



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Southeast Asia Regional Economic Corridor and Connectivity Project (SEARECC)
(Project ID No. P176088; IDA Credit No. 7102-LA)

TERMS OF REFERENCE (TOR)

Technical Auditor / Reference No. ICS-001

1. Background:

The World Bank has been engaged in the transport sector in Lao PDR for two decades, during which significant achievement has been made including institutional strengthening, road maintenance fund, road management system. However, the sector still faces huge challenges in supporting the implementation of the 7th Five-Years National Socioeconomic Development Plan (NSED). Transport sector strategic plan for the next five years has been established, with long list of identified needs. While several regional road links have been built and 78% of paved national road is in good condition, less than 42% of local road network serving large segment of the population is in good condition. Even though Road Maintenance has grown steadily, the road network still suffers from shortage of funding for maintenance.

Given scarce resources, it is crucial for the sector to strategically prioritize the needs. Being a land-locked country with growing economic development in the region in the past recent years, Lao PDR is facing an increasing demand for transport, not only for road sector, but also for other modes of transport and logistics. Given scarce public funds and competing needs in the social sectors, the challenge is on how the sector will prioritize its needs and improve its sector management efficiency. To this end, it is crucial for MPWT to enhance its quality assurance system.

The Ministry of Public Works and Transport (MPWT) of Lao PDR has received financing support from World Bank for Southeast Asia Regional Economic Corridor and Connectivity Project (SEARECC).

The Project Development Objectives (PDOs) are to improve regional and domestic trade and climate resilient transport connectivity along an east-west corridor in Southeast Asia, and to provide immediate and effective response in case of an Eligible Crisis or Emergency.

The SEARECC consists of five components: as follows

- Component 1: Lao PDR and Regional connectivity enhancement (US\$106 million IDA; US\$20 million GoL)
- Component 2: Logistics services development and border-crossing management (US\$11 million IDA)
- Component 3: Strengthening institutional capacity and regulatory framework in agriculture, transport and investments planning (US\$9 million IDA)
- Component 4: Project Management (US\$5.9 million IDA).
- Component 5: Contingent Emergency Response (US\$0 million)

The project was approved on 31-May-2022 and currently the effectiveness conditions are being works processed.

2. Objective of consultancy services

MPWT would like to hire an individual consultant to carry out (i) technical audits of civil, consulting services works financed under component 1 including NR2 improvement, local road improvement and construction of cross-border facilities, (ii) verification by service levels, conduct procurement review of sample contracts, review safeguard compliant, review traffic safety aspect of the road improvement and maintenance. The consultant shall express an independent opinion on technical performance of the SEARECC and all the components as above including whether or not funds have been used in accordance with the agreements with due attention to the economy and only for the purposes for which financing is provided, whilst to provide findings, comment and recommendations on noncompliance, if any, and on internal assurance and internal control mechanisms, including management oversight, and quality assurance and internal controls that come to attention during the course of the audit in order to make recommendations for improvement; and to report on the adequacy of quality control and recommendation to improve the matter.

3. Scope of technical Audit

The consultant will carry out the following tasks:

Overall

- Assess the design and planning for improvement and maintenance of the climate resilience and safety of selected sections
- Undertake procurement review of works and services for improvement and maintenance of the climate resilience and safety of selected sections
- Review and determine if the technical standards applied are relevant and effective for the purposes at the road network.
- Review and determine if internationally recognized standards have been used, for the design and planning
- Review and determine if the climate resilience aspects have been incorporated into the planning and budgeting process of road maintenance
- Conduct workshops at each end of visit whereby issues found and measures to address them will be explained to participating representatives of contractors, supervision consultants and project managers.
- Provide a simplified and quantified description of the audited civil works executed under SEARECC,
- Verify the conformance of the work and their costs with the planned program, settled in the Contracts.
- Verify the procurement of sample civil works contracts for SEARECC that milestones are delivered as agreed plan and provide recommendations for timely implementation.
- Assess traffic safety measures addressed under road improvement and maintenance contracts.
- Assess the quality of the works, the conformance with standard specification in the contracts, the work plan and Project objectives, and whether the Contract terms are respected by parties. The works quality should be determined through visual examination, measurements and laboratory tests if necessary.
- Verify that the Contractor executes the works also taking into account the environmental protection issues and in compliance with Environmental Management Plan (EMP) attached to the Contract.
- Verify if the design was adequate with view to local conditions and availability of materials.
- Verify services levels as specified in the contracts.

