



**MALDIVES: ENHANCING EMPLOYABILITY AND RESILIENCE OF YOUTH
PROJECT (MEERY: P163818)**

Ministry of Higher Education
Republic of Maldives

TERMS OF REFERENCE AND SCOPE OF SERVICES

FOR

Consultancy Firm for Internal Audit Services

1. Background

Several aspects of the Maldives' recent development pattern highlight imbalances between labor demand and supply. Public sector jobs are predominantly in the civil service with the rapid expansion of cadres in the 1990s and 2000s. However, with the increasing standard of living over time, the labor market has become more challenging for Maldivians in general. Increasing educational attainment among the younger generation and expectations have coincided/collided with the rapid growth in low-skill service jobs associated with tourism and construction, leading to a mismatch in skills supply and demand. Despite the high levels of growth and labor market conditions in public investments, tourism, fisheries and non-tradable tourism related activities, important challenges remain for young Maldivians. These relate to (i) the need for greater inclusion and productive employment for youth, especially for those who cannot rely on public sector jobs (because of a sharp reduction of public sector employment) or who are from the most vulnerable segments of the population; and (ii) an increasing reliance on foreign labor in important sectors such as tourism and construction services and limited opportunities for women.

The Government of Maldives (GoM) is implementing the "Maldives: Enhancing Employability and Resilience of Youth (MEERY)" Project. The project is funded by the World Bank. The objective of the project is to improve the relevance of technical and vocational skills and foster entrepreneurship to promote youth employment in priority sectors. The project is being administered by the Ministry of Higher Education (MoHE), with a Project Steering Committee that will be co-chaired by the MoHE and the Ministry of Economic Development.

The project comprises three components and a Contingent Emergency Component. The three primary components are;

Component 1: Fostering skills development and entrepreneurship in priority sectors (Tourism & Construction and ICT related Services Sectors through four sub-components:

- 1.1: Labor-market assessment and analysis for demand driven skills identification*
- 1.2: Revision of Skills Development (TVET and Entrepreneurship) Curriculum*
- 1.3: Face-to-Face Skills Delivery.*
- 1.4: Support for Entrepreneurship Development.*

Component 2: Promoting entrepreneurship and employment through skills Development and eLearning Strategy through three sub-components:

2.1: Strategy Development, Strengthening and Diversifying skills development programs.

2.2: IT infrastructure for skills development and jobs platform.

2.3: Career hubs for education-industry linkages.

Component 3: Project Coordination, Monitoring and Evaluation

2. Objectives of the Assignment

The objectives of the Internal Audit are to: -

- 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;
- Verify the procurement procedures adopted in the project;
- Evaluate the overall performance (physical progress against financial progress) of the project;
- Identify potential risk areas and mitigation of those risk areas by improving the effectiveness of acceptable accounting procedures;
- Obtain a professional opinion on the accuracy of the IUFs 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.

3. Scope of Services

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 guidelines 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.
- k) The audit will be carried out quarterly and the auditor will conduct interim reviews for each of the quarter of the year ending 31st March, 30th June, 30th September & 31st December. Internal Audit has to be done for all quarters of the year 2021 and year 2022.
- l) 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.
- m) 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.
- n) 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.

4. 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 Permanent Secretary's attention any other matter that the auditor considers pertinent.

5. 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 Ministry of Higher Education's Permanent Secretary (PS) and its Project Management Unit (PMU) within 45 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 and to MoHE's Permanent Secretary before finalization. The PMU will submit its response, if any, within 14 days (2 weeks) of receipt of the draft report.

b) ***Final Report (3 copies):*** The auditors should submit the final copy of their report to MoHE's Permanent Secretary and 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) e-mailed 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.

The internal auditor shall ensure that quarterly internal audit reports are submitted to the World Bank within the next sixty days of the end of the quarter.

6. Coverage and 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.

7. Facilities to be provided by PMU

The auditor will be given access to all legal documents, financial management manual, operations manual, government orders/ circulars, World Bank Procurement Guidelines 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.

8. Duration of the Services

The Auditors will be appointed for an initial contract period of one year. The contract may be extended based on satisfactory performance.

9. Key personnel

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

Key Professionals	Description of Services to be provided	Minimum Qualification & Experience	Number of Staff Required
Partner/ Audit Manager	Overall coordination, & planning, team leadership, reporting, liaison with client	Qualified Chartered Accountant with at least 7 years' experience as a partner/manager with expertise in the area of internal audit planning, execution and reporting.	1
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 and interact with senior level government officials	1
Team Member	Field level audit of PMU including sample physical verifications of activities/ assets.	Qualified Chartered Accountants with at least 2 years' Experience in internal audit and report writing.	1
Note: Key Staff not evaluated at shortlisting stage. Shortlisted firm (1) will be requested to provide additional documentation during the Request for Proposal Stage.			

10. Reporting Arrangements

The Audit Firm will report directly to the Ministry of Higher Education's Permanent Secretary.

11. Shortlisting Criteria

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

- **Registered Firm:** Must be a Firm (Audit Firm) Registered in the Maldives (Provide copy of the Certificate of Registration).
- **Practicing Certificate:** The Firm must have a valid "Practicing Certificate" issued by the Institute of Chartered Accountants of the Maldives. (provide copy of the Certificate).
- **MIRA Tax Clearance Report:** If applicable, the Firm must submit the relevant tax report(s) dated no later than 30 days from EOI submission date (provide copy of tax clearance report).
- **Experience of the Firm:** The Firm must have minimum of Two Years' 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.*

12. Selection Criteria:

Selection will be made based on Consultant's Qualification-Based Selection (CQS) method set out in the World Bank Procurement Regulations for IPF Borrowers' Procurement in Investment Project Financing- Goods, Works, Non-Consulting and Consulting Services, July 2016 Revised November 2017 and August 2018.