



Tender No: FIN/HA/NOV-2016/001

**APPOINTMENT OF AUDIT FIRM
AS EXTERNAL AUDITOR**

**FOR
IBA KARACHI FINANCIAL STATEMENTS
FY-2016-17, 2017-18 & 2018-19**

Expression of Interest (EOI)

November, 2016

Tel #: 021-111-422-422 / 021-99261510 (8 lines)

Fax #: 021-99261508

E-mail: info@iba.edu.pk

Website: www.iba.edu.pk

LETTER OF INVITATION (LOI)

You are invited to submit Technical and Financial Proposal based on single stage two envelope basis.

PURPOSE

The purpose of this Call for Expression of Interest (EOI) is to select a competent Audit Firm to audit and express a professional opinion on the financial statements of the authority at the end of each fiscal year (June-30). The audit would be carried out for the 03 years (FY-2016-17, 2017-18 and 2018-19). The audit should be carried out in accordance with appropriate professional standards of auditing (International Auditing Standards) and other standards as applicable in Pakistan.

To enable you to submit a proposal, please find enclosed:

- A. Background
- B. Audit Scope
- C. Auditor Independence and Qualification
- D. Evaluation of Proposals - (Technical and Financial)
- E. Access to Facilities and Documents
- F. Mode of Payment
- G. Guidelines

The proposal should follow guidelines given in the enclosed documents of Letter of Invitation for Bidders. Method of evaluation to be adopted in evaluating the proposals will be based on enclosed Evaluation of Proposals (refer part D), with the technical evaluation being completed prior to any financial proposals being opened and compared:

Please note that IBA is not bound to select any or all of the firms submitting proposals.

The last date of submission of Technical and Financial proposal is **21st November, 2016 till 15:00 Hrs.**

The Technical proposals will be opened the same day at 16:00 Hrs, in the presence of those who wish to be present.

It may also be noted that the Pre-proposal meeting will be held on **7th November, 2016 at 12:00 Hrs** at IBA Main Campus.

Technical bid will be opened on **21st November, 2016 at IBA Main Campus**

Syed Hamid Ali Shah

Manager Financial Reporting

A. Background

Institute of Business Administration (IBA) Karachi

IBA is the oldest business school outside North America. It was established in 1955 with initial technical support provided by the world famous Wharton School of Finance, University of Pennsylvania; later, the University of Southern California set up various facilities at the Institute and several prominent American professors were assigned to the IBA. The course contents, the curriculum, the pedagogical tools and the assessment and testing methods were developed under the guidance of reputed scholars from these two institutions. IBA has zealously guarded the high standards and academic traditions it had inherited from Wharton and USC while adapting and adjusting them with the passage of time.

In 1994 year, the Sindh Assembly elevated the Institute's status to that of a degree-awarding institution. Despite a rapid increase in the number of business schools, the IBA has maintained its position as the premier Institution of higher learning in the field of Management and Business Administration.

Accounting and financial management practices of IBA are governed by the IBA Act 1994. Financial Statements of IBA are prepared in accordance with the International Public Sector Accounting Standards (IPSAS) or, where no such standards have yet been formulated, International Financial Reporting Standards (IFRS).

- Dr. Farrukh Iqbal is currently Dean & Director of IBA Karachi.

Personnel responsible for accounting and financial management is

- Mr. Moeid Sultan Latif, Director Finance (+92 21 38104700)

IBA offices are based in Karachi at the following addresses:

Main Campus

University Road, Karachi- 75270
Pakistan
Phone : 92-21-38104700
Fax : 92-21-99261508

City Campus

Plot # 68 & 88 Garden / Kayani
Shaheed Road, Karachi - 74400
Pakistan
Phone : 92-21-38104701
Fax : 92-21-38103008

IBA's website is located at <http://www.iba.edu.pk/>

Staff Provident Fund (SPF)

A Staff Provident Fund (SPF) of IBA is established for the exclusive purpose of providing participating staff members of the IBA participating in the SPF. Currently 300 approx. members are registered in SPF trust. The SPF is established as a segregated fund within the Institute with a distinct governance structure. The assets of the SPF shall be segregated from all other assets of the Institute, and are received, invested and disbursed wholly and exclusively for the purpose of the SPF. The operations of the SPF are managed by the SPF Trustees. The financial statements are separate from IBA financial statements and are to be audited by the external auditors of the Institute.

