

**Terms of Reference
Internal Audit Firm
Sindh Solar Energy Project**

Background:

The Government of Sindh (GoS) has obtained financing from the World Bank (WB) towards the cost of the Sindh Solar Energy Project (SSEP).¹ SSEP aims to support the deployment of solar power in Sindh Province through four components: i) Development of utility-scale solar power at highly competitive prices within identified solar parks; ii) Installation of distributed solar power systems on and around public buildings; iii) Provision of solar home systems for households with no or low access to electricity; and iv) Capacity building and technical assistance to support implementation of the project and compliance with fiduciary, gender, monitoring & evaluation, procurement, and safeguards requirements.

OBJECTIVE OF THE ASSIGNMENT:

To support effective implementation of the SSEP the services of a reputable **Internal Audit Firm (IA Firm)** is required to provide support and advice to the team and ensure compliance with WB policies and procedures.

The **Internal Audit Firm** shall use all legal documents, Project Financial Management Manual, World Bank Procurement Regulations, Procurement Manual, procurement check list and any other unclassified information with the Project for the tasks to be assigned by them. It is also important that the IA Firm become familiar with the Project Guidelines on Disbursements and Procurements. All these documents will be provided to the IA Firm by the PMU.

SCOPE OF WORK:

The IA firm shall be responsible for achieving the objective mentioned above, and shall act as the Internal Auditor on behalf of SED for providing Support and advice all financial matters. The assignment comprises of detailed key activities/deliverables, as follow:

- (i) Enable the IA Firm to express a professional opinion on the effectiveness of the overall financial management, internal controls, accounting system and procurement arrangements;
- (ii) Whether the overall financial management and arrangements including the system of internal controls as documented in the, Operation Manual, & Financial Management Manual are in practice, effective and adequate, commensurate to the nature of the operations, and
- (iii) Provide project management unit with timely information on financial management aspects of the project, including internal controls and compliance with financing agreements, to enable follow-up action.

¹ Further details on the project available here: <http://projects.worldbank.org/P159712?lang=en>

ACTIVITIES AND DELIVERABLES:

Further details and requirements are provided below on each of the activities/deliverables outlined in Section 3

The scope of audit services shall cover the overall management of the project's implementation, monitoring and supervision. The audit work should include the review of work plans, progress reports, project resources, project budgets, project expenditure, project delivery, recruitment, operational and financial closing of projects (if applicable) and disposal or transfer of assets. To this effect, the scope of the audit shall cover the following areas as they are performed at the level of the project:

The audit will be carried out in accordance with applicable professional standards and will include such tests and controls, and conducting the audit special attention should be paid to the following:

(i) Financial Control and Accounting:

- a. Review receipts of IDA funds in the Designated Account (DA) maintained and operated by the PMU_SSEP are properly supported with Withdrawal Application(s) duly completed as per the World Bank Disbursement guidelines.
- b. Review that payments from the DA are for specific to the Project implementation. Ensure all payments to suppliers/vendors/consultants and for meeting operational expenses, if any, are must have been paid through 'Cross Cheque – A/c Payee Only' and on timely basis and through courier.
- c. Verify payments are properly approved and supported with documentation, and are for implementing Project activities.
- d. Review related accounting transaction(s) are appropriately classified and recorded in the relevant accounting head of account, maintained by the PMU-SSEP.
- e. Review monthly bank reconciliation statement is properly prepared and is agreement with DA bank statement and DA bank book.
- f. Ensure that at the close of month DA bank book is signed by the authorized persons preferably Project FMS and Project Director.
- g. Checking of running bills raised for payment under each project
- h. Checking of various statutory compliance like Income Tax, Sales Tax etc.
- i. Conduct pre-payment audit, the accuracy and propriety of transactions.
- j. To ensure that funds are used with due regard to economy, efficiency and for the purposes they are provided

(ii) Financial Reporting:

- a. Ensure that the semi-annual Interim Financial Reports (IFRs) are prepared by the Project FMS are on the approved format attached to the Disbursement

Letter of the Bank are submitted within forty-five (45) days of the close of each semester.

- b. Review financial data reported in the semi-annual Interim Financial Reports (IFRs) are in agreement with the books of account and in agreement with the DA bank book.
- c. Ascertain reasons for overdue suppliers and vendors bills. Amounts of outstanding against suppliers/vendors bills for which services have been provided by them; must also be reported as a note to the IFRs.
- d. Ensuring adherence of accounting and auditing standards and advising the Management on framing of proper accounting policies required for proper maintenance of books of accounts as required by various authorities

(iii) Planning and Budgetary Controls:

- a. Ascertain Project annual budget is prepared and approved by the competent authority(s). Ensure annual budget is in line with the Annual Workplan duly agreed with Bank
- b. Review appropriate comparison of budgeted and actual expenditure is done on monthly basis and proper explanations are given for significant variances.
- c. Ascertain the annual financial plan is appropriately linked to procurement and other activities specified in the Project.
- d. Advise on matters regarding planning and budgetary control.

