

**GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH  
MINISTRY OF LOCAL GOVERNMENT RURAL DEVELOPMENT AND  
COOPERATIVES**

**LOCAL GOVERNMENT ENGINEERING DEPARTMENT  
ADDITIONAL FINANCING FOR SECOND RURAL TRANSPORT  
IMPROVEMENT PROJECT**

**TERMS OF REFERENCE (TOR)**

**FOR**

**PERFORMANCE AUDIT CONSULTANCY SERVICES**

**UNDER ADDITIONAL FINANCING FOR RTIP-II**

**PACKAGE NO. AF-S6.1, CREDIT NO. 6327-BD**

**RTIP-II, LGED BHABAN, LEVEL-11, AGARGAON, SHER-E-BANGLA  
NAGAR, DHAKA-1207, BANGLADESH**

**December, 2021**

**TERMS OF REFERENCE (TOR)  
FOR  
PERFORMANCE AUDIT CONSULTANCY SERVICES (AF-S6.1)**

**1. BACKGROUND INFORMATION**

The People's Republic of Bangladesh received a credit from the International Development Association (IDA) in 2012 for the Second Rural Transport Improvement Project (RTIP-II). This project has been successfully implemented since then by the Local Government Engineering Department (LGED) under Local Government Division (LGD) of the Ministry of Local Government, Rural Development and Co-operatives (MLGRD&C). RTIP-II is aimed to improve and maintain/rehabilitate rural transport related infrastructure including inland water transport in 26 districts, covering mainly eastern parts of Bangladesh (excluding Chittagong Hill Tracts). The total project cost was about US\$ 388.45 million with IDA credit facilities of about US\$ 274.74 million and the GoB contribution of US\$ 113.71 million.

In 2017, Bangladesh experienced widespread, devastating and prolonged flooding due to the extensive rainfall recorded from April to October as well as due to excessive water flow from the upstream rivers in India disrupting people's normal life and damaging the properties. The flood resulted in interruption in the transportation network of Bangladesh damaging numerous LGED roads, bridges and culverts constructed and maintained under RTIP-II and other projects. This circumstance needed urgent rehabilitation and maintenance of rural infrastructures in order to support the smooth connectivity of road network in rural areas. As a result, IDA and GoB decided to come forward with additional financing under RTIP-II to rehabilitate/maintain the damaged roads with an aim to improve rural accessibility in the 18 districts out of 26 RTIP-II project districts in Bangladesh and remaining 8 districts were taken by a ADB assisted project. These districts are Pabna, Sirajgonj, Tangail, Dhaka, Manikgonj, Gazipur, Narayangonj, Narsingdi, Mymensingh, Jamalpur, Sherpur, Netrokona, Kishoregonj, Munshigonj, Sylhet, Habiganj, Sunamgonj and Moulvibazar. The total cost of additional financing for RTIP-II is, therefore, about US\$170 million (US\$100 million from IDA and remaining US\$ 70 million from GoB funding).

These Terms of Reference (TOR) are intended to procure a multidisciplinary service for project's Performance Audit Consultancy (Contract Package AF-S6). A consulting firm or joint venture of firms will be hired for carrying out technical audit, financial, environmental and social safeguards audits using CQS method with a lump sum contract. The independent consulting firm/firms will have extensive experience in technical, financial and safeguard audit works.

## **2. PROJECT DESCRIPTION**

### **Project Objective:**

The objectives of the project are to improve rural accessibility in project areas (18 districts) and strengthen institutional capacity for sustainable rural road maintenance.

### **Project Components:**

The project includes three components: 1) Accessibility Improvement 2) Institutional Strengthening, Capacity Building & Governance Enhancement, and 3) Rural Transport Safety. A brief description of the project is given below. The detailed description is presented in the Project Appraisal Document.

#### **Part A: Accessibility Improvement**

Climate resilient rehabilitation of about one thousand four hundred and thirty-three (1433) km of Upazila Roads and Union Roads that were damaged in floods and heavy rains in eighteen project districts, including appropriate road safety measure and quality control systems.

