



**Ministry of National Planning Housing and Infrastructure**  
Republic of Maldives

**TERMS OF REFERENCE**

**INTERNAL AUDITOR.**

*(Reference No: MV-MONPI-217387-CS-CQS)*

**MALDIVES URBAN DEVELOPMENT AND RESILIENCE PROJECT**

**I. BACKGROUND**

The World Bank is providing assistance to *Maldives Urban Development and Resilience Project* being implemented by the Government of Maldives (GoM).

Ministry of National Planning, Housing and Infrastructure (MoNPHI) will have the lead responsibility for project implementation and ensuring that the project development objectives are met. Project Monitoring Unit (PMU) has been set up within MoNPHI and will implement the project.

A separate bank account with MMA has been opened for the project. The entire amount received by MoNPHI for the project would be kept and accounted through this account. In addition to that, there may be reimbursement from World Bank for expenditures made from the funds of GoM and there may also be direct payments made from World Bank to the Consultant/Contractors. The PMU would be carrying out the final accounting for all the expenses.

Each of these offices will be subject to the normal financial supervision under the project, including timely reporting, compliance with project Financial Management (FM) guidelines as documented in the Financial Management Manual (FMM), audit etc.

Project Operation Manual guides the financial policies & accounting procedures adopted by PMU.

The PMU Project accounts (books of account, documents & records) provide the basis for preparation of Interim Unaudited Financial Reports (IUFRs) and Project Financial Statements (PFS). The PMU would be carrying out the final accounting for all the expenses.

**II. OBJECTIVES**

1. The objectives of the Internal Audit are to: -
  - i) Provide timely fiduciary assurance that the Financial Management Systems and Internal Control procedures, as applicable to the project, are in compliance with financing agreement, and are being adhered to by the various executing units,

and the financial reports being submitted are in agreement with the books of account and can be relied upon to support the disbursements made by the Bank;

- ii) Verify the procurement procedures adopted in the project against the applicable Procurement Regulations of the World Bank and the GoM procurement procedures to ensure compliance;
- iii) Evaluate the overall performance (physical progress against financial progress) of the project;
- iv) Identify potential risk areas and mitigation of those risk areas by improving the effectiveness of acceptable accounting procedures;
- v) Obtain a professional opinion on the accuracy of the IUFRRs and compliance with financing agreements. The audit would cover all project activities including all sources and application of funds for the project. The Auditor may visit the various field offices for achieving the objective.

### **III. SCOPE OF WORK**

The internal audit will be carried out in accordance with International Standards for the Professional Practice of Internal Auditing issued by IIA USA and will include such tests and controls as the auditor considers necessary under the circumstances to ensure the transparency accountability of the financial management system. In conducting the audit, special attention should be given to the following:

- a) That, all project funds have been used in accordance with the conditions of the relevant financing agreements, with due attention to transparency, economy and efficiency and only for the purposes for which the financing was provided.
- b) That, goods & services financed have been procured in accordance with relevant financing agreements and as per the World Bank Regulations for procurement of goods, works & services.
- c) That, all expenditures incurred is as per the approved work plan.
- d) That, the Financial Statements (quarterly & annual) submitted by PMU reflect the actual, true & fair expenditures incurred by them.
- e) That, all necessary supporting documents such as records, vouchers, bids, bidding documents, etc. and books of accounts have been kept in respect of all project procurements & expenditures including beneficiary / community contributions and expenditures covered by IUFRRs.
- f) That, clear linkages exist between the books of accounts / IUFRRs maintained by PMU and the reports submitted to the World Bank / GOM.
- g) For works activities ensure that there is adequate linkage between measurement books and contractors' running bills (duly approved by the competent authorities). The contractors' ledger is updated and all statutory deductions and mobilization advances recovered while making payments. A sample of works

may be physically verified & pictorial evidence of the works inspected should be attached with the report.

- h) That, the assets sanctioned and created under the Project have been actually created, that proper record in the form of an Asset Register showing details of cost, identification location and custodian is maintained and that the Physical Verification of the asset is being carried out and they have been put to use for the purpose for which they were created. Auditors shall verify a sample of assets procured and created under the project including assets provided to community groups.
- i) That, the IUFRRs give a true and fair view of the financial situation of the project for the quarter under audit and of the sources and expenditures for that quarter.
- j) Physical verification of assets acquired or created under the Project on a sample basis.

The audit will be carried out bi-annually and the auditor will conduct interim reviews for each of the half of the year ending 30th June & 31st December.

The interim review would focus on: (i) operation of the financial management system and internal controls; (ii) physical verification of selected assets acquired & created (iii) monthly / quarterly/ annual MIS prepared from the financial records.

The auditor is required to audit all IUFRRs used as a basis for the submission of withdrawal applications to the World Bank for reimbursement of project expenditures. The auditor shall apply such tests and controls, as the auditor considers necessary under the circumstances. These expenditures should be carefully examined for the project eligibility with relevant financing agreements, and with reference to the Project Appraisal Document (PAD), Procurement Plan approved by the Bank and Project Cost Tables approved by the World Bank. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed by the World Bank, these should be separately noted and listed by the auditor.

