



SELECTION OF AUDITOR

Request for Proposals: Audit Consulting Services

Procurement of:

*Financial Audit - Lebanese Order of Physicians
for the year 2023*

Agreed upon procedures- Assets and Liabilities

Section 1. Request for Proposal Letter

Request For Proposal

Dear Mr. /Ms.:

LOP is a Private law body entrusted with a public service mission, the order defends the honor and independence of the medical profession it represents to the whole Lebanese society (government, citizens ...). It is the institution that gathers and unites all physicians, regardless of their status, their age, their mode of exercise, their specialty...

The order of Physicians is responsible, by law, to ensure the maintenance of the principles of morality, probity, competence and dedication necessary for the practice of medicine and compliance by all physicians, Code principles Medical Ethics.

1.Overview

LOP activities:

LOP encompasses a main office and 5 other branches. Activities in the main office encompass:

1. Sales:

- 1.1. Sales of medical prescription
- 1.2. Sales of marriage documents
- 1.3. Sales of driving license documents
- 1.4. Sales of stamps
- 1.5. Physicians subscription fees
- 1.6. NSSF fees
- 1.7. Medical instruments legalization stamps
- 1.8. Medicine legalization stamps
- 1.9. Medical invoices stamps:
 - 1.9.1. 2% on medical equipment
 - 1.9.2. 0.5% on medicines

N.B: Activities in the branches exclude items 1.7 and 1.8

2. Scientific committees:

- 2.1. Scientific committees are to conduct seminars/congresses where percentage over income shall be disbursed to LOP retirement fund.

3. Legalization of physician related documents.

4. CME committee:

4.1. CME committee disburse CME credits and related fees to CME providers.

Activities are paid over cash counters of LOP and its branches (Except for 2, 3 and 4: LOP exclusively). Nevertheless, Finance division is not aware of receivables from scientific and CME committees and its role is limited to cashing amounts when paid over counters.

5. Retirement Fund:

Responsible for retirement pension disbursement and permanent/temporary disability related to practicing physicians.

6. Insurance and Assistance Fund:

Manages compensation on medical invoices related to third party payers such as NSSF as well as death indemnity.

LOP invites proposals to provide the following consulting services (hereinafter called "Services"): Audit of its funds for the year 2023 (Agreed upon procedures- Assets and Liabilities). More details on the Services are provided in the Terms of Reference

Section 2. Instructions to Consultants and Data Sheet

Instructions to Consultants

A. General Provisions

1. Definitions

- (a) **“Applicable Law”** means the laws and any other instruments having the force of law in the Client’s country, or in such other country as may be specified in the **Data Sheet**, as they may be issued and in force from time to time.
- (b) **“Consultant”** means a legally-established professional consulting firm or an entity that may provide or provides the Services to the Client under the Contract.
- (c) **“Contract”** means a legally binding written agreement signed between the Client and the Consultant and includes all the attached documents listed in its Clause
.
- (d) **“Data Sheet”** means an integral part of the Instructions to Consultants (ITC) Section 2 that is used to reflect specific country and assignment conditions to supplement, but not to over-write, the provisions of the ITC.
- (e) **“Day”** means a calendar day, unless otherwise specified as **“Business Day”**. A Business Day is any day that is an official working day of the Borrower. It excludes the Borrower’s official public holidays.

- (k) **“Experts”** means, collectively, Key Experts, Non-Key Experts, or any other personnel of the Consultant, Sub- consultant or Joint Venture member(s).
- (l) **“in writing”** means communicated in written form (e.g. by mail, e-mail, fax, including, if specified in the Data Sheet, distributed or received through the electronic-procurement system used by the Client) with proof of receipt;
- (m) **“Key Expert(s)”** means an individual professional whose skills, qualifications, knowledge and experience are critical to the performance of the Services under the Contract and whose CV is taken into account in the technical evaluation of the Consultant’s proposal.
- (n) **“Non-Key Expert(s)”** means an individual professional provided by the Consultant or its Sub- consultant and who is assigned to perform the Services or any part thereof under the Contract and whose CVs are not evaluated individually.
- (o) **“Proposal”** means the Technical Proposal and the Financial Proposal of the Consultant.
- (p) **“RFP”** means the Request for Proposals to be prepared by the Client for the selection of Consultants.
- (q) **“Services”** means the work to be performed by the Consultant pursuant to the Contract.

