Government of the People's Republic of Bangladesh
Bangladesh Water Development Board

Climate-Smart Agriculture and Water Management (CSAWMP) Project (BWDB part)

TERMS OF REFERENCE (ToR)
For
Selection of the Consultancy Services for Internal Audit Firm

1. Project Background

The Government of Bangladesh (GOB) has approved the Climate-Smart Agriculture and Water Management Project (CSAWM Project) for introduction of climate resilient agricultural and water management technologies and effective on-farm water management to support the cropping pattern. The Project Development Objective (PDO) of the Project is to enhance climate resilience and productivity of irrigated agriculture and fisheries in targeted sub-projects. GOB has received World Bank credit for implementation of the project. The project will emphasize on improved water use efficiency and will upgrade the safety standards and efficiency of the water management infrastructure systems to actively support the climate smart agricultural practices. The Project will scale up the pilot reforms program initiated under recently completed Water Management Improvement Project (WMIP) and will incorporate climate change aspects in the project design. Further, the project is aimed to widespread implementation of the participatory sub-project management approach on a larger scale and institutionalization within Bangladesh Water Development Board (BWDB), Department of Agricultural Extension (DAE) and Department of Fisheries (DOF) structures. The proposed project will also strengthen Water Management Organizations (WMO) formed under WMIP, where possible, and will form the new WMOs.

During the past half a century, more than 910 water resources sub-projects were completed, ranging in size from small to large with varying multipurpose types from FCDI (Flood control Drainage & Irrigation) / Flood Control and Drainage (FCD) (Inland and Coastal Embankments and Polders; Small Scale FCDs; Compartmentalization; River Training and Bank Protection and River Dredging), Urban FCD, Minor/Small-Scale Irrigation, and Major/Large-Scale Irrigation to Structural and Non-structural Flood Proofing Subprojects. Infrastructures provided in these subprojects constitute about 16,443 km of embankments, 5,337 km of Irrigation Canals, 4,425 km of Drainage Channels, 1,379 km of Revetments, 15,682 Sluices, 140 Cross-Dams, 80 Groynes, 850 Bridges, 225 km of Roads and 1,350 Buildings and Sheds. Some approaches have failed to deliver the intended benefits due to climate change and anthropogenic factors while others have achieved reasonable amount of success; some interventions have helped alleviation of rural poverty while others have aggravated the situation, creating a good social cohesion as well as bad social conflict.

In this backdrop, the GOB has formulated the National Water Policy (NWP) with the intention of guiding future public and private actions for ensuring optimal development and management of water that benefit both individuals and the society at large. The NWP provides the directives and the guidelines for fundamental and wide-ranging reforms of the water sector and its two principal organizations, BWDB and WARPO. In 2001, a Guideline for Participatory Water Management (GPWM) was approved by the National Water Resources Council (NWRC) to facilitate the process of participatory water management at all levels of water management in Bangladesh. A National Water Management Plan (NWMP) has been approved by the Government in 2004 with the main objective of developing a macro water management plan for operationalizing the directive of the NWP. For effective people's participation Government has approved

Participatory Water Management Rule 2014 under the purview of BWDB Act, 2000. The reform initiatives thus initiated by the Government have created an enabling environment for taking concrete actions and as a result, this Project has been conceived as an instrument for carrying forward Climate Smart Agricultural Water Management. 19 numbers medium to very large BWDB sub-projects (ranging between 1,000 ha to 15,000 ha) will be implemented in 27 upazilas of 17 districts in Bangladesh at a cost of IDA loan USD $100 million and GoB Tk.33255.18 Lakh.

1.1 Overall Objectives of the Project:

The objectives are:

(a) to rehabilitate and modernize the FCD and FCDI sub-projects to enhance agriculture and aquaculture/fisheries production by improving the water use efficiency, management transfer and capacity building of WMOs and to enhance institutional performance of BWDB including the OCWM.

(b) to improve national water resources management introducing IWRM and to build resilience to climate change risks by involving the local communities to play an expanded role in all stages of the Participatory Sub-project Cycle Management (PSM), from planning and design to operations and management.

1.2 Project Components:

The project has the following components:

Component-1: Improved Climate Resilience of Flood Control, Drainage and Irrigation (FCDI) Infrastructure Systems

The activities under this component include:

(i) rehabilitation of selected FCD & FCDI sub-projects identified by the BWDB in consultation with local communities and/or WMOs (Water Management Organization);

(ii) management transfer of rehabilitated water management sub-projects / infrastructures to local communities, e.g., WMOs; and

(iii) institutional development of the BWDB including the Office of the Chief Water Management (OCWM).

