

Government of the People’s Republic of Bangladesh
Export Competitiveness for Jobs (EC4J) Project
IDA Credit No. 6042-BD

Terms of Reference (ToR)
for
Internal Audit Firm

1. Background

Bangladesh’s economic performance has been characterized by strong growth for more than a decade. Between 2000 and 2015, the size of the economy in purchasing power parity terms (PPP, current US\$) more than tripled to US\$537 billion.¹ During this period, exports of goods and services and inflows of personal remittances increased on an annual average of 15.5 percent and 15.2 percent, respectively. In the decade to 2015, gross domestic product (GDP) per capita (PPP) increased annually by 6.8 percent to US\$3,333. Bangladesh may attain middle-income status by 2021—the target set by the Government of Bangladesh (GoB) if it maintains a growth trajectory close to eight percent. Bangladesh’s continued integration in trade and international production networks will play an important role in this process.

Importantly, around 25 million youth will reach working age and an estimated 16 million youth will enter the labor market in the coming decade. More, better, and more inclusive jobs are required to continue to reduce poverty and provide a brighter future for a nation in which 30 percent of the population is 14 years or younger. Nine out of ten Bangladeshi workers are operating in the informal sector and three out of five workers find themselves in vulnerable employment. Rapid urbanization coupled with significant youth unemployment and underemployment indicate that inclusive economic growth is required, but not necessarily sufficient, to maintain political stability. An important contribution to formal job creation in productive sectors could come from tradable sectors in which Bangladesh has a comparative advantage. Raising export competitiveness is essential in realizing this economic potential.

The 7th Five-Year Plan (FYP) (FY2016-20) and Vision 2021 aim for Bangladesh to attain middle-income economy status by its 50th anniversary as an independent nation. Concrete targets of the seventh FYP (by FY20) include to: (i) increase gross investment from 28.97% to 34.4% of GDP; (ii) increase private investment from 22% to 26.6% of GDP; (iii) generate FDI worth US\$9.6 billion; and (iv) to generate exports worth US\$54.1 billion. According to Sustainable Development Goal (SDG) 17.11, Bangladesh also aims to double the export volume by 2030 and MoC will be leading this agenda on behalf of GoB. The GoB will seek to achieve these targets by improving regional and global integration through trade liberalization and trade facilitation to promote higher value added manufacturing; invest in industrial infrastructure to develop the private market for economic zones; strengthen institutions to manage a larger and more complex economy and foster a business-friendly environment; and improve technical education and skills formation.

The goal of the 7th FYP is to reduce poverty through export-led growth, and export diversification is the strategy for GoB to achieve this. To avoid the risk of limited markets and products, our export policy has a mandate to diversify export products from highest priority sectors and special development sector. To comply this mandate, the GoB requested World Bank Group (WBG) support in FY16 to promote export competitiveness and diversification by supporting the development of the leather, footwear, plastics and light engineering sectors. Leather and leather products, (leather and non-leather) footwear, plastics and light engineering are labor-intensive sectors that have demonstrated strong growth potential. In particular, leather and footwear are increasing exports in the recent times. Firms in these sectors are expanding their production and seeking to integrate into global value chains (GVCs), but development is held back in part due to insufficient technology and skills adoption, and lack of compliance with international Environmental, Social and Quality (ESQ) standards. Failure to invest to overcome these shortfalls results in large part from a number of market failures, including information asymmetry between foreign buyers and Bangladeshi sellers with regard to requirements for adherence to often-changing standards and accreditations in high income markets. Market signals often fail to reach prospective suppliers and markets for business development services (BDS) and accreditation and testing mechanisms are generally underdeveloped. There are frequent coordination failures to address issues of mutual interest, such as policy advocacy, articulation of demand for skills, and agreement on common needs for technology adoption due to poorly organized market participants.

The identified sectors currently employ largely poor, low-skilled workers, demonstrate great potential for stronger backward linkages, and increased domestic value addition. There is strong anecdotal evidence of multinationals assessing Bangladesh as the next frontier for large investment in these sectors with significant knock-on effects if key constraints can be addressed. PricewaterhouseCoopers (PwC) ranked the four sectors as top in an assessment of sectors with high employment and growth potential in Bangladesh in 2017.