#### **Part B: Institutional Strengthening, Capacity Building and Governance Enhancement.**

Strengthening of the capacity of LGED for project performance monitoring and management, including through support to Project Management Unit, study tours, capacity building of central road safety unit and GIS section of ICT unit within LGED, support for preparation of guidelines and other documents on socio environment and climate change issues, training on sustainable road asset management, and implementation of program to prevent, mitigate and respond to Project related instances of gender based violence, sexual exploitation and abuse, and violence.

#### **Part C: Rural Transport Safety**

Expanding local accident data collection to eighteen districts; Strengthening of road safety audit practices; development of road safety campaign; and development and promotion of an integrated rural transport safety program.

#### **Part D: Contingent Emergency Response**

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

## **3. OBJECTIVE OF THE SERVICES**

The main objective of this consultancy services under this terms of reference (ToR) is to engage a team of experts to conduct third party monitoring for providing professional opinion on (i) the implementation of civil works under the project concerning design, BoQ and technical specifications (the technical audit); (ii) the project performance on financial management (the internal audit); and (iii) the compliance with respect to Environmental and Social Safeguard issues (the safeguard audit) under the project. The Performance Audit will provide feedback to LGED and the World Bank on improvement of the measures being applied and enhancement of the implementation process. The detailed features of the review are described in Section 4.

## **4. SCOPE OF CONSULTING SERVICES**

### **General requirement**

Under the rules & procedures of GoB and in accordance with the guidelines/Operational Policies (OPs) of the World Bank, the Performance Audit Consultant (PAC) will carry out their tasks following accepted professional standards, utilizing sound engineering, economic, financial, and management practices.

The performance audit will be independent, comprehensive, and include an analysis of the implementation process, reviewing both the results and activities that have been completed and those in progress. This will include an examination of the quality of works executed, including environmental & social compliance, institutionalization of rural transport safety program and standards described in the project & contract documents. The PAC will examine the reliability, adequacy and effectiveness of the project financial management systems and make recommendations for improvements in project delivery.

The audit will be carried out over a period of 4 months. A sample of contracts, comprising approximately 20 percent of ongoing & completed road rehabilitation contracts (1433.0 km) will be selected by the PAC for auditing. The PAC, in addition to overall project performance, will cover the following tasks in 4 (four) major elements of the project.

#### **(i) Technical Audit**

The PAC will perform, but not limited to, the following tasks:

- Provide a simplified and quantified description of audited sub-projects taken as climate resilient rehabilitation of the roads that were damaged during 2017 heavy rainfall and floods;
- Review and determine if climate resilient factors have been considered and incorporated in the road design; and hydrological data have been incorporated into the design of drainage system;
- Verify if submergible cement concrete roads have been introduced where applicable specially in flash flood areas and appropriate quality control system have been adopted by improving the monitoring system;
- Review and determine if appropriate level of supervision of both progress and quality of works have been provided by consultants;
- Review the quality of the design, BoQ and the cost effectiveness of the design; and accuracy of engineers estimates;
- Assess the quality of the works and their conformance with the standards, specifications, work plans and contract terms. The works quality shall be determined through visual examination, and primarily through non-destructive testing during the site visits. Destructive tests (core samples) will be used to support them;
- Compare a sample of the invoices for the unit prices and quantities with the contract prices and Bill of Quantities (taking into account approved variation orders, where applicable);
- Infer and compare the material quantities claimed with the Bill of Quantities (as modified by approved variation orders), observed layer thicknesses and laboratory tests.

- Verify if road safety audits have been conducted and if their recommendations have been addressed properly in the detailed designs of the subprojects under review;
- Compare the works execution, time and costs, with the contractor's plan and performance. In case of work delays, evaluate the efficacy of corrective measures and the application of liquidated damage provision in the contract;
- Evaluate the impact of coronavirus pandemic on the implementation of sub-projects and safety issues are properly addressed or health safety measures are in place;
- Analyze and report cost overruns by type of work, while taking into account the total budget estimated by the D&S consultants.
- Assess the quality of supervision and testing procedures applied by the Design and Supervision Consultants;
- Evaluate the performance of D&S consultants in terms of compliance with their terms of reference;
- Confirm that authorizations, justifications and payment certificates and completion certificates, are available in files; and
- Review the adequacy of quality control of rehabilitation works in every step; and
- Develop recommendations and propose ways forward.