Proposed subproject rehabilitation works will seek to modernize the water management infrastructures to the safety standards that can adequately address climate change challenges as well as satisfy the changed demands and needs from farmers who chose to adopt and practice climate-smart agricultural technologies promoted by the project.

In addition, this component will also address Participatory Sub-project Cycle Management (PSM) approach to promote the participatory and community mobilization aspects of sub-project rehabilitation and management transfer and the involvement of communities in operations and (routine) maintenance (O&M) management. The participatory process is based on the Participatory Water Management Rule, 2014 adopted by the Government. This component will also include a series of capacity building and training activities focused on capacity strengthening of BWDB with emphasis on OCWM and Directorate of Audit, and WMOs. The capacity enhancement of the WMOs will be done so that they can effectively take responsibilities for O&M of the sub-projects whose management is transferred to them.

Component-2: Climate-Smart Agriculture and Fisheries Production and Marketing

Taking advantage of the improved and resilient water management conditions (both in terms of flood control and drainage in the monsoon seasons, and increased availability of water in the dry seasons) accruing out of investments in Component 1, project support under this component will focus on increasing the productivity and resilience of both crops and fisheries production systems to climate change while also pursuing opportunities for reducing Greenhouse Gas (GHG) emissions from these production systems.

This is a departure from the earlier projects and is meant to improve farmers' income and livelihood which would in turn also improve the prospects of sustainability of the investments under Component-1.

Component-3: Project Management Support

This component will cover the project management including implementation of ESMF, monitoring and evaluation of all project activities in line with the Results Framework, and set-up adequate fiduciary, governance, audit and accountability mechanisms; grievance redressal mechanism, communication, monitoring and evaluation, and special studies. This component will also support introduction of Interactive Voice Response (IVR) system to promote effective citizen engagement through disseminating information of the projects and associated agriculture and aquaculture interventions to seek community feedback.

Component-4: Contingency Emergency Response

This component with zero budget allocation will concentrate on the expenditures under the Immediate Response Mechanism (IRM) in case of natural or man-made crises or disasters, severe economic shocks, or other crises and emergencies in the country.

2. The Objective of the Internal Audit

The overall objective of the internal audit is to provide independent assurance and advisory services on the adequacy and effectiveness of:

- Governance arrangements;
- Financial management systems;
- Internal control framework;
- Risk management practices;
- Procurement and contract management processes;
- Compliance with Financing Agreement, GoB rules and regulations, and Project Operational Manual;
- Economy, efficiency, and effectiveness of project operations.

The internal audit shall help the Project achieve its objectives through a systematic and disciplined approach to evaluating and improving risk management, controls, and governance processes.

2.3 Nature of Internal Audit:

The Internal Auditor shall:

- Provide independent assurance on the adequacy of internal controls;
- Identify control weaknesses and systemic risks;
- Recommend practical corrective actions;
- Review implementation of previous audit recommendations;
- Assist management in strengthening fiduciary arrangements.

The internal auditor shall maintain complete independence from Project management and decision-making functions.

3. Scope of Services

The audit shall be risk-based and include, but not be limited to, the following areas:

A. Financial Management Review

Review and assess:

- Adequacy of accounting systems;

- Accuracy and completeness of accounting records;
- Reliability of financial reports;
- IUFR preparation process;
- Budgeting and budget monitoring;
- Cash and bank management;
- Designated Account operations;
- Reconciliation procedures;
- Advances and settlements;
- Expenditure eligibility;
- Compliance with disbursement arrangements.

Specific Tests

- Verification of supporting documents;
- Sample-based transaction testing;
- Verification of payment approvals;
- Bank reconciliations;
- Review of journal entries;
- Physical verification of selected transactions.

B. Internal Control Review

Assess:

- Segregation of duties;
- Authorization controls;
- Preventive and detective controls;
- Asset safeguards;
- Compliance monitoring systems;
- Delegation of authority arrangements.

Evaluate whether internal controls are operating effectively and efficiently.

C. Procurement and Contract Management Review

Review compliance with:

- World Bank Procurement regulations
- Procurement Plan
- Contract Management Procedures

The review shall include:

- Procurement planning;
- Bid evaluation process;
- Contract award procedures;
- Contract amendments;
- Contract administration;
- Delivery verification;
- Payment certification

D. Compliance review

Review compliance with:

- Financing Agreement;
- Project Operational Manual;
- Government Financial Rules;
- Delegation of Financial Powers;
- VAT and Tax laws;

- Other applicable laws and regulations.

