

# THE PUBLIC PRIVATE PARTNERSHIPS COMMISSION

## Terms of Reference for The Internal Audit Consultancy

### 1. BACKGROUND

The Public Private Partnerships Commission (The PPPC) was established in 2011 through an Act of Parliament {The Public-Private Partnerships Act 2011} is the sole authority to facilitate the implementation of public private and partnership arrangements and to divest both direct and indirect interests in state -owned enterprises in Malawi. The PPPC is implementing the Digital Malawi Project on behalf of the Malawi Government. In line with Corporate Governance best practices, the Commission intends to strengthen its financial and operational reporting environment by among other things engaging the services of a firm or company to carry out internal audit services. The consultancy shall be for an initial period of three years after which The PPPC and the Consultant will review the contract depending on

Internal Audit will give an opinion on whether the control arrangements, including those for economy, efficiency and effectiveness, are adequate and properly applied.

To provide the required assurance, the internal audit will undertake a programme of work, based on a strategy authorized by the Commission on the need or relevant of the proposed engagement.

### 2. Scope

The internal audit will be an independent objective assurance and consulting activity that aims at adding value to The Commission and DIGMAP operations. It will accomplish its objective by bringing in a systematic, disciplined approach to evaluating and improving risk management, control and the governance processes for both the Commission and Project.

It is the responsibility of independence to ensure that financial management arrangement are sounds, that funds are accounted for as well managed within their areas of responsibility. An important means of fulfilling this responsibility is to ensure that proper internal controls are conducted, reviewed and updated t keep them effective. The internal audit consultancy service will consider the adequacy of controls necessary to secure propriety, economy, sufficiency and effectiveness in all areas. It will seek to conform that management have taken the necessary steps to achieve these objectives and manage the associated risks.

- The scope of internal audit work shall cover all operational controls and should not be restricted to the audit of systems and controls necessary to form an opinion on the financial statements. This does not imply that all systems will be subject to review, but that all will be included in the audit risk management and hence considered for review following the assessment of risk.
- The Internal Audit may also conduct special reviews requested by Th Commission, Audit and Finance Committee or the Chief Executive Officer, provided such reviews do not compromise its objectivity, independence or achievement of the approved audit plan.

## **Responsibilities**

The Internal Audit will be required to give its opinion to the Commission and the Chief Executive Officer, through the Audit and Finance Committee on the adequacy and effectiveness of the internal control system within the secretariat, and the extent to which the Commission can rely on it. It will also comment on other activities for which the Commission is responsible, and to which the Internal Audit has access. The advice of the Audit and Finance Committee. The programme will evaluate the arrangements in the place across the areas identified in the annual plan as follows:

- To establish and monitor the achievement of organizational objectives.
- To identify, assess and manage risks to those objectives.
- To advise on formulate and evaluate policy within the responsibilities of the designated officer.
- To ensure compliance with policies laws and regulations.
- To ascertain those systems of control over the integrity and reliability of financial and other information provided to management and stakeholders, including that used in decision making.
- To ascertain that systems of control are laid down and operate to promote economic, efficient and effective use of resources and to safeguard assets.

## **3 Standards**

The Internal Audit's work will be performed with due professional care, in accordance with International Standards on Auditing. Due regard will be placed on Public Private Partnership Act, 2011 the Public Finance Management Act, 2003 in conformity with International Financial Reporting Standards and any other relevant standards and legislation.

In achieving its objectives, the Internal Audit will develop and implement and audit strategy that assesses the institution's arrangements for risk management, control and governance and for value for money.

The Internal Audit is responsible for implementing measures to monitor the effectiveness of the Commission's controls and compliance standards. In addition, the Audit and Finance Committee would consider and improve the performance measures used by Internal Audit, and would also consider asking the external auditors to provide an independent assessment of the internal audit's effectiveness.

## **4. Independence**

To be effective, the Internal Audit Consultant shall be operationally independent of The PPPC Secretariat as far as possible and be able to fulfil its purpose and scope without undue restriction. This will among other things be achieved through:

- The effective functioning of the Finance and Audit Committee.
- The adherence to internationally recognized auditing and accounting standards and professional ethics for such assignments.
- Absence of conflict of interest on part of the Internal Audit Consultant and declaration to that effect before executing any assignment.
- The fulfilment of financial management and accounting responsibility by management.