- (v) **“Terms of Reference (TORs)”** (this Section 7 of the RFP) means the Terms of Reference that explains the objectives, scope of work, activities, and tasks to be performed, respective responsibilities of the Client and the Consultant, and expected results and deliverables of the assignment.

2. Introduction

2.1 LOP intends to select a Consultant, in accordance with the method of selection specified in the **RFP**.

2.2 The shortlisted Consultants are invited to submit a Technical Proposal and a Financial Proposal, The Proposal will be the basis for negotiating and ultimately signing the Contract with the selected Consultant.

2.4 The Client will timely provide, at no cost to the Consultants, the inputs, relevant project data, and reports required for the preparation of the Consultant's Proposal.

3. Conflict of Interest

3.1 The Consultant is required to provide professional, objective, and impartial advice, at all times holding the LOP's interests paramount, strictly avoiding conflicts With other assignments or its own corporate interests, and acting without any consideration for future work.

3.2 The Consultant has an obligation to disclose to the LOP any situation of actual or potential conflict that impacts its capacity to serve the best interest of its Client. Failure to disclose such situations may lead to the disqualification of the Consultant or the termination of its Contract.

3.3 Without limitation on the generality of the foregoing, the Consultant shall not be hired under the circumstances set forth below:

4. Fraud and Corruption

4.1 LOP requires compliance with Anti- Corruption Guidelines and its prevailing sanctions policies and procedures.

B. Preparation of Proposals

1-Documents Comprising the Proposal

1.1 The Proposal shall comprise the documents and forms listed in the RFP.

2-Proposal Validity

2.1 Proposals shall remain valid until the November 30th 2023 or any extended date if amended by the Client.

2.2 During this period, the Consultant shall maintain its original Proposal without any change, including the availability of the Key Experts, the proposed rates and the total price.

**3. Clarification and
Amendment of
RFP**

3.1 The Consultant may request a clarification of any part of the RFP during the period indicated in the **RFP** before the Proposals' submission deadline. Any request for clarification must be sent in writing, or by standard electronic means, to the address indicated in the **Data Sheet**. The Client will respond in writing, or by standard electronic means, and will send written copies of the response (including an explanation of the query but without identifying its source) to all shortlisted Consultants. Should the Client deem it necessary to amend the RFP as a result of a clarification, it shall do so following the procedure described below:

3.1.1 At any time before the proposal submission deadline, the Client may amend the RFP by issuing an amendment in writing or by standard electronic means. The amendment shall be sent to all shortlisted Consultants and will be binding on them.

The shortlisted Consultants shall acknowledge receipt of all amendments in writing.

3.1.2 If the amendment is substantial, the Client may extend the proposal submission deadline to give the shortlisted Consultants reasonable time to take an amendment into account in their Proposals.

3.2 The Consultant may submit a modified Proposal or a modification to any part of it at any time prior to the proposal submission deadline. No modifications to the Technical or Financial Proposal shall be accepted after the deadline.

- 4.eligibility** 4.1 Payment under the Contract shall be made in the currency or currencies in which the payment is requested in the Proposal.

C. Submission, Opening and Evaluation

The eligible audit firm answering the RFP are to fulfill below mentioned criteria:

1- The audit firm must be among the twelve international auditing companies and has a branch in Lebanon.

Or

2- The audit firm must be among the twelve international companies and has a representative company in Lebanon.

Or

3- Classified by the Ministry of Finance as one of the top three audit firms in Lebanon.

Section 3. Instructions to Consultants

D. Data Sheet

A. General
Name of the Client: Lebanese Order Of Physicians Method of selection: <u>Least Cost Selection</u>
Financial Proposal to be submitted together with Technical Proposal: Yes The name of the assignment is: LOP- Financial Audit 2023
The Client will provide inputs defined in the TOR
This RFP has been issued in the English language. Proposals shall be submitted in English language. All correspondence exchange shall be in English language.

Clarifications may be requested no later than 5 days prior to the submission deadline.

The contact information for requesting clarifications is:

Email: n.haddad@oml.org.lb – h.zein-el-din@oml.org.lb

Section 4. Terms of Reference

Audit of LOP for the year 2023

1) Objective of the assignment

The objective of the assignment is to produce (i) audited financial statements of LOP in line with good practices and international financial reporting standards for years 2023; (ii) the agreed upon procedures will provide the necessary foundation to develop a fixed assets registry and perform the valuation of assets of LOP, as well as substantiation of liabilities including contingencies and commitments.