E. Asset Management Review

Verify:

- Asset records;
- Inventory management;
- Physical existence of assets;
- Asset tagging and safeguarding;
- Proper utilization of assets.

Review:

- Completeness;
- Existence;
- Recording;
- Safeguard arrangements;
- Utilization for intended purposes.

F. Risk Management Assessment

Review:

- Risk identification processes;
- Risk mitigation mechanisms;
- Fraud and corruption risks;
- Operational risks;
- Financial risks;
- Procurement risks.

Provide recommendations for strengthening risk management.

This assessment should also analyze the root causes of the gaps between the initial Procurement Plan and Implementation Plan and the actual implementation progress, and identify the factors contributing to these deviations.

G. Information Systems Review

Where computerized accounting systems exist:

- Review IT controls;
- User access controls;
- System-generated reports;
- Backup arrangements;
- Data security measures.

H. Review of Previous Audit Findings

Track implementation status of:

- Internal audit observations;
- External audit observations;
- World Bank FM review recommendations;
- Management action plans.

4. **Applicable Auditing Standards:**

The assignment shall be conducted in accordance with:

1. International Professional Practices Framework (IPPF);

2. International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA);
3. Code of Ethics of the Institute of Internal Auditors;
4. International Standards on Auditing (where applicable);
5. Relevant Government of Bangladesh rules and regulations;
6. World Bank Financial Management and Disbursement Guidelines.

5. **Reporting Requirements and Time Schedule for Deliverables:**

(a) The Internal Audit will be conducted in the Project office (PCU) for each year. The total audit shall be divided into two assignments: Assignment A and Assignment B.

(b) The audit of FY 22-23, FY 23-24, and FY 24-25 will be conducted under Assignment A.

(c) The audit of FY 25-26 & FY 26-27 will be conducted under Assignment B.

(d) The Consultant will also review the audit trails of previous years.

(e) The Consultant shall have to submit the Methodology and Work Plan for the assignment in their technical proposal.

(f) Internal Audit Report for each assignment/financial year shall contain:

i. **Inception Report and Risk-based audit plan**

ii. **Audit Program:**

iii. Draft Internal Audit Report

iv. Final Internal Audit Report

v. Audit Observation Tracker

vi. Annual Internal Audit Summary Report

Audit report of the Consulting firm shall contain:
Each report shall contain:

1. Executive Summary;
2. Audit Objectives;
3. Audit Methodology;
4. Scope and Coverage;
5. Key Findings;
6. Risk Rating (High/Medium/Low);
7. Root Cause Analysis;
8. Financial Implications;
9. Recommendations;
10. Management Responses;
11. Agreed Action Plan;
12. Status of Previous Audit Findings.

(g) Time Schedule for Deliverables:

The reports of each assignment are required to submit as follows:

Sl. No.	Description of Deliverable	Submission Deadline
01	Inception Report for Assignment A & B and risk based audit plan (05 Copies each)	The report to be submitted at least 15 days after signing of contract for both assignments

02	Audit Program	Within 20 days
03	Draft Internal Audit Report for Assignment A & B (10 Copies each)	Draft Audit Report with suggestion to the Client shall be submitted For Assignment A: within 02 months after accepting inception report. For Assignment B: By 10 June 2027 *(The draft report must be shared with the World Bank for review and comments before finalization and presented to the Project team and World Bank team.)*
04	Final Internal Audit Report for Assignment A & B (10 Copies each)	The Final Internal Audit Report with necessary suggestions shall be submitted For Assignment A: within 10 days after providing acceptance on draft Internal Audit Report by the client. For Assignment B: By 20 June 2027 after providing acceptance on draft Internal Audit Report by the client.*(The final report must be shared with the World Bank for review and comments before finalization and presented to the Project team and World Bank team.)*
05	Audit observation tracker	With every report
06	Annual Internal Audit Summary Report	At end of Fiscal year

(h) Duration of the Consultancy Service:

The selected Internal Audit Firm will provide consultancy service till the end of the project time of June 2027 considering the intermittent input of the consultants as follows:

Sl. No.	Job Description/ Designations	Unit	Quantity
A)	**Key Experts:**		
01	Team Leader	Per-day	25 days
02	Financial Management Expert	Per-day	60 days
03	Procurement Expert		
B)	**Non-Key & Support Staffs:**		
03	Junior Auditor	Per-day	120 days
04	Computer operator	Per-day	60 days
05	Office Assistant	Per-day	120 days

***The days will be counted as working day**

6. 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 the inception report by the Audit firm and acceptance by the Project and WB.
- For Assignment A- 20 % contract value will be paid after submission of the draft report by the Audit firm and acceptance by the Project and WB.
  For Assignment B- 35 % contract value will be paid after submission of the draft report by the Audit firm and acceptance by the Project and WB.

