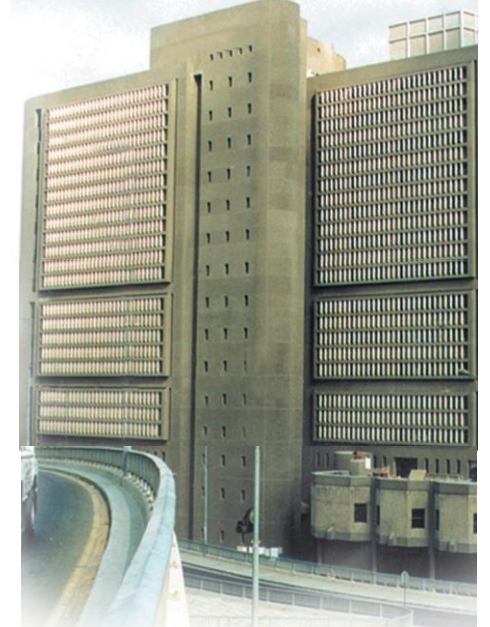


Pakistan Reinsurance Company Limited



SELECTION CRITERIA APPOINTMENT OF EXTERNAL AUDITOR



Pakistan Reinsurance Company Limited

PRC Tower, 32-A, Lalazar Drive, M.T. Khan Road, Karachi-74000, Pakistan.

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SUMMARY OF PROCEDURES FOR THE SELECTION AND APPOINTMENT OF EXTERNAL AUDITOR

The following information is a summary of the conditions on which Pakistan Insurance Company Limited (the Company) will select an External Auditor. The procedure for the selection and appointment of the External Auditor are formulated according to Public Procurement Regulatory Authority (PPRA) Rules, which may vary from time to time. The Board may modify this policy where the need arises to ensure compliance with the Insurance Ordinance 2000, Companies Ordinance 1984 and Code of corporate Governance Pakistan.

INTRODUCTION

Pakistan Reinsurance Company Limited invites tenders for appointment of Chartered Accountant Firms to carry out external audit for Financial Year ending 31 December 2014 in accordance to section 252 of company ordinance 1984 and section 48(1) of insurance ordinance 2000.

SELECTION CRITERIA FOR APPOINTMENT OF EXTERNAL AUDITORS

RESPONSIBILITY

The Board after recommendations of audit committee is responsible for the appointment of an independent External Auditor, with appropriate skills, knowledge and experience subject to shareholder ratification at the Company's Annual General Meeting.

SELECTION CRITERIA

The Board will evaluate potential External Auditors on a number of criteria including, but not limited to:

- The audit firm being registered with Institute of Chartered Accountants of Pakistan (ICAP) as an auditor and authorized Audit Company under the Corporations Ordinance 1984 and is in approved list of category A of section 48(1) of insurance ordinance 2000.
- The independence of the External Audit firm from the Company and ability to maintain independence throughout the engagement;
- There being no conflict of interest situations that could affect the independence of the External Auditor;
- Professional competency, experience and integrity of key personnel;
- The thoroughness of audit approach, methodology and Quality Control;
- Audit Firm shall fulfill all criteria of PPRA Rules; and
- Cost effectiveness

SELECTION AND APPOINTMENT PROCEDURES

In the event that the Board decides a new External Auditor is required:

- The Board will construct a shortlist of Audit Firm that meet their selection criteria and ascertain their willingness to act.
- Interested Audit Firm will be required to submit a proposal addressing the Board's criteria as well as a statement that they are
- Independent in accordance with Companies Ordinance 1984 and Code of Corporate Governance.
- The Board will subsequently meet to determine the preferred candidate and approve the auditor's engagement letter and fees.
- The Company Secretary will arrange the necessary notices, meetings, and resolutions for the resignation or removal of the existing auditor and the appointment of the new auditor

SCORING CRITERIA

No.	Criteria	Marks	Comments
01.	Reputation of Firm and Membership/Affiliation with an international firm of repute.	15	10 marks if firm is well reputed member of ICAP and additional 5 Marks if it is affiliated with international firm.
02.	Bidder's Firm has been in existence since (number of years).	15	15 marks for 10 years or more. Deduct 1 mark for each year if less than 10 years.
02.	Bidder's Firm relevant experience in insurance industry audit.	15	15 marks for 10 years or more. Deduct 1 mark for each year if less than 10 years.
03.	Number of major clients in Insurance Sector.	20	20 marks for 10 or more major clients. Deduct 1 mark each client if less than 10 major clients in insurance sector.
04.	Number of major clients in Public Sector.	20	20 marks for 10 or more major clients. Deduct 1 mark each client if less than 10 major clients in Public sector.
05.	No. of Chartered Accountants employed with the firm.	15	15 marks for 15 or more CAs. 10 marks for less than 15 CAs.

*The weight-age for final selection of the firm would be on the following basis:-

- 50% for technical proposal
- 50% for financial proposal



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PAST PERFORMANCE RECORD:

- No. of years in existence;
- Relevant experience details;
- Relevant experience in last 10 years in Insurance Sector;
- Authenticated list of clients served during the last 5 years;
- List of clients presently being served giving nature of services;
- Service provided to Public Sector Enterprises along with names of the PSE and year in which service provided;
- Key personnel.

REVIEW

The Board on suggestion of audit committee will review both the performance and independence of the External Auditor on an annual basis.

VACANCY

Should a vacancy arise, for any reason, the Board will appoint a new External Auditor until the next general meeting.

ROTATION/CHANGE OF EXTERNAL AUDIT FIRM

In accordance with clause (xxxvii) (a) of code of corporate governance the Company requires to change its external auditors firm after every five years.

RESPONSIBILITY AND ENFORCEMENT

The Board of the Company is responsible for:

- The annual review of the External Audit;
- The annual review of the External Auditors against the auditor criteria summarized in this policy;
- Any aspect relevant to the selection, appointment, removal or change of the External Auditor and not covered in this policy;
- The implementation of and compliance with this policy; and
- Recommending the appointment or removal of an External Auditor to shareholders at the Company's AGM.