

## **Terms of Reference**

### **Hiring of Firm of Chartered Accountants**

#### **Background**

Government of the Punjab (**GoPb**) has received financial loan from the China Exim Bank (referred to as the **Bank**) to implement the Orange Line Metro Rail Transit System in Lahore (the **Project**). The objective of the Project is to construct 27 km rail transit lanes from Dera Gujran to Ali Town, Lahore. Total number of stations between the two ends will be twenty-six (26). This system is expected to serve approximately 245,000 passengers per day and will cost approximately USD 1.6 Billion.

#### **Implementation Arrangements**

Punjab Masstransit Authority (**PMA**) is the principal agency for implementing the Project on GoPb's behalf. Chinese joint venture between China Railway and Northern China North Industries Corporation (CR-NORINCO) has been awarded the Project.

Under a Framework Agreement signed between Government of Pakistan and Government of China, a commercial contract was signed with CR-NORINCO, according to which civil works component of the Project would be undertaken by PMA. Subsequently, PMA nominated **Lahore Development Authority (LDA)** as an executing agency on behalf of PMA. Under this arrangement, LDA has contracted two packages to independent contractors, namely Maqbool-Calsons JV and Habib Constructions Services, and is in process of tendering two more packages.

The Project is being supervised in LDA by a dedicated team headed by **Chief Engineer, LDA** and is being monitored by a dedicated Project Management Unit, headed by a **Project Coordinator** established within the LDA. NESPAK-CEC JV is the Project consultant responsible for design and resident supervision/approval of the works in accordance with engineering standards. Upon verification of the bills by the Resident Engineer, payment requests shall be forwarded by LDA to PMA to CR-NORINCO for disbursement from China Exim Bank to Economic Affairs Division (EAD), GoP, which will then make an equivalent rupee amount available for payment to CR-NORINCO for onward payment to contractors (*tentative procedure - subject to finalization*).

The arrangement has been further complicated by a delay in finalization of the loan agreement between EAD and China Exim Bank (expected to take a few months). In order to make payments as per contractual arrangements to the contractors, GoPb has entered into a special arrangement with a local bank to bridge finance the works. Principal amount shall be paid from the China Exim Bank loan, while interest amount shall be borne by the GoPb.

Due to the complex financial arrangement, LDA/PMU now requires the services of a Firm of Chartered Accountants (referred to as the **Accounting Firm**) that will be responsible for accounting, financial compliance, financial planning and providing support in tasks related to finance.

## **Objective**

Under the general supervision of the GoPb, PMA and LDA/PMU, the Accounting Firm shall be responsible for providing support in various financial management functions, which include financial management systems review, financial analysis, budget analysis, financial reporting, budgetary projections, financial planning, IPC/bill control, financial performance monitoring, compliance monitoring, accounting services and providing support to government in interaction with the Bank.

## **Scope of Assignment and Detailed Tasks**

### **Accounting Services**

- Handle and provide accounting services to executing agencies. This will include maintenance of accounts and general ledger in accordance with applicable accounting standards, preparation of financial statements, and maintenance of documents related to accounts, cash reconciliation, and expenditures.
- Prepare, on a regular basis, Project progress reports and financial reports for GoPb and executing agencies. This will include providing weekly reports on outstanding payments, bank balances, cash transactions and banking for the week.
- In case of compensation claims, the Accounting Firm shall be responsible for calculation of financial compensation, or verification of mathematical calculation thereof where such compensation is to be determined by LDA/PMU, in accordance with the agreements signed between the involved parties.
- Support in ensuring compliance with Government's statutory requirements relating to tax laws i.e. deduction and timely remittances of all applicable taxes etc.
- Carrying out computation of book value of the Project, if necessary

## **Financial Reporting**

- Establish a financial reporting system for the Project that ensures robust financial tracking of existing expenditures and adequately informs about future cash flow requirements
- Assist LDA/PMU in dealing with all financial management issues as per norms and guidelines prescribed by GoPb and the Bank, including providing support in prioritizing payments and financial obligations to manage cash flows.
- Advise LDA/PMU on financial matters and implementing sound financial management practices.
- Be responsible for liaising with the Bank, if required, and providing whatever support is deemed necessary by the GoPb, PMA or LDA/PMU in matters related to reporting the Project expenses.
- Coordinate between specified agencies involved in matters related to reporting related to project finance, project expenditures, financial management and budget estimates.