Friends of IBA Trust (FIBAT)

The IBA created a Trust to enable the donors to become Trustees of the Funds that they donate and thereby to enable such Donors to play a role in the decision making process of how such funds are utilized for the benefit of the beneficiaries of the Trust. The Trust is formed to provide better material, financial help and facilities to students, faculties and staff of IBA. Donors who donate more than Rs.30,000,000/- (rupees thirty million only) or more serve as Trustee /nominee to FIBAT.

Hamid D. Habib Endowment Fund

IBA create an endowment fund by the name of "Hamid D. Habib Endowment Fund shall be created from the Grant amount of Rs. 50,000,000/- (Rupees Fifty million only) paid to IBA by the Donor dated May 27, 2009. The Parties agree that the Endowment Fund shall be invested by IBA in the best possible manner and only the income earned from the Fund.

B. i. Audit Scope

1. These terms of reference address the requirement for external audit of financial statements (consolidated & unconsolidated) of IBA, SPF, FIBAT and Hamid D. Habib.
2. Audit term for all entities described in No. 1 will be for the year each ending from 01 July to 30th Jun.
3. A final signed audit report with certified statements and a management letter should be submitted by last week of August of the year following the end of period under review.
4. External Auditor will have to present the annual audit report to the Audit & Finance Committee and IBA Board of Governors (BoG) meeting during its September Session and provide any clarifications required by Members.
5. Audit firms must provide breakdown of their fee in respect of all mentioned entities for each of these years by year.
6. The audits should be carried out in accordance with the national and International Standards of Auditing (ISA).
7. Sufficient audit evidence should be gathered to substantiate in all material respects for the accuracy and true and fair view of of financial statements of the institute.
8. The independent auditors of IBA would also be required to examine the internal control and compliance with the procurement procedures to ensure transparency and accountability in IBA's overall operations.
9. The audit report of the auditors should state if the audit was not in conformity with any of the above and indicate the alternative standards or procedures followed.
10. Appointment of auditors according to these terms will be for period of (3) three financial years, (2016-17, 2017-18 & 2018-19).

B. ii. Audit Scope (ERP System)

1. The external auditor will be required to examine the ERP system.
2. This will be a one-time engagement and will be carried out once the proposed ERP system is implemented successfully.
3. The Audit firm must ensure that they have appropriate staff to carry out this engagement.
4. The Audit firms must provide separate fee for this engagement.

C. Auditor Independence and Qualification

The auditor must be completely impartial and independent from all aspects of management or financial interests in the entity being audited. The auditor should not, during the period covered by the audit nor during the undertaking of the audit, be employed by, serve as director for, or have any financial or close business relationships with any senior participant in the management of IBA. The auditor should disclose any relationship that might possibly compromise his/her independence.

The Audit firm should be registered with the Institute of Chartered Accountants of Pakistan and should appear on satisfactory QCR rating firm of ICAP." The auditor should be experienced in applying either ISA standards, whichever is applicable for the audit. The auditor must employ adequate staff with appropriate professional qualifications and suitable experience with ISA standards, including experience in auditing the accounts of entities comparable in size and complexity to IBA.

Audit firms must provide appropriate information regarding their partners who would be responsible for signing the opinion, together with manager and audit supervisors to indicating capability and capacity to undertake the audit and experience in auditing financial statements.

