OIL AND GAS REGULATORY AUTHORITY

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REQUEST FOR EXPRESSION OF INTEREST (EOI) FOR SELECTION OF AUDIT FIRM FOR AUDIT OF THE INLAND FREIGHT EQUALIZATION MARGIN (IFEM)

1. Oil & Gas Regulatory Authority (OGRA) intends to conduct audit of IFEM for the complete financial years FY 2023-24.

2. OGRA invites interested QCR rated audit firms registered with ICAP and rated at category 'A' of State Bank of Pakistan' Panel of Auditors maintained under Section 35(1) of Banking Companies Ordinance, 1962, having minimum of twenty five years' experience. The firm must have undertaken at least 10 audits per year during last three years in respect of each company having annual turnover of minimum Rs. 10 billion. Further, Audit firms who have conducted IFEM audit for the period of consecutive last 10 years shall not be eligible to apply;

3. Audit Firm(s) shall complete the assignment/submit the first draft report within 90 working days of the award of the contract. Thereafter the report shall be finalized in 20 working days.
4. Interested audit firm must provide detailed CV(s) of member(s) of core team (to be verified) highlighting relevant experience. The core team must comprise of at least one (01) lead partner of minimum 20 years post qualification experience supported by a team of minimum 5 qualified professional accountants as Team Manager and at least 4 working Professionals with each team manager. Further, no team member shall be replaced during the audit process without the prior consent of OGRA.
5. The applicant has not been declared blacklisted or debarred by any local procuring agency and/or foreign country, international organization, and/or other foreign institutions. The Applicant to provide the undertaking in the form of an affidavit to the above effect;
6. Method of selection will be Quality and cost basis in line with section 3 (b) of the PPRA Regulations of Consultancy Services Regulation 2010. The Financial Bid should contain a lumpsum figure, inclusive of all charges, taxes and out of pocket expenses. Conditional bids shall not be accepted;
7. OGRA invites Electronic Expression of Interest (EOI) from the Chartered Accountants firm as mentioned per para. 2 above, registered with Income Tax and Sales Tax Department. Electronic Expression of Interest documents containing detailed requirements, terms and conditions is available for the registered bidders on EPADS at (www.eprocure.gov.pk).
8. Bidders should submit the electronic expression of Interest, prepared in accordance with the instructions in the EOI documents, must be submitted through EPADS on March 17, 2025, 10:00 AM. Manual bids, shall not be accepted. The electronic expression of interest (EOI) will be opened on the same day by using EPADS (opening time 10.30 AM). The bids will be evaluated based on single stage-two envelope procedure under PPRA rules 36(b).
9. Before the award of contract, the successful bidder shall execute a performance guarantee equal to mobilization advance and 10% of bid amount. The guarantee shall be released after the submission of Final Report.
10. The instant EOI is for the IFEM audit for FY 2023-24. The Authority may however consider to engage the services of the Auditor for next financial year on the same terms and conditions.
11. OGRA reserves the rights to reject any or all the bids as per rule 33 of PPRA Rules, 2004.
12. Scope of work/TORs along with the evaluation criteria can be obtained from the OGRA website www.ogra.org.pk and PPRA website www.ppra.org.pk.

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IFEM AUDIT FY 2023-2024
SCOPE OF WORK

IFEM Audit of Oil Marketing Companies (OMCs)

1)The IFEM audit with respect to OMCs will cover the following:

Sr. #	Name of OMC	Abbreviation	Office Location
i.	Pakistan State Oil Company Limited	PSO	karachi
ii.	Shell Pakistan Limited	SPL	Karachi
iii.	Attock Petroleum Limited	APL	Rawalpindi
iv.	Total Parco Pakistan Limited	TPPL	Karachi
v.	Gas and Oil Pakistan Private Limited	GO	Lahore
vi.	Hascol Petroleum Limited	HPL	Karachi
vii.	Be Energy Limited	BEPL	Karachi
viii.	Puma Energy Pakistan Private Limited	PUMA	Karachi
ix.	Cnergyico Pk ltd	CPL	karachi
x.	Pak Arab refinery Limited (Pearl Parco)	Pearl	Karachi
xi.	Taj Gasoline Private Limited	TGPL	Karachi
xii.	Flow Petroleum Limited	FPPL	Lahore
xiii.	Euro Oil Private Limited	EPPL	Lahore
xiv.	My Petroleum Private Limited	MPPL	Lahore
xv.	Zoom Petroleum Limited	ZPPL	Lahore
xvi.	Zoom Marketing Oils Private Limited	ZMPL	Lahore
xvii.	OTO Pakistan Private Limited	OPPL	Lahore
xviii.	OILCO Petroleum Private Limited	OILCO	Lahore
xix.	The Fuelers Private Limited	TFPL	Lahore
xx.	Al Noor Petroleum Private Limited	ANPPL	Lahore
xxi.	JINN Petroleum Private Limited	JPPL	karachi
xxii.	Hi-Tech Lubricant	HTLL	Lahore
xxiii.	Oil Industries Pakistan Pvt Ltd, Karachi.	OIPPL	karachi
xxiv.	Horizon Oil, Lahore.	HOPL	Lahore
xxv.	Askar Oil Services, Lahore.	AOSPL	Lahore
xxvi.	Quality1 Petroleum, Islamabad.	QPPL	Islamabad
xxvii.	Exceed Petroleum, Islamabad.	EPPL	Islamabad
xxviii.	Kepler Petroleum, Karachi.	KPPL	karachi
xxix.	Fast Oil, Karachi.	FOPL	karachi
xxx.	LaGuardia petroleum, Karachi.	LPPL	Islamabad
xxxi.	Fossil Energy, Karachi.	FEPL	Karachi
xxxii.	Vital Petroleum, Lahore.	VPPL	Lahore
xxxiii.	Allied Petroleum, Lahore.	APPL	Lahore
xxxiv.	Max-Fuel, Karachi.	Max-Fuel	karachi
xxxv.	Best Petroleum, Lahore.	BPPL	Lahore
xxxvi.	Echo Oil, Islamabad.	EOPL	Islamabad
xxxvii.	Benzin Petroleum, Lahore w.e.f 14.11.23	Benzin	Lahore
xxxviii.	Petro Pakistan, Lahore. w.e.f 14.11.23	PPPL	Lahore
xxxix.	Eco Gasoline, Islamabad. w.e.f 6.12.23	EGPL	Rawalpindi