A- Audit of LOP financial statements

LOP (the Entity) accounting records provide the basis for preparation of the financial statements and were established to reflect the financial transactions in respect of the Entity. The objective of the Entity audit is to enable the auditor to express a professional unbiased opinion on:

- The financial statements of "LOP" (the Entity).
- The internal control environment of LOP.

The financial statements include but are not limited to:

- The cash basis report and the accrual financial report such as balance sheet and income statement for the year ending December 31, 2023;
- The related statements of changes in funds balance as of December 31, 2023.

The auditor's statements will be the foundations that the Entity will use to update current policies or create new policies in the internal control area, subject to the necessary authoritative approvals. For this purpose, the auditor shall carry out whatever necessary examinations of the statements, underlying records and internal control systems. Hence any supporting document, statement and/or record requested by the auditor and available in LOP, in the course of the audit shall be furnished by the Entity in a reasonable time.

The responsibility for the preparation of financial statements including adequate disclosure is that of the management of the Entity. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the entity. As part of the audit process, the auditor will request from management written confirmation concerning representations made to the auditor in connection with the audit.

B- Agreed Upon Procedures

The auditor will perform the agreed upon procedures assignment at the Entity to confirm: (i) fixed assets registry; (ii) assets valuation; and (iii) liabilities substantiation including commitments and contingencies.

The preparation and custody of the elements that are subject to the agreed upon procedures and are the responsibility of the Entity. For the purpose of the agreed upon procedures, the

Entity shall furnish the auditor all the available and needed documents and records in order to complete the assignment.

2) General scope of the audit

The Entity will co-operate fully with the auditor and will make available to the auditor whatever records, documentation and other information requested by the auditor in connection with the audit. The auditor should be given access to all legal documents, minutes of meetings correspondence, and any other information deemed necessary and that are available.

The audit subject to this Term of Reference (TOR) is considered an audit engagement for which, in addition to compliance with international standards as explained below, the auditor needs to take into consideration the effectiveness of internal controls over financial reporting. Accordingly, the auditor should review and assess the conclusions drawn from the audit evidence during the audit engagement as the basis for the expression of a clear written audit opinion.

The audit will be conducted in accordance with International Standards on Auditing (ISA) as published by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC). Those standards require that the auditor plans and performs the audit to obtain a reasonable assurance about whether the financial statements are free of material misstatements.

The audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In complying with ISA, the auditor is expected to pay particular attention to the following matters, including special considerations for public sector entities:

- a) In planning and performing the audit to reduce audit risk to an acceptably low level, the auditor should consider the risks of material misstatements in the financial statements due to fraud as required by [International Standard on Auditing 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements](#).
- b) When designing and performing audit procedures and in evaluating and reporting the results thereof, the auditor should recognize that noncompliance by the entity with laws and regulations may materially affect the financial statements as required by [International Standard on Auditing 250: Consideration of Laws and Regulations in an Audit of Financial Statements](#).
- c) The auditor should communicate audit matters of governance interest arising from the audit of financial statements to those charged with governance of the Entity as required by [International Standard on Auditing 260: Communication of Audit Matters with those Charged with Governance](#).
- d) The auditor should communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified in an audit of financial statements as required by [International Standard on Auditing 265: Communicating Deficiencies in Internal Control to Those Charged with Governance and Management](#).
- e) In order to reduce audit risk to an acceptably low level, the auditor should determine overall responses to assessed risks at the financial statement level, and should

design and perform further audit procedures to respond to assessed risks at the assertion level as required by [International Standard on Auditing 330: The Auditor's Procedures in Response to Assessed Risks](#).

- f) In instances where certain aspects of the Entity's operations are performed by a third party service provider, the auditor is expected to include an understanding and assessment of the internal control environment of the service provider during the audit process as required by [International Standard on Auditing 402: Audit Considerations Relating to an Entity Using a Service Organization](#).

- g) As part of the audit process, the auditor is expected to obtain written representations from management and, where appropriate, those charged with governance as required by [International Standard on Auditing 580: Written Representations](#).

3) Entity Audit Deliverables

The following reports are requested as deliverables on a yearly basis from the audit engagement:

- (i) An Audit Report that should include an explicit professional opinion on whether, The General Purpose Entity Financial Statements, presents fairly, in all material respects, the cash receipts and disbursements of the Entity for the year 2023, and the changes in fund balances as of December 31, 2023 and previous years. All financial statements should include the cash basis report and the accrual financial report, such as Balance Sheet and Income statement as of December 31, 2023, and a management letter and should be submitted to the LOP.

