Government of the People's Republic of Bangladesh
Ministry of Local Government, Rural Development and Cooperatives
Local Government Division
Improvement of Urban Public Health Preventive Services Project

Terms of Reference (ToR)
For
Selection and Employment of Firm for Internal Audit
(Package no. BD-LGD-SD-19)

1. Background

The Government of the People's Republic of Bangladesh (GoB) has received a credit from the International Development Association (IDA) for implementation of the "Urban Health, Nutrition and Population Project", implemented by the Ministry of Health and Family Welfare (MoHFW) and the Ministry of Local Government, Rural Development & Cooperatives (MoLGRD&C). The Project has two components. The Second Component (Component-2) is being implemented by the Local Government Division (LGD) under the Project Name "Improvement of Urban Public Health Preventive Services Project (IUPHPSP)". The main goal of the Project (Component 2) is to develop systems and capacities of LGD, City Corporations and Municipalities (i.e., called Pourashava) for delivering public health preventive services such as vector (mosquito) control, outhouse medical waste management, mitigating air and sound pollution and climate change effects on public health, behavior change communications to promote healthy lifestyles and creating awareness as well as community-driven interventions for addressing non-communicable diseases (NCD). The geographical areas of the project are Dhaka North City Corporation (DNCC), Dhaka South City Corporation (DSCC), Chattogram City Corporation (CCC), Savar Pourashava, Tarabo Pourashava and Dhaka Mosquito Control Office (DMCO).

IUPHPSP (i.e., Component 2) will support delivery of environmental health and preventive services primarily in the above mentioned locations through: (a) development and implementation of a comprehensive strategy for integrated vector surveillance and management, including capacity building and institutional strengthening of local bodies; (b) support for behavior change communication and outreach interventions in the citizens of the urban areas, including for air and noise pollution effects among the stakeholders; (c) tree planting for climate change; (d) revision and/or development and implementation of strategy, arrangements, practices, guidelines, policies, and standards for outhouse medical waste management (MWM); and (e) support for day-to-day administration, management, monitoring, and coordination of the project, including financial management, procurement, monitoring and evaluation (M&E), citizen engagement, and environmental and social (E&S) management.

LGD is the lead implementing agency of the Project. The LGD is establishing a Project Management Unit (PMU) headed by a Project Director. He will be assisted by one Deputy Project Director (DPD), other Project staff and outsourced staff including a team of twelve (12) individual consultants. The PMU will be responsible for core project management functions and the coordination of Project activities, such as procurement of goods, works, non-consulting services

and consulting services (firms and individuals). The goods will be distributed to 3 City Corporations, 2 Pourashavas, and DMCO. The consulting firms will carry out specific consulting services and recommend local government bodies and agencies including government to implement certain activities in effective and efficient ways.

The LGD intends to apply a part of the proceeds of this credit to hire an Audit Firm (the Consultant) to assist the PMU and other stakeholders of the project.

Objective of the Assignment: Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve LED PMU and other stakeholders of the project. The aim of internal audit is to help Project to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The primary objectives of the assignment (risk based internal audit) are to review and report on:

- 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 rules, policies, plans and procedures;
- Completeness, accuracy, timeliness, including eligibility of expenditure in the financial disclosure/reports provided to the bank and stakeholders from time to time; and
- Assets: completeness, existence, record keeping, safeguard and utilization for the purpose intended.

The audit firm would cover project activities i.e all receipts and application of funds by GOB and the Development partner organizations. The auditor would visit the various Field Offices as considered necessary for the audit on a sample basis.

The audit should be carried out in accordance with international Internal Audit Standards issued by Institute of Internal Auditors (IIA). The audit firm will examine the adequacy and effectiveness of the project financial management systems including operation of the computerized system with particular emphasis on various financial and operational controls and recommends methods to improve or to create new ones where there are none. This would include aspects such as:

2. Fund Flow Arrangement of the Project

The PMU is operating a dedicated Designated Account (DA): CONTASA with a commercial bank for receiving IDAs share of fund. GoB funding has been executing through the Integrated Budget and Accounting System (iBAS++) with the Government's prescribed e Budget and Accounts Classification System (BACS) to track the budget and utilization of project funds. PMU is responsible for reconciling funds to be advanced to cost centers on a monthly, quarterly and annual basis.