2) Scope Of Audit

1. The scope of this Audit will cover the one financial year 2023-24(i.e. from July 2023 to June 2024), in respect of each OMC listed above. Reports prepared by the auditor for the purposes of this audit will be for the entire financial year (i.e. July – June). The scope for the audit of the statements of surplus/deficit in the freight pool for the above said period would be as follows:

i. To ensure that the surplus/deficit in the freight pool is determined by the net volume of equalized products purchased during the period from various supply sources. This treatment should be in line with the mechanism followed by the OMCs for inter-company settlement of differential between the notified IFEM and respective noted cost(s) which is also based on the net volume purchased by the OMCs.

ii. To ensure that the IFEM recovery used in the statement of surplus/deficit in the freight pool would be based on the net volume purchased by the OMCs and not on the IFEM actually collected on the subsequent sale of the inventory.

iii. To ensure that the primary transportation cost is determined by applying an average transportation cost per liter of each product moved during the period on the net volume purchased. The cost actually incurred on the subsequent movement of closing inventory is not to be considered as it is not ascertainable and the difference between the estimated and actual cost is not likely to be material.

iv. To ensure that the extra margin recovered by OMCs on accounts of local purchases of Motor Gasoline (Mogas) & High-Speed Diesel (HSD) has been passed back to the consumer through IFEM.

v. To ensure that the losses incurred by OMCs on account of Mogas and HSD movement through the pipeline have been computed based on actual data as per the laid down mechanism and recovered through IFEM.

vi. To ensure that the line fill financing cost (pipeline dead stock) incurred by OMCs on account of Mogas and HSD have been computed based on actual data as per the laid down mechanism and recovered fully through IFEM.

vii. To ensure that the actual amount of Premium on HSD imported by OMCs has been fully recovered through IFEM.

viii. To ensure that the net volume purchased by the OMCs does not include any volume that has been exported subsequently by the OMCs. As a result, the noted costs applicable to export volumes (based on their supply source) would be excluded from the noted cost used to determine the surplus/deficit in the freight pool. Further, the auditor would ensure that the actual transportation costs right from the supply source incurred on the aforementioned export volumes are also excluded from the transportation cost used to determine the surplus/deficit in the freight pool.

ix. In a deficit supply envelope (south, mid, or north), it is mandatory for the OMCs to meet the local demand of the supply envelope by first utilizing the product available locally, as allocated to them in PRM/PMP. The remaining deficit volume would then be moved from the next nearest source.

x. To ensure that all primary freight payments (road movements) have been made after verification of:
   - Physical Reporting data – in case of non-compliance freight shall be disallowed.
   - Tracker reports– In case of non-compliance freight shall be disallowed.

xi. To ensure that all special area secondary freight payments have been made after verification of Tracker Reports- in case of non-compliance freight shall be disallowed.

xii. To check that Mogas input in WOP is in line with the weightage/percentage of supplies share [upcountry moved total volume Local + Import] as defined in IFEM Meetings. In case of non-compliance, following shall be considered;
   - In case total import volume of the OMC during the financial year is equal to or greater than the WOP input volume based on the defined percentage, freight cost shall be allowed to the extent of pipeline tariff in respect of WOP' deficient volumes.

- In case the total import volume of the OMC during the financial year is less than the WOP input volume based on the defined percentage, road freight cost shall be allowed to the extent of such deficient volumes.
- In case OMC has no import during the year, road freight cost shall be allowed.
- The instances of non-compliance not covered above, will be submitted to OGRA along with input by the Auditor for review.

xiii. To review all adjustments/deduction made by OGRA during the year in the monthly IFEM meeting (as communicated in Minutes of Meetings) or as per OGRA's directives / letters and reflect the same in the report 'statement of surplus/deficit'.

xiv. To compare the sales reported in a month with the product physically reported in respect of each OMC.

3. In the scenario where export of regulated fuel is made from a deficit supply envelope it is mandatory that first the local demand of supply envelope is met from the fuel available locally. After meeting the local demand, the remaining local fuel can then be used for exports. In case regulated fuel has to be moved from the next nearest source to meet the export customer demand the transportation cost involved in moving the regulated fuel from the next nearest source to the deficit supply envelope will be borne by the export customer and in no way, it will be charged to the freight pool. This policy is adapted so that the Pakistani customer should pay the most optimized transportation cost for making product available in deficit areas. In case exports are being made from a deficit area, the entire transportation cost of making export fuel available in a deficit area will be borne by the export customers and in no way will be borne by the Pakistani customer. In this regard, the following transportation costs are to be recovered from the export customer and the freight pool is not to be burdened:

Ex-ARL Exports

Product	**Cost**
MOGAS	**Kemari to Sihala road freight cost.**
HSD	**Kemari to Machike pipeline freight and Machike to Sihala road freight.**

i) Ex-PARCO Exports

Product	**Cost**
MOGAS	**Kemari to Mehmood kot road freight cost + PARCO Refinery Freight**
HSD	**Kemari to Mehmood kot pipeline freight cost + PARCO Refinery Freight**

ii) Ex-Kemari Exports

Product	**Cost**
MOGAS	**None**
HSD	**None**

1. In order to meet this objective, exports will only be made from supply sources specified by Oil and Gas Regulatory Authority (OGRA).