Audit of planning and selection,

- Review and determine if the technical standards applied are relevant and effective for the purposes at the various tiers of the road network.
- Review and determine if maintenance contracts have been prepared according to local or internationally recognized standards, and that the description and quantity of works accurately reflect reality in the field.
- Review and determine if the climate resilience aspects have been incorporated into the planning and budgeting process of road maintenance.

Audit of works,

- As applicable confirm an adequacy of civil works supervision and quality control provided by supervision consultant, DoR and DPWTs, ensuring that road works are in conformance with the contracts and the supervision works with the terms of contracts.
- As applicable confirm that all invoices, authorizations, justifications and variation orders, payment, reception certificates, etc., are available and properly filed. Confirm that payments are made in conformance with the terms of the Contract and within the agreed limits.
- Confirm that the civil works are complied with the social and environmental management frameworks.
- Assess the Construction Supervision Manual and training program in the inspection and reporting procedures, delivered by the Technical Supervisor to its Resident Supervisors.

Capacity development

- Conduct workshops at each end of visit whereby issues found and measures to address them will be explained to participating representatives of contractors, supervision consultants and project managers.
- Procurement review, specifically:
 - ✓ Review quality assurance mechanism including monitoring system at central and local levels and make recommendation to improve its gap;
 - ✓ Review of the design document and respective works' execution;
 - ✓ Review of overall procedures and processes for implementation;
 - ✓ Assess safety and overall operational aspects of the works;
 - ✓ Review and determine if the technical standards applied are relevant and effective for the purposes at the road network;
 - ✓ Review and determine if internationally recognized standards have been used, for the design and planning;
 - ✓ Review and determine if the climate resilience aspects have been incorporated into the planning and budgeting process of road maintenance;
 - ✓ Review other relevant aspects as recommended by the Client or by the WB;
 - ✓ Conduct workshops at each end of visit whereby issues found and measures to address them will be explained to participating representatives of contractors, supervision consultants and project managers.

For each of the above points of the audit, the Consultant will not only verify the existence or non-existence of a problem, but will make recommendations which will support the Client to improve its procedures and achieve its desired performance. At the end of annual technical audit, the Consultant will also conduct a training workshop and present his findings and recommendations in order to improve the entire process of the roads improvement and maintenance, including design, civil works implementation and supervision stages. The target audience of such a workshop is the representatives of the Client, Supervision Consultant, Civil Works Contractors and design consultants.

If for any reason the audit has not been conducted in accordance with above this should be stated in the audit report with an indication of alternative standards or procedures followed.

The consultant will report to the Department of Inspection (DOI) and Department of Road (DOR). The Director of Internal Control Division of DOI, and Director of Road Administration Division (RAD) of DOR will facilitate the communications with the concerned institutions and officials within MPWT and DPWTs.

4. Qualification's requirement:

- Minimum Bachelor degree in civil engineering or related field, master or higher degree are highly desirable.
- At least 15 years of experience on the road sector industry and 7 years of experience on institutional strengthening.
- At least one similar assignment performed within the past 5 years.

- At least 10 years of experience on road construction and maintenance planning, design, implementation and monitoring, preparation of bidding documents and supervision of contracts.
- 5 years of experience on supervising, managing or auditing Road Performance Based Contracts.
- At least 10 years of experience on handling procurement, especially procurement of road works; such experience under the WB procedures is an advantage.
- Fluency in spoken and written in English.
- Regional relevant experience is an advantage.

The consultant will work closely with the Department of -Inspection and Department of Roads within MPWT.

5. Consultant's input

The audit should cover period starting from 1 January 2023 to 31 December 2025 Consultant's input to carry the assignment is approximately 10 person months over the above period.