3. Accounting System of the Project

The project follows cash basis accounting system in line with the overall government accounting framework.

4. Preparation of Annual Financial Statements

The PMU will prepare Annual Financial Statements of the project comprising of fund receipts and disbursements statement along with notes thereto for the fiscal year ended on 30th June as per prescribed format of the Government of Bangladesh (subject to acceptable to the World Bank) and submit the same to the Consultant by 15 August of each year. The Consultant will carry out audits by 31 October of each year and submit the Audited Financial Statements to the PMU by 15 November of each year for distribution to the stakeholders including the World Bank. The audit process will include the FY 2024-25 and FY 2025-26 (together) and FY 2026-27. There will be only performance audit and compliance audit with environmental and social safeguard for the period July-December, 2027 of FY 2027-28.

5. Objectives of the Assignment

The main objective of this assignment is to carry out the review of financial management operation of the PMU, performance review of the PMU and other organizations under the project [i.e., Dhaka North City Corporation (DNCC), Dhaka South City Corporation (DSCC), Chattogram City Corporation (CCC), Savar Pourashava, Tarabo Pourashava, Dhaka Mosquito Control Office (DMCO)] and fiduciary and safeguards compliance assessment of the project in order to determine the efficacy and effectiveness of the financial management system put in place, and utilization of project funds to achieve the project objectives and to inform the project stakeholders including government, the World Bank and beneficiaries. On the other hand, it is to add value to and improve the operation of the Project which would help accomplish the project objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process for the specified period(s).

6. Scope of Services

A. Financial Audit

- **Task 1**: The Consultant will review the adequacy and suitability of the project financial management systems and arrangements practiced by the PMU and compliance with the Financing Agreement with, the Disbursement and Financial Information Letter (DFIL) and the Disbursement Guidelines for Investment Project Financing, dated February 2017 of, the World Bank.
- **Task 2**: The Consultant will review the Interim Unaudited Financial Statements (IUFR) (i.e. prepared quarterly and shared with the World Bank) and determine the reflection of IUFRs in the financial statements of the fiscal year which is under review. The consultant will also review the Statement of Expenditures (SOEs) and determine completeness, timeliness, occurrence, measurement, recording, regularity including eligibility and propriety. The auditor will also review the effectiveness of following within FM operation of the project

- Financial reporting Controls: Properly record, process and summarize transactions to permit preparation of timely and reliable Interim Unaudited Financial Report (IUFR).

- Compliance Controls: Execution of transaction in accordance with appropriate authority, provision of loan agreement and established policies, plans and procedures.

- Safeguard Controls: Ensure assets acquired by the project are recorded in the books of accounts and asset register(s). The assets and stores have been maintained in appropriately secure storage facilities and have been accounted for using properly maintained inventory records which are reconciled periodically (at least annually) to the physical inventories.

Task 3: The Consultant will review the previous year's audit report conducted and completed by the Foreign Aided Projects Audit Directorate (FAPAD) and review the adequacy of evidences in support of resolution.

Task 4: The Consultant will primarily focus on the effectiveness of expenditure, adherence to the rules and regulations of the government and effective management of assets and funds of the Project.

Task 5: The Consultant will follow the risk-based approach to assess the entire financial statements and review at least 60% sample (covering at least 80% monetary value) of all transactions including all large transactions encompassing transaction decisions.

