

TERMS OF REFERENCE FOR EXTERNAL AUDIT

1. INTRODUCTION

Center for Rural Economy Development (CRED) is a leading Vietnam-based Non-Profit Organization (NGO), working for the elimination of poverty and greater inclusion of disadvantaged groups including the poor, women, youth and ethnic minorities in sustainable development and economic growth. By now, CRED has actively diversified activities from project management, consultancy services in the fields of value chain development for agro-forestry products including planting, collecting, processing and exporting of agro-forestry products according to international standards as well as non-agricultural products such as tourism and handicrafts. We also promote initiatives to combat climate change that contribute to the reduction of environmental challenges and improvement of the local people's livelihoods, and implement responsible tourism initiatives.

CRED is a pioneer organization working with market system development (MSD) which enable CRED to connect the communities, local business and producer groups with high-quality service providers to promote sustainable production practices, enhance export readiness of small and medium enterprises (SMEs).

CRED is implementing six (06) following main projects:

- "Increasing Incomes and Enhancing Confidence of Ethnic Minority Women through the Development of Community-Based Tourism in Bac Ha district, Lao Cai province" ("CBT GREAT") funded by DFAT through CowaterSogema International Inc. for the period from 1 March 2019 to 31 March 2022;
- "Market-Driven Bamboo Shoots Production – Economic Empowerment for Ethnic Minority Women in Tan Xuan, Chieng Xuan, and Xuan Nha communes, Van Ho district, Son La province" ("Bamboo GREAT") funded by DFAT through CowaterSogema International Inc. for the period from 5 April 2019 to 30 April 2022;
- "UEBT – CRED collaboration agreement – Promoting up-take of BioTrade practices by local businesses" ("UEBT") funded by Union for Ethical BioTrade;
- "Value Chain Service Provider for Value Chain Idea Contest "Supporting Livelihood of Ethnic Minority Women and Youth through Value Chain Approach for Ethnic Minority Products in Vietnam" ("WB project") funded by The World Bank in Vietnam for the period from 18 February 2019 to 30 April 2021; and
- "The implementation of the Vietnam component of the project "Regional BioTrade Project Southeast Asia Phase II" " ("BioTrade SECO") funded by The State Secretariat for Economic Affairs (SECO) for the period from 1 September 2020 to 31 August 2024.
- "Contribution to improving livelihoods of ethnic farmers in the North of Vietnam" project is funded by the Federal Ministry of Economic Cooperation and Development (BMZ) and Helvetas Germany and implemented by the Center for Rural Economy Development (CRED) from May 2021 to April 2022.

CRED wishes to procure the services of a locally-based public accounting firm to perform an independent audit of the CRED's projects as below:

- Audit Services for CRED for the year ended 31 December 2021,
- For GREAT CBT project for the period from July 2021 to March 2022,
- For GREAT Bamboo project for the period from July 2021 to April 2022
- For Biotrade SECO project for the period from September 2020 to December 2021 (additional audit requirements from Donors as attached)

-For BMZ project for the period from May 2021 to April 2022 (additional audit requirements from Donors as attached)

2. OBJECTIVES OF THE AUDIT

The objectives of the audit are:

- 2.1. **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).
- 2.2. **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, and interviews with the project management team (project description, program activities, contracts, budgets, etc.).
- 2.3. **Examination of the economical conduct of business and effective use of financial resources**, through the control and evaluation of:
 - a) Minimisation of the cost of the resources utilised for the activities, always ensuring an appropriate quality and no budget line over spent; and
 - b) Comparison of expenditures with corresponding budget positions and the control and evaluation of any explanations for divergences.
- 2.4. **Examination of the appropriateness, the relevance, and the functioning of the Internal Control System in accordance to the internal control documentation of the CRED**, through the control and evaluation of the:
 - a) Internal organisation (structures, functions, tasks, authority, responsibilities, methods, procedures, etc.);
 - b) Existence, respect and application of laws, regulations and instructions;
 - c) Protection of resources and assets;
 - d) Prevention of errors and fraud; and
 - e) Quality and viability of the information system and the reporting.

The Audit Firm shall plan and conduct the audit in compliance with the International Standards on Auditing (ISA).

3. DOCUMENTS FOR REFERENCE

The following documents are considered as basic references for carrying-out the audit:

- Agreements and other documents relative to CRED projects;
- All accounting documents subject to the implementation of all CRED's projects;
- Financial and progress reports; and
- Any other information required or requested by the Auditor.

4. TENTATIVE SCHEDULE

The audit reports must be submitted within one (1) month upon completion of audit field work.

5. DETAILED DESCRIPTION OF THE AUDIT

5.1. **Obtaining the declaration of full disclosure**

The auditor shall obtain a written declaration signed by the management of the audited organisation, certifying:

- a) the acknowledgement of the organisation's responsibility for the keeping of accounts and financial documents that are correct, complete, fair, representing the true facts, in conformity with the objectives of the project, the documents of reference (description of the project, contracts, budgets, etc.) and national legislation;
- b) that all accounting records, supporting and other documents, minutes and any pertinent information necessary for the audit be at the disposal of the auditor;
- c) the completeness of information concerning property and goods;
- d) the completeness of information concerning financing received or due and own financing concerning the audited period, for the project being audited; and
- e) the availability for supplying any information and explanations, either orally or by written confirmation, which might be required by the auditor in the execution of his mandate.

