



**PERFORMANCE REVIEW AND JOB
EVALUATION REVIEW**

INTERNAL AUDIT

Terms of Reference

TERMS OF REFERENCE

1. General Background

- 1.1 PNG Power Ltd is a Government owned power utility responsible for the generation, transmission, distribution and retailing of electricity in Papua New Guinea. PNG Power Ltd Board has two subcommittees including the Board Audit Risk and Compliance Committee (BAR&CC) and the Board Tenders and Capital Works Committee. The Internal Audit Manager, in charge of the internal audit function reports functionally to the BAR&CC and administratively to General Manager Corporate Services.
- 1.2 As part of the restructure of PNG POWER LTD in 2005 several positions within the Internal Audit Group were deleted with existing staff members redeployed to other business units. Staff transfers have also contributed significantly to the current state of manpower shortage experienced by the internal audit unit. Internal Audit was not able to identify technically competent people from the open job recruitment market to fill the void for the unit to function effectively and efficiently in managing risks, corporate governance and internal controls.
- 1.3 The board recently restructured the company's operations and is currently working on putting together a new Five (5) Year Strategic Plan to build on the improved financial performance. Apart from the ongoing business rehabilitation process, the PPL Board and Management are seeking a high level review of PPL's operations in terms of risk management, corporate governance and internal controls.
- 1.4 In this respect, the company invites suitably qualified consultants who have expertise in undertaking job evaluations particularly for accounting/internal auditing jobs to undertake a job evaluation of internal audit positions and current audit structure and provide to PNG Power Ltd Management and Audit Committee a baseline document on current internal audit salary packages and whether current salary and structure are relevant, deficient and sufficient to attract or compete at the open recruitment market in Papua New Guinea.
- 1.5 The consultants shall also undertake an external quality assurance and performance review of the Internal Audit Group. This should encompass a review of internal audit's compliance with the International Standards for the Professional Practice of Internal Auditing, and as appropriate, should include recommendations for improvement of the current Internal Audit Group. The review shall also encompass the quality and quantity of all audits undertaken within the 2007/2008 period.

2. Objective

- 2.1 The performance and effectiveness of the internal audit function within PPL in terms of risk management, corporate governance and internal controls depends on many factors including the company's audit team structure, audit coverage, compliance with internal audit standards and best practices; technical understanding and expertise, knowledge, and the necessary skills of audit team members for implementing and improving processes in both financial and operational areas.
- 2.2 PNG Power wishes to establish whether the current internal audit salary scale and/or package and organizational structure is competitive to attract the right internal audit professionals with expertise, knowledge, experience and skills for implementing and improving the company's financial and operational processes and provide to management and audit committee explicit assurance on PPL's governance, risk management and to meet the ever-increasing demands of management and other stakeholders.
- 2.3 PPL wishes to independently assess the quality of services being provided by the current Internal Audit Group and consider any plan of action to improve those services if required.
- 2.4 With the above requirements, the purpose of the job evaluation are to assess the relevance and adequacy of existing salary scale and audit structure within PPL and identify and produce a baseline document of the internal audit remuneration and salary scale to ensure competitiveness in the open job recruitment market.
- 2.5 The information gathered will be used by management and the audit committee to determine the audit structure, skill mix, depth, and size of the audit team to attain the expected level of services in order to meet organizational needs.
- 2.6 Furthermore, the outcome of the job evaluation would be used by PNG Power Internal Audit Unit to develop (1) staffing plans and financial budgets, and (2) establish a program for selecting and developing the human resources of the internal audit business unit to effectively manage risk exposures within the company and also provide sound advise to management and board on strategic areas.

3. Scope Of Work

The consultant or firm will: -

- (a) Assess and review the reporting arrangement of the internal audit unit in terms of independence, audit coverage, engagement communication and appropriate action engagement recommendations;
- (b) Assess and review the internal audit charter, policy statement and the roles and responsibilities of the internal audit unit;
- (c) Assess and review the existing Position Profiles and current staffing levels;
- (d) Assess the skills; knowledge; qualification and experience level of internal audit staff and identify deficiencies.

