

Government of the People's Republic of Bangladesh
Local Government Division
Income Support Program for the Poorest (ISPP)-JAWTNO Project
DPHE Bhaban, Level-8
14 Shaheed Captain Mansur Ali Sarani, Kakrail, Dhaka-10[00.

Memo No. ISPP/PMU-102/Internal Audit Firm/2016/

Date: February 08, 2017

REQUEST FOR EXPRESSION OF INTEREST
Internal Audit

The Income Support Program for the Poorest (ISPP, the "Program") - a co-responsibility cash transfer (CCT) safety net program, implemented by the Local Government Division, that will provide income support to the poorest mothers in 443 Union Parishads in 43 Upazilas in Mymensingh and Rangpur Division, with the objectives of (a) increasing mothers' use of child nutrition and cognitive development services, and (b) enhancing local level government capacity to deliver safety nets.

02. The Government has received a Credit from the International Development Association (the "Bank") in an amount equivalent to US\$300 million, toward the cost of the Income Support Program for the Poorest, which includes a technical assistance component that will support and facilitate implementation of the CCT program for targeted beneficiaries, including enhancing local-level government capacity and monitoring and evaluation. The Government intends to apply a portion of the proceeds of this Credit for procuring services of a qualified internal Audit Firm.
03. The Local Government Division of the Ministry of Local Government, Rural Development and Cooperatives now invites eligible Audit firms to submit their Expressions of Interest (EOI) for the above contract package for providing the required services. Interested Audit firms must provide information with documentary evidences indicating that they are qualified to perform the services (brochures, copy of its original registration, description of assignments of similar nature, experience in similar conditions, availability of appropriate professional qualifications and experience among staff, etc.). The EOIs received will be evaluated on the basis of the following:
- Registration of the firm
 - Age of the firm
 - Qualification and experience of staffs assigned to this service.
 - Experience of the firm in similar assignments
 - Experience of the firm in other works
 - Support services of the firm
04. The Internal Audit Firm shall support the project in the achievement of its goals by:
- An assessment of the adequacy of the project's financial management system, including internal controls. This would include aspects such as adequacy and effectiveness of accounting, financial and operational controls exercised by the project and suggestions of improvement, if any.
 - Ascertaining the extent of level of compliance with established policies, plans and procedures including those agreed under the legal agreement.
 - Review the cash transfer systems and procedures and also monitor the reconciliations of cash transfer to beneficiary with the MIS report, BPO statements & Project Accounts;
 - Verify the procurement plan and procedures whether it is implemented in accordance with the government procurement rules and World Bank guidelines;
 - Review and verify the recruitment of project staff and selection procedures with the compliance of World Bank and Government system.
 - Review and verify the appointment of consultant and selection procedures with the compliance of World Bank and Government system.
 - Verifying that the funds received under the project have been used in accordance with the financing agreement, with due attention to economy, efficiency and utilized only for the purposes for which the financing was provided.

- Review whether budgeting & accounting practice meets established International/National standards.
 - Verify the expenditures charged under the project are eligible for financing, correctly classified and all necessary supporting documents, records, accounts and contracts have been kept in respect of all project transactions/activities.
 - Confirm an appropriate system of accounting and financial reporting exists, on the basis of which SOE claims/IUFRs are prepared and submitted for reimbursement.
 - Examine & evaluate the adequacy of manpower for sound & effective operation of the project.
 - Justify the proper utilization of manpower appointed in the project including National Consultant.
 - Ascertain the reliability of integrity, controls, security and effectiveness with the system.
05. Special attention of interested Firms is drawn to paragraph 1.9 of the World Bank's ***Guidelines for Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers (January 2011)*** which sets forth the World Bank's policy on conflict of interest.
06. Internal Audit Firm may associate with other Firm in the form of a joint venture to enhance their qualifications. Firms which intend to participate in JV should submit information for each partner, which will be assessed independently regardless of capacity/experience of the other partner. In case of a joint venture all members of such association should have real and well defined inputs to the assignment and it is preferable to limit the total number of Firms in the association to a maximum of three.
07. Firms be selected in accordance with **Fixed Budget Selection (FBS)** procedures set out in the ***Guidelines for Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers (January 2011)***. Only shortlisted Firms will be invited to the next stage of Request for Proposal (RFP).
08. All EOIs (one original copy and two duplicate copies) must be submitted in a sealed envelope. Firms shall submit their EOIs by **4.00 pm on February 26, 2017** in a sealed envelope clearly marked "Request for Expression of Interest (REOI) for Selection of Firm for conducting "Internal Audit" (Contract Package # SF-5) to the undersigned by hand/courier service /guaranteed express service through the post office. No EOI will be received through e-mail.
09. Any attempts to unduly persuade the procuring entity by any applicant will be ground for disqualification. The authority reserves the right to accept or reject any or all the EOIs without assigning any reason whatsoever. The EOI notice and ToR are available on the following websites: www.lgd.gov.bd and www.cptu.gov.bd

