



Government of Sindh
Sindh Peoples Housing for Flood Affectees
(SPHF)



REQUEST FOR EXPRESSIONS OF INTEREST

SELECTION OF CONSULTANTS

Name of country: Islamic Republic of Pakistan
Project: Sindh Flood Emergency Housing Reconstruction Project (SFEHRP)
Assignment of Title: INTERNAL AUDIT SERVICES CONSULTANT
Activity Ref: PK-SPHFC-351773-CS-CQS
Date: 12 APRIL 2023

1. The Government of Sindh has received credit through EAD, Govt. of Pakistan from the International Development Association and intends to apply part of the proceeds of this credit to payments under the contract for **Sindh Flood Emergency Housing Reconstruction Project (SFEHRP)** to perform the consulting services.
2. The services are to be started in May 2023 and are expected to continue for three years.
3. The Internal Audit Firm would be responsible to conduct the internal audit activities, control assurance activities which include but not limited to financial management, procurement, contract management and quality assurance under the project. Interested and eligible firms must provide information indicating profile, descriptions of similar assignments, strength of suitably qualified and experienced staff available for the assignment etc. **Detailed Term of Reference for this consultancy services are attached with this REOI.**
4. The company **Sindh Peoples Housing for Flood Affectees (SPHF)**, Government of Sindh now invites consulting forms to indicate their interest in providing the required services. The interested firms/Joint Ventures are requested to provide information demonstrating that their firm has got the required qualifications and relevant experience to perform the Services.
5. Your attention is drawn to Clause 3.16 and 3.17 Section III of the World Bank's Procurement Regulations for IPF Borrowers setting forth the World Bank's policy on conflict of interest.
6. A Consultant will be selected in accordance with the Consultant's Qualification based Selection (CQS) method set out in the WB Procurement Regulations for IPF Borrowers (Procurement in Investment Project Financing, Goods, Works, Non-Consulting and Consulting Services - Fourth Edition, November 2020).
7. Expression of interest must be delivered in written form to the address below (in person, by courier, or through e-mail) by **27 April 2023**

Khalid Mehmood Shaikh
Chief Executive Officer – SPHF

Sindh Peoples Housing for Flood Affectees

Internal Audit Services Consultant

(Ref. PK-SPHFC-351773-CS-CQS)

Terms of Reference

I. Background

Pakistan experienced heavy monsoon rains between June and September 2022, which has severely affected millions of households, mainly in Sindh and Balochistan. Around 33 million people have been displaced and more than 13,000 kilometers of roads destroyed. The flooding has damaged 2.2 million houses, flooded around 9.4 million acres of crops, and has killed an estimated 1.2 million livestock. Moreover, limited access to input and output markets and temporary disruptions to supply chains have driven up food prices and added to existing price pressures resulting from reduced agricultural yields and the global rise of food prices. Preliminary estimates suggest that as a direct consequence of the floods, the national poverty rate may increase up to 4 percentage points, potentially pushing around 9 million people into poverty. The recently completed Post-Disaster Needs Assessment (PDNA) estimates total damages to be US\$14.9 billion, while total economic losses have reached about US\$15.2 billion. Estimated needs for rehabilitation and reconstruction are at US\$16.3 billion, not including new investments beyond the affected areas needed to strengthen Pakistan's resilience to future shocks.

Sindh has been disproportionately affected by the 2022 floods. According to the NDMA, 792 of the 1,731 nationwide casualties were in Sindh, including 336 children, with 8,422 people injured. Similarly, reports estimate that more than 4.9 million acres of agricultural land has been affected in the province, which is more than half of the nationwide total.¹ Vast areas in Sindh witnessed prolonged inundation lasting several weeks.²

According to the last pre-floods housing census from 2017, there were 2,756,499 katcha and 5,600,885 pakka housing units in Sindh, with the former concentrated mainly in rural areas and the latter more prevalent in the urban areas. While house ownership is higher in rural areas, housing with unclear ownership status is proportionately higher due to the relative informality of the housing sector in rural areas. Assuming linear growth between 1998 and 2017, the number of katcha houses in Sindh have grown at a rate of about 1.6 percent annually, while pakka houses have an annual growth rate of about 4 percent per year. However as per the estimates, around ~2 million of these houses have been damaged by the floods in Sindh alone.

¹ FAO Monsoon Flood Situation Update – Pakistan September 27, 2022.