2. Project Description

The “Export Competitiveness for Jobs” Project will support key priorities and objectives outlined in the World Bank 2015 Systematic Country Diagnostic (SCD) for Bangladesh (titled ‘More and Better Jobs to Accelerate Shared Growth and End Extreme Poverty’). In particular, it will target two of the three foundational priorities: (i) ‘strengthening institutions and the business environment’; and (ii) ‘promoting human development’. In addition, it will contribute to one of the five transformational priorities: ‘regional and global integration’.

The Bangladesh Country Partnership Framework (CPF) for FY16-20 focuses on three key areas: (a) enhancing growth and competitiveness, (b) fostering social inclusion, and (c) supporting climate and environment management. This project is designed to enhance growth and competitiveness of select labor-intensive sectors such as Leather & Leather Goods, Footwear (leather & non-leather), Light Engineering (Electronics & Electrical Goods, Bicycle, Mold making, etc.) and Plastics in which Bangladesh has a revealed comparative advantage or sectors that provide essential inputs in export-oriented manufacturing value chains. It will support policy reforms as well as the provision of training and technology diffusion opportunities to boost competitiveness.

The project has four components:

- (i) Market Access Support Program,
- (ii) Productivity Enhancement Program,
- (iii) Public Investment Facility for Infrastructure Constraints; and
- (iv) Project Implementation, Monitoring and Evaluation.

The Project Development Objective (PDO) is to contribute to export diversification and more and better jobs in targeted sectors. At the PDO outcome indicator level, 'export diversification' is measured by the number of firms directly exporting in targeted sectors, 'More jobs' is measured by the number of new jobs created in the targeted sectors, and 'Better jobs' is measured by the average wage growth for beneficiary firms in the targeted sectors.

The key results indicators for the project are:

- a. Number of firms directly exporting in targeted sectors;
- b. Number of new jobs created in targeted sectors;
- c. Average wage growth for beneficiaries in targeted sectors; and
- d. Number of beneficiaries (core), of which women (%)

3. Objectives, General Guidelines and Scope of Internal Audit:

The project is being implemented in Bangladesh. Audit is to be planned and carried out in such a manner so as to cover all the components and sub-components and check and verify that the project resources have been used for the intended purposes and with due economy and efficiency and in line with the deliberations and briefly focusing the areas listed below. So, the consulting firm will also be required to visit the selected implementation sites. The audit shall cover and report on the project activities covering 3 financial years (2019-2020, 2020-2021 and 2021-2022).

The scope of works but not limited to, are stated below:

- (i) Review adequacy of the financial management systems, including internal controls, and other operational controls, any needs for revision and methods of remedying weak controls or creating them where there are none;
- (ii) Ensure that all the concerned officers, participating partners, suppliers, contractors, consultants, non-consultants etc. have done their jobs and paid as per contracts, approved manuals and guidelines;
- (iii) Ensure that all transactions as recorded in automated accounting software including maintenance of books of accounts in a manner provided by guidelines, rules and are supported by adequate documentation;
- (iv) Ensure that expenditures charged to the Program are eligible expenditures and have been paid & classified correctly and corresponding value for money have been achieved;
- (v) Ensure that clear linkages exist between different accounting records including account books and the Interim Unaudited Financial Report (IUFs) and the activities are appropriately classified into sub-components;
- (vi) That credit funds from IDA have been received and used in accordance with the Financing Agreement and only for the purposes for which they were intended and GOB funds were

provided for the project activities or a part thereof, which were not to be financed by IDA as per Financing Agreement;