**(ii) Internal Audit**

The internal audit team work independently from the rest of the PAC team, as it will concentrate on the financial management aspect of this project. This task is expected to evaluate the effectiveness of the financial management control and governance processes, as well as development recommendations to improve such processes.

The specific tasks for the internal auditor are as follows:

- The audit shall cover project activities, and specifically review all receipts and application of funds provided by GOB and the Development partner organizations. The auditor should visit various Field Offices as considered necessary for the audit on a sample basis.
- The audit should be carried out in accordance with International Standards for the Professional Practice of Internal Auditing, including conducting tests and controls, as the auditor considers necessary under the circumstances. The audit firm will examine the adequacy and effectiveness of the project financial management systems, including the operation of the computerized system with a particular emphasis on various financial and operational controls, and recommend methods to improve or create new ones where there are none. This audit should cover such aspects as:
  - Financial reporting Controls: Proper recording, processing and summarizing of transactions to permit the preparation of timely and reliable Interim Unaudited Financial Report (IUFR);

- Compliance Controls: Execution of transaction in accordance with appropriate authority, provision of loan agreement and established policies, plans and procedures;
- Safeguard Controls: Ensuring that assets acquired by the project are recorded in the books of accounts and asset register(s). The assets and stores have been maintained in appropriately secured storage facilities and have been accounted for using properly maintained inventory records which are reconciled periodically (at least annually) to the physical inventories;
- Review if goods and services financed under the project have been procured and payments for works, services and goods have been made 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 in consultation with Project Management Unit (PMU);
- Review the timeliness of activities under project component (on a sample basis) to verify if the deadlines and milestones set in the project are met. In this case, compare the projections to the actual results in order to verify whether accurate forecast was made for the project and thereby disbursement targets have been met;
- Review the overall disbursement performance of the project and identify the reasons if the disbursement performance is low and recommend measures for the improvement;
- Compare physical progress with financial progress and determine the variance with reason;
- Compare actual progress with yearly targeted as per Annual Development Program( ADP) and Development Project Proposal (DPP);
- Applicable Auditing Standards:
- International Standards for the Professional Practice of Internal Auditing.
- Develop recommendations and propose ways forward.

### **(iii) Environmental Safeguard Audit**

At the preparation stage, it was expected that roads rehabilitation activities under AF would not pose any significant impact on the environment. Monitoring of environmental issues, including field inspections, should be carried out by the PPA Consultant to verify that environmental protection requirements are being met and recommending for corrective measure if there is evidence of noncompliance. The auditing of the environmental safeguards aspect shall be based on the Part A-Environmental Management Framework (EMF) of Environmental and Social Management Framework (ESMF), prepared for the project and subsequent site specific Environmental Assessment (EA) along with Environment Management Plan (EMP) of the subprojects, which is included as part of the contract. The audit will reconfirm that specific environmental requirements during construction are included in the contracts and examine the real implementation of environmental safeguard issues.

Auditing and monitoring activities will be carried out to:

- verify that the project is meeting the EMF objectives, requirements, environmental compliance monitoring and standards are followed;
- verify that the participation of local community in planning and implementation of sub-projects;
- verify that environmental screening is done properly by the design consultant and LGED conduct verification of some screening;
- Verify that the public consultation process took place during subproject preparation and implementation.
- verify that EMP for sub projects are prepared through stakeholders' consultations, and mitigation measures are properly identified, addressed, and implemented comprehensively and properly monitored;
- verify that the compliance of EMP with environmental regulatory requirements, and that commitments made in the assessment reports and/or the conditions of approval are being met as applicable;
- verify that Occupational Health Safety (OHS) requirements are implemented by contractors in works contracts;
- evaluate the performance effectiveness of environmental mitigation measures and monitoring plan undertaken;
- verify compliance of EMP with workers health and safety requirements as well as the overall environmental safeguards;
- Evaluate if there any ES capacity building developed in the LGED or consultant due to the project
- Identify if any Impacts on forests and/or protected areas due road construction/rehabilitation
- Evaluate if there increase of sediment loads in the surface water body due to bridge construction under the project.
- compare actual and predicted changes to the environment, so that immediate actions can be taken to mitigate unanticipated impacts. Review the design of the EMP that it reflects good professional practices in environmental conservation, including drainage patterns, slope stabilization, disposal of construction wastes, degradation of scenic value, and natural habitats and wildlife corridors, if any;
- Develop recommendations and propose ways forward.

