ToR External Project Auditor

From July 1, 2022, until June 30, 2025

The Terms of Reference for contracting an auditor to perform an external project audit for the project Cultivating Change

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# Introduction

## Background

Oxfam is an international confederation of 20 organisations working together with partners and local communities in more than 90 countries. Oxfam has a long and rich presence in Lao PDR, working on numerous initiatives covering many themes and areas. These have included among others: support to CSO capacity building, community development, social protection, gender justice, support to small farmers and organic agriculture, private sector engagement, disaster risk management, and natural resource management. This has entailed working at different levels, from the community to the national level. Currently, Oxfam in Laos has approximately 30 partners including Ministries, the National Assembly, Mass organizations, INGOs, NPA/CSOs, universities/research institutes, UN agencies, and the private sector. Visit https://laos.oxfam.org/ for more information.

## Background of the Project

Lao PDR has made good progress in recovering from the impacts of the COVID-19 pandemic. An effective vaccination campaign has protected the population, allowing borders to be re-opened and restrictions lifted, and life has begun to return to normality for many people. However, the economic impacts still linger, and these have been further exacerbated by a volatile and changing world characterized by multiple crises, including the impacts of climate change, supply chain disruptions and economic tensions. Those crises have contributed to rising inflation and reaching the highest level in 2023, which are greatly impacting the cost of living and livelihoods of many people, particularly the rural poor.

The report, 2022 from Statistics Bureau under the Lao Ministry of Planning and Investment indicated highly increased cost of food, transportation, healthcare products and medicine and fuel. Similarly, vulnerable rural households in Laos have been impacted due to price increases for agriculture inputs, e.g., fertilizer and fuel (UN Report, 2022), resulting in low farm productivity and food security of rural population, consisting of 64% of the total population who depend on agriculture for their livelihood. Therefore, there is an urgent need for activities that continue to support the most vulnerable people but also interventions to build community resilience and adaptability to future shocks.

Thus, this project proposal has been developed by Oxfam in Laos upon the proposal of Ministry of Foreign Affairs and Trade (MFAT), to request additional fund to be spent over a period of 18 months from 1st July 2023 to 31st December 2024 and additional period until 30 June 2024 for preparing final project projects and organizing related meetings with its partners. The additional fund will support Oxfam and its partners to reach 100communities and 550 householdsthrough livelihood support packages and community development grant to improve better livelihoods of vulnerable households, and 315 individuals/groups will benefit from support on micro-business operations, including the technical training package. This extended phase will move beyond the immediate support provided throughout the immediate aftermath of the pandemic, to deepen and broaden community and business support to build the resilience of communities and enhance their prosperity.

Key lessons learnt from the current project have been used as basic information for design of this extended phase, such as (i) close collaboration between the project team and authority is key to moving project implementation forward, and (ii) some vulnerable target groups, such as the elderly and PWD found it hard to access cash transfer at the district centres; therefore, this project plans to establish community committees to support and manage the community grant to ensure the ownership in implementing community grant in a transparent and timely manner. These committees will support monitoring for the livelihood package and to be a coordinator with project team in the implementation of activities in their communities to ensure that target groups are involved in activities.

The project partners remain unchanged, which are included Community Health and Including Association (CHIAs), Community Association for Knowledge In Development CAMKID), Informal worker Advancement Association (IWAA), and Gender Development Association (GDA), as well as Lao Federation of Trade Union (LFTU), and additionally, this project will engage with Lao National Chamber of Commerce and Industry (LNCCI) as new partner to increase technical knowledge and skills on women and youth business networks, and support access to markets. The roles and responsibilities for LNCCI is to identify problems and concerns from their members (including, LFTU, Lao Youth Union, Women Union), and make sure that those issues are presented to government. Through this approach, the economic policies and laws developed and amended to improve the climate of economic business operations in Lao PDR. The learning, exchange, capacity, and monitoring processes will be managed by LFTU together with LNCCI.

Oxfam in Lao will manage project, including reporting and monitoring and evaluation through technical support from Oxfam in New Zealand. Oxfam in Lao will provide the project teams which have experiences with the management of project and its budget to monitor and inspect activity progress and budget expenditure implemented by partners, as well as ensure to comply with principles and requirements of donors. Those teams will be supported from the management team of Oxfam in Lao, which has a great experience of project management with multiple partners to facilitate the MoU process and the coordination with all levels for activity implementation. The management team will be existing Oxfam staffs which include Oxfam director, project manager, financial officer and MEAL officer. Oxfam’s and partners’ staffs will together implement project in 18 months period to ensure the achievement of project outcomes as plan set.