For year 1, the consultant may, if necessary, spend 3 person-months spreading over the year to carry out the following tasks:

- (i) Review the quality assurance currently applied at MPWT and DPWT and prepare a proposed quality assurance mechanism.
- (ii) Prepare guidelines for the quality assurance and internal technical audit.
- (iii) Conduct procurement review for SEARECC, for a selected sample of contracts.
- (iv) Conduct consultation workshop on the result of the technical audit, result of the quality assurance system review, proposed quality assurance, and technical audit guidelines.
- (v) Provide training of the above to DoR, DoI, and DPWT, with approximately 45 people.

For year 1, 2 and 3 of SEARECC, consultant will carry out, annually, the technical audit of road works, and follow up the implementation of the quality assurance system, technical audit guidelines and conduct a workshop to present the result of which. Depending on the program, the consultant may have a total of eight-week mission each year (in 2 cycles)

6. Services provided by the Client:

MPWT will assign counterparts from the Inspection Department and Roads Department to facilitate and provide easy access to all files, data, and possibility to meet with concerned Government staffs for a satisfactory and timely execution of the services.

MPWT shall provide office space in MPWT. All operating costs in these and others aspects are to be covered by the financial proposal for the services, as outlined in the final agree budget.

The consultants will be provided with unrestricted access at all reasonable time to all records and documents, including books of account, legal agreements, minutes of meetings, bank record, invoices and contracts, etc and all employees of the Ministry. All employees of the project implementing agency, whose activities involve or maybe reflected in the annual financial statements, shall fully cooperate with the Auditor. The consultants will have a right of access to banks and depositories, consultants, contractors and other persons or firms engaged by the project. Provision will be made at the Department of Inspection to accommodate staff members of the consultant firm who will be provided with access to photocopying facilities.

7. Deliverables:

The consultant will prepare and submit the following reports: 1) Inception Report; 2) The Annual Technical Audit Reports for each year, to be delivered within three months after debriefing workshops, and 3) completion report. The consultant will prepare separate reports: SEARECC. In addition, the consultant will arrange consultation workshops and training on the technical audit guidelines and quality assurance. The detail of work as follows:

1. Inception Report shall be submitted to the MPWT no later than **three (3) weeks** after the commencement date,
2. Draft Annual Technical Audit Reports shall be submitted no later than **four (4) weeks** after the debriefing workshops carried out for each annual audit.
3. Final Annual Technical Audit Reports shall be submitted to the MPWT not later than **one (1) month** after receiving WB comments on the draft audit reports.

The highlights of the draft annual technical audit report will be presented to the MPWT for discussion in a wrap up meeting. The consultant shall provide background paper for the review in good time before the meeting. After these discussions and comments from the client the Consultant shall submit the Draft Annual Technical Audit Report for review and comments. After necessary amendments to the report, if any, the consultant shall submit the same number of the Final Annual Technical Audit Report in English language, **within two (2) weeks** after receiving the final comments from the Client. The Final Annual Technical Audit Report shall include the auditor's Management Letter inclusive of MPWT's responses to issues raised by the auditor. In addition, all of reports in Lao version is also required (five hard copies and one electronic copy).

8. Payment:

The contract shall be "Lump Sum Payments" on individual part-time contract basis. Payments shall be made in 3 phases, for each audit separately i.e., Audit for Year 2023, Audit for Year 2024 and Audit for Year 2025.

Each audit will start on the previously agreed date and the following payments will be applicable to each and all audits performed under the Contract:

Initial payment: 20% of the cost associated with each yearly audit shall be paid in advance for Consultant's mobilization and travelling to Project site.

Interim payment: 50% of the cost associated with each yearly audit shall be paid upon Consultant's submission of the Yearly Draft Technical Audit Report acceptable to the Client.

Final payment: 30% of the cost associated with each yearly audit shall be paid upon Consultant's submission of the Yearly Draft Technical Audit Report acceptable to the Client.

Any indirect local taxes chargeable in respect of this Contract for the Services provided by the Consultant shall be paid by the Client for the Consultant.