D. Evaluation of Proposals - (Technical and Financial)

The Technical proposal shall be evaluated as follows:
(Attach all supporting documents for below mention information)

(a)	Number of Partners		15
	25 or more	15 marks	
	05-24	07 marks	
	Less than 05	00 marks	
(b)	Number of Clients (Govt. entities, Listed & public companies)		15
	400 or more	15 marks	
	200-399	07 marks	
	100-199	03 marks	
	Less than 100	00 marks	
(c)	Significant Clients having turnover of:		15
	100 billion or more	15 marks	
	50-99 billion	07 marks	
	01-49 billion	03 marks	
	Less than 01 billion	00 marks	
(d)	Panel of state bank of Pakistan		15
	Category A	15 marks	
	Category B	07 marks	
	Category C or Lower	00 marks	
(e)	Number of Employees of audit firm		10
	250 or more	10 marks	
	150-249	05 marks	
	50-149	03 marks	
	Less than 50	00 marks	
(f)	Number of registered ICAP student trainees		10
	800 or more	15 marks	
	400-799	07 marks	
	100-399	03 marks	
	Less than 100	00 marks	

(g)	Number of ERP system audit conducted in last three years	10
	10 or more	10 marks
	01-09	05 marks
	No audit conducted	00 marks
(h)	In house IT (ERP Software system) audit team	10
	Yes (15 or more Team Members)	10 marks
	Yes (1 to 14 Team Members)	05 marks
	No	00 marks
	Minimum eligible technical score is	80

The firm with highest evaluated rating shall be awarded the contract.

E. Access to Facilities and Documents

The IBA financial systems are partly automated in Sidat Hyder Financials system and partly manual. IBA is currently undertaking implementation of new Oracle ERP system – PeopleSoft Financials to be operational in the early 2017. All financial records are kept at the main campus.

The auditor will have full and complete access at any time to all records and documents (including books of account, legal agreements, minutes of committee meetings, bank records, invoices and contracts etc.) and all employees of the entity. The auditor will have a right of access to banks and depositories, consultants, contractors and other persons or firms engaged by the management over the period under the audit review.

F. Mode of Payment

The assignment is on fixed Professional fees.

Fees will be paid after financial statements approved by IBA BoG (Board of Governors) Meeting.

G. Guidelines

IBA will select a firm on purely merit on the basis of Technical and financial proposals submitted by the firms, based on QCBS (Quality and Cost Based Selection).

Audit firm(s) who meet the requirements of the TORs and the commercial and contractual conditions, and if the auditor find any ambiguity, omission or internal contradictory, or any feature that is unclear or that appears restrictive, they should seek clarification before the closing date of submission;

The Firms are invited to submit a Technical Proposal and a Financial Proposal, clearly indicating ***‘Proposal for the Provision of External Audit Services’***.

Audit firms (s) must provide breakdown of their fee in respect of all mentioned entities and scope ii (ERP System Audit) for each of these years by year. Bidders are reminded that Audit Scope ii ERP system audit is one time engagement and will be carried out once proposed ERP system is implemented successfully.

Client’s policy requires that firm provide professional, objective, and impartial advice and at all times hold the Client's interests paramount, strictly avoid conflicts with the assignments or their own corporate interests.

Proposed professional staff must be qualified and have adequate experience, preferably worked under conditions similar to those prevailing in the country of the assignment.

Audit firm should ensure that they submit a full proposal including all the supporting documents requested. It is essential to ensure accuracy in the curricula vitae of key staff submitted. An authorized representative of the firm initials all pages of the proposal and dated. Noncompliance with important requirements will result in rejection of the proposal;

The original proposal (Technical Proposal and Financial Proposal) shall be prepared in indelible ink. It shall contain no inter-lineation or overwriting.