² FAO Rapid Geospatial Flood Impact Assessment Pakistan, September 2022.

II. Project Description

i. Project Overview

For emergency rehabilitation to facilitate the flood affectees, the Government of Sindh has established a not-for-profit company 'Sindh Peoples Housing for Flood Affectees' (SPHF) to implement the Sindh Flood Emergency Housing Reconstruction Project (the **Project**), with technical and financial support of the World Bank. The Project design evolves from comprehensive discussions of the World Bank with the Government of Pakistan and the Provincial Government of Sindh. The reconstruction project aims to support (i) Housing subsidy cash grants for owner-driven reconstruction of multi-hazard resilient core housing units; (ii) Skill development of communities on multi-hazard resilient construction practices; and (iii) Technical assistance to Government of Sindh for design and delivery of the housing reconstruction program. It will involve construction of approximately two (2) million housing units. These houses will be spread over a vast geographical area, locations of which will be dependent upon the Post-Disaster Needs Assessment (PDNA).

ii. Project Development Objective

The project development objective is to support the Government of Sindh in the delivery of beneficiary-driven, multi-hazard resilient reconstruction of core³ housing units that were damaged by 2022 floods.

iii. Project Beneficiaries

The Project would have specific benefits for people living in the geographical locations who will be served through the housing subsidy grants for reconstruction/restoration of their damaged houses. Through a beneficiary-driven approach, approximately two (2) million multi-hazard resilient core housing units will be supported.. Roughly, half of these beneficiaries are estimated to be women, based on the demographic information available for these areas.

iv. Implementation Methodology

In view of the extensive outreach needed for the credible administration and monitoring of housing reconstruction and restoration, Government of Sindh has decided to enhance the public sector's delivery capacity through the engagement of Implementation Partners (IPs). The IPs include non-governmental organizations (NGOs) with strong, existing outreach at the community level and a proven track record of delivering disaster reconstruction programs.

These IPs have been operating across Sindh and have successfully executed multiple physical infrastructure projects and services. The Project has utilized a screening criteria for IPs in order to ensure their requisite capacity and experience needed to support the Project implementation.

³ Consisting of a core unit of 250 sq. ft. built to multi-hazard resilient standards and equipped with water collection system, twin pit latrine and where possible solar home solutions.

Selected IPs will augment their technical capacity to appropriate levels by hiring additional technical and social mobilization staff to effectively support the housing reconstruction program. Only one IP will be designated to work on housing reconstruction and restoration in an affected district. The IPs will be charged with: (i) conducting household-level reverification surveys to confirm eligible beneficiaries for housing subsidy grants; (ii) providing technical assistance to beneficiaries, engineers, and craftsmen on multi-hazard resilient construction techniques, including program orientation; (iii) overseeing reconstruction and restoration activities to ensure quality, including site inspections to conduct engineering assessments and verifying milestones for release of payment tranches to beneficiaries; and (iv) ensuring compliance with on-site social and environmental risk mitigation measures.

IPs will also: (i) support women and other vulnerable groups in demonstrating property ownership and eligibility for grants, managing construction activities and dealing with any instances of coercion, violence or abuse; (ii) coordinate participatory land adjudication and verification processes, as well as community-driven reconstruction services for women and other vulnerable groups; and (iii) undertake outreach to women, vulnerable groups and the wider community. Female-headed and other vulnerable households will be informed about different forms of assistance available to them under the project through awareness and information sessions that will be held at appropriate times and locations and would include support for women traveling from far-off areas. Wider engagement activities may also be required to obtain support for women's inclusion in the project among men and other 'gatekeepers' within the community.

III. Responsibilities and Scope:

The responsibilities of the Internal Audit Firm include but not limited to the following:

Internal Audit Activities

1. Give opinion on every payment above a defined threshold, before the approval of competent authority to ensure:
 - a) The payments are being made under the mandate given by Government of Sindh, Board of Directors, World Bank and other relevant authorities
 - b) Payments to the Implementation partners are being made in accordance with their contracts
 - c) All the codal requirements have been completed for the payment
 - d) All the payments are adequately supported by necessary documents
 - e) Payments are being made to the beneficiaries which have been validated and in accordance with milestones. Payments to other institutions are being made as per their respective contracts
 - f) Disbursements to the employees are being made in accordance with their entitlements