## **Social Safeguard Audit**

The PA Consultant will carry out a social audit and evaluation of mitigation measures for the project beneficiaries and project affected persons with special attention to women, tribal & indigenous peoples and other vulnerable groups. The PAC, in addition to overall project performance, will cover issues pertaining to land acquisition and resettlement with a focus on social inclusion, identify social risks and impacts those need to be addressed by LGED and D&S Consultants and suggested adequate mitigation measures following the project Social Impact Management Framework (SIMF) updated for the AF. The project mostly avoids land acquisition and displacement of persons and households in all subprojects under the Additional Financing. The Social Impact Assessment has conducted for the road rehabilitation sub-projects, and no impact or necessity of land acquisition, or no persons affected by the ongoing project activities have been found so far in implementation of the subprojects.

The AF project, unlike the parent project, follows an all-inclusive consultative process for identification, design and implementation of subprojects. The updated SIMF provides guidance for management of community engagement, land acquisition and involuntary resettlement, indigenous peoples, risks of gender and GBV, and labor influx in project process. The Social Safeguards & Mitigation audit will cover the following tasks to determine if the SIMF objectives are being achieved and procedures are properly performed:

### **(a) Social Inclusion and Safeguards:**

- Review the consultative process in identification, design and implementation of subprojects and the social screening for identification of safeguards issues likely to associate with the subprojects, to verify the adequacy as per requirement of the SIMF;
- Identify the strengths and weaknesses of social screening, land acquisition/resettlement, approaches and implementation strategies;
- Review the activities, including community participation and consultation, which have been undertaken to prepare Social Impact Management Plans (SIMP) or Resettlement Action Plans (RAP) to prevent or mitigate involuntary resettlement and loss of assets;
- Review the activities, including IP participation and consultation, which have been undertaken to prepare Indigenous Peoples Plans (IPPs) to prevent or mitigate adverse impacts of the subproject on IPs;
- Review specific monitoring indicators for undertaking the monitoring for Resettlement Plan (RP), Abbreviated Resettlement Plan (ARP) and Indigenous Peoples Plans (IPPs);
- Review the existing GRM, its functions and evidence of GRM activities and its compliance with the SIMF requirements;
- Review the results of internal monitoring and verify claims through sampling checks at the field level, involving affected people and community groups, and assess whether land acquisition/resettlement targets and objectives are generally being met;
- Monitor and assess the adequacy and effectiveness of the consultative process with APs, particularly vulnerable groups and women, including the adequacy and effectiveness of



grievance procedures and legal redress available to the affected parties, and dissemination of information about these; and

- Develop recommendations and propose ways forward.

**(b) Labor and Gender Issues:**

- Review and establish if gender sensitive actions are addressed, and if objectives that include a gender analysis for gender inclusive design, implementation and operation have been achieved or in progress to be achieved;
- Review and determine if the participation of women has been increasing, identify and recommend gender actions, prepare SIMPs and RAPs, reducing women’s social vulnerability;
- Review the Gender Action Plan (GAP), and evaluate if its objectives to ensure women safety and equity and to reduce gender inequalities have been achieved or in progress to be achieved;
- Evaluate the compliance of GAP including agreed actions necessary to address risks of labor influx and Gender Based Violence (GBV) due to the prevalence of high levels of poverty, including Sexual Exploitation and Abuse (SEA), violence during project implementation;
- Develop recommendations and propose ways forward.