- (e) Review and assess remuneration of the Internal Audit Manager and identify the review process of the performance of the Internal Audit Manager and the annual compensation and salary adjustment; and the termination or non renewal of employment contract of the Internal Audit Manager;
- (f) Assess and review the current internal audit jobs and PPL's salary scale structure against other internal audit professionals within the country both in Public and Private Sector;
- (g) Assess the cost implications of not retaining current audit personnel and the budget required to source new audit staff;
- (h) Assess and review in-house staffing strategies and related training needs of the internal audit team both in-country and overseas training needs such as job secondment to other electricity industry particularly in Australia and New Zealand.

4. Deliverables

- (a) Within one week of being awarded the Performance Review and Job Evaluation Review Contract, the consultant/firm shall prepare a scoping brief containing a plan of action.
- (b) Within the first four weeks the consultant/firm shall prepare and submit a draft report for the Performance Review and Job Evaluation Review in line with the scope of work. The report must include but not limited to:
 - discuss the current status and practices of job evaluation and highlight issues to be addressed further and any other recommendations;
 - identify the positives or compliance areas in terms of job evaluation of internal audit jobs;
 - identify the negatives, non-compliance areas, shortcomings and areas that pose risks in terms of staff turnover, lack of competitiveness in the open job market .;
 - contain the consultants/firm's commentaries including technical opinion, economic issues, financial implications, operational and job evaluation and salary scale issues.
 - identify areas that require further reviews or investigation.
 - make any other observations or findings that may be relevant for management information that is not specifically covered in the scope of work.
- (c) Within three (3) weeks of receiving PPL's comments on the draft report, the consultant shall provide the final report.

5. PPL Management Team

- a) For the purpose of managing and finalizing this Performance Review and Job Evaluation Review a PPL Management Team will be formed consisting of General Manager Corporate Services, General Manager Human Resources, and Manager Internal Audit.
- b) The Manager Internal Audit will act as the coordinator of this Management Team.

6 Administration

- a) **Timeframes& Budget:** The timing for the job evaluation and audit structure review assignment and budget will be discussed at the beginning of the assignment.
- b) **Meetings:** An initial meeting will be held with the PPL Management Team for the Job Evaluation Review Exercise as required.
- c) **Consultations/Firm:** The consultant/firm will meet and consult with relevant PPL Management personnel and employees on an as-needed basis throughout the Performance Review and Job Evaluation Review period.
- d) **Project Liaison:** Through out the project life the Consultant/Firm will liaise with Manager Internal Audit. Administrative support for this project will be provided by Internal Audit.
- e) **Resources:** The consultant must provide its own equipment and tools for the purposes of undertaking this Performance Review and Job Evaluation Review, however if necessary alternate arrangements to use PPL equipment and tools may be arranged directly with staff in National Office.

7. Terminations

The consultancy arrangement may be terminated by either party giving one week's notice in writing to the other party.

8. Submissions of Reports

- a) Three copies of each report must be handed in to Mr. Stanley Wasi, Manager Internal Audit.
- b) All submissions, reports and correspondences must be addressed to:

Manager Internal Audit
PNG Power Ltd
P O Box 1105

BOROKO NCD

Papua New Guinea

Attention: Mr. Stanley Wasi

Telephone: (675) 324 3598

Fax: (675) 323 0420

Email: swasi@pngpower.com.pg

9. Request For Proposal

- a) Job Evaluation Consultants or Accounting Firms wishing to be considered for this work must provide details about their company, experiences in the power supply industry and in the area specifically requested in this term of reference, the qualifications and experiences of personnel recommended to undertake this Performance Review and Job Evaluation Review work and the hourly or daily rates of each personnel assigned to this project. A methodology outline of how the assignment will be undertaken should also be provided.
- b) RFP submissions will close at 2:00 pm on the 7th November 2008.
- c) All RFP submissions must be handed in to Mr. Stanley Wasi at the National Office, Hohola or couriered to him to reach him by the close of submissions.