- For Assignment A- 10 % on contract value will be paid after submission of the final report by the Audit firm and acceptance by the Project and WB.

  For Assignment B- 25 % on contract value will be paid after submission of the final report by the Audit firm and acceptance by the Project and WB.

  Under no circumstances shall any payment be processed until the above reports have been reviewed and formally accepted by the World Bank Task Team.

7. Management of the Assignment

The Client for the assignment will be the Project Co-ordination Unit (PCU) of the Climate-Smart Agriculture and Water Management Project (CSAWMP), who will also issue the contract. The assignment focal points will be the Project Director, Climate-Smart Agriculture and Water Management Project (CSAWMP) Project. The general obligations are as follows:

7.1. Consultant's Input

During the assignment, the Consulting firm shall provide all the facilities for their staff and other logistical requirements on their own to fulfill their obligations. These will also include support staffs and office facilities, insurance cost, office equipment and supplies, required equipment and materials for field data collection, vehicles, and communications as required. The Consulting Firm will set out the requirements in the technical proposal and provide the financial cost estimates for these in their financial proposal.

7.2. Client's Input

a. The Internal Auditor to be engaged as consultant, shall provide services with due diligence and should become familiar with the relevant policies and guidelines of the GoB and the Development Partner (including those relating to disbursements, procurement and financial management and reporting).
b. The Client / Project Authority will provide the auditor all required information and facilities described below:

i) Access to documents, correspondence and any other information relating to the project and deemed necessary by the Auditor;

ii) Copies of the PIM, Financing Agreement and Guidelines of the Development Partner, etc.;

iii) The engaged consultant should obtain and maintain document as evidence to support their conclusions;

iv) Client will provide a working room with internet facilities at / or near Project office to facilitate the Consultant's working persons in providing assigned services;

v) No transport facilities would be provided to the Consultant;

vi) No Desktop or Laptop computer, printer, scanner etc. will be provided for use by the individual staff working with the Consultant; Consultant shall have to be equipped with such logistic supports in accomplishing the assignment.

8. Eligibility and Qualification of the Firm:

The Consulting Firm shall:

- Have at least 5 years of experience in conducting internal audits of large public sector organizations and development partner-funded projects.
- Have experience in conducting internal audits of IDA/World Bank-financed projects during the last five years.
- Have demonstrated experience working with Bangladesh Water Development Board (BWDB), will be given preference

- Be affiliated with, or be a member firm/correspondent firm of, an internationally recognized professional accounting/audit network.
- Have experience in applying the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA) and risk-based internal audit methodologies.

9. Team Composition and Qualification Requirements

The team should include rational composition / skills mix to carry out the task. An indicative team constitution for conducting audit is given below as follows with requisite qualifications and experience:

Sl. No.	Position	Qualification	Expertise
01	Team Leader (Key Expert)	FCA having an up-to-date practicing license from ICAB	Minimum 10 years post qualification experience as Chartered Accountant. Must be experienced in working as Team Leader / Deputy Team Leader of similar assignment of at least one development partner / IDA funded project. **Job Description**: i) An assessment of the adequacy of in and adherence to the Program financial management systems, including internal controls. This would include aspects such as adequacy and timeliness of accounting, financial and operational controls and the need for any revision; level of compliance with established policies, plans and procedure reliability of accounting systems, data and financial reports; methods of remedying weak controls or creating them where there are none; sample verification of assets and liabilities; ii) The books of accounts required to be maintained as per the project financial rules and Project Financial Management manual have been maintained and are up to date. iii) That all transactions as recorded in the books of accounts are supported by adequate documentation and that monthly accounts are rendered in applicable situations to the Ministry assigned bodies in a timely manner and are reconciled. iv) Clear linkages exist between different accounting records including account books and the IUFRs and the activities are appropriately classified into sub-components in the monthly abstracts, and the figures are reconciled with the quarterly accounts rendered to the IDA. v) An assessment of compliance with provisions of financial agreements and PAD, especially those relating to accounting and financial matters. vi) That all funds received under the Program have been used in accordance with the financial agreements, with due attention to economy and efficiency and only for the purposes for which the financial was provided. vii) That expenditures charged to the program are eligible expenditures and have been classified correctly. viii) That the funds flow process is working effectively and the timelines as defined in the financial manual are being met.

