

**TERMS OF REFERENCE**  
**FOR**  
**THE AUDIT OF SMALL-SCALE INFRASTRUCTURE PROJECTS**  
**IN HA GIANG IN ACCORDANCE WITH PROGRAM 135 FOR 2017 FUNDING**

**BACKGROUND**

On 15 November 2017, the Committee for Ethnic Minority Affairs (CEMA), representing the Government of Vietnam and the Embassy of Ireland in Vietnam, representing the Government of Ireland, signed a Financing Arrangement, agreeing a contribution of €12 million (€3M per annum) in 2017-2020 to support the construction of small-scale infrastructure under the Government of Vietnam's Programme 135 to contribute to ethnic minority poverty reduction in 5 provinces, Ha Giang, Hoa Binh, Quang Tri, Tra Vinh and Kon Tum.

The implementation of this funding is subject to audit. The Embassy of Ireland seeks an independent audit firm to carry out a financial audit of the Embassy's 2017 funding to Programme 135 in Ha Giang province (14 projects), with the terms and conditions as specified below.

**IMPLEMENTING PARTNERS AND CONTACT INFORMATION**

The implementation partners are the Committee for Ethnic Minority Affairs (CEMA), the Provincial Department for Ethnic Minorities of Ha Giang, Department for Ethnic Minorities of Meo Vac District and four Communes.

**ACCOUNTING STANDARDS**

Funding from Irish Aid is earmarked to specific projects. As it is fully aligned with P135 rules and regulations, all financial management is carried out in accordance with Vietnamese regulations and law.

**AUDIT OBJECTIVES**

The overall objective of the audit is to assess whether funds have been used as intended and fully accounted for in line with Government of Vietnam regulations and procedures.

Specific objectives of the audit are:

- (i) To check compliance with regulations and policies concerning budgeting, accounting, financial management, public procurement and all other government regulations of relevance for the funded projects.
- (ii) To assess the effectiveness of the projects' financial management and administration in provinces with a view to promoting quality, efficiency and transparency in public financial management.

Based on the audit report, the Embassy expects to be able to assess the overall soundness of the financial management of the funded projects and to have a clear picture of where and how procedures can be improved.

## SCOPE AND CONTENTS OF THE AUDIT

The audit will be carried out in Ha Giang province on the 2017 Irish Aid grant of VND28 billion to support small-scale infrastructure projects under P135.

Accounting documentation exists in various provincial departments, district and commune level. However, due to limited time, the Audit team will mainly focus on working at the province and district level (with all project documentation collected in one location at the province or district centre), and only working in communes when necessary.

The contents of the audit will be as follows:

- Auditing compliance with all Vietnamese regulations and policies for accounting, financial management, procurement and all other regulations relevant to the implementation of the funded projects.
- Auditing the funded projects' performance against targets, budget allocation, management and reconciliation.
- Checking the effectiveness and efficiency of the financial management of the funded projects.
- Checking and reporting clearly on the flows of funds from the Embassy to the Ministry of Finance and to the funded projects (the Embassy will contact with Ministry of Finance to ensure that relevant project documents are provided for checking and comparing by the auditors).
- Site visits to at least 4 projects.
- Auditing to include other financial resources involved in the Irish Aid-funded projects such as co funding provided by government and/ or community contributions.

The audit will be conducted in accordance with Vietnamese Standards on Auditing, which require that an auditor plans and performs the audit to give an opinion on:

- Whether the projects' financial statements are free of material misstatements;
- Whether the implementing agencies have complied with Vietnamese rules and regulations in all applicable areas;
- Whether funds were used for the purposes defined in the project descriptions, work plans and annual budgets;
- Whether records and documents are kept in a sufficient way.

The work enabling the auditor to form the opinion referred to above, must be conducted in such a manner as considered necessary to fulfill their responsibility.

The auditor should obtain an understanding of the accounting system in order to assess its adequacy as a basis for the preparation of financial statements and to establish whether proper accounting records have been maintained. The auditor must obtain such relevant and reliable evidence as considered sufficient to draw reasonable conclusions.