Md. Aminul Islam
Project Director (Additional Secretary)
Telephone: +88-02-9347690

TERMS OF REFERENCE (TOR)
For Appointment of Internal Auditor
For the period from June 2015 to June 2017

1.00 Background

The Government of Bangladesh has received a credit from the International Development Association in an amount of equivalent to US\$ 300.00 million for the project namely Income Support Program for the Poorest (ISPP), which will provide income support to the poorest mothers in selected Upazilas for increasing the use of child nutrition and cognitive development services, and enhancing local-level Government capacity to deliver safety nets. The project will be implemented by the Local Government Division that will provide income support to the poorest mother in 443 Union of 43 Upazilas under Mymensingh and Rangpur Division. The project period is April 2015 to June 2020.

The Project objectives are:

- (a) Provide cash transfers linked to the utilization of specific services by poor pregnant women and mothers, and
- (b) Establish local level common implementation platforms for safety nets.

The project consists of the following Components:

- Component-1: Cash Transfers for Beneficiary Households
- Component-2: Enhancing Local Government Capacity
- Component-3: Monitoring and Evaluation of the Project Activities

2.00 The Objectives of the Internal Audit

- The main objective of Internal Audit is to add value and improve projects operations. It will help the project accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The objective could be achieved by examining, evaluating and reporting on the adequacy of the projects control environment of individual audit assignments for the period. Based on this work, advice and recommendations will be made as necessary, as to how procedures can be improved to manage the risks faced in achieving project objectives.
- The primary objectives of the internal audit are to review and report on:
 - Reliability of the financial management system, financial data and report at all tiers of operation of the Project;
 - 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;
 - Financial Report: completeness, timeliness, accuracy, reliable and for the purpose oriented of different stakeholders;
 - Assets: completeness, existence, recording, safeguard and utilization for the purpose intended.

3.00 Nature of Internal Audit:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit will take positive steps to ensure that the management has made adequate arrangements for the prevention and detection of fraud and corruption. The major role of Internal Audit is to provide independent assurance that systems operated by the Authority are effective and that the control environment is adequate. Internal auditors are to provide independent assurance that risks are mitigated and that the organization's corporate governance is strong and effective. And, when there is room for improvement, internal auditors make recommendations for enhancing processes, policies, and procedures.

The Internal Audit shall support the project in the achievement of its goals by:

- Identifying and assessing financial and operational risks in the project operations;
- Evaluating the adequacy and effectiveness of overall internal control system which may include but not limited to:
 - Preventing and detective controls;
 - Risk identification, risk assessment and risk management by the Project;
 - Reliability and comprehensiveness of financial reporting ;
 - Efficiency, effectiveness and economy of operations;
 - Safeguarding assets and information;
 - Performance of tasks and achievement of goals.
- Providing recommendations for improving activities in the project.

4.00 Scope of Services:

The scope of internal audit activity includes examining and evaluating the policies, procedures and systems which are in place to ensure reliability and integrity of information, compliance with policies, plans procedures, laws and regulations; safeguarding assets; economical and efficient use of resources; and accomplishment of establishing objectives and goals for operations or programs.