Sl. No.	Position	Qualification	Expertise
			ix) That the system for monitoring security deposit deducted from contractors is adequate and all statutory deductions have been made from the running bills. x) That the funds are utilized for the program in which it was intended for and are not being utilized for activities outside the Program. xi) That fund is not parked in the bank accounts outside the designated account, especially at year end. xii) Adequacy and adherence of the internal control systems on tranche release and monitoring of funds released to the project and those issues identified in the audit report of the concurrent auditors are adequately dealt with by the project. xiii) That the consolidation process followed at the various levels of the program is adequately followed and an adequate and reliable database exists for each program. xiv) That the beneficiary contribution is being adequately reflected in the financial statements. xv) To submit a table on the contract awarded in the audit period and completed and not completed, contract of prior period completed and not completed during audit period with agreed completion date and percentage achieved in both in volume and value.
02	Deputy Team Leader (Key Expert)	FCA having an up-to-date practicing license from ICAB	Minimum 05 years post qualification experience as Chartered Accountant, preferably with proven knowledge and experience in Internal Audit. **Job Description:** i) Verify if goods and services financed under the project have been procured in accordance with the terms and conditions of the Financing Agreement, IDA / Public Procurement Guidelines and the approved procurement plan. The auditor will select a representative sample of contracts for both prior and post review in consultation with Project Implementation Unit (PIU). ii) Verify that documentary trail in support of procurement of goods and services including a Fixed Assets Register for all significant fixed assets procured by the project have been kept. Ensure that clear linkages exist among the books of accounts, physical existence of assets and report presented to IDA. The Fixed assets register should indicate the location of all significant Fixed Assets and should be verified with physical assets on a periodic basis. iii) Verify whether goods, services and works are being used for intended project purposes including technical assistance provided for the project and have achieved desired performance indicators. In this regard, select a representative of sample of all the contracts and in case of large contracts containing large quantities, a sample size of 25% of the delivered quantities must be physically checked.

Sl. No.	Position	Qualification	Expertise
			iv) Verify whether the payments to the contractors and third parties have been made in accordance with the provision of relevant contract, Financing Agreement, and other applicable provisions. For this, the source documents for payments will have to be examined. v) Verify whether application of project incremental operating cost has complied with the terms of the Loan Agreement. If the loan agreement details the increments in which these costs should be incurred ensure that there has been compliance with those terms. vi) Examine the timeliness of activities under project component (on a sample basis) to ensure that the deadlines and milestones set in the project designed are met. In this case, compare projection to the actual results of verify whether accurate forecast is made for the project and thereby disbursement targets met. vii) Examine the overall disbursement performance of the project and identify the reasons if the disbursement performance is low and recommend measures for the improvement. viii) Verify quality assurance procedures to ascertain whether the quality parameters are complied with. ix) Compare physical progress with financial progress and determine the variance with reason. x) Compare actual progress with yearly targeted as per ADP and Development project proposal (DPP) xi) Determine causes of cost over run, its justifications and impact on the project. xii) Conduct physical on-site verification of assets and their intended use, services rendered as described in the payment documents or contracts and verify whether any payments made before actual receipts of goods and services and beyond contract clause. xiii) Examine whether the transaction prices or value are unduly inflated; whether liquidated damages have been charged and recovered as per contract, whether payments were made for substandard goods / equipment instead of intended product.
03	Junior Auditor (Non-Key Expert)	Articled student registered with ICAB with at least 06 (six) months of article ship, presently working with the firm.	Preferably 02 (Two) years working experience in the similar tasks with any public / private organization. **Job Description:** Provide supports for the effective delivery of the services as stipulated in the objectives, scope of works and expected outputs written in the ToR the consultant is assigned with that would be provided to the client.

CSAWMP Project (BWDB Part), BWDB ★ Dhaka ★

Sl. No.	Position	Qualification	Expertise
04	Computer Operator (Non-Key Support Staff)	Minimum Graduation Degree in any discipline from any reputed institution. Certification in computer education / training in MS Word, MS Excel, MS Power Point are also required.	Minimum 02 (Two) years working experience in the relevant field. **Job Description**: All types of computer support (documentation & preparation of reports, graphs, presentations, etc.) related to the task the consultant is assigned that would be provided to the client.
05	Office Assistant (Non-Key Support Staff)	Minimum S.S.C.	Minimum 02 (Two) years working experience in the relevant field. **Job Description**: All types of office support on necessity of the client related to the task the consultant is assigned with would be provided to the client.

In addition to key professionals, the consultant will engage additional staffs to implement the assignment as support staff if required.

The Consultant is free to propose appropriate staff days according to their own assessment to carry out the assignment.