

Terms of Reference

External Audit

Project name: "Increasing the Resilience to Risks of Ethnic Minorities in Dien Bien Province" (IREM Project)

Project No.: WVD-9018-05

Project Duration: 1st Oct 2023 - 30th Nov 2024

Donor: Aktion Deutschland Hilft (ADH)

Implementing Organisation: World Vision International in Vietnam (WVI-V)

Project Location: Muong Cha, Tuan Giao, Muong Ang districts and Dien Bien Phu City, Dien Bien Province, Vietnam.

Deadline for application: 15th November 2024

I. INTRODUCTION AND BACKGROUND

World Vision International in Vietnam, with funding from Aktion Deutschland Hilft (ADH), is implementing the project "Increasing the Resilience to Risks of Ethnic Minorities in Dien Bien". The project aims to enhance the disaster resilience of ethnic minority communities in Dien Bien Province through capacity building, climate change adaptation (CCA), and disaster risk reduction (DRR) interventions at the community and school levels.

This Terms of Reference (TOR) is intended to define the scope, objectives, methodology, and reporting requirements for the external audit of the project's financials. The audit will assess the financial accountability of the project and ensure that funds provided by ADH have been appropriately utilized according to the contractual obligations.

II. SCOPE OF AUDIT

The audit will cover all financial and accounting records relating to the IREM Project during the period 1st October 2023 to 30th November 2024. The audit will verify and control the financial reports submitted to ADH by WVI-V. Specific focus areas include:

- **Funds Release Order (Mittelabruf) and Budget:** Ensure that all expenses align with the approved budget and financial management guidelines.
- **Final Report and Financial Report:** Examine financial reports submitted to ADH, ensuring they reflect accurate and complete expenditure.
- **Subcontractors (if applicable):** Review the details and transactions involving subcontractors to ensure compliance with procurement and contracting procedures.

The auditors will be given full access to relevant documentation, which are relevant to this audit. All information reviewed is to be treated in confidence.

III. AUDIT OBJECTIVES

The primary objective of the audit is to verify the financial integrity of the IREM Project by ensuring that:

- **Expenses are supported by original proofs** and have been properly recorded and accounted for.
- **Expenses were incurred during the project period** and are related to project activities.
- **Expenses have been authorized** in line with internal and donor-approved financial guidelines.
- **The method of currency conversion** from local currency (VND) to Euro is consistent with standard accounting practices.

Additionally, the audit will assess compliance with WVI and ADH financial policies, ensuring that resources are used efficiently and in accordance with donor requirements.

IV. AUDIT METHODOLOGY

The audit will be conducted following international auditing standards, focusing on the inspection of original supporting documentation and compliance with applicable accounting practices. The audit techniques may include, but are not limited to:

- **Review of original invoices, receipts, and contracts** supporting the expenditures.
- **Sampling of transactions** to ensure consistency and adherence to financial guidelines.
- **Reconciliation of accounting records** with bank statements and cash ledgers.
- **Review of payroll and personnel records** to verify employment contracts and time dedicated to the project.
- **Assessment of procurement processes**, ensuring compliance with tendering and contracting procedures.

The auditors are expected to use their professional judgment to determine the sample size and scope necessary to form an opinion on the financial health of the project.

V. REPORTING REQUIREMENTS

The auditors will provide a draft report of their findings no later than one month after the fieldwork is completed. This report will include:

- **Audit opinion** using the format provided in Annex II of this TOR.
- **Management summary** that outlines key findings, conclusions, and any irregularities detected.
- **Recommendations** for improving financial management and control procedures.

After reviewing the draft report with WVI-V and WVG, the auditors will finalize the report. The final audit report must include:

- **Analysis of eligible and ineligible costs**, organized by budget category, with proposed adjustments where necessary.
- **Summary of differences** detected, highlighting any discrepancies between reported and audited figures.
- **Comments from WVI-V** addressing audit findings.