The auditor must report to the Embassy and the DEMA Ha Giang any significant matters coming to their attention. Most importantly the auditor must report their findings and in particular recommend necessary adjustments to all proper Government authorities for appropriate action and follow-up. The reporting on significant issues may include, but is not limited to, the following items:

- The adequacy of the implementing partner's accounting function;
- Internal control weaknesses observed during the audit;
- Changes in the scope of operation;
- Comment on expenditure incurred in relation to the approved work plans and budgets.

Furthermore, the Embassy expects the auditor to:

- Provide a general view of the progress and timelines of the project implementation in relation to work plans and project documents, including if the project has been implemented with economy and efficiency;
- Identify and describe internal control weaknesses in financial management, and describe the audit procedures followed that led to the findings (if any);
- Provide an assessment of the accounting system with emphasis on the effectiveness of the system in providing useful and timely information for project management;
- Provide an assessment of the internal control system with emphasis on the general effectiveness of the system in protecting project assets and resources;
- Give recommendations to resolve/eliminate internal control weaknesses (if any);
- Check and provide an overview of the flows of funds from the Embassy to the funded projects. This includes clear explanation of any difference between the amount transferred by the Embassy and the amount actually received by the project.
- Any other findings and recommendations in relation to the financial management of the project as deemed relevant by the auditor.

## **IRREGULARITIES AND FRAUDS**

The establishment and maintenance of an adequate system of internal control is the responsibility of the implementing partners, with whom the responsibility for ensuring compliance with all regulations rests, including those related to prevention and detection of irregularities and frauds.

The auditor is not required to search specifically for such matters. However, the audit plan and the auditors' work must be carried out in such a manner that they can reasonably be expected to detect material misstatements in the financial statements resulting from fraud, errors or breach of regulations.

## **TIMING AND REPORTING**

### **Audit Period**

The timeline for the audit mission is expected to be as follows:

A period of 4-5 weeks divided into three phases:

- i. Initial assessment (1 week in June 2020);
- ii. Field work and exit conference (2 weeks in June 2020); and
- iii. Reporting (2 weeks in July 2020).

### **Audit Report**

The audit report should be addressed to DEMA Ha Giang. The opinion expressed in the audit report will address whether:

- a) The financial statements present a true and fair view of the financial position of the project audited. In expressing this opinion, the auditor must consider whether proper accounting records have been maintained in each case, and whether the financial statements are in agreement with these records;
- b) Funds provided for the project by the Embassy have been used in accordance with the relevant grant agreement;
- c) The auditor shall make a statement confirming they have complied with these terms of reference in the introduction to the management letter.

### **Management Letter/ Internal Control Letter**

In addition to the audit report, the auditor will prepare a "Management Letter" addressed to DEMA HA GIANG, which will:

- a) Give comments and observations on the accounting records, systems, and controls that were examined during the audit;
- b) Identify specific deficiencies or areas of weakness in systems and controls, and make recommendations for their improvement;
- c) Include management comments and observations relating to the recommendations in (b) above:
  - Include management comments from the projects management board;
  - The auditors will bring matters to the attention of management as they arise and seek clarification and/or management's comments during the course of the audit;
- d) Communicate matters that have come to the auditor's attention that might have a significant impact on the implementation of the projects;
- e) Refer to any other matters that the auditor considers relevant;
- f) The management letter must include a review of the issues raised in the previous year's management letter and a status report on progress/follow up covering:
  - Recommendations from previous years not implemented;
  - Recommendations from previous years implemented;
  - Recommendations from current year – including note when there are no issues highlighted during the year.

**g) In all cases, a management letter MUST be issued. If no issues have arisen during the course of the audit, the auditors must issue a management letter stating that no issues have arisen. This does not mean that recommendations from previous years will not be followed up on by the auditors.**

- h) Include a high, medium or low prioritisation on all issues arising in the management letters. Ranks should be allocated according to the following criteria:
  - A: a major weakness or a recurring issue that must be addressed soon;
  - B: an important matter that will significantly improve the control environment, the accounting system or the operations of the business but is not so serious or prevalent as to be considered a major weakness;
  - C: a minor (or isolated) weakness that should nevertheless be addressed to improve the control environment, the accounting system or the operations of the business.

