood the contents of detailed advertisement. , Instructions, terms and conditions, I/we hereby submit (in separate sealed cover) our Financial Bid for the audit of PTA :

Year	2015	2016	2017	2018	2019
	Rs.	Rs.	Rs.	Rs.	Rs.
Audit fee excluding Out of pocket expenses	XXX	XXX	XXX	XXX	XXX
Out of pocket expenses	XXX	XXX	XXX	XXX	XXX
Total	XXX	XXX	XXX	XXX	XXX

Note: All applicable taxes shall be included in the above figure.

Sign and seal of offerer(s) and date