- (vii) To reconcile the CONTASA and other bank accounts as per Disbursement Manuals, Financial Management Manual and Contracts with the respective organizations i.e. Janata Bank Limited;
- (viii) Ascertain the extent of compliance with established policies, plans and procedures of the GOB including those agreed under the credit/loan agreement;
- (ix) Ensure that all kinds of goods and services have been procured in accordance with the credit/loan agreements and The Public Procurement Act 2006, The Public Procurement Rules 2008 and IDA procurement guidelines, wherever applicable;
- (x) Ascertain the extent to which assets procured for the project exist at the location and validate that assets are used for the purpose they were acquired and accounted for and safeguarded from losses of all kinds;
- (xi) Assess the reliability of integrity, controls, security and effectiveness of the operation of computerized accounting system and other computerized systems and MIS in use in the project;
- (xii) To have the assurance that the consolidation process followed at the various levels of the systems are adequately followed and an adequate and reliable data base exists and that all entries to the systems are supported by approved and records;
- (xiii) To examine, ascertain and verify that the Cooperation Agreements with implementing agencies have been complied with;
- (xiv) Having recommendations, remedial measure for the operating improvements;
- (xv) To ensure financial and accounting transparency;
- (xvi) That all the payments indicated against the components and sub-components are disbursed according to the approved disbursement manual & guidelines approved by the competent authority. So the selected consultants will be required to go through the manuals/guidelines/contracts with the consultants, non-consultants and implementation partners before taking up the audit jobs and formulate audit methodology accordingly;
- (xvii) Any other relevant tasks assigned by the authority;

4. Required Qualifications:

- A. Technical Competence: The audit shall be conducted by hiring a consulting firm (internal audit firm) with wide experience in conducting such internal audits and/or similar functions. The firm should have at least 10 years of experience in doing similar job. The firm should have experience of conducting internal audit of the project(s) funded by development partner such as IDA, ADB, UN organization, JICA etc. The firm should have also auditing experience on GOB financial rules, regulations, guidelines and procedures.
- B. Independence. In general, the internal audit firm shall be impartial, objective and independent from any aspects of management or financial interest of the project/entity being audited. The internal audit firm or any members of the audit team should not, before,

or during the period being covered by the audit, have been or be employed by, or serve as advisors, or have any financial or close relationships (whether business or personal) with the entity or with any of its senior management.

5. Staff Requirements:

The consultants are encouraged to maximize the use of expertise available in Bangladesh satisfying the qualification requirements as mentioned in this TOR. The consultants are free to propose a staffing plan and skill mix necessary to meet the objectives and scope of the services. Qualifications and experiences of key professional staff are described below.

Sl. No.	Position	Number	Minimum General Qualifications and Experience
1	Team Leader	1	<p>A. General Qualifications</p> <p>i) Educational: FCA, Fellow Member of the Institute of Chartered Accountant, Bangladesh;</p> <p>ii) Professional Experience: The Team leader with a minimum of 10 years post-qualification experience as a practicing Chartered Accountant.</p> <p>B. Experience</p> <p>i) Experience of similar assignment in similar post for 4 (four) years;</p> <p>ii) Experience in World bank/Asian Development Bank funded projects;</p> <p>iii) Experience in GOB financial processes and regulations;</p> <p>iv) Knowledge on Computer (MS Word, Excel, Power Point etc.);</p> <p>v) Having excellent communication skills in English & Bangla and strong interpersonal skill to work in multiple dynamic teams.</p>
2	Qualified Assistant	1	<p>A. General Qualifications</p> <p>i) Educational: ACA, Associate Member of the Institute of Chartered Accountants, Bangladesh;</p> <p>ii) Professional Experience: Post qualification experience for 5 (five) years.</p> <p>B. Experience</p> <p>i) Experience of similar assignment in similar post for 4 (four) years;</p> <p>ii) Experience in World bank/Asian Development Bank funded projects;</p> <p>iii) Experience in GOB financial processes and regulations;</p> <p>iv) Knowledge on Computer (MS Word, Excel, Power Point etc.);</p> <p>v) Having excellent communication skills in English & Bangla and strong interpersonal skill to work in multiple dynamic teams.</p>
3	Senior	4	A. General Qualifications