## Funding

New Zealand Ministry of Foreign Affairs and Trade (MFAT) undertakes to finance the Project by way of grant up to a maximum amount of NZD 3.351.135 ( three million three hundred fifty one thousand one hundred thirty five **New Zealand Dollar** or equivalent to EUR 1.927.375,49 (**One million nine hundred twenty-seven thousand three hundred seventy-five euros and forty-nine centimes.**) over four years (the Grant) subject to New Zealand Ministry of Foreign Affairs and Trade (MFAT) appropriation.

|  |  |  |  |
| --- | --- | --- | --- |
| Fund transfer from donor | |  |  |
| Date | Description | Amount in NZD | Amount in EUR |
| 23/06/2022 | Phase 1\_transfer | 1.500.000,00 | 885.001,38 |
| 20/12/2023 | Phase 2\_1st transfer | 925.567,50 | 524.241,43 |
| 24/05/2024 | Phase 2\_2nd transfer | 462.783,75 | 258.742,39 |
| 30/08/2024 | Phase2\_3rd transfer | 462.783,75 | 259.390,29 |
|  | Total amount | 3.351.135,00 | 1.927.375,49 |

# Objective of the audit

Oxfam (In Laos) wishes to engage the services of an Independent, External and Qualified Auditor for the purpose of auditing the above-described program. The audit shall be carried out in accordance with international audit standards issued by International Auditing and Assurance Standards Board (IAASB).

The objectives of this audit are to enable the Auditor to express an opinion on whether:

2.1 The Financial Report of the Essential Cash and Livelihoods Support to Vulnerable Communities Affected by the COVID-19 Pandemic in Lao PDR project presents fairly, in all material respects, the actual expenditure incurred, and the revenue received for the Project for the period from 1st July 2022 to 30th June 2025.

The report is in accordance with Oxfam (In Laos) accounting records and in accordance with MFAT’s requirements for financial reporting as stipulated in the agreement, including appendices, between MFAT and Oxfam Novib.

2.2 The Project funds provided by MFAT have, in all material respects, been used in conformity with the applicable Contractual Conditions.

2.3 The internal control systems i.e. the control environment and the control procedures are adequate to ensure that:

* Assets are safeguarded
* Fraud is prevented and detected
* Segregation of duties is adopted and strictly followed
* Accounting records are complete; reliable and understandable

For item 2.3; the Auditor is expected to prepare a Management Letter to highlight possible weaknesses

2.4 The audit terms of reference must be read together with the MFAT ToR in Annex D.

# Scope of the Audit

* 1. Oxfam Country offices will be audited by their own auditors and will manage their own audit and their respective National Partners’ audits, as provided below. Country offices will share their Audit reports with the PMU along with their respective Audit Opinions according to ISA 800/805 and ISRS 4400. Local partners will follow Oxfam countries’ audit project period and process as local partners are under agreements with Oxfam countries having a joint budget with countries.
  2. Each country office will be responsible for finalising a summary sheet including country offices their partners, in particular:
  + Fund Transfers from Oxfam Novib
  + Reconciliation sheets (fund transfer, Interest Income for the project and Exchange Gain)
  + Income and Expenditure summary for Cultivating Change project.
  1. The country auditor will give an opinion on each country office financial report adding a management letter and a management response to answer the main findings resulting in the audit exercise.
  2. The Auditor will be expected to gather the needed audit information (financial reports and supporting documents) and consolidate these to one audit report and management letter with management response from the organisation about the observations in the management letter.
  3. The Auditors should confirm the location(s) for the audit with Oxfam (In Laos) prior to the start of the audit fieldwork and ensure that relevant supporting documents as well as key staff will be available during the audit. The Auditor should take into account that Oxfam (In Laos) normally requires meetings to prepare the audit and to discuss the draft report and that this may involve additional local travelling (see Section 7).
  4. The Auditor should obtain a preliminary understanding of the **engagement context** on the basis of Annexes of these ToR. These annexes contain key information including the reason for the audit, logistics, the **Contractual Conditions** for the Project, the Entity and the Project subject to audit, other information, contact details and key documents.