Whether the reimbursement claims submitted during the year for withdrawals from the IDA Credit (made on the basis of IUFRRs), together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

**Audit Report:** The audit report should *inter alia* include:

- a) Comments & observations on the accounting records, systems and controls that were examined during the course of audit;
- b) Identify specific deficiencies and areas of weakness in systems & controls and make recommendations for their improvement;
- c) Report on the degree of compliance of each of the financial covenants on the financing agreements and give comments, if any, on internal and external matters affecting such compliance;
- d) Comments on the procurement related observations by the Internal Auditors;
- e) Communicate matters that have emerged during the audit which might have a significant impact on the implementation of the Project; and

- f) Bring to the Project Director's (PD) attention any other matter that the auditor considers pertinent.

#### **IV. REPORTING**

**Reporting:** Reporting by the consultant shall be done as per details given hereunder:

- a) ***Draft Report (3 copies):*** The Auditor will provide a draft report to the PMU within 60 days of the end of Audit period, highlighting findings during the interim audit, to enable the project management to take timely action. The auditors should submit a draft copy of their report to the PMU before finalization. The PMU will submit its response, if any, within 21 days (3 weeks) of receipt of the draft report.
- b) ***Final Report (3 copies):*** The auditors should submit the final copy of their report to the PMU after receiving comments from respective agencies within the above specified time period. If no response is received by the PMU within the said time, the auditors should finalize the related report and submit the same within a week thereafter to the PMU.

The auditor should submit soft copies (PDF and editable format) of the Draft audit report, and soft copies (PDF format) of the Final audit report in a CD and e-mail the same documents to the official email address given by the PMU.

The auditor shall complete the assignment as per the time schedule to be mentioned in the agreement. A penalty clause will be included in the agreement to safeguard PMU interest.

#### **V. COVERAGE & TIMING OF THE REVIEW**

The review will be carried out based on the Annual Audit Plan. The auditor in consultation with the PMU will prepare an annual audit plan. The auditor will also make Compliance Review at PMU.

#### **VI. FACILITIES TO BE PROVIDED BY THE PMU**

The auditor will be given access to all legal documents, financial management manual, operations manual, government orders/ circulars, World Bank Procurement Regulations correspondence, monthly financial statements, Project Financial Statements, IUFRRs and any other information associated with the project and as deemed necessary by the auditor.

The auditors will also be given access to all the assets selected for physical verification by the auditors.

No services other than those specifically mentioned in this TOR shall be extended to the auditor. The auditors shall make their own conveyance arrangements.

## **VII. TENURE**

The Auditors will be appointed for an initial contract period of two years. Based on the satisfactory performance, the contract may be extended.

## **VIII. KEY PERSONNEL**

1. The list of key personnel being part of the audit team is as under:

<b>S.N</b>	<b>Key Professionals</b>	<b>Description of Services to be provided</b>	<b>Minimum Qualification &amp; Experience</b>	<b>No. of persons</b>	<b>Total Man months per year</b>
1	Partner/ Audit Manager	Overall coordination, & planning, team leadership, reporting, liaison with client	Qualified Chartered Accountant with at least 10 years' experience as a partner/manager with expertise in the area of internal audit planning, execution and reporting.	1	1
2	Audit Team Leader	Responsibility to lead the audit teams in the field, planning and execution of the audits, discussion with PMU and report writing and finalization.	Qualified Chartered Accountants with at least 5 years' experience in internal audit with ability to lead and team.	1	2
3	Team Member	Field level audit of PMU including sample physical verifications of activities/ assets.	Minimum Diploma in Accounting/Audit or related field with at least 2 years of experience in internal audit and report writing.	2	2

## **IX. EVALUATION CRITERIA**

### **1. Technical Requirements:**

Following are the Minimum Requirements that the Consulting Firm must provide with documentary evidence to prove the validity of the information:

- a) **Registered Firm:** Must be a Firm (Audit Firm) Registered in the Maldives (Provide copy of the Certificate of Registration)
- b) **Practicing Certificate:** The Firm must have a valid “Practicing Certificate” issued by the Auditor General of the Maldives. (provide copy of the Certificate)
- c) **Chartered Accountants:** The Firm must consist of Chartered Accountants with Minimum Qualification and Experience as stated in Section VIII under Key Personnel.
  - Qualification of the key personnel must be demonstrated with the documents/certificates.
  - Experience of the key personnel must be demonstrated in the CV of the proposed key personnel. To that end, the Firm must submit a full CV for each of the proposed personnel. The CV must be verified signed and stamped by the Firm.
- d) **Commitment Letter:** Each of the key personnel in the Team proposed by the Firm for this Service must submit a signed Commitment Letter indicating His/Her acceptance of the assignment for this Consultancy Service according to the TOR.
- e) **Experience of the Firm:** In addition to the qualification and experience of the key personnel, The Firm must have minimum of Three (3) Years of experience working in the field of Internal Audit with at least one assignment for a Donor Funded Project. (Provide documentary evidence of such assignments and experience)

*\*\* if requested by the Client, The Firm must provide the original of the Certificates/Documents for verification.*

## **X. METHOD OF SELECTION**

The consultant will be selected in accordance with the Consultant’s Qualification based Selection (CQS) method set out in the World Bank Procurement Regulations for IPF Borrowers, July 2016, revised November 2017, revised August 2018.