

Terms of Reference
Selection of Internal Audit Firm
Package No. BLPA-S15

1. Introduction and Background

The Government of The People's Republic of Bangladesh has received an USD 150 Million Credit from the International Development Association (IDA)-a member of the World Bank Group-for financing the cost of the *Bangladesh Regional Connectivity Project-1 (BRCP-1)*, being jointly implemented by the Bangladesh Land Port Authority (BLPA), National Board of Revenue (NBR) and Ministry of Commerce. Now the BLPA intends to apply part of the IDA Credit for procuring the services of an Independent Internal Audit Firm for Project implementation Unit (PIU).

The Project Development Objective is to improve conditions for trade through improving connectivity, reducing logistics bottlenecks and supporting the adoption of modern approaches to border management and trade facilitation.

The Project consists of three (3) major components of which the below component will be implemented by BLPA:

Component 1: Invest on infrastructure, systems and procedures to modernize key selected land ports essential for trade with India, Bhutan and Nepal. The key activities under this component are development and improvement work at four land ports along the Southwest to Northeast Corridor that are key to facilitating regional and transit trade. These include:

- (i) Bholaganj on the Northeast border with Meghalaya of India, which is experiencing lack in basic land port infrastructure as currently trading is done through a Land Custom Station;
- (ii) Sheola on the border with Assam, Northeast India, which is developed beyond 150 yard of the Bangladesh-India border line (zero-line). It is currently a Land Port with some basic infrastructure;
- (iii) Ramgarh on the border with Tripura State, Northeast India, where potentially a co-location modern border management concept could be piloted; and
- (iv) Benapole land port, Bangladesh's largest and busiest land port, which experiences significant security and leakage problems. Activities at Benapole includes a perimeter fence, gates, junctions, drainages, a CCTV system, and a gate pass system.

The Bangladesh Land Port Authority (BLPA), an autonomous body established under the Ministry of Shipping is the implementing agency for the above component of the Project and is responsible for the component's overall implementation, management and monitoring. BLPA was set up for development, maintenance and operation of land-ports with the neighboring countries of Bangladesh. Implementation of the project component involves, among the other activities, procurement of goods, works and services of high and

low values contracts through competitive process. Hence PIU intends to appoint a qualified audit firm to conduct internal auditing of the project.

2. The Objectives of the Internal Audit

The objective of this assignment is to:

- Reliability of the Financial Management system, financial data and report at all tiers of operation;
- Adequacy and effectiveness of the accounting, financial and operational controls;
- Internal Control systems: completeness, written instructions, effective implementation and frequency of review and up-dating;
- Level of compliance with the established policies, plans and procedures;
- Interim Un-audited Financial Report (IUFR): completeness, timeliness, occurrence, measurement, recording, regularity including eligibility and propriety; and
- Assets: completeness, existence, recording, safeguard and utilization for the purpose intended.

3. Professional Standards

The Internal Audit Firm shall carry out its responsibilities in accordance with professional standards including those issued by Institute of Internal Auditors and International Federation of Accountants. Following the Code of Ethics issued by the Institute of Internal Auditors, the Internal Auditor carrying out the assignment is expected to maintain the highest standards of:

Integrity: The integrity of the Internal Auditor establishes trust and thus provides the basis for reliance on its judgment.

Objectivity: The Internal Auditor exhibits the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Makes a balanced assessment of all the relevant circumstances and is not unduly influenced by its own interests or by others in forming judgments.

Confidentiality: The Internal Auditor respects the value and the ownership of information received and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Competency: The Internal Auditor applies the knowledge, skills and experience needed in the performance of the assignment.

4. Authority and Independence

The Internal Auditor will have full, free and unrestricted access to the project's documents, files, records, physical properties, personnel and other entities relevant to an area under review. The Internal Auditor will have no responsibility for or authority over any of the activities or operations subject to its review.

The Internal Auditor shall not perform any operational duties, develop and install systems and procedures, initiate or approve accounting transactions, prepare records, or engage in any other activity which it would normally review and appraise and which

could reasonably be construed to compromise in appearance or fact, the independence and/or objectivity of the Internal Auditor.