The final audit report (original) and the Management Letter in both Vietnamese and English and shall be sent to the DEMA Ha Giang and the Embassy.

## **TEAM COMPOSITION AND QUALIFICATION OF KEY PERSONNEL**

The audit team should include 1 team leader and 3 team members as minimum requirement.

The individual team members should be capable of working independently as well as in a team. Diverse expertise among team members is encouraged but team members must at least have a background in accounting and auditing and experience in auditing procurement processes. It is expected that the team leader and members will be well-prepared and with requisite training and supervision in areas that they lack experience on.

The expected key personnel qualifications are:

### Team Leader:

- (i) A senior, permanently employed professional with strong leadership and management skills and a proven track record of at least 15 years in the field of auditing/forensic accounting/investigations/accounting/procurement; experience in auditing projects financed by international or multilateral financial institutions within the last 15 years is desirable.
- (ii) At the minimum, a graduate of Bachelor of Accounting or equivalent and has professional qualification (maintained for over 15 years) such as CPA Vietnam, ACCA UK or Certified Internal Auditor (CIA)
- (iii) Possesses good written and oral communication skills in English, and is able to present logical and well written reports in English.
- (iv) Coordinates the work of subordinates and is able to work in a team-based environment.
- (v) Experience in Embassy of Ireland-financed projects would be an advantage.

### Team Members:

- (i) Experienced and qualified professional in the field of auditing/forensic accounting /Investigations/accounting/procurement or of equivalent expertise in a different field with at least 7 years' experience in the relevant field.
- (ii) At the minimum, a graduate of Bachelor of Accounting or equivalent and has professional qualification such as CPA, ACCA or equivalent.
- (iii) Possess good communication skills in English, and able to interact and present ideas with staff at all levels of implementing agencies.
- (iv) Process data/information thoroughly and independently, and able to work effectively and collectively in a team-based environment.
- (v) Experience in Embassy of Ireland-financed projects would be an advantage.

## **INSTRUCTIONS FOR TENDERS**

The Embassy of Ireland in Hanoi seeks Tenders for the provision of audit services as set out in the Terms of Reference above.

Proposals are subject to the specifications set out in the terms of reference and these instructions and should be submitted in **English**.

### **Tender Submission**

Proposals must be submitted to the Embassy of Ireland in Hanoi by email. Your response e-mail should be clearly marked "Tender for Audit Services" in the subject field, and should be sent via email to [minh.truong@dfanet.ie](mailto:minh.truong@dfanet.ie). Proposals **must be received by 4pm on 29 May 2020**.

Requests for clarification will be accepted up to **22 May 2020** and can be directed to [minh.truong@dfanet.ie](mailto:minh.truong@dfanet.ie).

### **Tender Content**

The proposal should provide the following information:

- a) Outline of the audit approach and methodology for the assignment
- b) Relevant technical experience of the firm
- c) Statement of understanding of the assignment
- d) Profile of staff proposed for the assignment (including CVs of proposed staff of no more than 3 pages each)
- e) Time estimate of the assignment
- f) Detailed quotation for the audit, showing hours and costs by grade

### **Eligibility Criteria**

The purpose of these criteria is to determine whether a Tenderer has the necessary technical and professional capacity to carry out the tasks. Tenderers who are not considered to have the required capacity will not proceed to the award phase. Tenderers must provide evidence in the submission of technical and professional capacity. Tenderers who do not provide the required detail, or who are judged, on the basis of the submission presented, not to have fulfilled the criteria specified below, will be excluded.

In respect of the contract which is the subject of this invitation to tender, the eligibility criteria are as follows:

- the tenderer must be duly authorised to provide statutory audit of accounts;
- the tenderer should have at least 5 (five) years' proven experience in statutory audit of accounts and in audit of donor funded organisations;
- the tenderer should have executed at least 5 (five) similar contracts/projects;

### **Award criteria**

The contract for the requested services will be awarded according to the award criteria outlined in the table below. Tenderers must score the minimum marks in criteria 2, 3 and 4 in order to be considered. Failure to achieve the minimum mark in criterion 2, 3 or 4 will result in the tenderer

being eliminated.