The original and all copies of the Technical Proposal shall be placed in a sealed envelope clearly marked "Technical Proposal", and the original and all copies of the Financial Proposal in a sealed envelope clearly marked "FINANCIAL PROPOSAL" and warning: "DO NOT OPEN WITH THE TECHNICAL PROPOSAL." Both envelopes shall be placed into an outer envelope and sealed. This outer envelope shall bear the submission address and other information indicated and be clearly marked, "DO NOT OPEN, EXCEPT IN PRESENCE OF THE BID OPENING COMMITTEE."

After the deadline for submission of proposals, the Technical Proposal shall be opened on the day in the presence of those who want to be present on the date specified in LOI by the evaluation committee. The Financial Proposal shall remain sealed and will be opened in the presence of the representatives of the bidders that have technically qualified after opening of technical proposal.

From the time the bids are opened to the time the contract is awarded, if any firm wishes to contact the Client on any matter related to its proposal, it should do so in writing at the address indicated in documents. Any effort by the firm to influence the Client in the Client's proposal evaluation, proposal comparison or contract award decisions may result in the rejection of the Firm's proposal.

Evaluators of Technical Proposals shall have no access to the Financial Proposals until the technical evaluation, is concluded.

Once the proposals are received and opened, auditors shall not be required nor permitted to change the substance, the key staff and so forth;

The process of proposal evaluation shall be confidential;

The financial proposal should be in PKR comprising fees only;

Bidders are requested to submit below mentioned number of copies clearly marked "ORIGINAL" or "COPY" for each technical and financial offer;

Technical Proposals: Original + 7 Copies

Financial Proposals: Original + One Copy

Bidders are reminded to clearly mark technical and financial offer in separate envelopes. Interested external audit firms with international recognition should submit their proposals, clearly indicating '*Proposal for the Provision of External Audit Services*' on or before Monday, 21st November 2016 at 15:00hrs to the following address:

The Registrar

IBA Karachi

1st Floor, Admin Building

Main Campus

University Road IBA Karachi

Tel: +92-21-38104700

Fax: +92-21-99261508

Proposals received after this time and date, or submitted otherwise than indicated in this shall not be considered.

Guidelines for Evaluation of Proposals

This tender is based on One Stage Two Envelop Procedure. One separate Envelop will be submitted for Technical Proposal and one separate envelop for Financial Proposal. Technical Proposal will consist of the Bidders own marking on Technical Criteria mentioned in clause D of this document and their supporting documents. Financial Proposal will consist of the bidders Financial Bid to complete the assignment. Financial bids of only technically qualified bidders will be opened. Assignment will be awarded on QCBS methodology which will be based on 85:15 i.e. Technical and Financial respectively.

On receipt of technical proposals, Consultant Selection Committee appointed by the client shall evaluate the technical proposals of all the contestants. The committee will evaluate each technical proposal as regards the understanding of project requirement, time schedule, experience and qualifications of personnel to be assigned and other pertinent aspects in relation to the services required of the firms.

The client will then open the financial proposals after approval of Consultant Selection Committee of those three contestants scoring passing marks in the presence of such firm who care to be present and will publicly announce the prices and terms of all technically qualified proposals.

The technical and financial scores must be weighted using the weights / scaling stated in the SBD / EOI document. This is normally in the range of 50 to 80% for the technical score and in the range of 50 to 20% for the financial score depends on the nature of the project and relevant importance of each major criteria. The combined weights must always total 100%.

For selection of firms the technical score weighted is 85% for technical factors and 15% for financial cost.

To determine the weighted scores, multiply the actual technical and financial scores by the percentage weights stated in the SBD / EOI document.

To determine the total score, simply add the weighted technical and financial scores together.

The example in the table below; the Firm 'A' technical and financial scores received are mentioned in the original score column, the weights are stated in accordance with the SBD/EOI document, the calculation of weighted scores and the total score is as follows:

	Original Scores	Weighted (e.g.)	Calculation	Results
Technical	75	85%	$75 \times 85/100$	63.75
Financial	85	15%	$85 \times 15/100$	12.75
Total				76.5