

TERMS OF REFERENCES (TORs) FOR PROCUREMENT OF AUDIT FIRM FOR CONDUCTING INTERNAL AUDIT OF SINDH BARRAGES IMPROVEMENT PROJECT (SBIP)

1. Project Background and Objectives:

The World Bank financed Sindh Barrages Improvement Project (SBIP) is under implementation since February, 2015. The overarching theme of the project is to strengthen the Sindh Irrigation Department's capacity to effectively rehabilitate, operate, and manage the Guddu and Sukkur Barrages, as well as to improve the reliability and safety of both Barrages.

The project is being implemented in 2 selected districts of the province by the Irrigation Departments, with implementation overseen by the Project Management Office, Sindh Barrages Improvement Project. The Directorate of Sindh Water Sector & Barrages Improvement, under the Planning & Development Department, will serve as the central coordinating agency and as the Project Coordination & Monitoring Unit.

Project Components: Following are five main components:

Components (Sukkur & Guddu Barrages)	Cost (USD Million)
<u>Component A:</u> Rehabilitation & Modernization of the Guddu and Sukkur Barrage and its Associated Structures.	286
<u>Component B:</u> Improved Barrage Operation	9
<u>Component C:</u> Technical Studies	7.5
<u>Component D:</u> River Basin Water Resources and Riverine Management	1.7
<u>Component E:</u> Project Management and Evaluation, Price Escalation and Physical Contingencies.	10.7

Further details of the project provided in the PAD and PCI available on project websites.

According to the project requirement an Internal Audit is required to be conducted by the chartered accounting firm twice a year and present its report separately for each component.

2. Objectives of the Internal Audit

The purpose of the internal audit is to assist SBIP (all components) in accomplishing its objectives by adopting a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, internal control, and governance processes. The internal auditor will:

- Provide assurance that financial and operational risks are identified and managed.
- Promote best practices in public funds management.
- Ensure compliance with government policies, World Bank regulations, and project agreements.
- Identify opportunities for improving efficiency and effectiveness.

3. Scope of Work

The internal audit firm will be responsible for providing comprehensive audit services across all project components of SBIP being executed by Project Management Office SBIP

3.1. Financial Management

- Evaluate the adequacy of the internal control system over financial reporting and management.
- Review the accounting records and procedures to ensure compliance with international standards and government policies.
- Verify the accuracy, timeliness, and completeness of financial statements.
- Assess the adequacy of controls for fund management, including cash handling, payments, and disbursements.
- Review expenditures of past two fiscal years, in addition to monitoring on-going expenditures.

3.2. Procurement and Contract Management

- Review procurement processes to ensure compliance with the World Bank Procurement Regulations for Borrowers (2023 Edition).
- Evaluate the efficiency and effectiveness of contract management, including the monitoring of contract execution, payment procedures, and dispute resolution mechanisms.
- Identify any irregularities in procurement and contract administration, including adherence to competitive bidding procedures.

3.3. Asset Management

- Conduct physical verification of project assets, ensuring records are accurate and up to date.
- Review the procedures for asset acquisition, utilization, maintenance, and disposal.
- Identify any discrepancies or inefficiencies in asset management practices.

3.4. Compliance and Regulatory Review

- Ensure that the project complies with applicable laws, regulations, and internal policies.
- Identify gaps in compliance and propose remedial actions.
- Review adherence to donor requirements, particularly those specified by the World Bank.

3.5. Risk Management and Internal Controls

- Perform a control risk assessment for key project activities.

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- Review the effectiveness of existing risk management frameworks and internal controls.
 - Recommend improvements to strengthen risk mitigation measures.

3.6. Quality Assurance and Improvement Program

- Develop a quality assurance program to evaluate the internal audit function's conformance with professional standards.
 - Provide advisory services for continuous improvement of internal controls and governance processes.
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4. Tasks and Responsibilities:

The internal audit firm will be responsible for performing the following tasks to support the SWAT project:

- **Prepare a Risk-Based Internal Audit Plan:** Develop an annual audit plan based on a comprehensive risk assessment, in consultation with project management, and ensure alignment with project objectives.
 - **Execute the Audit Plan:** Carry out audits according to the approved plan, including routine updates on progress, any significant deviations from the plan, and emerging risks.
 - **Conduct Follow-Up Reviews:** Ensure that corrective actions have been implemented for previous audit findings, including follow-ups to confirm that recommendations have been addressed effectively.
 - **Prepare and Submit Reports:** Provide draft and final semi-annual internal audit reports, highlighting key findings, recommendations for improvements, and management responses. Ensure that the reports cover all project components and address any outstanding issues.
 - **Provide Advisory Services:** Offer guidance and recommendations to management on improving internal controls, risk management processes, and governance practices as necessary.
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5. Reporting Arrangements:

The internal audit firm will report to the Project Director of SBIP.

The reporting will involve:

- **Submission of Audit Plan:** Present an annual audit plan for approval.
 - **Periodic Reporting:** Provide semi-annual, and annual internal audit reports, summarizing key findings and recommendations.
 - **Follow-Up on Findings:** Monitor the implementation of recommendations and report on the status of corrective actions.
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6. Duration and Timeline:

The assignment will initially be for 1 year and can be extended subsequently. The internal audit firm is expected to start work immediately upon signing the contract.

7. Qualifications and Experience:

The selected internal audit firm must:

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- Be a chartered accountancy firm registered in category A of State Bank of Pakistan's Panel of Auditors Firms with satisfactory QCR rating.
 - Possess at least ten years of experience in auditing large projects, with specific experience in World Bank-funded projects preferred.
 - Have a team with relevant qualifications and expertise, including Certified Internal Auditors (CIA), Chartered Accountants (CA), and Chartered Certified Accountants (ACCA).
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8. Selection Method:

The firm will be selected through a Consultant Qualification Selection (CQS) process in accordance with World Bank Procurement Regulations for IPF Borrowers, Fifth Edition (2023).

9. Professional Standards:

The internal audit activities must adhere to the International Standards for the Professional Practice of Internal Auditing (IPPF) and the Code of Ethics of the Institute of Internal Auditors. The firm should maintain the highest standards of integrity, objectivity, and confidentiality.

10. Key Experts and Personnel Requirements:

The internal audit firm is expected to field a highly qualified team of key experts to perform the duties specified in this TOR. The key experts should have the necessary experience and qualifications to carry out comprehensive audits, provide advisory services, and ensure compliance with internal controls and governance requirements for the project.

Furthermore, key considerations mentioned in section 4.3 of the Technical Proposal are also integral part of the contract.