**5. PROFESSIONAL STAFFING INPUTS AND DETAILS ON THE REQUIRED QUALIFICATIONS OF KEY AND NON-KEY STAFF**

The successful completion of the required tasks under these Terms of Reference will require a multi-disciplinary, highly qualified and experienced team as outlined below. The PAC team will be comprised of at least the following staff:

**Key Experts**

Sl No	Position	No	Input	Qualification and Experience
1	Senior Road Engineer (Team Leader)	1	4 Months	<ul style="list-style-type: none"> <li>• Bachelor’s degree in Civil Engineering with Master’s degree in relevant subject;</li> <li>• 20 years of professional experience in road engineering;</li> <li>• Should be fully conversant with road maintenance/rehabilitation works;</li> <li>• Experience in technical audit work will be preferred;</li> <li>• The ideal candidate should have worked in road sector for both private firms (contractors / consultants) and public sector (road administration).</li> </ul>

2	Sr. Internal Auditor	1	4 Months	<ul style="list-style-type: none"> <li>• Professionally qualified CIA, CA, or ACCA;</li> <li>• 15 years of professional experience in the field of Auditing</li> <li>• Minimum 8 years of relevant experience as an internal audit specialist;</li> <li>• Should have operational knowledge on auditing government systems and processes.</li> <li>• Preference will be given to those who have significant experience in internal auditing using international standards.</li> </ul>
3	Senior Environmental Specialist	1	3 Months	<ul style="list-style-type: none"> <li>• Master's degree in environmental engineering or science;</li> <li>• 15 years of professional experience in construction-related environmental management.</li> <li>• 10 years of experience particularly in impact assessments and environmental management in donor funded road / infrastructure projects and familiar with the World Bank's Environmental safeguards policies.</li> </ul>
4	Social Development Specialist	1	3 Months	<ul style="list-style-type: none"> <li>• Master's degree in Social Science or any relevant social science discipline;</li> <li>• 15 years of professional experience construction-related social safeguard management;</li> <li>• 10 years of experience in donor funded road / infrastructure projects and familiar with the World Bank's social safeguards policies as well as in community participation, gender and GBV risks management in transport projects in the region.</li> </ul>

### Non-key Experts

Sl No	Position	No	Input	Qualification and Experience
1	Senior Auditor	2	2 X 4 Months	<ul style="list-style-type: none"> <li>• Master's in Accounting/Finance/MBA, partly qualified CIA, CA or ACCA</li> <li>• Minimum 10 years of working experience with any private/public organization.</li> <li>• Minimum 5 years of relevant experience in internal auditing.</li> </ul>

2	Quality Control Engineer	1	4 Months	<ul style="list-style-type: none"> <li>• Bachelor's degree in Civil Engineering with Master's degree in relevant field or equivalent;</li> <li>• 12 years of professional experience;</li> <li>• 8 years of experience in Quality Control/ Quality Assurance of civil works including experience as Materials Engineers in the implementation of infrastructure projects;</li> <li>• Preferably 5 years of experience in quality control in road works.</li> </ul>
3	Maintenance Management Specialist	1	4 Months	<ul style="list-style-type: none"> <li>• Bachelor's degree in Civil Engineering with Master's degree in relevant field or equivalent;</li> <li>• 12 years of professional experience;</li> <li>• 8 years of experience in planning, managing and supervising infrastructure maintenance, preferably with a focus on rural road;</li> <li>• Proven skill in asset management will be preferred.</li> </ul>

All consultants should be fluent in spoken and written English. Additional staff may be engaged as needed to fulfill the TOR for execution of the performance audits.

**(i) SUPPORT STAFF**

The PPA Consultant will provide necessary support staff (like Junior Environmental Engineer, two Junior Engineer, two Quantity Surveyor, Junior Sociologist, two Data Analyst, two computer operator, Office Manager, Office assistant and cleaner) required to carry out their tasks and fulfill their responsibilities effectively and efficiently within the stipulated time.

**(ii) SUPPORT SERVICES**

The Consultant financial proposal will include cost of expenses for consultants, office accommodation, office & survey equipment, office furniture, rental costs for vehicles, and communication services for the effective implementation of their assignment.

**6. REPORTING REQUIREMENTS**

The consultant shall prepare the reports as described below. The reports will be provided in soft and hard copies (minimum 10 hard copies).