Thus, the Internal Audit Consultancy has no executive role nor does it have responsibility for the development, implementation or operation of system. However, it may provide advice on risk management, control and governance, value for money and related matters subject to resource constraints and need to maintain objectivity.

For day – to – day administrative purposes only, the Lead Internal Auditor shall report to the Chief Executive Officer of the Public Private Partnership Commission. The Lead Internal Auditor shall have right of access to the Chairman of the Audit and Finance Committee.

### **Access**

The Internal Audit Consultants shall have rights of access to all of the Commissions records, information and assets which they consider necessary to fulfil their responsibilities. The Lead Internal Auditor has a right of access to the Chairman of the Audit and Finance Committee and the Chief Executive Officer.

In addition, the Internal Audit Consultant shall agree to comply with any requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that they need in order to discharge their own responsibilities. The extent and nature of reliance on such information will entirely depend on the assessment of external auditors.

### **Reporting Requirements**

- a. The Lead Internal Auditor shall submit an annual report or any other report in line with and agree TOR to the Commission and Chief Executive Officer through the Audit and Finance Committee. The report must relate to the institution's financial year, and include any significant issues noted on the entire business cycle which affect the opinion. The Internal Auditor will, among things, give an opinion on the adequacy and effectiveness of the institution's arrangements for:
  - Risk management, control governance, and
  - Economy, efficiency and effectiveness, and
  - The extent to which the Commission can rely on them.
- b. The auditor should also prepare, before the beginning of the year, and audit risk assessment and strategy supported by an assessment of resource needs. These should be submitted to governing body for the approval following consultant with relevant managers and the Chief Executive Officer.
- c. The Internal Audit Consultancy Service shall produce its reports in writing two weeks of completion of each audit, giving an opinion on the system reviewed and making recommendations to improve systems where appropriate. Managers are required to respond to each audit report, usually within three weeks of issue, stating their proposed action to each with a timetable for implementing agreed recommendations. Material recommendations will usually be followed up six to twelve months later. In addition, the Audit and Finance Committee will monitor the implementation of the audit recommendations.
- d. Any serious weakness, significant fraud or accounting breakdown discovered during the normal course of audit work will be reported to the Chief Executive Officer, and if necessary, to the Chairman of the Audit and Finance Committee and the Chairman of the Public Private Partnership Commission.

## **5. Key Professional Staff Level of Effort**

The proposed key staff shall be qualified professionals in their areas of expertise. The Lead Internal Audit Consultant shall be a professionally qualified accountant, certified internal auditor or holder of Bachelor's Degree in Finance or any other related field with a minimum of five years' experience in operational risk management, internal or external audit.

The Internal audit consultancy will be expected to provide forty (45) person of professional input per financial year for usual and routine work.

In cases where The PPPC shall require special deliverables or investigations the level of effort shall be agreed with the Audit and Finance Committee.

### **Proposal**

Proposals must be submitted in two separate envelopes one labelled "Financial" and other "Technical".

The Technical Proposal shall provide a detailed approach and methodology on how the Consultant intends to meet key deliverables under the TORs. This will include previous similar assignments carried out, useful and worthwhile comments on the TORs if any. It shall also include the CVs of professional staff being proposed and their roles and responsibilities being clearly defined in relation to this assignment.

A simple work plan for typical/normal internal audit consulting assignment should be proposed as well as appropriate supervisory and quality control procedures for the assignment.

The financial proposal shall be cost all the elements of assignment and any taxes and reimbursable costs. The Consultant should not propose cost of travel outside Blantyre as well this agreed for each specific assignment.

### **Evaluation Criteria**

The Internal Audit Consultant shall be selected using Least Cost Method of Selection in line with the key deliverables of the TORs and professional staff being proposed and also using Government Procurement Regulations. The evaluation of the Financial Proposal shall be upon attainment of 80 per cent mark on the Technical Proposal.