3. Record to be Prepared by the OMCs

A brief description of the statements to be prepared by the OMCs for the purpose of the audit is given below:

a) OMCs' Cost Data

Each OMC will prepare and provide the following:

i. A statement of surplus/deficit in the freight pool duly signed by the authorized representatives of the OMC showing product-wise IFEM recoveries, noted cost, adjustments and the transportation costs incurred (as defined in Clause 1.12, 1.13 and 1.14 of the FPSM Operating Manual) and the surplus/deficit generated in their freight pool pertaining to primary transportation costs during the period under review.

ii. Source and destination wise data for quantities of each product moved (from installations and depots) and cost incurred thereon separately for each mode of transportation used.

iii. Further to the point (ii) above, the OMC, for each financial year, shall prepare month wise statement of total volume of Mogas moved from south to north from all sources and shall calculate the quantity prescribed for WOP input based on the minutes of the meeting of the respective period.

iv. Statement of differential cost impact in respect of all movement made through alternate/unapproved route.

v. Statement of Transportation Cost in respect of secondary freight for special areas separately.

vi. Statement of variance analysis of the estimated noted cost and actual noted cost as well as product of the OMCs physically reported at a depot location vs. actual sales at that location considering the stocks level as well.

vii. Statement of Extra Margin earned and passed back through IFEM and the surplus/deficit generated therein, said surplus/deficit should be included in the surplus/deficit in the freight pool. Statement of Extra Margin should not include any short recovery of Margin.

viii. Extra Margin for the purpose of understanding is explained as the additional margin, if any, earned by an OMC, computed as the difference between PSO's weighted average cost and ex-refinery price of a specified product.

ix. Statement of Mogas/HSD Pipeline Losses incurred and recovered through IFEM and the surplus/deficit generated therein, said surplus/deficit should be included in the surplus/deficit in the freight pool. Statement of Mogas Pipeline Losses should not include any short recovery of Losses.

x. Statement of Line fill financing cost (on pipeline dead stock) actually incurred and recovered through IFEM and the surplus/deficit generated therein, said surplus/deficit should be included in the surplus/deficit in the freight pool.

xi. Statement of HSD Premium actually incurred and recovered through IFEM and the surplus/deficit generated therein, said surplus/deficit should be included in the surplus/deficit in the freight pool.

xii. Quantitative statement of product-wise exports made from specific sources.

xiii. A statement showing adjustments made against primary transportation based on adjustments/reductions/deductions/disallowances on various accounts made by OGRA during the period.

xiv. The statement showing product-wise movements that are not in accordance with the physical reporting requirement/tracker report requirement/supply source integrity / approved mode of transportation.

xv. A statement showing the status of receivable/payable related to Inter-Company Freight Settlement at the closing date of each financial year.

Format for the provision of the above-mentioned data, for the sake of uniformity, will be discussed and agreed upon with the Auditor in an onboarding session / pre-audit commencement meeting held between the Auditor and OGRA.

4. Audit Test Procedure

In respect of the statement of surplus/deficit in the freight pool relating to primary transportation costs, the auditors will perform the following procedures on a test basis;

i. Checking the net volume of equalized products purchased by the Company during the period with the quantities reported in the monthly intercompany freight settlement reports and matching the quantities mentioned in these reports with the invoices of refineries / import documents (Bill of Lading, Goods Declaration etc).

ii. Re-computing the primary transportation costs on volume purchased by applying the average transportation cost per liter of product moved during the period on the net volume purchased. The average transportation cost per liter is calculated with reference to quantities moved during the period. These are determined through a calculation based on percentage of net purchases to total quantity of product transferred to an installation (including net purchases), where any, and total product quantity moved out. In the absence of any transfers from other installations, the quantity moved out is taken as the actual quantity moved out from the installation. The adequacy of the average transportation cost rate will be checked by checking the quantities moved with the available product movement records and the product transfer documents duly acknowledged by the recipients and the cartage contractors.

iii. Re-computing the 'Secondary Freight Cost' in respect of Special Areas.

iv. The costs of the product moved by road will be checked with the payments of cartage bills raised by the cartage contractors based on the approved transfer documents and applying the Oil and Gas Regulatory Authority (OGRA) notified road transportation rates. The destination mentioned on each transfer document will be taken as the place at which the products covered by this advice were delivered and the distances to these destinations were traced on a test basis with the approved RTDs.

v. The costs of the product moved by rail will be checked with the payments of bills raised by Pakistan Railways based on the approved transfer documents and applying freight rates notified by Pakistan Railways.

vi. The volume and costs of the product moved by pipeline will be checked with the payments of bills raised by PAPCO / PARCO based on the approved transfer documents and applying freight rates notified by PAPCO / PARCO and approved by OGRA.

vii. Ensuring that export volumes and the related transportation cost is not included in the net volume purchased and the primary transportation cost respectively. In case the product is exported from an unapproved location the transportation costs related to such exports will be deducted from the transportation costs charged to the freight pool on the basis of the average transportation costs from all the modes incurred on the product.

viii. Re-computing the IFEM and noted costs relating to the Company by applying the notified rates to the net volumes purchased from refineries and imports.

ix. Checking the status of receivable/payable related to Inter-Company Freight Settlement of the OMC.

x. Checking the supply envelope integrity i.e. checking that the product has been moved to a destination from an approved source.
   - In case a product has been moved from an incorrect or alternate source to a destination, without approval from OGRA, the respective OMCs shall be allowed the minimum approved cost for the destination while the incremental cost of this movement will be borne by the respective OMC itself and will not be charged to the freight pool.
   - In the case of back freighting, the complete cost of movement will be borne by the respective OMC.
   - The approved source destination combination movement (product-wise) within the country is given in Table 1; costs related to movements not covered in Table 1, which are allowed in the OMC's PMP OR for which specific approval by OGRA is available with the respective OMC should also be allowed.
   - In the event of exceptions identified in the sample size the auditors will increase the sample size to arrive at the best estimate of the total error in the population based on an extrapolation of the sample results.

xi. Checking that the correct mode of transportation has been used in moving the product from source to destination. In case an expensive mode of transportation has been used, without approval from OGRA, the total cost will be borne by the respective OMC and will not be charged to the freight pool.

xii. Checking that input of Mogas in WOP is in line with percentage/weightage defined in IFEM Meetings; the calculations will be based on the aggregate input volume of Mogas into WOP and will be reconciled with the PAPCO statement. In case the input of Mogas has been lower than the defined percentage/weightage, the same shall be treated inadmissible mode of transportation and disallowed in line with para. 2(xii)

Table 2: Fortnight-wise Mogas (imported) WOP input allocated in PMPs (attached)

xiii. The Auditor shall also use the "Actual Transportation Cost Certificate" being submitted by OMCs for checking the supply source integrity.

xiv. The Auditor shall evaluate for the reimbursement of differential freight cost in case the product is moved from an unapproved /alternate route. The auditor shall also evaluate the variance analysis between the estimated and actual noted cost of the OMC.