Sl. No.	Position	Number	Minimum General Qualifications and Experience
	Auditors		<p>i) Educational: ACA, Associate Member of the Institute of Chartered Accountants, Bangladesh;</p> <p>A. Professional Experience: Post qualification experience for 03 years.</p> <p>B. Experience</p> <p>i) Experience of similar assignment in similar post for 4 (four) years;</p> <p>ii) Experience in World bank/Asian Development Bank funded projects;</p> <p>iii) Experience in GOB financial processes and regulations;</p> <p>iv) Knowledge on Computer (MS Word, Excel, Power Point etc.);</p> <p>v) Having excellent communication skills in English & Bangla and strong interpersonal skill to work in multiple dynamic teams.</p>
4	Auditors	8	<p>A. General Qualifications</p> <p>i) Educational: Partly qualified CA</p> <p>ii) Professional Experience: Experience for 4 (four) years</p> <p>B. Experience</p> <p>i) Experience of similar assignment in similar post for 2 (two) years;</p> <p>ii) Experience in World bank/Asian Development Bank funded projects;</p> <p>iii) Experience in GOB financial processes and regulations;</p> <p>iv) Knowledge on Computer (MS Word, Excel, Power Point etc.).</p>

6. Duration and Phase of the Assignment:

- (i) The duration of the assignment is 4 months in a financial year;
- (ii) The audit of the preceding financial year will be completed in one phase as per following schedule (tentative):
October to January of the current financial year

7. Reports & Deliveries:

- (i) Following commencement of audit a preliminary study of the project operations to be carried out by the selected Chartered Accountants Firms and submit an Inception Report to the Project Director, EC4J Project with an audit methodology, schedule of activities & their contents, time frame, audit resources and their qualifications within 15 days of the commencement of the audit. The Inception Report will be reviewed within the shortest possible time in the Project Director's office where the Consultant and IDA representative may attend.
- (ii) Submit monthly progress report in five (5) sets within 5th of the following month.
- (iii) Submit five (5) sets of Draft Final Audit Report to the Project Director, EC4J Project within 90 days of the commencement of the audit, covering the TORs along with auditors

opinion, detailed report of project component wise work undertaken and funds spent, control environment of the project, project performance etc. with significant issues, findings, financial impacts, recommendations, management response and timeframe for the implementation of the recommendations.

- (iv) The Consultant along with its team will present the Draft Audit Report through power point in a review meeting to be convened by the Project Director, Ec4J Project. The IDA representative may attend in the draft report review meeting.
- (v) Submit ten (10) sets of Final Report along with soft copy as reviewed under (iii) above within 120 days of the commencement of the audit in (a) DVD version in MS Office 2007 /2010 (word/excel) and (b) Printed version; two (2) sets to the Secretary, Ministry of Commerce, two (2) sets to the World Bank, Country Office and six (6) sets to the Project Director, (EC4J Project).
- (vi) The audit report of the firm shall contain:
 - Executive Summary
 - 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
 - Observations
 - Impact or risks
 - Causes
 - Specific Recommendations
 - Priority
 - Categorization of audit findings by risk severity: High, Medium and Low.
 - Classification of possible causes of audit findings.

8. Reporting Requirements:

Consultant will report to the Project Director (PD) of EC4J Project and will work under the direct supervision of Financial Management Specialist (FMS) or any other Project Officials nominated by the PD and produce a number of reports during the project period. The category of reports along with content and timeline is presented in the following table:

Table: The category of reports along with Content & Timeline:

Category of Reports	Contents	Timeline
Inception report	The inception report should include audit methodology, schedule of activities & their contents, time frame, audit resources and their qualifications.	Within 15 days from the agreed commencement date of the audit.
Monthly Progress Reports	The report should contain progress on assignment activities, constraints faced and remedies to be undertaken.	Within 5 days at the end of each month.
Draft Final Audit Report	The report should cover auditors opinion, detailed report on project component wise work undertaken and funds spent, control environment of the project, project performance etc. with significant issues, findings, financial	Within 90 days from the agreed commencement date of the audit.

	impacts, recommendations, management response and time frame for the implementation of the recommendations.	
Final Report	The report should be finalized taking into accounts the client's queries, opinions and approval of the draft final report is to be taken upon completion of agreed activities.	Within 120 days from the agreed commencement date of the audit.

9. Data, facilities and local services to be provided by the Client to the Consultant:

- (i) Necessary assistance relevant to the assignment in carrying out the activities under EC4j Project;
- (ii) EC4J and all components of associated with the Project, will give access to necessary data, legal documents and project related information that may be necessary for the Consultant to carry out the activities.

10. Selection Method:

The Consultant will be selected based on the Quality and Cost Based Selection (QCBS) Method following PPR-2008.