4) Agreed upon procedures and

deliverables: I. Assets:

a. Property and Equipment

- i. Obtain from the Entity a list of property and equipment as of the cut-off date.
- ii. Review property and equipment appearing in last audited accounts or last financial reports and compare to the current list provided by the entity.
- iii. Inquire about and discuss with management the Entity's policies and procedures For physical count, capitalization, depreciation and disposal of assets.
- iv. Inquire from management about the segregation of duties for the authorization of purchases, recording the assets as well as the depreciation expense in the General Ledger.
- v. Obtain the entity's Trial Balance, General Ledger, and Financial Statements, as well as the assets register (or lists) as of the cutoff date. Reconcile the

- book value of assets to General Ledger and Trial Balance and assets register (lists) accordingly. Obtain an explanation for any discrepancies.
- vi. Review that the fixed asset register (lists) is being maintained properly and the reliability of fixed asset listing.
 - vii. Update the fixed assets register (lists) for completeness by examining all fixed assets contracts signed during the last period.
 - viii. Perform a physical count of all fixed assets and compare the physical assets with the Entity's record. Pay attention to whether the assets exist, are in use and in good condition.
 - ix. Reconcile to agree with assets that physically exist as per the physical count to the assets register.
 - x. Report on fixed assets that exist physically but not in the records, and vice versa,
i.e. reports of fixed assets that are on the lists but do not exist.
 - xi. Report on damaged fixed assets that need write off, and those that are obsolete for disposal.
 - xii. Finalize a fixed assets registry that is updated taking in consideration information gathered on disposed assets, damaged to be disposed of, and obsolete, etc.
 - xiii. For those major assets (technical), require from management to provide the estimated market valuation of each asset. With the help of a valuation expert, when needed, review and verify the valuation and agree to the valuation certificate if requested. Also assess the reasonableness of the valuation by reviewing the competency and experience of the valuer, the scope of the valuation, the method and assumptions used in the valuation as well as whether the valuation is in accordance with accounting standards or not.
 - xiv. Review the depreciation schedule, the reasonableness of the depreciation rate, and the calculations. In addition, make sure that the company accounts for depreciation for all assets.
 - xv. Examine lease agreements on property, plant and equipment to determine whether relevant accounting standards have been followed, if applicable.
 - xvi. For land and building, verify the ownership by inspecting the title deeds, the certificate of the registration of land as well as the lease agreement if such assets were leased from third parties.
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- xvii. For vehicles, obtain the registration documents. Then perform the inspection to ensure that the name of the entity is shown in the registration documents.
 - xviii. For other investments/ assets or self-constructed assets, examine the documents the proof of ownership of such assets by inspecting the relevant

supporting documents. Review the valuation of investments.

- xix. Investigate the retirement of property, plant and equipment to determine whether any property has been sold, replaced, and abandoned or damaged without proper reflection in the accounting records.
- xx. Report on fixed assets valuation (market value).

b. Current assets valuation

- i. Perform analytical procedures to verify the balances as of an agreed cutoff date,
- ii. Inspect all necessary records or documents to get a reasonable assurance on the asset's existence, completeness, and value.
- iii. Carry out the stock count of inventory of stock
- iv. Report on current assets value balance (stock of supplies/ inventory and materials).

c. Other assets (investments)

- i. Perform necessary review procedures to conclude on the value of investments and similar assets accounts. Use all or any of the above-mentioned procedures for that purpose.

II. Liabilities:

a. Current liabilities

- i. Obtain a schedule of accounts payable detail as of the cut-off date; cast the schedule and trace the total to the accounts payable balance in the General Ledger.
- ii. Compare the list of accounts payable with those of prior audit report (or last financial reports) and investigate any unexpected changes or the absence of expected changes.
- iii. Test purchases/payables cut-off for purchases. Review voucher register, receiving records, vendors' invoices and other supporting documents.
- iv. Obtain a schedule of accrued liabilities and deferred income. Examine the composition and the computation of those accounts considered significant or where the change/lack of change in balance from the prior period is unexpected.
- v. Compare the account balances with those of prior periods and investigate any unexpected changes (or the absence of expected changes).
- vi. Determine reasonableness of the accrued liabilities amounts and balances and confirm balances with respective creditors when needed, in coordination with EDL.
- vii. Review the accrued liabilities and deferred income accounts in the general

ledger for unusual items.