5.2. **General Controls**

The Auditing Firm's assignment shall include the following tasks:

- ✓ To verify that a separate bank account is kept exclusively for the project if required by the Agreement; and
- ✓ To examine income, to verify especially the accuracy and completeness of records and evidence of the proper recording of exchange transactions from foreign into national currencies;
- ✓ To verify that the expenses incurred were in conformity with the approved project budgets;
- ✓ To verify that the expenses incurred were for the approved purposes of the project;
- ✓ To examine whether the expenses incurred were in compliance with the relevant regulations and rules, policies and procedures of CRED; and
- ✓ To examine whether the expenses incurred were supported by properly approved vouchers and other supporting documents.

In conducting the audit, special attention should be paid to check and collect evidence of fraud, corruption, and/or misuse of funding, if any.

6. **AUDIT REPORT**

The format of the report for each partner must comply with the format prescribed by ISA.

- 6.1 Brief description of the CRED and projects, objectives of the project, period covered by the audit.
- 6.2 Objectives and extent of the audit.
- 6.3 Declaration of full disclosure delivered by the project management and CRED Management Board.
- 6.4 Opinion of the auditor on the financial statements of the project upon the following:
 - a. Compliance with CRED Policy and Vietnam Regulations;
 - b. Use of the project funds exclusively for purposes of the project and in accordance with the Agreement; and

- c. Whether the financial statements show a true and fair view of the income and expenditure and the financial position of CRED.

If the auditor has to qualify opinion c) or identifies material exceptions to opinions a) and b), full details shall be given in the audit report

6.6 Management Letter

For each individual partner, the Management Letter should include the following:

- A general assessment of the internal control of CRED
- A description of any specific weaknesses, evidence of fraud, corruption, misuse of funding noted in the financial management of CRED and the audit procedures followed to address or compensate for the weaknesses.
- Recommendations to resolve/eliminate the internal control weaknesses noted should be included. Recommendations should be directed to a specific entity so that there is no confusion regarding who is responsible for implementation.
- The Management response should be included in the Management Letter, immediately following the recommendation.
- In addition, the auditor may wish to comment on “good practices” that should be shared with CRED.

6.8 Signature

The audit report is signed by the person responsible for the audit, as well as by the legal representative of the firm of auditors.

7. REQUIREMENT OF THE AUDITING FIRM

The auditor must be completely impartial and independent from all aspects of management or financial interests in the entity being audited. The auditor should not, during the period covered by the audit nor during the undertaking of the audit, be employed by, serve as director for, or have any financial or close business relationships with any senior participant in the management of the entity. It is required that the auditor disclose any relationship that might possibly compromise his/her independence.

The auditor should be experienced in applying ISA, whichever is applicable for the audit. The auditor must employ adequate staff with appropriate professional qualifications and suitable experience with ISA, including experience in auditing the accounts of entities comparable in size and complexity to the entity being audited.

7.1 Eligible criteria

- Legally established company governed by private law in the field of auditing.
- At least five (05) years of experience in auditing.

7.2 Minimum personnel requirement

01 Audit Director, 01 Audit Manager, 01 Senior Auditor and 04 Auditors

Audit Director:

- University graduate in accounting/finance/auditing;
- Certified auditor certificate by the Ministry of Finance and/or international certificate (ACCA or other G-20 recognized international accounting/auditing certificate);
- At least 15 years experience working in auditing services;
- Experience as Audit Director for at least 3 audit contracts of NGO/development cooperation projects; and
- Fluency in English is compulsory.

Audit Manager:

- University graduate in accounting/finance/auditing;
- Certified auditor certificate by the Ministry of Finance and/or international certificate (ACCA or other G-20 recognized international accounting/auditing certificate);
- At least 10 years experience working in auditing services;
- Experience as Audit Manager for at least 3 audit contracts of NGO/development cooperation projects; and
- Fluency in English is compulsory.

Senior Auditor:

- University graduate in accounting/finance/auditing;
- Certified auditor certificate by the Ministry of Finance and/or international certificate (ACCA or other G-20 recognized international accounting/auditing certificate);
- At least 8 years experience working in auditing services;
- Experience as Senior Auditor for at least 3 contracts of NGO/development cooperation projects; and
- Fluency in English is compulsory.

Auditor:

- University graduate in accounting/finance/auditing;
- Certified auditor certificate by the Ministry of Finance and/or international certificate (ACCA or other G-20 recognized international accounting/auditing certificate);
- At least 2 years experience working in auditing services;
- Experience as Auditor for at least (03) audit contracts for NGO/development cooperation projects; and
- English proficiency would be preferable.