Note 1:

For the purpose of testing the supply envelope integrity and mode of transportation used, testing will be performed based on samples determined, however, doubled, in respect of the following depots:

- Quetta
- Taru Jabba
- Chak Pirana
- Machike
- Sahiwal
- Juglot
- Sihala

In respect of special area, there would be 100% cost check.

Table 1: Product-wise table of approved source-destination combination (attached)

b) Refinery Freight (IFEM)

5. Each OMC shall prepare and provide a statement of surplus/deficit in the refinery IFEM duly signed by the authorized representatives of each OMC, showing product-wise IFEM recoveries, refinery freight incurred and the surplus/deficit generated in their freight pool pertaining to refinery freight during the year under review.

5.1 In respect of the statement of surplus/deficit in the refinery IFEM, the auditors will perform the following procedures:

i. Checking the net volume of equalized products purchased by the OMC during the period with the quantities reported in the monthly intercompany freight settlement reports and matching on a test basis the quantities mentioned in these reports with the invoices of the refineries/import documents (Bill of Lading, Goods Declaration, etc).
ii. Ensuring that the net volume purchased does not include volumes exported by the OMC, if any.
iii. Checking the costs incurred by the OMC on account of IFEM relating to the refineries with the invoices raised by the refineries.
iv. Re-computing the IFEM and noted costs relating to refineries by applying the notified rates to the net volumes purchased from the refineries.

c) IFEM recoveries

6. Each OMC will prepare a statement of recoveries in accordance with clause 4.4 (summation of computation under sub clause 2 and 4 of clause 4.4) of the FPSM manual de-classified into:

i) OMCs IFEM
ii) Refinery IFEM

d) Computation of Surplus/Deficit

7. Following shall be particular part of the Audit report;
i. Surplus/Deficit in the Freight Pool of each OMC will be the difference between the OMC's noted cost relating to OMC's freight cost and attributable transportation cost by applying on average transportation rate to net volume purchased.
ii. Surplus/Deficit of Refinery IFEM of each OMC will be the difference between the OMC's noted cost relating to refinery freight and the refinery freight paid.
iii. Overall surplus/deficit shall be the sum of totals of d (i) and d (ii) above.

IFEM Audit of Refineries

1. The Audit with respect to Refineries will cover the following:

i. Pak Arab Refinery Limited (PARCO)
ii. Attock Refinery Limited (ARL)
iii. National Refinery Limited (NRL)
iv. Pakistan Refinery Limited (PRL)
v. Cnergyico Pk Limited formerly BYCO Pakistan Private Limited (CPL)

2. The scope of work for refineries and is outlined below:

1) PARCO

3. The Refinery Freight of PARCO is based on its various claims from Freight Pool as specified in the Ministry of Petroleum and Natural Resources Letter No. PL-3(471)/2001 dated June 29, 2001, PL-3(434)/2011 Vol XII dated May 31, 2011 and letter No. PL-3(434)/2011 dated September17, 2011. The Refinery Freight of PARCO which is notified by OGRA contains the recovery of following claims of PARCO from Freight Pool:

A. PARCO'S PRICE DIFFERENTIAL CLAIM (PDC) OF REGULATED PRODUCTS RECOVERED FROM FREIGHT POOL

4. The refinery will prepare the statement of surplus/deficit in the recovery of Price Differential Claim in accordance with the approved mechanism specified in the Ministry of Petroleum and Natural Resources Letter No. PL-3(471)/2001 dated June 29, 2001 and letter No. PL-3(434)/2011 dated May 31,2011. PARCO's PDC is calculated (Kerosene Oil & HSD only) as the difference between its entitled price (Import Price Parity as defined in the Implementation Agreement (IA) signed between the Government of Pakistan (GOP) and Emirates of Abu Dhabi (EAD) and the Ex-Refinery price announced periodically by the Oil and Gas Regulatory Authority (OGRA) for the identical period, on sales of regulated products. In respect of the statement of surplus/deficit in the price differential, the auditors will perform the following procedures:

- Checking the volume of equalized products sold by the refinery during the period with the volume reported in the monthly intercompany freight settlement reports compiled from the product upliftment data received independently from the refinery and OMCs.
- Matching the volume mentioned in the intercompany freight settlement report with the volume shown on the invoices of the refinery.
- Checking the computation of the entitled price based on the formula mentioned in Annexure VIII of the Petroleum Policy 1994 and as provided in the IA between the GOP and EAD.
- Checking the computation of the Inland Freight Equalization Margin (IFEM) recovered by applying the rates of PDC recovery, as notified by OGRA, on the volumes sold.
- Auditor to provide Surplus/(deficit) position of PARCO's IPP Claim for the period.

B. PARCO'S CRUDE OIL TRANSPORTATION COST RECOVERED FROM FREIGHT POOL

5. The refinery will prepare the statement of surplus/deficit in the recovery of PARCO's Crude Oil transportation cost claim from Karachi to Mehmood Kot (KMK) on a proportionate basis on certain products in accordance with the approved mechanism specified in the Ministry of Petroleum & Natural Resources Letter No. PL-3 (434)/2011 dated September 17, 2011, and ECC decision dated 21 March 2014. Crude Oil Transportation Cost claim on a proportionate basis for any given month is calculated for various MCR products by applying their proportionate share in MCR production to transportation cost incurred by MCR in moving the Crude oil by KMK Pipeline. As per the ECC decision dated August 07, 2012, PARCO crude transportation claim on HOBC was excluded from October 01, 2012. Further, ECC vide its decision dated March 21, 2014 approved the reimbursement of crude transportation cost to PARCO on HSD. In respect of the statement of surplus/deficit in the Crude Oil Transportation Cost claim, the auditors will perform the following procedures:

- Checking the crude oil quantity transported through the pipeline from Karachi to Mehmood Kot and receipt at Mid Country Refinery on a monthly basis.
- Checking the prevailing pipeline tariff from Karachi to Mehmood Kot (KMK).
- Checking the production of various products by Mid Country Refinery (MCR) on a monthly basis.
- Checking the computation of Crude Oil Transportation cost claims on a proportionate production slate basis.
- Checking the volume of equalized products sold by the refinery during the period with the volume reported in the monthly intercompany freight settlement reports compiled from the product upliftment data received independently from the refinery and OMCs.
- Matching the volume mentioned in the intercompany freight settlement report with the volume shown on the invoices of the refinery.
- Checking the computation of the Inland Freight Equalization Margin (IFEM) recovered on equalized products by applying the rates of Crude Oil Transportation Claim recovery, as notified by OGRA the volumes sold.
- Auditor to provide Surplus/(deficit) position of PARCO's Crude Oil Transportation claim for the period.

2) ARL

A. ARL'S CRUDE FREIGHT

6. The refinery will prepare the statement of surplus/deficit in the freight pool in accordance with the approved mechanism provided in the Ministry of Petroleum and Natural Resources Letter No. PL-3(471)/2001 dated June 29, 2001. ARL is entitled to claim transportation expenses incurred on conveyance of crude petroleum from the southern region to its refinery, for processing of regulated products (as defined in clause 1.13 of FPSM). The surplus/deficit is calculated as the difference between recoverable IFEM and actual transportation cost.

7. In respect of the statement of surplus/deficit in the freight pool, the auditors will perform the following procedures on a test basis:

- Checking the volume of equalized products sold by the refinery during the year with the product uplift reports prepared by the refinery and also match the quantities mentioned in these reports with the invoices raised by the refinery.
- Matching the volume mentioned in the uplift reports with the volume shown on the invoices of the refinery.
- Checking the computation of the IFEM on the net volume sold by applying notified rates to these volumes.
- In respect of the crude moved by road, check the quantities moved from the suppliers' invoices and delivery advices duly acknowledged by the recipients and the cartage contractors. The costs of crude moved by road will be checked with the payments of the cartage bills raised by the cartage contractors based on the approved delivery advices and applying the agreed road freight rates and after accounting for the deductions admissible under the agreements with the contractors.
- In respect of movement by pipeline, check the quantities moved with the delivery advices duly acknowledged by the recipients. The costs of the crude moved by the pipeline will be checked with the bills of pipeline operator for pipeline freight which included the charges for the minimum quantity billed under the take or pay clause of their agreement with the pipeline operator.
- The recovery of freight cost from the suppliers in accordance with the Ministry of Petroleum and Natural Resources Letter No. DGO-D.S (16)/98 dated February 22, 2000 will be checked with the payments received based on the notified rates of transportation.
- The closing inventory of crude oil and finished products will be checked with the inventory records of the refinery. The cost attributable to the closing inventory of finished products will be recomputed by applying the average freight cost per liter of crude purchased during the year to the estimated volume of crude oil required to produce this inventory based on the average yield ratio.
- Ensuring that the cost of unregulated products is excluded from the total transportation cost calculated -on the basis of average yield ratios as per directives of Ministry of Petroleum and

Natural Resources, contained in their letters No.PL- 3(471)/2001 dated March 20, 2002 and No.PL-3(457)/2007 dated July 20, 2007.

- The average yield ratio of crude oil to the regulated products will be recomputed based on the refinery provided data of volume consumed of crude oil and the volume of the regulated products produced therefrom during the year ended.

3) Cnergyico

A. BYCO'S SPM OPERATIONAL COST RECOVERY FROM FREIGHT POOL

8. The refinery will prepare a statement of operational cost recovery of **BYCO's Single Point Mooring (SPM)** claim considering only for regulated products on a proportionate basis in accordance with the approved mechanism specified in the ECC decision No. 216/26/2020 dated 3rd June, 2020, Ministry of Energy (PD) Ref. letter No. PL-Ref 1(2)/2020 (Byco SPM) dated 22nd June, 2020 and in light of policy guidelines of MoE(PD) issued vide No. PL-3(457)/2021 Vol-74 dated 3rd June 2022.
9. SPM operational cost allocation will be calculated for various products by applying their proportionate share in **total Crude intake** for any given fortnight/month incurred for SPM.
10. In respect of statement of surplus/deficit in the operational cost claim, the auditors will perform following procedures:
    i) Checking crude oil quantity transported through SPM pipeline on a monthly basis with supporting documents i.e. GD Note, HDIP report, surveyor report, custom documents etc.
    ii) In case multiple batches of pumping from one vessel, Time log & quantity statement of each lot should be checked, time log and statement of quantity of each parcel shall be duly signed and stamped by the ship surveyor and applicant surveyor as well.
    iii) Checking the total operating cost of SPM per ton & compare with that of PARCO Rate to calculate deficit/surplus as considered by Federal Government/competent Authority from time to time.
    iv) The expense head not covered as operating cost as per relevant IAS will be not considered as SPM operational cost.
    v) Checking the applicable volume of each lot/shipment is shore tanks received quantity or BL quantity whichever is less. Report of refinery daily feed/throughput and its production.
    vi) Checking the production of various products by BYCO (Cnergyico) on monthly/fortnightly basis.
    vii) Checking the computation of SPM operational cost claim based on production basis.
    viii) Analytical review of expenses included in SPM operational cost with respect to its mathematical accuracy, relevance and reliability.
    ix) Auditor to provide the statement of SPM operational cost claim for the periods.

4) HSD Sulphur Differential

11. MP&NR vide its letter ref: PL-3(457)/2013- PL dated 28 February, 2013 had advised that Refineries which are not producing HSD 0.05% Sulphur will have to deposit the surplus differential between PSO's Import price less ocean losses (which was fixed as Ex-Refinery price) and IPP price as per the formula specified in above letter, to IFEM to pass on the benefit to the consumer.