- viii. Report on current liabilities value balance by account.

b. Long terms liabilities/debts

- i. Obtain or prepare a schedule of notes payable and long-term debt.
- ii. Compare the account balances with those of prior year audit and investigate any unexpected changes (or the absence of expected changes).
- iii. Confirm all debt accounts, including obligations paid off during the year, as of cut- off.
- iv. Review the long-term debt and related accounts in the General Ledger and investigate any unusual items.
- v. Review all new or existing debt agreements to determine the terms, restrictions, and other pertinent provisions.
- vi. Determine whether any property, plant, and equipment, and/or other assets are pledged as collateral or subject to any liens.
- vii. Review board minutes, agreements, bank confirmation replies, and other documents to verify authorization of long-term debt and to identify the existence of long-term lines of credit or similar obligations.
- viii. Obtain or prepare a schedule of debt maturities. Support by reference to debt agreements and amortization schedules.
- ix. Report on long term liabilities value balance by account (including contingencies and commitments).

5) General principles for audit

The auditor should be registered as certified public accountant with the appropriate professional body in the country and have substantial experience in auditing public institutions in the country. Training and continued education should emphasize auditing standards, work paper techniques and audit documentation to ensure engagements comply with professional standards. The auditor shall ensure that its audit firm's system of quality control provides reasonable assurance that the work performed on an audit engagement meets the applicable professional standards and regulatory requirements.

6) Access

The auditor shall have rights of access to the books, accounts, vouchers, related supplemental letters, Project Appraisal Document, correspondence, and all other documents in relation to EDL and to such information and explanations as auditors consider necessary to perform their duties and fulfil their responsibilities.

7) Miscellaneous

Termination of Appointment. If there are serious shortcomings on the part of the auditor, the Governing Body may pass a resolution to remove the auditor before the expiry of their assignment.

This term of engagement will remain effective for future financial years unless it is terminated, amended or superseded.

Restriction of Auditor's Liability. There is no limitation of the auditors' liability in respect of audit opinions given under this assignment. The Governing Body will not agree to any such restriction in liability.

Exit Conference. The auditor should hold a closing or exit conference with council members of the audit Entity prior to concluding the audit. Upon completion of the fieldwork, the auditor should present its audit result and document the exit.

8) Modalities:

The consultant shall be liaising closely with LOP different departments. Drafts of the Deliverables shall be submitted two weeks prior to deadline for the Client review. The auditor should hold a closing or exit conference with senior officials of the audit Entity prior to concluding the yearly audit and agreed upon procedures -assets and another one for the liabilities. Upon completion of the fieldwork, the auditor should present its audit result and document the exit.

9) Deliverables and timeline

The External Auditor should provide the following deliverables as described below:

- Engagement Letter: Two weeks before the commencement of the assignment.
- For Fiscal year under consideration the consultant shall furnish the following:
 - Audit Report and management letter:
 - By March 30, 2024 for the year ended 2023

- The deliverables per fund shall be provided in Arabic and in English for the management letter.

10-Confidentiality

10.1. The Consultant should confirm that where he will be given confidential information he shall at all times keep it confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable to our engagement.

10.2. The Consultant agrees that it will be sufficient compliance with his duty of confidence for him to take such steps as we in good faith think fit to preserve confidential information both during and after termination of this engagement.

11-Service

11.1. If at any time the Client has the right to discuss with the Consultant how the service could be improved or if the Client is dissatisfied with the received service.

11.2. The Consultant undertake to look at any complaint carefully and promptly and to do all he can to explain the position to the Client.

12-Communication and Documentation

12.1. E-mail should be an important business tool, to make appropriate use of this facility in dealings with clients. However, there are certain risks associated with e-mail communication and, as a result, its use is subject to the following protocol:

a. The use of the e-mail, where appropriate, to help accelerate the process of exchanging information;

b. Each party will treat e-mail with the same priority as communications sent by post or fax; however, each understands that there may be delays in receiving e-mails over which the addressees have no control;

c. All messages will be deemed to be genuine, complete and accurate and secure against being altered in the course of transmission, and all parties must notify immediately any sender and addressee if there is any suspicion that this may not be the case;

d. All messages must identify the sender and all external addressees of that message and any copy of it;

e. Whilst stored in electronic form, each party shall take reasonable care to ensure that all messages and attachments are securely stored, free of viruses, not altered, lost or destroyed and capable of being retrieved only by properly authorized persons.

13.Applicable law

a-. The applicable law shall be the Lebanese law. The Courts of Lebanon shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning the engagement letter and any matter arising from it.

b- Each party irrevocably waives any right it may have to object to an action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have jurisdiction.