The final report, in English, must be submitted to WVI-V no later than 14th March 2025. A **management letter** will also be provided, addressing issues such as fraud, lack of collaboration, or other significant concerns.

VI. AUDIT DELIVERABLES

- Draft Audit Report (including audit opinion, management summary, and recommendations)
- Final Audit Report (approved after feedback from WVI-V and WVG)
- Management Letter (confidential, for internal use)

Audit reports must to be issued in Euro using the weighted average exchange rate of the direct transfers done during the project.

All reports must be written in English and adhere to the formats provided in Annex II and III.

VII. KEY QUALIFICATIONS OF THE AUDIT FIRM

To be eligible for this assignment, the audit firm must meet the following criteria:

- **Independence:** The audit firm must demonstrate independence from WVI-V and its subcontractors, with no conflicts of interest.
- **Professional Certification:** The audit firm must be registered with a recognized professional body and comply with international auditing standards.
- **Experience in NGO Auditing:** The firm must have at least 5 years of experience auditing NGOs in Vietnam, and a strong understanding of donor-funded projects, especially those involving disaster risk reduction, climate change adaptation, and community resilience.
- **Expertise in Development Projects:** The audit firm should have prior experience auditing projects funded by international donors.
- **Multidisciplinary Team:** The audit team should consist of certified auditors with relevant experience in financial and compliance audits of international development projects.

VIII. BUDGET

The total budget for the audit service is **5,050 USD (4,717.66 EURO)**. This amount will cover all related expenses, including fieldwork, reporting, and any other relevant activities.

IX. TIMELINE

Fieldwork commencement: 15th January 2025

Draft audit report submission: 15th February 2025

Feedback from WVI-V and WVG: 07th March 2025

Final audit report submission to WVI-V: No later than 14th March 2025

X. SUBMISSION OF PROPOSALS

Interested audit firms should submit the following documents:

- Technical proposal detailing the audit approach and methodology
- Detailed CVs of key personnel assigned to the audit
- Financial proposal including the breakdown of audit costs
- Previous experience and references of similar audits conducted
- A valid audit firm registration certificate

Proposals must be submitted no later than November 15, 2024.

XI. CONFIDENTIALITY

All information provided to the auditors by WVI-V, as well as any documents reviewed, must be treated as confidential. The auditors must not disclose any information without prior written consent from WVI-V.

XII. SUBMISSION GUIDELINES

Audit firms interested in conducting the audit should submit the following documents:

- A proposal outlining the firm's qualifications, experience, and audit methodology.
- A detailed work plan and timeline.
- The CVs of key audit team members.
- A financial proposal including audit fees and expenses.

Proposals should be submitted to WVI-Vietnam by 12th November 2024 at the latest. For inquiries and submissions, please contact:

World Vision International in Vietnam

Email Address: WVV_SealedBids@wvi.org

ANNEX I - Expenditure items to be audited

ANNEX II - Format of the auditor's opinion

ANNEX III - Presentation of the audit results

ANNEX IV – Auditor Quality Criteria Verification Form

ANNEX I - EXPENDITURE ITEMS TO BE AUDITED
(to be adapted in accordance with audit needs identified)