12. During the audit period following Refineries were not producing HSD 0.05% Sulphur:
    - Cnergyico Pk Limited
    - Pakistan Refinery Limited

13. The refineries will prepare the statement of surplus in accordance with the approved mechanism provided by the Ministry of Petroleum and Natural Resources through the above-mentioned letter. In respect of the statement of surplus/deficit, the auditors will perform the following procedures on a test basis:

- Checking the volume of HSD sold by the refinery during the year with the product uplift reports prepared by the refinery and also match the quantities mentioned in these reports with the invoices raised by the refinery.
- Matching the volume mentioned in the uplift reports with the volume shown on the invoices of the refinery.
- Checking the computation of IPP Price as per specified formula.
- Checking the computation of surplus on the net volume sold and ensuring that in case of deficit the Refineries claim shall be treated as NIL.
- Checking the payments made against HSD Price Differential with the amount allocated by OGRA.
- HSD Sulphur Differential – Euro V Differential
- MEPD vide its letter of even number dated November 17,2020 advised the refineries that production less than HSD Euro -V (10 PPM) will not be allowed.
- During the audit period the Refineries not producing HSD Euro -V (10 PPM) shall be subject to audit and shall prepare the documents as below.
- The refineries will prepare the statement of surplus in accordance with the approved mechanism provided by Ministry of Energy (Petroleum Division) in compliance of abovementioned policy guidelines. In respect of the statement of surplus/deficit, the auditors will perform the following procedures on a test basis:
- Checking the volume of HSD sold by the refinery during the year with the product uplift reports prepared by the refinery and also match the quantities mentioned in these reports with the invoices raised by the refinery.
- Matching the volume mentioned in the uplift reports with the volume shown on the invoices of the refinery.
- Checking the computation of HSD Sulphur differential as per specified formula as conveyed vide above referred letters dated February 28, 2013 and November 17, 2020.
- Checking the computation of surplus on the net volume sold.
- Checking the payments made against HSD Sulphur Differential with the amount as approved by OGRA.

6) Mogas RON Differential Surplus

14. MPNR vide its letter ref: PL-9(544)/2015 dated September 05, 2016, had advised mechanism of pricing for Refineries producing Mogas below 92 RON and advised to pass on the differential to the consumer. Mogas pricing based on 92 RON was initiated effective December 1, 2016, accordingly surplus was generated from the same date.

15. During the audit period following Refineries were not producing Mogas 92 RON:
    - Attock Refinery Limited
    - National Refinery Limited

16. The refineries will prepare statement of surplus in accordance with the approved mechanism provided by the Ministry of Petroleum and Natural Resources through the above-mentioned letter. In respect of the statement of surplus the auditors will perform the following procedures on a test basis:

- Verification of the RON of Mogas produced by Refinery on a monthly basis, through test reports.
- Checking the volume of Mogas sold by the refinery during the year with the product uplift reports prepared by the refinery and also match the quantities mentioned in these reports with the invoices raised by the refinery.
- Matching the volume mentioned in the uplift reports with the volume shown on the invoices of the refinery.
- Checking the computation of Mogas 92 Ron differential as per specified formula.
- Checking the computation of surplus on the net volume sold.
- Checking the adjustments/payments made against Mogas RON Differential with the amount allocated by OGRA.

7) Refinery Regulatory Duty

17. MPNR vide its letter ref: PL-3(457)/2015-55 dated July 15, 2015, had provided ECC approved mechanism for recovery of Regulatory Duties.

18. The refineries will prepare a statement of surplus in accordance with the approved mechanism provided by the Ministry of Petroleum and Natural Resources through the above-mentioned letter. In respect of the statement of surplus, the auditors will perform the following procedures on a test basis:

- Verification of crude import volumes and payments of customs/regulatory duty paid during the period.
- Checking the consumption of crude oil and yields of all petroleum products.
- Checking that regulatory duty allocated to petroleum products is in line with the weightage of the actual yield of petroleum products.
- Re-computing the amount of custom/regulatory duty recovered from OMCs by applying rate of custom duty as notified in the applicable price on volume sold to OMCs during the period.
- Checking the product-wise under/over recovery of custom/regulatory duty.
- Checking the adjustments/payments made against customs/regulatory duty with the amount allocated by OGRA.

Deliverables

The auditors shall be required to submit the following to OGRA:

1) A report on the surplus/deficit in the freight pool including disclosure of adjustments (recoveries or reimbursements) made by OGRA for the audit period as reflected in the statement of surplus/deficit in the freight pool prepared by each OMC.
2) A report on the surplus/deficit in the refinery IFEM including disclosure of adjustments (recoveries or reimbursements) made by OGRA for the audit period as reflected in the statement of surplus/deficit in the refinery IFEM prepared by each OMC.
3) A report on the extra margin earned by OMC and its adjustment against the freight pool and net surplus / deficit as reflected in the statement of extra margin earned by each OMC.
4) A report on surplus in refineries regulatory duty, recoverable from refineries, and its adjustment/offsetting under pricing mechanism/freight pool against OMC or refineries claim as decided by OGRA for the audit period.
5) A report on surplus/deficit in the HSD price differential for the audit period as reflected in the statement of surplus/deficit in the price differential prepared by each refinery.
6) A report on the surplus/deficit generated in their freight pool pertaining to crude transportation costs for the audit period as reflected in their statement of surplus/deficit in the freight pool prepared by the refinery.
7) A report on the surplus generated and payments made with respect to HSD Price Differential and net surplus/deficit as reflected in their statement of HSD Price Differential by the refinery.
8) A report on the surplus generated and adjustments / payments made with respect to Mogas RON Differential and net surplus/deficit as reflected in their statement of Mogas RON Differential by the refinery.
9) A report on the HSD premium in respect of OMCs as per actual figures vs. recovered through OMCs.
10) A report on the MOGAS operational losses actually incurred/claimed by the OMCs vs. recovered through IFEM.
11) A report on the Line fill financing cost actually incurred/claimed by the OMCs vs. recovered through IFEM.
12) The report on deductions/disallowances/ adjustment passed by OGRA during the audit period.
13) A report highlighting OMC wise movements that violate physical reporting requirement / tracker report requirement / supply source integrity / approved mode of transportation by comparing Actual Transportation Certificates with approved product movement plans and the impact of such movements on freight pool.

