

Government of the People's Republic of Bangladesh
TERMS OF REFERENCE
OF THE
INTERNAL AUDIT CONSULTING FIRM (Consulting Services)
(Package No. SD-11)

1. INTRODUCTION AND BACKGROUND

1.1. Context

The Government of the People's Republic of Bangladesh has received a Credit from the World Bank to finance the Accelerating Transport and Trade Connectivity in Eastern South Asia (ACCESS) – Bangladesh Phase 1 Project and intends to apply part of the proceeds for consulting services.

The National Board of Revenue (NBR), Ministry of Finance, Government of Bangladesh (GoB) intends to apply a portion of mentioned credit to hire a competent, qualified, and experienced consultancy firm to prepare detailed design for the development of Custom House Chattogram (CCH) and The Customs Excise and VAT Training Academy (CEVTA) in Chattogram, and to supervise the works once the Contractors are onboard. The facilities need to get a reputed international green building certification and is to be built accordingly.

▪ Custom House Chattogram (CCH):

The available land is 2.74 Hectare, and the approximate development budget is 83 million USD. This needs to accommodate multi-storied building (17-story) buildings with basements for parking (or other arrangement to park vehicles) and about 103,700 square meters of built-up space to accommodate offices for customs function, laboratories, data center, store rooms, meeting rooms, medical room, women common room, child-care center, library, utility centers, and up to 19% of the built-up space for living quarters as required in a security sensitive stand-alone facility. A solar power backup for essential services is also to be included in the development.

▪ The Customs Excise and VAT Training Academy (CEVTA)

The available land area is 15.65 Hectare, and the approximate development budget is 47 million USD. This needs to accommodate up to 6-story buildings with basement for parking (or other arrangement to park vehicles) and about 58,200 square meters of built-up space for administrative, training and up to 15% of the built-up space for living quarters. A rain water harvesting system and solar power backup for essential services is also to be included in the development. The campus shall have all the basic amenities required for a contemporary training academy.

1.2 About the ACCESS Program

As per the request from the GoB, the World Bank approved the ACCESS - Bangladesh Phase 1 in June 28, 2022. The project was signed on May 01, 2023, and became effective from May 03, 2023.

The ACCESS Program encompasses two phases with an estimated total program cost of US\$1,450.95 million and spanning over three countries (Bangladesh, Nepal and Bhutan) with three projects. The IDA Multi-phased Programmatic Approach financing envelope is US\$1,128.45 million, including US\$753.45 million for Bangladesh and US\$275 million for Nepal in Phase 1, and US\$100 million for Bhutan in Phase 2. Estimated counterpart financing amounts to US\$322.5 million in phase 1.

The program has the following activities in Bangladesh under its three components:

1.2.1 Component 1: Digital Systems for Trade

Supporting the development and improvement of IT-enabled services for trade, to reduce touch points and human interaction, enhance transparency, reduce congestion, and truck idling, resulting in faster border clearance time and greater cargo throughput, as follows:

- a) Designing, supplying, developing, installing, configuring, and testing of an electronic automated border management system for Benapole, Bhomra, and Burimari land ports.
- b) Designing, supplying, developing, installing, configuring, and testing of a centralized management information system that provides real-time information and monitoring of land port performance.
- c) Providing an e-learning portal for risk management and supporting software for risk profiling to enhance risk management practices.
- d) Developing of an e-learning platform for the Customs, Excise and VAT Training Academy, Chattogram (CEVTA); and
- e) Designing and delivering of training modules for component 3 of the Project.

1.2.2 Component 2: Green and Resilient Regional Transport and Trade Infrastructure

Supporting green, resilient, and inclusive trade and transport infrastructure development along key regional corridors, as follows:

- a) Developing efficient and resilient land ports at: (i) Benapole; (ii) Bhomra; and (iii) Burimari to meet increasing trade and traffic demand.
- b) Constructing a state of the art green-building certified, resilient Custom House Chattogram (CCH) with enhanced capacity to process rapidly growing trade volumes with required

- infrastructure, collaborative laboratory and other facilities including facilities for women (including, among others, service desk, day-care center, separate WASH facilities).
- c) Developing a state of the art green-building certified and resilient Customs, Excise and VAT Training Academy, Chattogram (CEVTA) to institutionalize the NBR's capacity building programs and enable continuous human resource development.
 - d) Carrying out a feasibility, detailed design, supervision and interior design consultancy for the CCH and CEVTA.
 - e) Upgrading the Sylhet-Charkhai-Sheola Section (43 kilometers) from a two-lane single carriageway to a climate-resilient four-lane dual carriageway, connecting Sheola Land Port with the Sylhet-Dhaka Highway; and
 - f) Installing of climate-resilient optical fiber cable ducts and an intelligent transport system for the road section, designed to improve availability and reliability of broadband connectivity.