**(i) Inception Report**

The consultant will submit an inception report based on the initial findings and confirm the methodology and work program within 15 days after mobilization. Based on the initial findings, identify any constraint and suggest solutions, together with any action required by LGED and D&SC to facilitate the successful implementation of the consultancy;

**(ii) Interim Performance Audit Report**

The report will be prepared based on site visits, review, data collection and analysis of issues (as outlined in the scope of services) covering all components of the study. The Interim Audit Report will be delivered to LGED after the one and half month of contract signing.

**(iii) Draft Performance Audit Report**

It will be a comprehensive report on the consultancy services throughout the contract. This report will summarize the constraints, lacking, achievement, lessons learnt, and recommendations for future related to planning and design issues, contract execution issues and quality of works, as well as supervision and quality control issues, including photographs covering all components of the assignment. The report will be submitted for one and half months before completion of the contract.

**(iv) Performance Audit Report (Final)**

The final report will be submitted to LGED with all documents, raw data, drawings, analysis, etc. incorporating comments received 15 days before completion of the contract.

At each stages of the work the consultant will submit a draft report with 15 days for being reviewed by LGED and the World Bank, and finalize the reports incorporating the comments and feedback received.

**7. LIST OF THE EXPECTED DELIVERABLES AND PROPOSED PAYMENT SCHEDULE**

The list of the expected deliverables with the payments for consultants will be made on lump sum basis, upon acceptance of the reports, according to the schedule given below:

<b>Sl. No.</b>	<b>Reports/Deliverables</b>	<b>Percentage of contract price to be paid</b>
1	Upon submission of Inception report including detailed work plan for assignment implementation arrangements, report outlines, data collection and analysis, and applicable methodology.	10%
2	Interim Performance Audit Report	20%
3	Draft Performance Audit Report	30%
4	Performance Audit Report (Final)	40%

## **8. DATA AND SERVICES TO BE PROVIDED BY THE CLIENT**

LGED/PMU will provide the Consultant all necessary available project documents, project data, progress reports, aide memoires data in soft or hard copy including the following documents as mentioned below:

- (i) Relevant studies related to the project, completed during preparation or implementation;
- (ii) Design manuals, standard designs, and specifications as reference materials;
- (iii) Documents pertaining to specific contracts including BoQ;
- (iv) Data on recent improvement and maintenance cost;
- (v) Maps of the project districts and its road network;
- (vi) Monthly, quarterly and annual report prepared by the D&S consultant and other consultants.

## **9. TIME SCHEDULE**

Duration of the consultancy services will be 4 months. It is envisaged that the consulting service will commence in June 2022 and complete in September 2022.

## **10. INSTITUTIONAL ARRANGEMENTS**

The Performance Audit Consultant will work directly under the guidance of Project Director, RTIP-II and keeping liaison with other stakeholders, beneficiaries, etc. The consultant activities will be supervised by LGED authorities where appropriate and reports prepared by the consultant need to be cleared by the Bank.

During the sub-project site visit, D&S Consultants under the project, Upazila Engineer and Executive Engineer at District level will cooperate and provide the necessary secondary data, those available, for the assignment.

## **11. CONSULTANT'S PERFORMANCE**

The Consultant's performance will be measured following the indicators as per Annual Plan of Operation stated under:

- timely submission of inception report;
- timely submission of midterm report;
- timely submission of evaluation report on safeguards issues;
- timely submission of end-of-project evaluation report on social safeguards
- timely submission of completion report;
- timely informing LGED about any factors affecting the progress and quality of the project related to design and planning aspects, implementation aspects, and institutional aspects.

Once the Annual Plan of Operation is finalized, LGED will finalize the performance targets in agreement with the consultant. If the targets are not achieved LGED may retain 15 percent of the consultant's invoice for the respective period. When performance is not achieved, the consultant will prepare an action plan in consultation with the relevant parties involved in achieving the targets to catch up with the agreed performance targets. Payments will be made when actions have been taken and performance has been achieved to the satisfaction of the client. If the objectives of the study are not achieved, the remaining payments may be forfeited.