- g) Necessary deductions have been made before the payments
2. On a quarterly basis, submit a report to the Audit Committee on quarterly basis on:
 - a) the Financial Statements of the Company
 - b) Adequacy of Internal Control Procedures and suggest for the changes, if required
 - c) Policies of the Company and suggest for the changes, if required for increasing the efficiency and effectiveness of the operations
 3. Conduct a control risk assessment, analyzing the risks inherent in each significant project activity, mitigating it through control processes, and any residual risks to the project.
 4. Develop Internal Audit Plans based on the control risk assessment. The plans should include a summary of key internal controls within each significant project activity, the timing and frequency of planned internal audit work, and the resource budget. The firm shall use an appropriate risk-based methodology, including any risks or control concerns identified by management, external auditor, or AUDIT COMMITTEE.
 5. Finalize the plan with the CEO AND/OR COO, CFO and submit to AUDIT COMMITTEE for review and approval.
 6. Execute the Internal Audit Plan, as approved and revised, from time to time. Any significant deviation from the formally approved plan shall be communicated to the CEO AND/OR COO, CFO through periodic activity reports.
 7. Perform advisory services, beyond assurance services, to assist management in meeting Project's objectives, where required.
 8. Evaluate and monitor disposition of proposed actions and their expected effectiveness. Instances of residual risk that may be unacceptable will be discussed with management.
 9. Communicate results of Internal Audit and recommendations for improvement to the CEO AND/OR COO, CFO by the issuance of internal audit reports.
 10. Physical verification of project assets as recorded in the project financial statements at each financial year end.
 11. Verification of the payment cycle, including verification of a beneficiary lists. crediting of beneficiaries' accounts and beneficiary withdrawals, timeliness of payments and assessment of payment related complaints.

12. Employ professional audit staff with sufficient knowledge, skills, experience, and professional certifications to carry out audit of Project.
13. Communicate opportunities for improving management control, functioning and organization of Project to management.
14. Report suspected fraud, investigation of significant suspected fraudulent activities within the Project, money laundering activity if any.
15. Issue end of assignment report to CEO AND/OR COO, CFO and to the AUDIT COMMITTEE.

Control Assurance Activities

1. Review systems established to ensure compliance with laws and regulations.
2. Identify significant risks to ability of Project to meet its objectives, communicating them to management and ensuring that management takes appropriate action to guard against those risks.
3. Appraise economical and efficient use of resources.
4. Evaluate adequacy and effectiveness of Project's processes for controlling activities and managing risks.
5. Perform early entry engagements to assist management in incorporating an adequate control structure in new systems and processes.
6. Review reports of external auditor, monitoring compliance against recommendations of auditors and report status to CEO AND/OR COO, CFO.
7. Project Activities / Processes where Internal Audit Firm should particularly focus include:

a) Financial Management:

The firm shall perform a review of financial and internal control structure for each of the IAs and the Implementation Partner and report if they are in accordance with international standards to determine adequacy of existing controls related to management of all funds received by entities. Additionally, the firm will assess the adequacy and effectiveness of all processes for controlling activities and managing risks for the components, including timeliness and accuracy of payments. The firm shall obtain sufficient understanding of entities' financial management system and provide evaluation of management control environment, accounting system and control procedures in order to determine adequacy of system to control and account for funds transferred to it.

b) Procurement Management:

The firm shall review Project's procurement processes with an objective to provide assurance that they are effectively designed, in accordance with World Bank Procurement Regulations for IPF Borrowers (Procurement in Investment Project Financing, Goods, Works, Non-Consulting and Consulting Services - Fourth Edition, November 2020).

This will involve review of Project's procurement policies and procedures for procurement planning, avoidance of improper business practices and conflicts of interest, competitive procurement, ordering procedures, invoice examination policies and procedures to ensure payments are made only for works executed, goods received and services rendered.

c) Contract Management:

The firm shall review Project's processes for contract management and administration to provide assurance that all parties to contract fully meet their respective obligations as efficiently and effectively as possible, delivering business and operational outputs required from contract and providing value for money. The firm shall carry out a detailed review of contract administration functions such as inspection and acceptance, agreement modifications, disputes, proper accounting and termination etc.

d) Quality Assurance:

The firm 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 evaluation of conformance of Internal Audit activities with Institute of Internal Auditors International Professional Practices Framework (IPPF), Code of Ethics and best practices.