Expenditures	Print-out from system	Supporting original documentation
<ul style="list-style-type: none"> • Costs of Relief Goods 	<ul style="list-style-type: none"> • Details of costs as per the accounting system 	<ul style="list-style-type: none"> • Documentation supporting tendering process if relevant • Invoices / Payments • Handover protocols
<ul style="list-style-type: none"> • Costs of Relief Measures 	<ul style="list-style-type: none"> • Details of costs as per the accounting system 	<ul style="list-style-type: none"> • Documentation supporting tendering process if relevant • Invoices / Payments • Handover protocols
<ul style="list-style-type: none"> • Costs of Personnel 	<ul style="list-style-type: none"> • Payroll - details of personnel costs in the accounting system 	<ul style="list-style-type: none"> • Contracts • Records that document the work on the project
<ul style="list-style-type: none"> • Costs of Transport & Storage 	<ul style="list-style-type: none"> • Details of costs as per the accounting system 	<ul style="list-style-type: none"> • Documentation supporting tendering process if relevant • Invoices / Payments
<ul style="list-style-type: none"> • Other costs (financial service costs, office costs, costs of consumables and supplies, evaluations etc.) 	<ul style="list-style-type: none"> • Details of costs as per the accounting system 	<ul style="list-style-type: none"> • Documentation supporting tendering process if relevant • Invoices / Payments • Reports if relevant
<ul style="list-style-type: none"> • Travel and subsistence expenses for staff involved in the operation 	<ul style="list-style-type: none"> • Details of costs as per the accounting system 	<ul style="list-style-type: none"> • Transport tickets • Lease contract or other documentation supporting accommodation costs
<ul style="list-style-type: none"> • Cost of equipment 	<ul style="list-style-type: none"> • Asset records • Inventories • Reconciliation between asset records and inventories 	<ul style="list-style-type: none"> • Documentation supporting tendering process if relevant • Invoices / Payments • Calculations of depreciation

Another audit work that may be undertaken, as necessary:

Review of reconciliation between accounting records and bank statements for all bank accounts
Review of cash, inventory

ANNEX II - FORMAT OF THE AUDITORS OPINION

The auditors' opinion should comply with the following format:

[Audit Company name] has carried out an audit of the funds used in the implementation of [Aktion Deutschland Hilft project no.] during the period [DATE] to [DATE].

In the opinion of the auditors the Member Organisation can/cannot justify certain of/all of the expenditures it has declared to Aktion Deutschland Hilft, these conform/do not conform to the budgets presented and have been/have not been incurred within the relevant contractual time periods [DATE] to [DATE].

The auditors have found reported extra costs/ financial expenses for EUR... that are not eligible.

In our opinion, with the exception of the matters referred to above, Aktion Deutschland Hilft funds covered by this audit have been/have not been used in accordance with the legal/contractual basis.

This opinion is for the use of Aktion Deutschland Hilft only and should not be disclosed to third parties without written permission.

ANNEX III - PRESENTATION OF THE AUDIT RESULTS

Aktion Deutschland Hilft funds release order, budget and final financial report

Audit opinion and statement

Analysis of the eligible/ineligible cost: showing per budget chapter;

- Amount budgeted
- Amount claimed
- Amount tested in %
- Proposed adjustments
- Eligible or ineligible costs

Summary of audit differences: showing in each case:

- Nature of the difference detected
- Amount involved
- Corrective action proposed
- Comments of the Member Organisation
- Working paper reference

Summary of the Member Organisations control/system weaknesses showing in each case:

- Explanation of the weakness
- Implication
- Recommendation
- Comments of the Member Organisation
- Working paper reference

ANNEX IV - Auditor Quality Criteria Verification Form

Project:

ADH #

WV #

Auditor proposed:

#	Criteria	Fulfilled: Yes	Fulfilled: No
1	A change of the auditor is necessary after having conducted three audits in succession		
2	The Audit will be conducted by a recognised independent auditor or an External Audit Company recognized in the country or a European Embassy (add proof)		
3	Use of ADH audit TOR		
4	The selection of the external Auditor should be done through the normal open tendering process.		
5a	The selected independent auditor or Audit company should be recognised within the International accepted standards (Generally accepted audit standards GAAS)		
5b	and should be member of a well-known Audit organisation (e.g International Federation of Accounts IFAC)		
5c	Auditor applies International Standards on Auditing (ISA) or IDW AuS		
5c	as well as possess good knowledge of the non-profit organisation sector.		
6	Are the following Audit firms present in the country of project implementation?		
	Ernst & Young		
	Privewaterhouse Coopers		
	KPMG		
7	Deloitte & Touche		
	Reason for not selecting one of those companies:		