Task 6: In conducting an audit, the Consultant will pay special attention to the following areas:

(1) Review the accounting and financial management systems that are in place and have remained reliable and effective to record and monitor every financial transaction;

(2) Review the application of accounting, financial and operating controls that are adequate and effective and protect misappropriation of assets;

(3) Verify the internal control system that is effective to ensure the prevention of, and early detection of embezzlements, frauds, misappropriations and misapplications;

(4) Identify the areas of significant weaknesses and inefficiencies in the existing system and suggest necessary remedial measures;

(5) Verify the compliance with the government and statutory requirements and the World Bank requirements;

(6) Confirm that the agreed procurement procedures and arrangements have been followed for works, goods and services (both consulting and non-consulting) in accordance with the approved PPSD and the Annual Procurement Plan and most appropriate procurement decisions are implemented;

(7) Verify that all goods procured and issued are recorded in the Store/Stock Ledger/Register with all supporting documentation;

(8) Verify that issued goods and unissued goods are in appropriate place/location during the audit period;

(9) Confirm that expenditures incurred under the Project are for intended purposes; and

(10) Check that all expenditures are correctly reported in the SOEs, IUFRs and the financial statements at the end of the fiscal year.

Task 7: The Consultant will examine the annual financial statements of the PMU and express the deficiency in internal control, material weakness in internal control in writing with recommendation to the PMU in the context of the standard financial procedures established by the Government of Bangladesh.

Task 8: As part of the audit task, the Consultant will suggest improvements/ rectifications in the draft Accounts and Notes, so that the audited accounts present fairly in all material respects, the cash receipts and disbursements of the PMU in accordance with the relevant rules and regulations of the Government.

B. Performance Audit

Task 9: The Consultant will review the yearly project target with respect to budget allocation, budget expenditure, procurement target, utilization of procured assets/items, training program, behavioral change in society, air and sound pollution mitigation measures, medical waste management, plantation, vector control performance, and other priority objectives of the Project.

Task 10: The Consultant will review the baseline information kept in the Project Office and collect the same information from various reports prepared monthly, quarterly, half yearly, and/or yearly by the PMU and compare the collected data with the baseline data and determine the performance of PMU, DNCC, DSCC, CCC, DMCO, Savar Pourashava and Tarabo Pourashava under the Project. The performance audit of DNCC, DSCC, CCC, DMCO, Savar Pourashava and Tarabo Pourashava will cover only the activities implemented under the project.

Task 11: The Consultant will review the terms of reference of various committees as described in the Development Project Proposal (DPP) and evaluate the performance of the Committee with the decision/ recommendation processes.

Task 12: The Consultant will accumulate data in the database (in Excel) and submit the database information as part of the report (as Annex of the report). The Consultant will develop a suitable methodology to collect and process the data.

C. Compliance Audit with Environmental and Social Safeguards

Task 13: The Consultant will collect and review the environmental and social compliance of the Projects carried out by each entity. This must be done by reviewing various reports prepared by the Environment Specialist, Social Specialists and other consultants engaged under the Project. The Compliance Audit, Environmental and Social Safeguards Audit of DNCC, DSCC, CCC, DMCO, Savar Pourashava and Tarabo Pourashava will cover only the activities implemented under the project.

7. Preparation of Database

The Consultant will collect the relevant data using a prescribed format acceptable to the Client during the auditing process and prepare a database on financial information, performance of each entity and fiduciary and safeguard compliance (in Excel). The database will be a snapshot of the performance and compliance level of the entity involved in the Project implementation.

8. Entry and Exit Meetings

The Consultant will arrange entry and exit meetings with the Project Director and authorized representatives of all institute under the project and brief them about beginning of audit and the findings of the Audit.

9. Period of Audit

The Consultant would be appointed initially for FY 2024-25, FY 2025-26, FY 2026-27 and 2027-28. However, if the Project is extended beyond 30 June 2028, the contract period of the Consultant may be extended until the project is closed but subject to satisfactory performance of the Consultant. For each fiscal year, the audit period is from 15 August to 15 November after completion of the fiscal year. The first audit period includes FY 2024-25 and FY 2025-26 together and the last audit period would be July-December of FY 2027-28 as under:

Financial Year	Audit Year	Remarks
2024-25	2026-27	To be conducted together
2025-26		
2026-27	2027-28	To be conducted individually
2027-28 (July-Dec, 2027)	2027-28	Performance Audit, Environmental and Social Safeguard Audit