The audit should be carried out in accordance with the International Standards of Internal Auditing issued by the Institute of Internal Auditor and should include such tests and controls necessary for performance of the audit. The scope of internal audit areas should include but not limited with the followings:

- An assessment of the adequacy of the project's financial management system, including internal controls. This would include aspects such as adequacy and effectiveness of accounting, financial and operational controls exercised by the project and suggestions of improvement, if any.
- Ascertaining the extent of level of compliance with established policies, plans and procedures including those agreed under the legal agreement.
- Review the cash transfer systems and procedures and also monitor the reconciliations of cash transfer to beneficiary with the MIS report, BPO statements & Project Accounts;

- Verify the procurement plan and procedures whether it is implemented in accordance with the government procurement rules and World Bank guidelines;
- Review and verify the recruitment of project staff and selection procedures with the compliance of World Bank and Government system.
- Review and verify the appointment of consultant and selection procedures with the compliance of World Bank and Government system.
- Verifying that the funds received under the project have been used in accordance with the financing agreement, with due attention to economy, efficiency and utilized only for the purposes for which the financing was provided.
- Review whether budgeting & accounting practice meets established International/National standards.
- Verify the expenditures charged under the project are eligible for financing, correctly classified and all necessary supporting documents, records, accounts and contracts have been kept in respect of all project transactions/activities.
- Confirm an appropriate system of accounting and financial reporting exists, on the basis of which SOE claims/IUFRs are prepared and submitted for reimbursement.
- Examine & evaluate the adequacy of manpower for sound & effective operation of the project.
- Justify the proper utilization of manpower appointed in the project including National Consultant.
- Ascertain the reliability of integrity, controls, security and effectiveness with the system.

5.00 Applicable Compliances:

Audit methodology to set out in collaborated compliance with the:

- General Financial Rules of Government;
- Budgeting & Planning Process of Government;
- Guidelines for Release & Utilization of Funds for Development Projects; Circulated by Finance Division, Ministry of Finance;
- “Delegation of Financial Powers for Development Projects” issued by Finance Division, Ministry of Finance;
- The Project Appraisal Document (PAD);
- Financing Agreement of the Project (FA);
- Development Project Proposal (DPP);
- World Bank Disbursement Guidelines for Projects;
- Public Procurement Act 2006 & Rules 2008.
- VAT & Income Tax practice in Bangladesh.
- Memorandum of understanding (for services) between LGD & MoHFW.
- Service agreement between LGD & BPO.
- Memorandum of understanding between LGD & BBS.
- Agreement & Contract between LGD & Consultants.

6.00 Specific Works & Services:

- Ensure compliance with statutory obligations, requirements of various rules & regulations as applicable to the organization and comments on the non-compliance, if any, observed during the audit period.

- Determine the application of financial reporting, risk management and internal control principles, and for monitoring the effectiveness of Financial Operations;
- Review the cash transfer systems and procedures and also monitor the reconciliations of cash transfer to beneficiary with the MIS report, BPO statements & Project Accounts;
- Verify the procurement plan and procedures whether it is implemented in accordance with the government procurement rules and World Bank guidelines;
- Review and verify the recruitment of project staff and selection procedures with the compliance of World Bank and government system.
- Review and verify the selection procedures of Consultants appointment with the compliance of World Bank and Government guidelines
- Check the integrity of financial statements, including other formal reports relating to its financial performance and will review significant financial reporting issues and judgments contained therein;
- Justify whether the project has followed appropriate accounting standards and made appropriate estimates and judgments;
- Verify the books of accounts whether it is maintaining as per standard accounting system and confirms the same;
- Vouching of Books of Accounts and Registers;
- Verification of monthly bank transactions and reconciliations;
- Assess whether the financial reports e.g. Expenditures, Funds Reconciliation, Fund disbursement related reporting, MIS, others (if any), as prepared by the organization, are complete and accurate.
- Review and verify the effectiveness of consultant services both in PMU & field level activities.
- Assess the existing internal control systems and procedures and recommend suitable changes, if any.
- Any other works as per requirement of management.

8.00 Qualification & Experiences:

Professional Firms of Chartered Accountants/Cost & Management Accountants having at least 10 years experiences in the internal audit field.

8.1 Eligibility Criteria:

Proposals for the service will be considered from qualified and experienced firms that ideally fits the following eligibility criteria;

1. Experience of the firm;
2. Expertise of the firm in providing similar services;
3. Qualification and experience of staffs assigned to this service.