## **Financial Planning**

- Maintain weekly cash flow projections for the Project based on activities and requirements of all stakeholders, and provide decision support to GoPb, PMA or LDA/PMU.
- Support in the preparation of workplans and budget estimates of the Project for the specified stakeholders.
- Provide budgetary impact estimates arising due to changes in scope of Project work and/or delays for executing agencies, GoPb and the Bank.
- Carry out monthly monitoring of budgetary allocations vis-a-vis actual expenses incurred. Conduct analysis of variance and support in undertaking corrective actions.
- Assist LDA/PMU in drafting documents/ correspondences/ reports on financial issues to be dealt with GoPb, PMA and the Bank based on available financial and accounting information.

## **Compliance Services**

- Check that goods, works and services have been procured in accordance with the Government's rules and procedures and have been properly documented and accounted for.
- Check that the funds assigned to specific agencies are spent in accordance with the Government's rules and regulations. The Accounting Firm is also to check completeness and correctness of accompanying documents.
- Check monthly expenditures statements and financial records submitted by specified executing agencies for completeness and correctness.
- Check monitoring of bank guarantees (i.e. bank confirmations, timely renewals etc) and insurance policies and report issues to the concerned officials of LDA/PMU for necessary action.
- Facilitate external Project audit by Punjab Accountant General and forward financial documentation to GoPb and other concerned agencies.

Additionally, the Accounting Firm is expected to carry out any other work related to routine financial management assigned by the Project Coordinator from time to time.

## **Deliverable and Reporting Requirements**

The Accounting Firm shall be required to produce the following reports:

- Financial statements of the Project for management reporting purposes
- Finance related reports presented to concerned government departments at the end of each month
- Weekly report to Chief Engineer and Project Coordinator, highlighting the work program for the following week based on inputs from the Project team. Also included will be budgetary requirements for the following week.
- Weekly report to Chief Engineer and Project Coordinator, within three (3) days following review week's end, highlighting the tasks carried out during the last seven (7) days under review based on inputs from the Project team. Also included will be an analysis of budgetary variance and suggested corrective measures.
- Weekly summary dashboard on transactions, account balances and payments made to executing agencies/contractors.

- Fortnightly report of activity payment schedules for the executing agencies.
- Monthly compliance report, submitted within two (2) weeks of the month end.

### **Terms of Payment**

The Accounting Firm shall be paid a **fixed monthly fee** on recurrent basis till the end of completion of the Project. The payment will be made on a monthly basis within the first week of the month after submission of invoice by the Accounting Firm. The payment will be approved by Chief Engineer.

### **Period of Assignment**

The services of the Accounting Firm would be required till completion of the Project, estimated to be between **27** and **30** months starting from **Dec, 2015**. Staff presence shall be required during all meetings related to the Accounting Firm's scope of work which includes but is not limited to meetings, audit hearings, audits report meetings, financial planning etc.

### **Eligibility Criteria**

The Accounting Firm must:

- be registered with the Institute of Chartered Accountants of Pakistan
- be a member of an international professional services network that provides audit, advisory and tax services
- have at least Rs. 750m revenue in last fiscal year (*of local entity*)
- have at least 20 partners
- employ at least 750 personnel in Pakistan

### **Selection Process**

The Accounting Firm shall be selected using the single-stage two envelope least-cost selection method (i.e. firm offering the lowest monthly fee) as defined in the Punjab Procurement Rules 2014.

Bidders shall be required to submit their bids in the form of two envelopes, as follows:

1. a **technical envelope** containing proofs of registration with ICAP, membership of international professional services network, local revenue, size, etc; and
2. a **financial envelope** containing the offered fixed monthly fee inclusive of all applicable taxes.