(iv) Procurement:

- a. Review that risk mitigation measures are in place for acceptable implementation arrangements for smooth execution of the Project and achievement of Project objectives.
- b. Review that procurement activities are processed as per the Bank's approved Procurement Plan. Ensure that Bank's procurement planning tool –STEP is being updated regularly.
- c. Review that Project Procurement designated officials are being involved at all stages of procurement of goods and services under the Project, to ensure compliance with IDA Procurement Guidelines. (Contract Management: is a joint responsibility of technical and Procurement and Financial Management teams. All concerned staff should work together in their respective roles for achieving the overall desired results.)
- d. Monitors compliance with the World Bank Procurement Regulations for Borrowers, 2016 (revised November 2017 and August 2018).and the provisions stipulated in the Financing/Loan Agreement and comments on the non-compliance, if any, observed during the audit period.

- e. Advisory to improve procurement process efficiency.

(v) Verification of Project Assets & Work Done on Site:

- a. Verify of all assets of the Project on annual basis and agree their existence with fixed assets register
- b. Ascertain that proper codification and tagging of the Project assets have been done to adequately safeguard them from mis-appropriation.
- c. Ascertain that assets are being used for the intended purposes.
- d. Review costs of assets are reasonable.
- e. Ascertain that adequate insurance cover, if applicable, has been obtained for project vehicle(s).
- f. Physical verification at/of sites for payments made against work done claimed by contractors/ service providers. Other Procedures to be performed:
- g. Compare progress of the project with results framework and also on the status of achievement of Project Development Objectives.
- h. Monitoring and evaluating the effectiveness of Project's Risk Management and Governance Systems. Ensure that monitoring activities is done at three levels i.e. by the Departments Respective Secretaries and the Project Steering Committee.
- i. Review that Project activities are in compliance with the existing country's laws (not inconsistent with legal agreements signed with World Bank) including tax laws and Sales Tax on Goods and Services; Project Legal Agreements including Bank's guidelines (dated January 2011) on Prevention and Combating Fraud and Corruption in Bank Financed Projects are being followed among other contractual agreements.
- j. Internal audit team may visit implementing entities to assess Project implementation progress.
- k. Conduct staff interviews among other internal audit processes.
- l. Liaison with the external auditor during their audit work to ensure adequate audit coverage and to minimize duplication of effort.

(vi) Project Management:

- a) Whether the physical progress tracking mechanism defined for the project has been operationalized.
- b) Whether physical progress reports being submitted have been reviewed for their correctness and authenticity before submission.
- c) Whether physical progress reports are being submitted as per the timelines and formats defined by the project tracking framework.

(vii) Others:

- a) Whether appropriate internal controls as specified by the Financial Management Manual,
- b) Operations Manual, Procurement Manual and other relevant notifications, if any, are operating satisfactorily. The auditor should suggest methods for improving weak controls or creating them where need be.
- c) Verifying compliance with recommendations of the earlier audit reports and commenting thereon.

TEAM COMPOSITION AND QUALIFICATION REQUIREMENT:

The firm should have at least ten (10) years of relevant professional experience in undertaking assignments of similar nature, i.e. Supplementing / Co-sourcing of Internal Audit

Ideally Firm should have at least two (2) similar assignments of comparable scale and complexity.

Team composition and qualifications shall reflect key skills needed to undertake each proposed component activity area. The team must have a Team Leader shall be the primary person responsible for the Financial work and shall manage the assignment design and implementation process. At least 15% of the project team members hired by the firm/s shall comprise of female and/or disabled staff, with the expectation that this figure is much higher.. Essential staff for the assignment shall include:

Sr. No.	Description	Strength	Criteria
1.	Team Lead	1	CA/CPA/ACCA with 10 years' work experience
2.	Associates/ Experts/ Accountants	6	CA/CPA/ACCA with 5 years' work experience

TIME SCHEDULE & AUDIT PLANNING:

The assignment is expected to begin in October 2020 with the roll-out of the project starting in the period July 2020. The total contract is for a period of 24 months (ending on July 2023) from the signing of the agreement. Upon award of the contract, a detailed timeline and reporting schedule shall be determined between the Consultant and the Client.

REPORTING DELIVERABLES REQUIREMENTS:

The Internal Auditor is expected to provide the following deliverables as per defined frequencies and reporting lines

- Provide Bi-annual Internal Audit Plan to Project Director SSEP within one month of contract effectiveness
- Provide tentative schedule to Project Director SSEP of field work and carrying out bi-annual internal audit exercise in accordance with the timelines agreed in internal audit plan;
- Submit draft internal audit report to Project Director within 20 days of completion of field work for review and management comments. The Project shall respond to audit observations within a period of 20 days of its receipt.
- Finalization of Internal Audit Report and its submission to Project Director within 15 days of receipt of management replies.
- Project Director shall disseminate the final internal audit report to all members of steering committee and raise request for holding steering committee meeting within 20 days of receipt of such audit report.
- Internal auditor shall present the internal audit report to the steering committee.
- The internal auditor is also expected to follow-up of status of previous observations and compliance over recommendations through a mid-period follow up report after interacting with PMU-SSEP.
- The internal auditor shall provide an electronic copy and three (03) hard copies of the each deliverable to the respective recipient
- Internal audit firm shall submit a Bi-annual internal audit report as per above mentioned procedure.
- The final report will be distributed as appropriate; a copy of each report will be forwarded to the Secretary P&D through Project Director, SSEP and the Bank within the time frame. The report shall also indicate as separate section showing action taken on the last internal audit report agreed upon action.

SELECTION PROCESS.

The Consultant will be selected through Least Cost Based Selection (“**LCS**”) in accordance with the procedures set out in the World Bank Procurement Regulations for Borrowers, 2016 (revised November 2017 and August 2018).