14) A report detailing exports made by OMCs and the associated transportation cost recovered from the export customer.
15) A report on variance of actual noted cost vs provisional noted cost in respect of each OMC together with OMCs product physically reported vs. actual sales and stocks at a depot location.
16) 16) A consolidated statement of surplus/deficit in the OMCs freight pool for transportation costs, recoveries under the FPSM scheme and the net surplus or deficit in the freight pool for the audit period.
17) A consolidated statement of surplus/deficit in the refinery IFEM outlining refinery costs, recoveries under the FPSM scheme and the net surplus or deficit in the refinery IFEM for the audit period.
18) A consolidated statement of surplus generated and payments made with respect to HSD Price Differential and net surplus/deficit for the audit period.
19) A consolidated statement of surplus generated and adjustments/payments made with respect to Mogas RON Differential and net surplus/deficit for the audit period.
20) A consolidated statement of surplus generated and adjustments/payments made with respect to Refinery Regulatory Duty and net surplus/deficit for the audit period.
21) A consolidated statement of the status of net receivable/payable position related to Inter-Company Freight Settlement pertaining to OMCs as of June 30, 2024.
22) A consolidated statement pertaining to Special Area Secondary Freight in respect of OMCs.

Deliverables in respect of Cnergyico SPM

23) Total SPM Operating cost allowable & allocation on regulated product only as per MoE (PD) directives. 24) Report showing total SPM operating cost & comparison with PARCO pipeline tariff.
24) Consolidated net receivable/ payable report.

Deliverables with respect to IFEM system

25) A report with the set of proposals to improve the existing IFEM system.
26) The report aimed to reform the IFEM system in line with global benchmarks and latest technological tools to improve efficiency and transparency.

Duration of Audit

In order to ensure a timely and efficient audit process, following timelines have to be followed:

- OMCs/refineries are expected to provide the required data at the time of commencement of audit / deployment of audit team.
- The audit team is expected to provide draft Audit reports to the respective OMC/ Refinery and OGRA within 90 working days from commencement of audit.
- Each OMC/refinery is required to provide confirmation / observations on the draft Audit Reports provided by the Auditor within 20 working days of receiving them and the same shall be discussed with the Auditor. If the observations are not resolved, OGRA, upon request by the auditee, shall call a joint meeting for discussion and to streamline the process.
- The auditor shall after receive the confirmation/ review consideration, as the case may be, shall issue the final report at the earliest possible.

Table 1: Product-wise table of approved source-destination combination

HSD

Destination	Source	Mode
CTL	SIH	Road
JGT	SIH	Road
TJB	MCH via Road, SIH & MHK via Road or Rail	Road / Rail
KHT**	MHK, SIH	Road
SRNG*	MHK	Road
FAQ*	MCH, SIH	Road
SIH	ARL via Pipeline or Road, MCH via Road, MHK via Rail	Road / Pipeline / Rail
CPI	MHK via Rail, MCH via Road	Road / Rail
MCH	MHK, KMR	Pipeline
GAT/FBD	MHK, KMR	Pipeline
HBD*	MCH, GAT	Road
KND*	GAT	Road
KJM*	MHK	Road
SWL*	MHK, GAT	Road
MHK	MCR, KMR	Pipeline
SSH*	MHK	Road
VHR	MHK	Road
SKP	KMR	Pipeline
SNG*	SKP	Road
DLP*	KMR, BYCO/CPL, ENAR	Road
QTA	SKP	Road
KZD*	KMR, BYCO/CPL	Road
KMR	BYCO/CPL via Road, ENAR via Road	Road
ZOT/PQA	BYCO/CPL, ENAR	Road
PQA	NRL,PRL	Pipeline (KPLP)

* For OMCs having Depot at the location

** Kohat (KHT) depot was included as virtual depot in IFEM effective October 1, 2021

Mogas

Destination	Source	Mode
CTL	SIH	Road
JGT	SIH	Road
TJB	SIH, MCH***, MHK, KMR, CPL	Road/Pipeline
KHT**	KMR, BYCO/CPL, MHK, SIH	Road
FAQ*	SIH, MHK, KMR, BYCO/CPL, MCH***	Road
SRNG*	KMR, BYCO/CPL, MHK	Road
SIH	KMR, BYCO/CPL, MHK, SIH, MCH*** via Road ARL via Pipeline or Road	Road / Pipeline
CPI	KMR, BYCO/CPL, MHK, MCH***	Road
MCH	KMR, BYCO/CPL, MHK Via Road & Pipeline	Road / Pipeline
GAT/FBD	KMR, BYCO/CPL, MHK via Road & Pipeline	Road / Pipeline
HBD*	KMR, BYCO/CPL, MHK, MCH***, GAT***	Road
KND*	KMR, BYCO/CPL, MHK, GAT***	Road
KJM*	KMR, BYCO/CPL, MHK	Road
SWL*	KMR, BYCO/CPL, MHK, GAT***	Road
MHK	KMR, BYCO/CPL, MCR Via Road & KMR, MCR via Pipeline	Road / Pipeline

SSH*	KMR, BYCO/CPL, MHK	Road
VHR	KMR, BYCO/CPL, MHK	Road
SKP	KMR, BYCO/CPL, via Road & KMR via Pipeline	Road / Pipeline
SNG*	KMR, BYCO/CPL, SKP***	Road
DLP*	KMR BYCO/CPL,	Road
QTA	KMR BYCO/CPL, SKP***	Road
KZD*	KMR BYCO/CPL,	Road
KMR	KMR, BYCO/CPL, ENAR	Road

* For OMCs having Depot at the location
** Kohat (KHT) depot was included as virtual depot in IFEM effective October 1, 2021
*** Road movement from MCH, GAT & SKP allowed for product delivered at MCH, GAT & SKP via Pipeline only