5. Scope of Services:

The internal audit services shall be carried out in accordance with the International Internal Auditing Standards and international best practices, for example, application of COSO risk management framework etc. for following two periods:

Period-1: From July 2018 to June 2024

Period-2: from July 2024 to June 2026

The internal audit services firm should focus on risk based internal audit model and management issues, internal control environment in the areas listed below:

- At the Project Implementation Unit (PIU), the internal audit will be required to assess the effectiveness of internal control system with regard to cash book maintenance, accounting, computerisation status, bank reconciliations, fixed assets management etc.
- The auditor should examine financial reports prepared for reimbursement/ documentation during audit period to:
 - a) Assess the methods used to compile them,
 - b) Ascertain that the information on these reports accurately reflects the underlying records and documents, and
 - c) Ensure that there are no material misstatements.
- The internal audit firm should also review and take into account of the external audit reports in planning and conducting their work. This includes the work of the previous Foreign Aided Projects Audit Directorate (FAPAD) reports.
- Internal Audit firm will be required to examine the compliance of IDA Procurement Guidelines, the Public Procurement ACT 2006, Public Procurement Rules 2008 and amendments 2009 relating to international bidding/tender, and test the application of the following for the purpose of National Competitive bidding/ tender:
 1. Post bidding negotiations not allowed
 2. Bids submitted and opened in public and one location immediately after deadline for submission
 3. Re-bidding not carried out, except with IDA's prior approval/concurrence
 4. Lottery in award of contract is not allowed
 5. Bidders qualification /experience made mandatory
 6. Bids not invited on the basis of percentage above or below the estimated cost and contract award is based on the lowest evaluated bid price for eligible and qualified bidder, and
 7. Single stage two envelope procurement system not allowed.

Specific Tasks to be performed by the Audit Firm

The Audit Firm is required to provide the following services under this assignment:

- Review the existing book keeping system, examine transaction, and suggest standard internal control and accounting system suitable for the project.

- Prepare all necessary adjustment entries (closing entries) relating to the fixed assets, inventories, outstanding expenses, advances, security deposits, fund balance, etc. as per the generally accepted accounting practices;
- Verify the unaudited financial statements of the Project Accounts.
- Review and verify all the necessary documents and vouchers to ascertain that the accounting records have been done as per the international accounting standards.
- Verify that the funds received from the World Bank and GoB has been used in accordance with the covenants of the Financial Agreement with due attention to economy and efficiency, and only for the purpose for which the financing was provided and identify any ineligible expenses
- Verify that goods, works and services procured in accordance with the Procurement Guidelines of the World Bank, Public Procurement Act 2006 and Public Procurement Rules 2008.
- Verify that necessary supporting documents, records and accounts have been kept and they are consistent with the Rules and Manuals of the project and the Bank Financing Agreement. Also, verify financial related documents including audit report of various organisations.
- Verify that the accounts have been maintained properly and give true and fair view of financial situation of the project and of the resources and expenditure.
- Evaluate the internal control system and effectiveness of present accounting system and suggest other alternatives, if any, building on computer software and computerized accounting system and assets verification
- Carry out physical verifications of Infrastructures, fixed assets, etc.
- Report on the entire financial management of the project and any discrepancies, irregularities and illegal operations that are of material effect.

Approximate Volume of Tasks:

- 8(eight) number works packages;
- 3(three) number of Goods (ICT) packages;
- 5 (five) number consulting firms;
- 13(thirteen) number Individual Consultants
- Several small value goods packages; and
- All other administrative expenses

6. Internal Audit Planning:

Audit is to be planned to cover the component-1 of the project. The audit firm would plan the work dimensions as per guidelines provided under the Components break-up. Methodology should be planned and engagement of resources to carry out the planned result with time frame should be set out.

Deliverables would require to be confirmed in the inception report within 30 (Thirty) days of engagement along with revised and updated plan, methodology, resources and time frame.

The plan will be a broad outline of the strategy to be adopted by internal audit in order to meet audit objectives. Prioritization and identification of the auditable areas with a focus to the following factors;

- Significance to achieve project objectives
- The outcome of project risk assessments
- Materiality
- Risk management, performance management and other assurance processes in place
- Importance in terms of sensitivity and public accountability; and
- Coverage, timing and outcome of previous internal or external audit.

6.1 Audit Committee:

On invitation, the internal audit firm will attend Audit Committee meeting to report on the progress of planned audit work, request the Chairman of Audit Observation and resolution Committee on any need. The practicalities of these arrangements will be discussed and agreed.

6.2 Audit Evidences:

Internal audit firm will conduct audit in accordance with the plan with adequate notice to the audit units for preparation of audit data sheet circulated on relevant information. The evidences would cover (i) planning of the audit; (ii) risk assessments; (iii) procedures applied; information obtained and conclusion drawn; (iv) quality assurance reviews; (v) reporting; and (vi) post implementation reviews of recommendations.

7. Deliverables and Reporting:

Internal Audit Firm will report to the Project Director, Bangladesh Regional Connectivity Project 1(BRCP-1), Component -1, Bangladesh Land Port Authority.