Marks for cost will be allocated using the following formula:

<b>Cost Score</b>	=	$\frac{\text{Lowest Tendered Rate}}{\text{Tendered Rate under evaluation}}$	x	<b>Number of Marks Available</b>
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Criteria	Marks Available	Min. Marks Required
1. Cost	30	N/A
2. Proposed Methodology and Audit Timetable	25	15
3. Understanding of Requirements	15	8
4. Technical capability and relevant experience of staff proposed, including team composition	30	18
<b>Total Marks</b>	<b>100</b>	N/A

In assessing “Technical Capability” and “Relevant Experience” the Embassy will take account of:

- Experience with auditing Government, Non-Governmental Organisations, donor systems and Embassies (consular systems),
- Demonstrated understanding of Ireland’s (or similar countries’) overseas development programming approach and funding mechanisms in development context,
- Understanding of inherent risks relating to the development and consular services environment,
- Membership of professional bodies
- Strong understanding of Vietnam’s Public Financial Management system.

**Scoring Methodology (Award Criteria 2, 3 and 4)**

Score	Meaning
91% - 100%	Excellent response with very few or no weaknesses exceeds requirements, and provides comprehensive, detailed, and convincing assurance that the Tenderer will deliver to an excellent standard.
80% - 90%	A very good response that demonstrates real understanding and fully meets the requirements and assurance that the Tenderer will deliver to high standard.
60% - 79%	A satisfactory response which demonstrates a reasonable understanding of requirements and gives reasonable assurance of delivery to an adequate standard

	but does not provide sufficiently convincing assurance to award a higher mark.
30% - 59%	A response where reservations exist. Lacks full credibility/convincing detail, and there is a significant risk that the response will not be successful.
1% - 29%	A response where serious reservations exist. This may be because, for example, insufficient detail is provided, and the response has fundamental flaws, or is seriously inadequate or seriously lacks credibility with a high risk of non-delivery.
0%	No Response

The following provision will apply to any tie-break situation occurring in the evaluation process:

If the evaluation results in a tie between two or more Tenders, then the Tender with the highest overall 'Qualitative' score shall be selected.

The Embassy reserves the right to request the preferred Tenderer to attend a presentation meeting to verify the contents of their proposal. If the Embassy is not satisfied that the Tenderer's proposal meets their specified requirements they will not be considered further for award of the Contract. The Embassy will then proceed to select the next highest ranked Tenderer as the preferred Tenderer.

This Request for Tender contains no contractual offer of any kind. Any Tender will be regarded as an offer by the Tenderer and not as an acceptance by the applicant of an offer made by the Department of Foreign Affairs and Trade. No contractual relationship will exist except pursuant to a written Service Level Agreement signed by a representative of the Embassy and any successful Tenderer for the specified services.

Tenderers are advised that the Department of Foreign Affairs and Trade is subject to the Freedom of Information (FOI) Act, 2014. If a Tenderer considers that any of the information supplied in their Tender response is either commercially sensitive or confidential in nature, this should be highlighted and the reasons for its sensitivity specified. In such cases the relevant material will, in response to a request under the FOI Act, be examined in the light of the exceptions provided for in the Act.

### **Fees and Costs**

Fees should be set out clearly in the proposal, using the schedule at Appendix II, stating which services are included in proposed fees, and the basis of calculation of those fees. Details of charges relating to lead partner, engagement partner, manager, and audit staff must be shown separately in your tender response. Costs (travel, meals and lodging) must be detailed and must be fixed for the period of the engagement. Total cost must be stated exclusive of VAT.

### **Conflict of Interest**

Tenderers must disclose in their submissions details of any circumstances, including personal, financial and business activities that will, or might, give rise to any conflict of interest associated with any current or previous engagement/programme undertaken, or any relationship that may reasonably be perceived to potentially conflict or impact on their ability to participate in the Tender Process or fulfil the requirements of the engagement. This also includes any sub-contractor.