The term **'Contractual Conditions'** refers to the conditions, rules, criteria which are set out in the donor contract for external actions. The term **'contract'** can refer to any conventional or contractual document (legal commitment) signed between Oxfam Novib and each country. The Contractual Conditions for this Project are set out in:

* The MFAT grant agreement signed by MFAT and Oxfam Novib
* The MFAT General Conditions and Annexes
* Oxfam Novib grant agreements with implementing partners (Annex II)

The Projects subject to audit covers the activities set out in Contractual Conditions described above. The subject of the audit is the expenditure and revenue as stated in the Financial Report of the Project for the period from 1st July 2022 and 30th June 2025. The audit will also include an evaluation of the internal control systems and a management report to highlight internal control weaknesses and recommendations for improvement.

* 1. The Auditor will inform Oxfam as soon as possible about any limitations in the scope of work he/she may find prior to or during the audit. Additional assignment: according to be agreed upon procedures ISRS 4400, review the following areas in accordance with the Terms of reference below:
* List any additional areas to be examined by the auditor, e.g. following up on weaknesses identified in previous efficiency audits or reviews of internal management and control.
* Observe that if the budget includes salary costs that will be debited to the project/programme, agreed upon procedures ISRS 4400 (for information about ISRS 4400 as a standard, see the Audit Handbook) shall always be conducted and include a review whether these costs have been recorded in a systemized manner that allows for following up.
* The size of the sample for the auditor to review under an additional assignment regarding forwarding of funds shall be specified in the terms of reference or in the engagement letter between the auditor and the cooperating partner.

3.12 The areas of review below are divided into mandatory and optional additional assignments. Besides these, other additional assignments might also be included based on what is necessary and relevant in the specific contribution. Mandatory assignments that must be included:

1. Observe whether the financial report is structured in a way that allows for direct comparison with the latest approved budget[[1]](#footnote-1).
2. Observe and inspect whether the financial report provides information regarding:
3. Financial outcome per budget line (both incomes and costs) for the reporting period and columns for cumulative information regarding earlier periods under the current agreement.
4. When applicable, compare if the opening fund balance[[2]](#footnote-2) for the reporting period matches with what was stated as the closing fund balance in the previous reporting period.
5. A disclosure of exchange gains/losses. Inquire and confirm whether the disclosure includes the entire chain of currency exchange from MFAT’s disbursement to the handling of the project/programme within the organisation in local currency/ies, if applicable.
6. Explanatory notes (such as, for instance, accounting principles applied for the financial report).
7. Amount of funds that has been forwarded to implementing partners, when applicable.
8. Based on materiality and risk the auditor shall examine whether there is supporting documentation related to incurred costs. Regardless of materiality of the findings the auditor shall quantify the amount for costs lacking sufficient supporting documentation.
9. a) Inquire and inspect with what frequency salary costs during the reporting period are debited to the project/programme.

*Choose a sample of three individuals for three different months and*:

1. Inquire and inspect whether there are supporting documentation[[3]](#footnote-3) for debited salary costs.
2. Inquire and inspect whether actual time worked is documented and verified by a manager. Inquire and inspect within which frequency reconciliations between debited time and actual worked time is performed.
3. Inspect whether the Cooperation partner comply with applicable tax legislation regarding personal income taxes (PAYE)[[4]](#footnote-4) and social security fees.
4. Review and confirm that the Cooperation partner screens IP’s and/or suppliers to ensure that such parties are not subject to the European Union’s financial sanctions list of persons, groups and organisations (EU Sanctions list).

Enquire whether there have been any reported findings from the screening process and if so, report on such findings

1. a) Inspect and confirm that the unspent fund balance (according to the financial report) at the end of the financial year is in line with information provided in the accounting system and/or bank account.
2. Applicable only for the final year: Inspect and confirm the unspent fund balance (including exchange gains) in the financial report and confirm the amount that shall be repaid to MFAT.
3. Choose a sample of a minimum of 40 % of the total of disbursed funds as well as 40 % of the number of Implementing Partners (IP’s) or a maximum of 10 IP’s.

