

Annex-A

Terms of References for the Internal Audit Firm for SIHPP

Background

Government of Sindh (GoS), through the Sindh Human Capital Investment: 1000 Days Integrated Health and Population Program with the assistance of the World Bank to Ensure and improve RMNCAH & Nutrition (RMNCAH+N), Secondary Healthcare, FP Services Utilization and Public Health Emergencies Response 2022-27 through rehabilitation and upgradation of Government Dispensaries (GDs), BHUs, RHCs with referral points (THQ/DHQ) and Strengthening demand for and utilization of RMNCAH+N and FP Services and Women Empowerment.

The project will support three components, financed through an Investment Project Financing (IPF) instrument, with US\$200 million from the World Bank, International Development Association (IDA), and US\$30 million from counterpart funding.

The project scope includes a target population of 9.7 million in selected 290 UCs in desert, delta, riverine, hilly, arid zones, and urban slums. Several 392 GDs staffed with CMWs and supported by CHWs at the community level will be rehabilitated and upgraded for RMNCAH+N services with referral points like 121 fully damaged BHUs, 97 partially damaged RHCs, 39 partially damaged THQs, 4 RTIs, and 20 CMW and Public Health Schools damaged during flash floods or rain will be reconstructed, rehabilitated, and upgraded to address infrastructure losses during the flood. For the provision of emergency healthcare services at the community level and during climate-induced disasters, mobile vans, and mobile labs are proposed to be procured, while ambulances for emergency response and the strengthening of the referral system are also proposed. For effective referral and disease surveillance, a robust EMR system is also proposed.

Overall Job Objective:

To support the effective implementation of the Sindh Human Capital Investment: 1000 Days Integrated Health and Population Program, and strengthen the Finance & Audit function within the project, the services of an experienced and dynamic **Internal Audit Firm** is required to provide support and advice to the team and ensure compliance with WB policies and procedures.

Objectives of the Assignment:

The Internal Audit is an independent and objective assurance activity designed to add value and improve an organization's operations. Internal Audit helps an organization accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The purpose of hiring an independent firm for Internal Audit is to help the project accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Internal Audit Firm shall;

- i. Review and provide their assessment that financial and operational risks are understood and appropriately managed by the project management;
- ii. promote the establishment of best practices by making recommendations;
- iii. identify opportunities for efficiency and effectiveness improvements, primarily in internal controls and risk analysis;
- iv. advise on matters regarding internal controls and risk management;
- v. evaluate risk management procedures and internal controls;
- vi. provide process review services.

Scope of Work:

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

The Internal Auditor shall provide the internal audit services to the Client Sindh Human Capital Investment: 1000 Days Integrated Health and Population Program, The Internal Audit of the project will be carried out as per the approved internal audit plan agreed between the project management and the firm.

The scope of work of the Internal Auditor is to determine whether the project's risk management, controls, and compliance processes, as designed and represented by management, are adequate and functioning. The control frameworks are developed in compliance with GoS Rules and Regulations and the World Bank's guidelines. The Internal Auditor should review whether the projects' control framework ensures that:

- a) Risks are appropriately identified and managed by the project management.
- b) Significant financial, managerial, and operating information is accurate, reliable, and timely.
- c) Project Staff actions and transactions comply with the internal policies, standards, procedures, and externally applicable laws and regulations.
- d) Programs, plans, and objectives are achieved by the project.
- e) Quality and continuous improvement are fostered in the project's control process.
- f) Significant legislative and regulatory issues impacting the project are recognized and raised/ addressed appropriately.

The Internal Auditor will carry out its responsibilities by:

- a) Develop a Bi-annual Internal Audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, the external auditors, or the Steering Committee, and submit the plan to the Project Director for review and approval.
- b) Executing the Bi-annual Internal Audit plan, as approved and revised, from time to time.
- c) Communicating results of Internal Audit and recommendations for improvement to the Project Director/Steering Committee. Obtaining written management responses as to corrective action planned or taken within a specified time from the issuance of the audit reports. Evaluate and monitor the disposition of the proposed actions and their expected effectiveness. Instances of residual risk that may be unacceptable will be discussed with management.

- d) Issuing internal audit reports to the Project Director and Steering Committee on a six-monthly basis.
- e) Employing professional audit staff with sufficient knowledge, skills, experience, and professional certifications to carry out an audit of the project.
- f) Communicating opportunities for improving management control, functioning, and organizing of the project.

The control review activities performed by the Internal Auditor at Sindh Human Capital Investment: 1000 Days Integrated Health and Population Program level will include:

- a) Reviewing the reliability and integrity of financial and operating information and how it is identified, measured, classified, and reported.
- b) Reviewing the systems established to ensure compliance with laws and regulations.
- c) Reviewing the systems established to safeguard assets and, when appropriate, verifying the existence of assets at the project level.
- d) Appraising the economical and efficient use of resources.
- e) Evaluating the adequacy and effectiveness of the project's processes for controlling activities and managing risks.
- f) Testing key financial reporting controls in identified financial systems and processes.
- g) Identifying significant risks to the ability of the project to meet its objectives, communicating them to management, and ensuring that management has taken appropriate action to guard against those risks.
- h) Performing review of the books of account and disbursement on a sample basis to confirm if the project funds are properly expended and accounted for in compliance with the terms of the grant and project agreements and as per the applicable laws, rules, and regulations
- i) Review interim financial reports (IFRs) and provide comfort over the production of accounting/financial records.