The Reporting will be designed in three parts;

- i. Preliminary study of the project operations by a Chartered Accountant and submit an inception report with an audit methodology, time frame, audit resources and their qualification within 30 days of the awarding of contract. Submit draft report within 14 days of end of the each audit period, covering Audit Report with an auditors opinion, detailed report on project component wise work undertaken, control environment of the beneficiary institutions as studied by the project, fund received, utilized, reasons for delayed utilization and deficiencies noted and a table form report (sample format to agree in the inception report) with significant issues, findings, financial impacts, recommendations, management response and timeframe of the implementation of the recommendations.
- ii. Submit final report as reviewed under (ii) within 28 days of end of each audit period in (a) DVD version in MS Office (word/excel) and (b) Printed version; all in ten sets.

Each Report shall contain:

- Executive Summary
- Summary of audit findings with recommended actions.
- Detailed assessment of each audit areas which include review of the project progress, assessment of internal control system that

captures the audit issues and recommendations with the following details:

- ❖ Issue Title
 - ❖ Observation
 - ❖ Impact or risk
 - ❖ Cause
 - ❖ Specific Recommendations
 - ❖ Priority
- Categorization of audit findings by risk severity (Risk Control Matrix): High, Medium and Low; and
 - Classification of possible causes of audit findings.

8. Data & Services to be provided:

- The auditor shall be given access by the client to all legal documents,
- Correspondences and any other information associated with the Audit Committee and deemed necessary by the auditor. Confirmation should also be obtained of amounts disbursed and outstanding with Donors, Government, etc.
- The auditor shall also be given access to all relevant papers and documents, correspondences and any other information deemed necessary during the audit.

9. Duration of the assignment:

Up to June 2026 and divided into two phases-

- a. Phase 1: reports should be submitted for Period 1 - from July 2018 to June 2024
- b. Phase 1: reports should be submitted for Period 1 - from July 2024 to June 2026

10. Method of Selection and payment:

The consulting firm selection method shall be Fixed Budget Selection (FBS) and payment will be made as per following output

Deliverable	Payment
Inception Report	10% of total contract price
Draft Report of 1 st phase	30% of the value of 1 st phase
Final Report of 1 st phase	60% of the value of 1 st phase
Draft Report of 1 st phase	30% of the value of 1 st phase
Final Report of 1 st phase	60% of the value of 1 st phase

The same payment milestone will be followed for 2nd phase.

11. Team Composition and Consultant's Qualification:

- (i) Minimum 15 (Fifteen) years of documented experience of auditing of GOB development projects of which 5 (Five) years of experience must be on



- auditing of IDA financed projects. The Lead auditor/consultant must be an FCA or CIA qualified with at least 15 years of post-qualification experience.
- (ii) Must have an experience of at least 5 projects in last 5 years with the value of assignment worth of BDT 50 lakhs each.
 - (iii) Having documented evidence of average financial turnover of BDT 100 lakhs annually for last three years.
 - (iv) Extensive experience in establishment of Risk Based Internal Audit Departments. The consultant/firm must be able to showcase at least 2 successful assignments in the public sector.
 - (v) The consulting staff must have at least 10 years of professional experience working in the field of Public Financial Management, especially on the internal audit.
 - (vi) Ability to write clearly in English and to use word processing applications.
 - (vii) Other relevant documents like firm registration, VAT registration, latest tax clearance, etc. are necessary.

Team Composition

The Consultant should propose the person-days required for each staff, keeping in mind that the entire internal audit for each phase has to be completed within 12 weeks as specified.

SL	Designation	Qualification and Experiences
01	Team Leader/Audit Partner	CIA/CA/CMA/ACCA. At least 15 years of relevant experience in auditing the public sector donor funded projects, preferably IDA funded projects.
02	Audit Manager	Day to day management of the audit should be the responsibility of an Audit Manager with at least 5 years post-qualification experience as a practicing Chartered Accountant.
02	Financial Management Expert	Masters in accounting/finance or business administration or relevant discipline. At least 05 years of relevant experience in auditing the financial management aspects of public sector projects.
03	Procurement Expert	Bachelors in engineering/MBA or Masters in relevant discipline. At least 05 years of relevant experience of working in an audit firm in the area of procurement activities auditing.
04	Senior Auditor	Bachelor's degree in accounting/finance or business administration or relevant discipline. At least 05 years of relevant experience in auditing the public sector projects.
05	Junior Auditor	Bachelor's degree in accounting/finance or business administration or relevant discipline. At least 02 years of relevant experience in auditing the public sector projects.