10. Indicative Timeline of Deliverables and Outputs for Each Financial Year

Sl No	Activity	Activity Days	Cumulative Days (From the date of Contract signing)
1	**Inception Report** Outlining detail work plan	7	7
2	**First Draft Report** with recommendation to the client:		
	• Entry Meeting, Field Work and Exit Meeting	40	47
	• Financial Audit Report	10	57
	• Management Report	5	62
	• Performance Assessment Report	5	67
	• Environment and Safeguard Compliance Assessment Report	5	72
	• Database of Annual Financial Audit, Performance Assessment, ESSA	5	77
	• Conduct Workshop on Audit Findings	3	80
	Draft Final Report: after workshop	3	83
3	**Final Report** with recommendation and management action matrix	7	90

Report Submission:

The Consultant will be required to submit the following reports in the quantity and type mentioned below:

Sl No	Activity	
1	**Inception Report** Outlining detail work plan	2 Sets of hard Copy and 1 soft copy in pen drive
2	**First Draft Report** with recommendation to the client:	2 Sets of hard Copy and 1 soft copy in pen drive
	• Financial Audit Report	
	• Management Report	
	• Performance Assessment Report	
	• Environment and Safeguard Compliance Assessment Report	
	• Database of Annual Financial Audit, Performance Assessment, ESSA	
	Draft Final Report: after workshop	
3	**Final Report** with recommendation and management action matrix	6 Sets of hard Copy and 1 soft copy in pen drive

Report shall contain:

- Executive Summary highlighting the strength and major control deficiency and recommended actions.
- 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: ***High, Medium and Low***. Classification of possible causes of audit findings.

Workshop on Draft Report:

The Consultant will arrange workshop after submission of first draft report in each financial year to share findings and collect opinion. The observations and recommendations contained in the draft report will be thoroughly reviewed and addressed in a participatory manner. All the concerned stakeholders including the representatives from City Corporations, Pourashavas,

Finance Division, Office of the Comptroller and Auditor General Bangladesh, Local Government Division, the World Bank and the Project Management Unit will be present in the workshop. Around 50 participants may attend the workshop every year.

11. Payment schedule:

For each of the Financial Year, the following payment schedule will be applied:

i. 10% of the contract value will be paid upon submission of inception report and acceptance by the client.
ii. 50% of the contract price will be paid upon submission of all draft final reports and acceptance by the client.
iii. 40% of the contract price will be paid upon submission of final internal audit reports and acceptance by the client.

VAT & Income Tax will be deducted from each payment as per applicable rule of Bangladesh.

12. Indicative Team Composition and Staff Inputs

The Consultant shall arrange the following the staff inputs from its firm for audit of each fiscal year.

For Management Level:

Team Composition	No.	Minimum Qualifications	Time Allocation	Total Staff Month
Team Leader (Key Expert)	1	FCA having an up-to-date practicing license from ICAB and minimum of 10 years of post-qualification practical auditing experience as Chartered Accountant. Must be experienced in working as Team Leader/Deputy Team Leader of similar assignment of donor/IDA funded project.	1.5 staff months	1.5 SM
Deputy Team Leader (Key Expert)	1	FCA having an up-to-date practicing license from ICAB and minimum of 5 years of post-qualification practical auditing experience.	1.5 staff months	1.5 SM

For Field Level:

Team Composition	No.	Minimum Qualifications	Time Allocation	Total Staff Month
Audit Manager (Key Expert)	1	CA (CC) with Master in Commerce/ MBA, working experience in public/private organization with IDA funded project, presently working with the firm.	2.0 staff months	2.0 SM
Auditor -1 (Key Expert)	1	Articled Student registered with ICAB having at least 2 (two) years of Article ship, working experience with similar task, presently working with the firm.	1 x 2.0 staff months	2.0 SM
Auditor -2 (Key Expert)	2	Articled Student registered with ICAB having at least 6 (six) months of Article ship, working experience with similar task, presently working with the firm.	2 x 2.0 staff months	4.0 SM
Environment and Social Specialist (Key Expert)	1	Masters in Environmental/Social Science or Bachelor of Civil/ Environment Engineering with 6 years' experience in environmental/ Social management in Project	1X1.0 staff month	1 month

It is expected that the audit of PMU and organizations under the project will be conducted by a team consisting of five (one Audit Manager, three auditor and one Environment and Social Specialist) members. If there are multiple audit team, one audit manager and one environment and social Specialist may work for all the team.