SKO

Destination	Source	Mode
CTL	SIH	Road
JGT	SIH	Road
TJB	SIH, MHK	Road
KHT**	SIH, MHK	Road
FAQ*	SIH, MHK	Road
SRNG	SIH, MHK	Road
SIH	SIH, MHK	Road
CPI	SIH, MHK	Road
MCH	MHK	Road
GAT / FBD	MHK	Road
HBD*	MHK	Road
KND*	MHK	Road
KJM*	MHK	Road
SWL*	MHK	Road
MHK	MCR	Road
SSH*	MHK	Road
VHR	MHK	Road
SKP	KMR	Road
SNG*	KMR	Road
QTA	KMR	Road
KMR	KMR, BYCO/CPL	Road

* For OMCs having Depot at the location
** Kohat (KHT) depot was included as virtual depot in IFEM effective October 1, 2021

LDO

Destination	Source	Mode
JUG	SIH	Road
FAQ	SIH	Road
TJB	SIH	Road
SIH	SIH	Road
CPI	SIH, MHK	Road
KND*	SIH, MHK	Road
FBD	MHK	Road
KJM*	MHK	Road
SWL*	MHK	Road
HBD*	MHK	Road

MHK	MCR	Road
MCH	MHK	Road
SSH*	MHK	Road
SKP	KMR	Road
KMR	KMR	Road

* For OMCs having Depot at the location

Additionally, all virtual and physical depot locations be separately included in the FEM Audit Terms of Reference (TORs) for the 2023-24 period;

Sr. No	Physical Depots	Sr. #	Virtual Depots
1.	Daulatpur	1.	Karachi
2.	Sanghi	2.	Shikarpur
3.	Shar Shah	3.	Mehmood Kot
4.	Kotla Jam	4.	Gatti – Faisalabad
5.	Kundian	5.	Machike
6.	Sahiwal	6.	Chak Pirana
7.	Habibabad	7.	Vehari
8.	Faqirabad	8.	Sihala/Chaklala
9.	Serai Nourang	9.	Tarujabba
10.	Khuzdar	10.	Chitral
		11.	Kohat
		12.	Quetta
		13.	Juglot

Table 2: Fortnight-wise Mogas (imported) WOP input allocated in PMPs

Period	Allocation
Jul, 2023 1st FN	0
Jul, 2023 2nd FN	0
Aug, 2023 1st FN	0
Aug, 2023 2nd FN	0
Sep, 2023 1st FN	45%
Sep, 2023 2nd FN	45%
Oct 2023 1st FN	45%
Oct 2023 2nd FN	45%
Nov 2023 1st FN	45%
Nov 2023 2nd FN	45%
Dec, 2023 1st FN	45%
Dec, 2023 2nd FN	45%
Jan, 2024 1st FN	45%
Jan, 2024 2nd FN	45%
Feb, 2024 1st FN	0
Feb, 2024 2nd FN	0
Mar, 2024 1st FN	45%
Mar, 2024 2nd FN	45%
Apr, 2024 1st FN	45%
Apr, 2024 2nd FN	45%
May, 2024 1st FN	45%
May 2024 2nd FN	45%
Jun 2024 1st FN	45%
Jun 2024 2nd FN	45%

Evaluation Criteria		FY 2023-24
Description	**Points Assigned 2023-24**	**Criteria Description**
1 Profile of Audit firm and the team		
a. Organizational structure of the firm and presence of the firm in major cities of pakistan	10	**Points Bifurcated:** **Organisational Strength 7 Points:** **No. of the Partners:** Above 30= 7 points. Partners 20-30= 5 points. Partners less than 15-20 = 3 point, Partners less than 15 = 2 point **Firms Presence:. 3 Points:** having presence at Karachi, Lahore and Islamabad= 3 points. Presence: in one city = 1 Point.
b. Permanent Manpower Strength (subject to evidence to be enclosed)	15	Strenght above 1000= 15 Points. Between 700-1000 = 10 points. Between 300-700 = 5 points. Less than 300= 3 points
c. The minimum composition of the team(s) which will be deployed to complete the assignment in due time (subject to evidene)	20	1 Partner (20 Yrs + Exp.)+, 05 Managers (Qualified Accountant with min 5 Yrs exp) + 20 Audit Associate /Team Members. Complete atleast 5 teams = 20 Marks. In case of 4 Teams = 15 Marks. Less than 4 Teams = 5 Marks.
d. Firm Turnover (Evidence to be enclosed)	15	Firm Turnover over Rs. 2 Billion = 15 Points. Between 1.5-2 billion = 10 Points, Between 1- 1.5 billoin = 5 Points Less than 1 billion= 3 points
Sub-total marks	**60**	
2 Relevant experience of Organization		
a. Total work experience of the firm in undertaking audit assignments	5	Experience in number of years: Firm experience > 25 years = 5 Marks. Firm experience between 15-25 years = 3, Firm Experience < 15 Years = 0
b. Total overall exposure and competency of the firm in undertaking jobs relating to statutory audit in oil sector (Summary to be enclosed)	10	Atleast 3 audits in each year of oil sector during last three years, of the companies with revenue over Rs 10 bn=10 Marks. Accordingly, the numbers shall be proportionately assigned
c. Specific experience of the firm in undertaking IFEM audits.	5	Firm audit experiene specific to IFEM during last twenty years shall has been considered. Minimum 5 Years= 5 Marks.
Sub-total marks	**20**	
3 Work Protocol		
a. Comprehensive approach /timelines for completion of assignment	10	Audit timelines - deployment of resource vs activities performance timelines. This shall require the strategy/ sequence of the audit activities to be performed to complete the audit.
b. Complete methodology highlighting critical milestones	10	Methodology for risk assessment= 2 Points Data analytic techniques=2 Points Audit sampling methodology=3 Points.,Use of advance software and standards for risk assesment=3 Points
Sub-total marks	20	
TOTAL	**100**	
NOTE: Minimum requirements for pre-qualification shall be 70 points.		

Audit for Next Financial Year

- The Authority may consider to engage the service of the Auditor so appointed for FY 2023-24 to carry out the audit for the next financial year on the same terms and conditions.