Failure to disclose a material conflict of interest may disqualify a Tenderer or cause the termination of any subsequent contract and entitle Irish Aid to seek remedies, such as cost or compensation for



loss.

Where Tenderers identify any potential conflicts they should state how they intend to avoid such conflicts. Irish Aid reserves the right to reject any submission which, in Irish Aid opinion, gives rise, or could potentially give rise to, a conflict of interest.

Tenderers or any of their affiliates shall not be assigned any engagement which, by its nature, may be in conflict with another engagement of the applicant. Irish Aid may accept the participation of a consultant that has been engaged in the preparation of a project if it can be demonstrated that no unfair advantage is given to the consultant and that the tendering process offers equal opportunities to all Applicants. A declaration form (Appendix 1) must be signed to this effect. A detailed quotation for the audit, showing hours and costs by grade (see attached Appendix II) must be submitted together with the proposal.

## Appendix I – DECLARATION

**THIS DECLARATION MUST BE LODGED AS PART OF THE CALL FOR PROPOSALS SUBMISSION WITH THE TECHNICAL DOCUMENTS. WHERE THE APPLICANT IS A CORPORATION OR PARTNERSHIP THE DECLARATION MUST BE COMPLETED BY A DULY AUTHORISED REPRESENTATIVE.**

**Name of Organisation:**

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**Address:**

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**I, [ *insert name* ], solemnly declare that I have been duly authorised to make this declaration by the above named organisation and I hereby certify as follows:**

1. The Applicant has not been convicted of fraud, money laundering, corruption, or of being a member of a criminal organisation as those terms are defined in Directive 2004/18/EC.
2. The Applicant is not bankrupt or subject to bankruptcy or analogous proceedings, or being wound up, its affairs are not being administered by a court, it has not entered into an arrangement with its creditors, it has not suspended its business activities nor is it in any analogous situation arising from a similar procedure under national laws and regulations.
3. Neither the Applicant, nor any of its directors or partners, has been convicted of an offence concerning professional conduct by a judgement which has the force of res judicata or been guilty of grave professional misconduct (proven by any means which the Contracting Authority can demonstrate) in the course of its or their business.
4. The Applicant has fulfilled its obligations relating to the payment of taxes or social security contributions in its country of establishment or any other State in which the Applicant is located.
5. The Applicant has not been guilty of serious misrepresentation or omission in providing information to a public authority, including the Contracting Authority and grant issuing authority.
6. The Applicant is not a subject of the administrative penalty for being guilty of misrepresentation in supplying the information required by the contracting authority as a condition of participation in the call for proposal or failing to supply an information, or being

declared to be in serious breach of his obligation under the grant agreement covered by the budget.

In addition, the applicant will declare:

7. you have no conflict of interest in connection with the grant agreement; a conflict of interest could arise in particular as a result of economic interests, political or national affinities, family or emotional ties or any other relevant connection or shared interest;
8. you will inform Irish Aid, without delay, of any situation considered a conflict of interest or which could give rise to a conflict of interest;
9. you have not made and will not make any offer of any type whatsoever from which an advantage can be derived under the contract;
10. you have not granted and will not grant, have not sought and will not seek, have not attempted and will not attempt to obtain, and have not accepted and will not accept any advantage, financial or in kind, to or from any party whatsoever, constituting an illegal practice or involving corruption, either directly or indirectly, as an incentive or reward relating to award of the contract;
11. that the information provided to Irish Aid within the context of this call for proposal is accurate, sincere and complete.

**I further declare that the information provided above is accurate and complete to the best of my knowledge and belief.**

**I understand that the provision of inaccurate or misleading information in this declaration may lead to the Applicant being excluded from participation in this or future tenders.**

**This declaration is made for the benefit of the Embassy of Ireland in Vietnam (the "Contracting Authority").**

SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

NAME (PRINT) \_\_\_\_\_

TEL: \_\_\_\_\_

POSITION \_\_\_\_\_

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