The Team Leader /Deputy Team Leader shall visit PMU and at least 2 organizations in each year of audit to get firsthand knowledge. Senior staff members including Audit Manager will be involved in reviewing audit findings and in drafting audit reports. Partners, senior articled students will also be expected to provide input in reviewing and reporting process. The consultant should submit a list of auditors, of each team verified by ICAB to the PMU before commencement of each year of audit.

13. Qualification and Experience of the Consultant

The Consultant should fulfill the following requirements:

i. Registered and in good standing with the Institute of Chartered Accountants of Bangladesh (ICAB) and in public practice in Bangladesh for more than 10 (ten) years.
ii. Must have experience in auditing of public sector bodies and proven experience in internal auditing of private and public sector bodies is desirable.
iii. Experience in similar assignments with proven track record of development project audit specially IDA funded project in Bangladesh.
iv. Income tax assessment certificate/acknowledgement certificate; Trade license; VAT certificate; and Registration certificate (Where Applicable);
v. a financial audit report of at least last three years;
vi. List of organizational committee members/board of directors;
vii. Required logistics (such as: computers, printers, photocopiers, physical office, communication etc.);
viii. List of ongoing assignments/studies;
ix. The consulting firm should have the study related necessary permanent experts. However, qualified consultants required for this study can be hired from outside of the organization on a contract basis. The consultants to be employed have to fulfil the applicable conditions Public Procurement Rules-2025/Latest Edition of the Government of Bangladesh and World Bank Procurement Regulation 2025.
x. In case of Joint Venture, must have a legal agreement among the firms where the name of the leading firm need to be mentioned. Lead firm needs to fulfil all above conditions.

14. Applicable Auditing Standards

Audit methodology is to set out in collaborated compliance with the:

(1) International Standards for the Professional Practice of Internal Auditing.

(2) GOB and Ministry of Finance regulations and controls exercised on ADP/RADP (Budget) allocations.

(3) Bangladesh Standards of Auditing as deemed relevant on project operations.

(4) Memorandum of agreements between the Government and World Bank like Financing Agreement, PAD and supplementary agreements with the project if any.

(5) World Bank mandates.

(6) Compliance with the relevant laws, rules, regulations, manuals and/or procedures in the implementation of the project.

The Consultant must exercise due professional care by considering the;

(1) Extent of work needed to achieve the engagement's objectives;

(2) Relative complexity, materiality, or significance of matters to which assurance procedures are applied;

(3) Adequacy and effectiveness of governance, risk management, and control processes;

(4) Probability of significant errors, fraud, or noncompliance; and

(5) Cost of assurance in relation to potential benefits.

15. Client Input

The Client/Project Authority will provide all required information and facilities described below:

- Access to all documents, correspondence, and any other information relating to the project and deemed necessary by the Auditor.
- The consultant will have access to all project sites.
- Copies of the DPP, PAD, Financing Agreement, DFIL etc.
- Client will provide necessary space with internet facilities while audit will be conducted at PMU and at the organizations under the project to complete the assignment.
- No transports facilities will be provided to the Consultant.
- No desktop or laptop computer, printer, scanner etc will be provided for use by individual staff working with the Consultant - the Consultant shall have to be equipped with such logistic supports for accomplishing the assignment.

16. Method of Procurement

The Consultant will be hired following the QCBS (Quality and Cost Based Selection method described in the World Bank's Procurement Regulation for IPF Borrowers (November 2025).