

TERMS OF REFERENCE FOR INTERNAL AUDIT SERVICES

1. PUNJAB PENSION FUND TRUST

Scope	Procedures
Trade, Settlement and Custody.	<ol style="list-style-type: none">1. Check that Bank Deposits are placed after due competitive process.2. Check that Government Securities (T-Bills, PIBs, National Saving Schemes etc.) are traded at market rates prevalent on the date of trade or as per bids offered in auction.3. Check that Corporate Bonds and other instruments of debt are traded at market price or at issue price, as applicable in each case.4. Check that equities are traded at prevailing market price.5. Check that all trades are executed with approval of the Operational Investment Committee.6. Check that all trades are promptly settled.7. Check that Trustee promptly takes custody of assets acquired by the Trust.
Income	<ol style="list-style-type: none">1. Check that income on all securities is correctly calculated and recorded.2. Check that capital gain/loss on sale of investments is correctly calculated and recorded.3. Ensure that tax is not deducted on income/capital gain of the Trust being exempt under Clause 57(3) of Part I of Second Schedule to the Income Tax Ordinance 2001.
Expenses	<ol style="list-style-type: none">1. Check expenses charged to the Trust and ensure that they are permissible as per the Trust Deed.2. Check that withdrawals for budgetary expenses do not exceed the Budget approved by the Management Committee.3. Ensure that tax is deducted and deposited on payments for expenses from the Trust.
Banks	Check monthly bank reconciliations.
Valuation of Securities	<ol style="list-style-type: none">1. Check that securities are correctly valued upon purchase and at reporting dates.2. Check that securities are monthly reconciled with Trustee and discrepancies, if any, are timely reported.3. Ensure physical custody of securities on monthly basis with IPS/CDS Account Statement.

Accuracy of Gross & Net Returns	Check accuracy of Gross and Net Returns reported on monthly basis.
Transfers from/to Reserve Pension Fund	Check transfers from/to Reserve Pension Fund and ensure that it is properly recorded and reported.

2. PUNJAB PENSION FUND (Management Company)

Scope	Procedures
Operational income & expenses of Punjab Pension Fund.	<ol style="list-style-type: none"> 1. Ensure that funds are drawn from the Trust in accordance with Budget approved by the Management Committee. 2. Check accuracy and completeness of interest income on bank accounts. Ensure that no tax is deducted on income/capital gain of the Fund as income/capital gain of the Fund is exempt under Clause 57(3) of Part I of Second Schedule to the Income Tax Ordinance 2001. 3. Verify, on a test basis, expenses incurred on operations of the Fund. 4. Ensure deduction of income tax, sales tax etc. on payments made by the Fund. 5. Check accrual of income and expenses to ensure completeness of financial information. 6. Check monthly bank reconciliation statements. 7. Ensure that fixed assets are duly recorded and reported.

3. COMPLIANCE

Scope	Procedures
Compliance of the Act, the Rules and the Investment Policy.	<ol style="list-style-type: none"> 1. Check Compliance of the Act, the Rules, the Investment Policy and the Regulations of the Fund. 2. Prepare a Compliance Manual of the Fund (one time activity). 3. Prepare Compliance Reports on monthly, quarterly and annual basis and submit the same to the Compliance Sub-Committee.