

## TERMS OF REFERENCE FOR EXTERNAL AUDIT

### 1. INTRODUCTION

The GREAT Program is a flagship initiative of the Australian aid program in Vietnam which commenced in November 2017 and runs until December 2021. GREAT is promoting women's economic empowerment (WEE) in the ethnically diverse north-west region of Vietnam. The primary beneficiaries are women living in the provinces of Son La and Lao Cai with a focus on economic inclusion of women from ethnic minority communities. The Program is partnering with approximately 50 organisations to deliver results, including private sector actors, governmental and non-governmental organisations, and research institutions.

The objectives of the Aus4Equality|GREAT Program are:

- **Objective 1** – Empowering local women: Women living in local communities have increased capacity, space and choices to beneficially engage with agriculture and tourism businesses.
- **Objective 2** – Inclusive businesses partnerships: Selected private sector actors within the agriculture and tourism sectors innovate to profitably and sustainably trade with more women entrepreneurs and operate in gender sensitive ways.
- **Objective 3** – Improving sector governance and policy: Government agencies reinforce policies, and enact plans, regulations and services that enable more inclusive socio-economic development.

The GREAT program – in form of Partnership Agreements - has partnered with 49 partners to deliver results, including 19 private sector partners, 13 governmental agencies and the remainder research agencies, training institutions, local and international NGOs and multilateral organisations.

Cowater International is the managing contractor of the GREAT Program and is seeking to recruit a highly qualified audit firm to conduct services as per this TOR. The list of partners to be audited is specified under Annex 1 of the TOR.

### 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 program Partnership Agreement and internal control documentation of the Partner**, 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:

- Program Partnership Agreements relative to the project or to the audited organisation;
- All accounting documents subject to the implementation of the Partnership Agreement;
- Financial and progress reports; and
- Any other information required or requested by the Auditor.

### **4. TENTATIVE SCHEDULE**

#### **4.1 Audit field work**

- Schedule 1: October 2020 for the period from the effective date of the Program Partnership Agreement to 30/06/2020
- Schedule 2: July 2021 for the period from 01/07/2020 to 30/06/2021
- Schedule 3: (to be defined) for the period from 01/07/2021 until the end of the projects

#### **4.2 Reporting**

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 to be supplied by the management of the audited organisation**

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:

- Give an opinion on the Statement of Fund advanced/Received:
  - ✓ To verify that a separate bank account is kept exclusively for the project as required by the Program Partnership Agreement; and
  - ✓ To examine income for the Project, to verify especially the accuracy and completeness of records and evidence of the proper recording of exchange transactions from foreign into national currencies;
- Give an opinion on the Statement of Expenditures:
  - ✓ 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 the GREAT Program specified in the Partnership Agreement; and
  - ✓ To examine whether the expenses incurred were supported by properly approved vouchers and other supporting documents.
- Give an opinion on the Statement of Fund Acquittals and Balance
  - ✓ To verify the Acquittal Expenditures and the fund balances; and
  - ✓ To examine the notes to Acquittal and Non- Acquittal expenditures.

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

## 5.3. Location

The audit must be carried out within the Program partners' premises and project field sites.

## 6. AUDIT REPORT

The format of the report for each partner must comply with the format prescribed by ISA 800 and defined in 6.4. Only with regard to confirmations under section 6.4 a and b is an audit opinion also admissible in accordance with ISAE 3000.

6.1 Brief description of the audited organisation and project, 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 or the organisation audited.
- 6.4 Opinion of the auditor on the financial statements of the project upon the following:
- a. Compliance with the Program Partnership Agreement;
  - b. Use of the project funds exclusively for purposes of the project and in accordance with the Program Partnership Agreement; and
  - c. Whether the financial statements show a true and fair view of the income and expenditure and the financial position of the project.

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

- 6.5 Annual Financial Report of the project including:
- a. Statement of Fund advanced/Received
  - b. Statement of Expenditures
  - c. Statement of Fund Acquittals and Balance including notes to unacquitted expenditures

#### 6.6 Management Letter

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

- A general assessment of the Project's internal control
- A description of any specific weaknesses, evidence of fraud, corruption, misuse of funding noted in the financial management of the Project 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 from the Project 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 the Project.

At the program level: The Auditing Firm shall prepare a summary report which provides all key findings and areas of common issues, their implications and potential risks, and recommend to GREAT on detective and preventive measures to mitigate any weaknesses.

#### 6.7 **Currency and Language of the Audit report**

The financial information contained in the audit report is to be expressed in AUD and VND. All the documents are written in Vietnamese and English.

#### 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.
- Annual turnover of at least 150, 000 AUD
- A minimum of three audit contracts implemented during the last five years with contract value of over 100,000 AUD each

#### **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.

### ANNEX 1 – PROJECTS TO BE AUDITED

No.	Project	PA amount (AUD)	Province	Audit location
1	1.PLLT001	90,000.73	Lao Cai	Bat Xat District
2	3.PLA002	176,176.06	Lao Cai	Hanoi (documents) + field in Bac Ha district
3	4.PLLT003	115,024.35	Lao Cai	Sapa District
4	7.PSA005	234,766.06	Son La	Hanoi (documents) + field in Moc Chau district
5	9.PSA007	182,411.21	Son La	Moc Chau District
6	10.PSA008	317,542.12	Son La	Hanoi (documents) + field in Moc Chau district
7	15.PLA013	139,713.88	Lao Cai	Muong Khuong District
8	16.PLB014	153,574.79	Lao Cai	Sapa District
9	18.PSA016	399,851.39	Son La	Hanoi (documents) + field in Moc Chau, Van Ho Districts
10	19.PLA017	189,805.91	Lao Cai	Hanoi (documents) + field in Van Ban district
11	20.PLA018	95,959.03	Lao Cai	Lao Cai city
12	21.PLA019	286,615.87	Lao Cai	Sapa District
13	23.PSA021	66,677.33	Son La	Moc Chau District
14	25.PSA023	200,570.91	Son La	Moc Chau District
15	28.PLT026	158,950.91	Lao Cai	Sapa District
16	32.PSA030	481,175.14	Son La	Hanoi (documents) + field in Moc Chau district
17	37.PLB035	104,710.61	Lao Cai	Sapa District
18	38.PLA036	255,719.39	Lao Cai	Hanoi (documents) + field in Bac Ha district
19	39.PLA037	166,277.88	Lao Cai	Hanoi (documents) + field in Bac Ha district
20	40.PLA038	152,809.70	Lao Cai	Hanoi (documents) + field in Van Ban district
21	42.PLB040	106,111.39	Lao Cai	Bac Ha District
22	47.PILS001	114,033.09	SL/LC	Hanoi
23	53. PILS049	68,484.85	Lao Cai	Hanoi