6.1 Inspect and confirm whether the Cooperation partner has signed agreements with the selected IP’s.

6.2 Inspect and confirm whether the Cooperation partner, in all agreements entered with IP’s, included the requirement to carry out annual audits. The requirement shall specify that these audits shall be carried out with application of ISA (reporting according to ISA 800/805) and a separate assignment according to ISRS 4400 should be included for project/programme support. If agreements regarding core support are entered into with IP’s, the audit shall be conducted in accordance with ISA 700 or National standards on auditing.

6.3 Inquire and inspect whether the Cooperation partner has received financial reports and reports from auditors from all IP’s included in the selected sample:

a) Inquire and inspect whether the Cooperation partner has verified if reports from IP’s are in line with the requirements in the Agreement.

b) Inquire and inspect whether the Cooperation partner has documented its assessment of the submitted financial reports and reporting from auditors including management responses and action plans from selected IP’s.

c) Inquire and inspect whether the Cooperation partner has documented its follow-up actions based on the information provided in the financial reports and the reporting from the auditor of the selected IP’s.

d) Inquire and inspect whether the Cooperation partner has reported substantial observations[[5]](#footnote-5) from selected IP’s audit reports in its communication with MFAT. List observations[[6]](#footnote-6) from IP’s audit reports which have been part of this sample.

# Audit Procedures

The Auditor should perform the audit in accordance with the International Standards on Auditing (ISA) which requires that the Auditor should prepare audit documentation and obtain sufficient appropriate audit evidence to support audit findings and to draw reasonable conclusions on which to base the audit opinion. The Auditor uses professional judgment to determine whether audit evidence is sufficient and appropriate considering the Contractual Conditions

The Auditor should exercise due professional care and judgment and determine the nature, timing and extent of audit procedures to fit the objectives, scope and context of the audit.

The Audit procedure should include:

* 1. **Obtaining an understanding of the engagement context**

The Auditor should obtain a sufficient understanding of the engagement context including the Project, the Entity, Donor requirements which apply to the Project and the Contractual Conditions for the Project which is set out in the scope. The Auditor should pay specific attention to the Contractual Conditions for:

* + Documentation, filing and record keeping for Project expenditure and income;
  + Eligibility of Project expenditure and income;
  + Procurement and origin rules insofar these conditions are relevant to determine the eligibility of Project expenditure and follow up whether the cooperation partner has adhered to the procurement guidelines referred to or annexed to the agreement;
  + Asset management (management and control of Project fixed assets; e.g. equipment);
  + Cash and bank management (treasury) noting that the way the Oxfam system is established generally means that the Oxfam country office does not have a separate bank account for the project;
  + Payroll and time management, follow up whether salary costs debited to the project are recorded throughout the duration of the year in a systemized way and examine whether the salary costs can be verified by sufficient supporting documentation and its compliance with applicable tax legislation in regard to taxes (eg. P.A.Y.E) and social security;
  + Recruitment process;
  + Accounting (including the use of exchange rates and include exchange gains and losses, disclosed in accordance with what is stipulated in the agreement) and financial reporting of Project expenditure and income;
  + Examine whether the financial report includes a comparison, for every budget item, between the actual costs/expenditures of activities and the budgeted costs/expenditures as approved by Oxfam Novib and MFAT for the period.
  + Review if outgoing balance for previous period is the same as incoming balance for the current period.
  + Internal controls notably financial internal controls.

4.2 Regarding forwarding of funds to third parties, the following should be examined;

* + Does The country office have signed agreements with its implementing partner organisations?
  + Are the Audit requirements in agreements with implementing partner organisations in accordance with the audit requirements as stipulated in Oxfam Novib’s agreement with MFAT?
  + Review whether there is an unbroken chain of audited financial reports according to the requirements as stipulated in the agreement between each country office and Oxfam Novib and whether country office documented assessments of the audited financial reports received.
* The understanding should be sufficient to identify and assess the risks of material errors or misstatements in the expenditure and revenue stated in the Financial Report, whether caused by error or fraud, and sufficient to design and perform further audit procedures.