The abovementioned activities will be performed on a sample basis. Review and evaluation of the control environment, as explained above, does not include pre or post-audit of payment transactions.

Project activities/ processes where the Internal Auditor should particularly focus include:

(i) General:

- a) An assessment of compliance with provisions of financing agreements (IDA Financing Agreement and Project Agreement), especially those relating to procurement, accounting, and financial matters.
- b) Adherence to Government orders, project principles, and procedures prescribed in the Project Appraisal Document, Operation Manual, Procurement manual & Financial Management Manual for the Project, and the administrative rules and regulations made under the project from time to time
- c) Adherence to the safeguard policies applicable to the Project.
- d) Transactions are undertaken based on proper authority
- e) Transactions are duly supported by proper supporting documents
- f) Adherence to World Bank guidelines, other funding agencies, and financial procedures formulated by the PMU in Operation Manual.

- g) All Vouchers are serially numbered and filed properly.
- h) Checking of component-wise, category-wise, and account-head-wise expenditures.
- i) Checking of various MIS and FMS reports generated along with statements and information submitted to various authorities.
- j) Checking of cost data with physical achievement data to monitor project progress.
- k) Checking of various contracts awarded under each component

(ii) Procurement:

- a) Whether goods, works and services are being procured following the procurement procedures defined for the project.
- b) Whether goods, works and services are being procured under the procurement plan and sanctioned Budgets.
- c) Whether the schedule for procurement of goods, works and services is in line with the project procurement plan.
- d) Whether required documentation for procurement activity and contract management is being maintained for all purchases made
- e) Whether capacities for procurement as indicated in the Operations manual have been created.

(iii) Financial Management:

- a) Review of Receipts and Payments accounts, Income & Expenditure account, Balance sheet, all schedules to a final statement of accounts, notes to accounts, and accounting policies of Project Management Unit Project for the financial year and helping in the preparation of all statements required to be submitted to World Bank and all other authorities
- b) All necessary supporting documents, records, and accounts have been kept in respect of all project activities and clear linkages exist between accounting records, accounts books, and the periodic financial reports (IUFRR). Clear linkages should also exist between the books of account and reports presented to the Government of Sindh and reports presented to the World Bank; IUFRR should accurately reflect expenditures and activities on the Project
- c) Comparison between budgets vis-a-vis actual expenditure on a monthly quarterly basis.
- d) Whether books of accounts are being maintained in the manner and formats defined by the Financial Management Manual of the project.
- e) Checking of running bills raised for payment under each project
- f) Checking of various statutory compliance like Income Tax, Sales Tax, etc.
- g) Ensuring adherence to 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
- h) Conduct pre-payment audit, the accuracy and propriety of transactions.
- i) To ensure that funds are used with due regard to economy, efficiency, and for the purposes they are provided
- j) Checking the maintenance of Books of accounts and records.

- k) Checking the Bank Reconciliation statements monthly and highlighting the deficiencies if any
- l) Whether the financial transactions are being accurately and completely recorded.
- m) Report any expenditure incurred by the project which should be disallowed
- n) Understand the process of tagging and maintenance of assets acquired under the project. The auditors may perform physical verification of assets (If considered necessary)

(iv) 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.

(v) 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 needed.
- c) Verifying compliance with recommendations of the earlier audit reports and commenting thereon.

(vi) Quality Assurance

The Internal Auditor shall develop and maintain a quality assurance and improvement program that covers all aspects of Internal Audit activity related to the project. This should enable the evaluation of the conformance of Internal Auditor activities with the Institute of Internal Auditors, International Professional Practices Framework (IPPF), and Code of Ethics.

Institutional Arrangements and Reporting:

- a) The half-yearly report and annual report are to be submitted within one month of the completion of the period.
- b) Provide the authority with timely information on financial Management aspects of the projects to enable follow-up action.
- c) Presenting Internal Audit Reports to the Steering Committee and following up on its directives.

Duration of the Assignment

The initial Assignment for the Firm is for 2 years and is extendable on satisfactory performance of the firm subject to approval of the World Bank.

Qualification and Experience

- a) Satisfactory rating under the Quality Control Review program managed by the Institute of Chartered Accountants of Pakistan. Its name appears in Category “A” of the State Bank of Pakistan’s Panel of Auditors
- b) The firm shall have a highly qualified professional team with expertise in the areas covered under ToRs.
- c) The firm should not be in the GoP/ GoS & World Bank debarred list.
- d) Experience in providing services of similar nature & size of at least two (2) contracts. The firm must provide documentary evidence of the assignments carried out.
- e) Weightage will be given to the Big Four accounting firms.

Selection Criteria

Selection will be made through a competitive process per paragraphs 7.38 of “World Bank: Procurement Regulation for Investment Project Financing Goods, Works, Consulting Services, Non-Consulting Services” dated July 1, 2016 (revised February 2025).