

## Terms of Reference for Project Audit

### **“Improved income and gender equality for ethnic minorities in Que Phong district, Nghe An province”** (Project Number: 7266)

#### **1. Introduction:**

The Vietnamese NGO *The Consultative Institute for Socio-Economic Development of Rural and Mountainous Areas* (hereafter referred to as CISDOMA) is the local executing organisation of the project **“Improved income and gender equality for ethnic minorities in Que Phong district, Nghe An province”**. The project is funded by the Federal Ministry for Economic Cooperation and Development (hereafter referred to as BMZ) and INKOTA-netzwerk e.V. (hereafter referred to as INKOTA), while CISDOMA and its local cooperation partners contribute financially by a larger scale. INKOTA is the German executing organisation of the project and responsible for the reporting to BMZ.

The total duration of the project is 01st April 2023 to 31st December 2026. Currently the project scope for CISDOMA is budgeted at **350.852,40 €**.

As part of the project management requirements, CISDOMA and INKOTA are required to contract an external auditor for the project activities implemented by CISDOMA. We therefore wish to invite proposals (technical and financial) for the audit of statement of accounts of the local project organisation CISDOMA with respect to the financing of the project 7266 for the period of 01.04.2023 to 31.12.2026 from qualified independent audit firms registered with the chamber of commerce or a recognised national auditors’ association in Vietnam.

#### **2. Objectives of the audit**

The objectives of the audit are:

- **Examination of the financial regularity**, through the control and evaluation of the exactness, exhaustiveness and fairness of the various accounting transactions, either in full or by sampling, according to need and risk evaluation (before and during the course of the audit);
- **Examination of the conformity with project objectives and observance of the contract conditions**, through the control and evaluation of transactions, expenditures and receipts compared with the basic project documents (project description, programs of activities, contracts, budgets, etc.);
- **Examination of the economical conduct of business and effective use of financial resources**, through the control and evaluation of
  - minimization of the cost of the resources utilized for the activities, always ensuring an appropriate quality;

- comparison of expenditures with corresponding budget positions and the control and evaluation of any explanations for divergences;
- Brief analysis of the deviations between budgeted and effective expenses. For all budget deviations of more than 30%, explanations have to be provided.
- **Examination of the appropriateness, the relevance and the functioning of the Internal Control System**, through the control and evaluation of the:
  - internal organization (structures, functions, tasks, authority, responsibilities, methods, procedures, etc.);
  - existence, respect and application of laws, regulations and instructions;
  - protection of resources and assets;
  - prevention of errors and fraud;
  - quality and viability of the information system and the reporting.

### 3. Scope of the audit

The external audit should include the following auditing and control measures:

- Verifying accounting records for correctness and completeness.
- Verifying the financial report in which all project-related revenues and expenditure must be shown and for which it must be confirmed that receipts are provided for all revenues and expenditure.
- Verifying how the provided project funds have been managed. This includes:
  - Project funds transferred to the project partner in the current budget year or during the project term.
  - Financial contributions by local cooperation partners/beneficiaries
  - Interest earned in the current budget year or during the project term from project funds transferred to the project partner.
  - Other revenues from the project activity.
- Verifying to what extent the funds have been used appropriately for the purpose of carrying out the planned project objectives and activities.
- Verifying the cost-effectiveness of expenditure with regard to financial resources (to be used economically and as effectively as possible).
- Verifying the personnel costs and social security contributions to ensure that they are in line with local standards, legal in the respective project country and, above all, that they comply with contracts and that the contributions required by law are being withheld.
- Verifying that the cost plan is being adhered to by means of a comparison of objectives and effects (based on the most recent valid budget).
- Verifying the existence and respect of purchasing procedures

- Verifying the economic use of project equipment.
- Verifying the procured inventory, where it is being held and whether it has been/is being used appropriately for the purpose of carrying out the planned project objectives and activities.
- Verifying and confirming that project-relevant documentation is complete and correct.
- Verifying that all agreements fundamental to the project are being adhered to (contracts, German private executing agency guidelines, BMZ funding requirements, BNBest-P/private executing agencies and BMZ contract award guidelines).

#### **4. Documents of reference**

The following documents are considered basic references for the execution of the audit:

##### **Legislation:**

- National legislation, particularly as concerns the field of finance and the control of accounts;

##### **Project:**

- Project agreement including Annex 1 and 2, signed 13.01.2023
- Project Amendment No. 1 including Annex 1 and 2, signed 19.06.2024
- Project Amendment No. 2 including Annex 1 and 2, signed 19.06.2024
- Any other documents concerning the project;

##### **Accounting:**

- Accounting documents subject to the audit;
- Activity Reports;
- Financial Reports for the project period;
- Transaction lists and corresponding expenditure receipts;
- Bank statements;
- Any other information requested by the Auditor.

#### **5. Duration and timeline**

The auditor shall plan his program so as to ensure that an audit of high standards is accomplished in an economic and efficient manner and within the stipulated time.

The audit work shall be completed before 28<sup>th</sup> February every year.

Proposed time for the audit:

- February 2025 for the period from 01/04/2023 to 31/12/2024
- February 2026 for the period from 01/01/2025 to 31/12/2025

- February 2027 for the period from 01/01/2026 to 31/12/2026, including one audit report for the whole project duration from 01/07/2023 to 31/12/2026.

## 6. Place of audit

The audit must be carried out within the project environment (administrative office and local site if necessary).

## 7. Closing session of the audit

After completion of the audit, but before the final audit report is issued, the auditor will hold a closing session with the person responsible for the project (director) and the concerned staff. The program coordinator of INKOTA will attend the closing session by video conferencing. The session will address remarks and the results of the audit, bring up significant weaknesses in the administrative and financial management and will propose solutions to the problems brought out during the audit.

## 8. Audit report

The report of the external audit must include all information as required in the **Guide for an external, independent audit within the scope of the BMZ funding title for private executing agencies Engagement Global – bengo** (Version from 1 February 2020).

## 9. Deliverables

The Auditors on completion of the audit work will submit **03 sets** of original copies **in English and Vietnamese** of the Audit Report appended to the Financial Statements and along with the Management letter in accordance with the scope of work described above.

## 10. Key qualifications and competencies of the auditor

- The audit will be carried out by an independent auditor (one who does not have privileged ties with persons responsible for the project or with the organization to be audited). The qualifications of recognized independent auditor shall in all cases be verified by the German embassy or by another recognized institution in Vietnam (e.g. chamber of commerce).
- At least 10 years of experience in auditing of development projects;
- Expertise and strong knowledge in relevant international and Vietnamese laws on tax, accounting and finance...

## 11. How to apply?

CISDOMA is inviting qualified audit companies to submit the audit proposal for the project.

The audit proposal should include the valid certificate of the **company's registration, the technical proposal** (includes at least the list of audit services to ODA projects, methodology, audit team...) and **financial proposal**.

Interested companies are requested to submit the audit proposal by email to [hanh.pt@cisdoma.org.vn](mailto:hanh.pt@cisdoma.org.vn) or send documents directly to our office at No 118, Lane 95/8 Chua Boc, Trung Liet Ward, Dong Da District, Ha Noi City on 9<sup>th</sup> of December 2024 at the latest.