4.3 Applying materiality

* For determining what a material misstatement or error is, the Auditor will apply
* Materiality threshold: 1 % of total (actual) expenditure for the reporting period of the Financial Report of a specific implementing partner.
* Performance materiality: 80% of the tolerable error
* Clearly trivial threshold: 5% of the Materiality.
* Performing a risk assessment
* Obtaining evidence regarding the design of controls and performing tests of controls if considered appropriate by the Auditor
* Performing substantive (including analytical) procedures
* Sampling and other means of selecting items for testing as considered appropriate by the Auditor
* Extrapolation as considered appropriate by the Auditor
* Using the work of Internal Auditors as considered appropriate by the Auditor
* Obtaining written representations (Engagement letter prior to the commencement of the audit).
* Deliverables
  1. The auditor is responsible for conducting the audit procedures as specified in this ToR and in line with MFAT requirements as per the Grant Agreement between MFAT and Oxfam Novib.
  2. The auditor will deliver a Draft Audit Report for management discussion purposes. After processing of proposed revisions and changes a Final Audit report is expected to be delivered in softcopy (supplied in .pdf format and editable Word format).
  3. In addition to the audit report, the auditor will also provide a “Management letter” summarizing the observations on the accountability and internal control issues. Also, in addition to the findings following the audit of the financial report for the year 2022-2025, the auditor will add a section reporting on the follow-up on previous year’s findings, if applicable.
  4. The auditor will have a meeting with management of Oxfam Country Office and National Partner to discuss any audit observations and any audit observations that have been sufficiently addressed will be removed from the letter. Observations on the accountability and internal control issues would include the following:
* Comments and observations on the accounting records, systems and controls that were examined during the audit.
* Specific deficiencies and areas of weakness in systems and controls and recommendations for improvement.
* Matters that have come to the attention during the audit which might have significant impact on the implementation of the project
* Any other matter that the auditor considers significant to report to the management.
* The observations in the “Management letter” must be accompanied by the implications, suggested recommendations from the auditors and the management comments on the observations/recommendations. The recommendations need to indicate urgency and priorities for follow up. This management letter will include comments from the management of the relevant organisation.
  1. Reporting from the ISRS 4400 assignment

The additional assignment according to agreed upon procedures (AuP) ISRS 4400 under section II, shall be reported separately in an “Agreed-upon procedures report”. Performed procedures should be described and the findings should be reported in accordance with the requirements in the International Standard on Related Services 4400.

When applicable, the sample size shall be stated in the report.

# Preliminary Planning

* Agreement between ONL and the auditor on the audit instructions: 4 August 2025
* Meeting with the auditors of the partners by 7th August 2025
* Audit field works and performed in the country office 11-22 August 2025
* Send an audited report with a management letter to Oxfam office by 29 August 2025
* Send the draft audited report to Oxfam office by 5 September 2025
* Send the Final audited report to Oxfam office by 10 September 2025
* Final audited report sent to Oxfam Novib auditors by 11 September 2025

# Disclaimers

Oxfam may require the Auditors to clarify its quotation and/or provide supporting documentation.

Oxfam reserves the right to stop the procurement procedure completely or partly, temporarily or permanently until the moment of contract signing. In these situations, the Auditor is not entitled to reimbursement of any costs or damages incurred in connection with this procurement procedure.

Quotations should be valid for at least three months.

Oxfam cannot be charged in any way for costs related to preparation and submission of a quotation. This can also include interviews and/or providing further information about the quotation.

The risk of any costs and/or damages which may arise by not awarding this contract to an Auditor lay solely with the Auditor. Oxfam cannot be held responsible for any such costs or damages.

By submitting a quotation, the Auditor agrees all the terms and conditions specified in this procedure and the provisions of the contract template. The quotation will not contain any reservation(s) to these terms and conditions. A quotation with one or more reservations can be excluded from the procedure.

# Annexes

The following annexes are an integral part of this ToR:

1. List of contact details of Implementing partner organisations and their local auditors
2. Cultivating Change Contract between Oxfam Novib and Implementing Partner
3. General Conditions - Annex A
4. Approved Budget – Annex C
5. ToR Audit – Annex D
6. Transfer of Assets – Annex E
7. Project Implementation Manual

1. The budget is attached to the agreement with Oxfam Novib as an annex and any updates should be supported by a written approval by Oxfam Novib and MFAT. [↑](#footnote-ref-1)
2. I.e. funds remaining from disbursements made during previous reporting period/s [↑](#footnote-ref-2)
3. Debited salary costs should be verified by supporting documentation such as employment contracts. [↑](#footnote-ref-3)
4. Pay As You Earn [↑](#footnote-ref-4)
5. Deemed substantial by the Cooperation partner. [↑](#footnote-ref-5)
6. Observations included in Management Letters and if applicable, qualified audit reports. [↑](#footnote-ref-6)