1.2.3 Component 3: Institutional and Policy Strengthening for Transport and Trade

Supporting the Recipient's implementation of the WTO Trade Facilitation Agreement, Customs Modernization Strategic Action Plan, and preparedness for MVA implementation, as follows:

- a) Supporting the implementation of the NBR's priorities for customs modernization through the provision of technical assistance for: (i) tariff modernization, in particular, tariff policy analysis, formulation and phased implementation of tariff policy; (ii) bond modernization, in particular, formulation of a Bond Manual rationalizing and consolidating the policy regulations for bonded warehouses and introducing policy regime for common bonded warehouse and scoping for duty drawback and exemption office automation; (iii) introducing green channel clearance through risk management, authorized economic operator and trusted trader programs; (iv) formation and operationalization of a national single window Commissionerate; (v) effective application of pre-arrival processing; and (vi) implementation of post-clearance audit; (vii) developing training modules for CEVTA, business plans and customs, human resources, development strategies for improved services to all stakeholders, including women traders and (viii) preparation of the Customs Modernization Strategic Action Plan 2023-2026;
- b) Organizing training programs for women traders on rules and regulations related to trade, and IT-enabled trade related services;
- c) Providing of technical assistance to the NBR for project management and quality assurance, conducting feasibility and detail design studies for custom houses, associated environment and social standards studies, and other assessments, surveys, and data collection and capacity building programs;
- d) Providing technical assistance to the BLPA for conducting feasibility and detail design studies for land ports, associated environment and social standards studies and awareness programs, studies, and capacity building in relations to land port modernization; and
- e) Providing technical assistance to the RHD to advance the Recipient's preparedness and subsequent implementation of the MVA, preparatory studies for next-generation regional

roads projects, environmental and social standards studies, other assessments, studies and surveys and capacity building activities.

1.2.4. Component 4: Contingent Emergency Response

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

2. OBJECTIVE

- 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:

- a. Reliability of the financial management system, financial data and report at all tiers of operation of the Project;
- b. Adequacy and effectiveness of the accounting, financial and operational controls;
- c. Internal Control Systems: completeness, written instructions, effective implementation and frequency of review and up-dating;
- d. Level of compliance with the established policies, plans and procedures;
- e. Financial Report: completeness, timeliness, accuracy, reliable and for the purpose oriented of different stakeholders;
- f. Assets: completeness, existence, recording, safeguard and utilization for the purpose intended.

3. SCOPE OF THE CONSULTANCY 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 established 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 overall cash management and asset management procedures and also verify reconciliation procedures with 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 Schedule of Expenditure (SOE) claims/interim Unaudited Financial Report (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.



4. SPECIFIC WORKS AND SERVICES

Specific service required under this package may be as follows:

- 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 PIU & 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.

5. QUALIFICATION AND EXPERIENCE

Professional Firms of Internal Audit/Chartered Accountants/Cost & Management Accountants having at least 5 years' experiences in the internal audit field. The team leader of the assignment must have CIA qualification.



6. 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, Audit Strategy & methodology taking COVID 19 into consideration
- Qualification and Experience of staffs to be assigned for the task
- Manning Schedule;
- Usage of technical support/program;
- Details of all past experiences of similar tasks
- 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 bellow;

(a) The audit team shall be led by a team leader with a minimum of 5 years post qualifying experiences as a certified internal auditor or a chartered accountant. A co-task team leader must be a qualified accountant and have at list 5 years of post qualification experience.

(b) The audit team shall include experts who have experiences in auditing developments partner funded projects as well as procurement knowledge in order to facilitate contract review process.

(c) The auditors shall be qualified accountant.

c. Composition of the Financial Proposal :

The financial proposal shall comprise with the following details ;

- (a) Experts fee (remuneration)
- (b) Reimbursable

Handwritten signatures and initials are present at the bottom of the page, including a signature on the left, a large stylized signature in the center, and another signature on the right.

7. AUDIT AREA AND TIME FRAME

- (a) The audit will be conducted at the PIU office. The auditors will select an appropriate sample size (with rationale) to conclude and opine on the effectiveness, efficiency and economy of the project's operation.
- (b) The audit firm shall be appointed to cover the activities for the project period. The project period is 66 months.

8. REPORTING

The auditor has to submit a report annually during the project period. The reports may come 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 format of the report shall be submitted by the auditors to the project director for comments and clarification within 20 days from the date of completion of the field work each year.
- Annual Internal Audit Report: The Annual report, modified, and updated from the draft Report, with necessary suggestions, shall be submitted to the Project Director by December 31, each year starting from January 01, 2023. Copy of the final report shall be shared with the World Bank immediately after acceptance by the project director.

9. OTHERS

- (a) 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.
- (b) 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.

(c) 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.