IV. Reporting Arrangements:

For administrative and contractual matters, the Firm shall liaise with CEO AND/OR COO, CFO and shall be responsible for following reporting arrangements:

1. Preparation and submission of Internal Audit Plan for the Project.
2. Agreeing on dates and schedule for internal audit.
3. Discussion on the level of risks, areas where management needs support and time allocations to prepare internal audit plan.
4. Submission of draft internal audit report, within one week of completing each internal audit, giving an opinion on the area reviewed and making recommendations for improvement where appropriate.
5. Discussion on draft internal audit report with the line managers responsible who will provide responses to the report, giving management comments and details of a plan of action with timescales for implementing recommendations.
6. Submission of final internal audit report incorporating management comments.

7. Monitoring the appropriate follow-up on audit findings and recommendations. All significant findings will remain in an open issues file until cleared
8. Reporting on follow-up of internal audit recommendations for the Project.
9. Reporting on follow-up of external audit recommendations.
10. Follow-up on directives of AUDIT COMMITTEE.

V. Duration of the Assignment

The contract will become effective after the signing of agreement for a period of THREE YEARS

VI. Deliverables:

- a) Risk based Internal Audit Plan
- b) Monthly Internal Audit Reports
- c) Follow-ups on DG Audit Comments and preparation of Working Papers for Audit meetings, Prepare replies of the DG Audit paras for DAC/PAC meetings, for verifications by AGPR.
- d) End of Assignment Report

The structure of the Internal Audit Report will be as follows:

- a) Introduction
- b) Audit objective and scope
- c) Background
- d) Executive summary, highlighting significant findings

VII. Qualifications and experience of the firm

The firm should be a chartered accountancy firm registered in category A of State Bank of Pakistan’s Panel of Auditors Firms with satisfactory QCR rating from ICAP for not less than last consecutive five years. The firm should have a specific and proven competence and experience in conducting internal audit of reputed organizations for past twenty-five (25) years. Experience of working on donor funded projects shall be accorded due weightage. They should have adequate number of professionals and well-equipped offices. Should have at least five partners based in Karachi.

Key personnel and level of efforts required,

Sr.#	Indicative Position
1.	Team Leader/ Lead Auditor
2.	Internal Controls Specialist
3.	Procurement and Contracting Specialist
4.	Audit Seniors / Staff

A brief description of the personnel qualification and experience is given below: -

Team Leader/ Lead Auditor

The incumbent should be a Chartered Accountant with at least 10 years of post-qualification experience. The experience should include experience of both statutory audits as well as special purpose assurance assignments.

Internal Controls Specialist

The incumbent should be a Chartered Accountant with at least 10 years of post-qualification experience. Having an additional qualification in internal auditing e.g., 'Certified Internal Auditor' would be a plus. The relevant experience should include assurance assignments including fiduciary reviews, due-diligence, business process reengineering/ improvement, information systems design/ evaluation, internal controls assessment, risk management etc.

Procurement and Contracting Specialist

The incumbent should have a post-graduation degree in a relevant discipline with at least 10 years of experience of monitoring and/ or managing procurement /contracts. The experience in the procurement of goods, civil works, engineering and management consultancy and non-consulting services would be required. Working on a donor funded project and hands on experience of practicing procurement under World Bank Procurement Regulations will be a plus.

Audit Seniors/ Staff

It is expected that Audit Seniors/ Staff would include a balanced composition of qualified and part-qualified accountants/ Auditors trained in the specific audit methodology and documentation standards used by the firm.

Code of Ethics

Following the IFAC- Code of Ethics, the Auditing firm is expected to maintain the highest standards of:

Integrity: The integrity of auditors establishes trust and thus provides the basis for reliance on their judgment.

Independence: The auditor should be independent in practice and in person and should be free from any conflict of interest.

Objectivity: The auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. External auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by other in forming judgments.

Confidentiality: External Auditors respect the value and the ownership of information they received and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Competency: The auditors apply the knowledge, skills and experience needed in the performance of auditing services.

VIII. Method of Selection of firm:

Consultant(s) is being selected in accordance with the **Consultant's Qualification based Selection (CQS)** method set out in the WB Procurement Regulations for IPF Borrowers (Procurement in Investment Project Financing, Goods, Works, Non-Consulting and Consulting Services - Fourth Edition, November 2020).