8.2 Composition of the Proposal:

Eligible qualified firm, to deliver the above scope of work specific services, are requested to submit their bids. The following shall be included in the bid proposal:

a. Composition of Technical Proposal:

Under this section, the following information shall be provided:

- Profile of the firm;
- Work Plan & methodology;

- Experience of staffs assigned to implement the works;
- Manning Schedule;
- Usage of technical support/program;
- Details of any past experiences in implementing of similar projects;
- Letters of reference from previous clients.
- CV of team members

b. Team Requirements:

The members in the audit team, their minimum qualifications and their anticipated inputs are indicated below:

- (a) The audit team shall be led by a Team Leader with a minimum of 10 years post-qualifying experiences as a Chartered Accountant/Cost & Management Accountant. Preference shall be given to those who have proven knowledge and experience in dealing with IDA funded project;
- (b) The audit team shall include experts who have working experience with the development project operations, as well as procurement knowledge in order to facilitate contract review process;
- (c) The audit team shall include sufficient number of appropriate audit staff.

c. Composition of the Financial Proposal:

The financial proposal shall comprise with the following details:

- (a) Manpower Costs in details as per manning schedule
- (b) Travel Costs in details with cost breakdown
- (c) Report Production Cost
- (d) Others (If any)

9.00 Audit Area & Time Frame:

- (a) The audit will be conducted at the PMU office in Dhaka. Sample field audit (at least 10% of project area) will be needed for confirming the field activities including activities of Firms/NGO/BPO/CC & others.
- (b) The audit firm shall be appointed to cover the activities for the period of June 2015 to June 2017

The duration of the audit shall be 90 days (from inception to final report). The appointment of the auditor shall be made before 2 month ending of the FY 2016-17. The auditor will be started the audit works at least one month before at the end of audit period and be submitted the final report within 90 days from the date of commencement.

10.00 Reporting:

The auditor will submit the audit report on the following way:

- **Inception Report:** The report to be submitted to Project Director within 20 days from the commencement of the Audit.
- **Draft Audit Report:** The draft report will be submitted to the Project Director within 75 days from the commencement of audit. The project management will review the draft report and attend the auditors query (If any) before finalizing the Audit Report.
- **Final Report:** The final report will be submitted to the Project Director within 90 days from the date of commencement which will be shared with the World Bank.

11.00 Mode of Payment:

The mode of payments for conducting the Internal Audit services will be as follows:

- 10% on contract value will be paid after submission of Inception Report.
- 30% contract value will be paid after submission & reviewing of Draft Report.
- 60% on contract value will be paid after submission & acceptance of Final Report.

12.00 Others:

1. The Internal Auditor would be given access to all relevant documents, correspondence, and any other information relating to the project. The Internal Auditor should be familiar with the project, and with the relevant policies and guidelines of the Government and the Development partner (including those relating to disbursements, procurement and financial management and reporting). The Internal Auditor would be provided with copies of the Development Project Proposal (DPP); Financing Agreement & others Agreement & Contract with the implementing partner (s). The Internal Auditor should obtain, and maintain satisfactorily document evidence to support their conclusions.
2. Internal auditors must exercise with due diligence by considering:
 - Extent of work needed to achieve the engagement's objective;
 - Relative complexity, materiality, or significance of matters to which assurance procedures are applied;
 - Adequacy and effectiveness of governance, risk management, and control processes;
 - Probability of significant errors, fraud, or noncompliance; and
 - Cost of assurance in relation to potential benefits.
3. The Internal Auditor will provide to the project highlighting findings to enable the management to take timely action. This will be in the form of a Management Letter (including executive summary highlighting key issues for management) which will inter alia include;
 - Comments and observations on the financial management records, system and controls that were examined during the course of internal audit;
 - Deficiencies and areas of weakness in systems and controls and specific recommendations for their improvement;
 - Compliance with legal agreements and comments, if any, on internal and external matters affecting such compliance;
 - Matters that have come to attention during the internal audit that might have a significant impact on the implementation of the project; and
 - Any other matter that the internal auditors consider pertinent.