CCL COMITÉ DE COOPÉRATION AVEC LE LAOS

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Terms of reference for the Financial Audit of:
Projet de gestion durable du territoire de Nyot Ou : Protection d'un terroir et appui aux producteurs de thé, phase II (P3T2)

1-Background to the assignment

A-Project details

Name of the project:

- Projet de gestion durable du Territoire de Nyot Ou : Protection d'un Terroir et appui aux producteurs de Thé, phase 2 *(Sustainable management in the Northern Upland Territory, phase II)*

Name of the organization: Comité de Coopération avec le Laos (CCL)

Implementing partners:

- ✓ Nyot Ou Tea Cooperative (NOTC)
- ✓ Cooperation for Development and Support to Local Knowledge Association (COSKA)
- ✓ Provincial Agriculture and Forestry Office of Phongsaly Province (PAFO)

Project duration:

- 36 months: from 1st of March 2023 to 28th of February 2026

Previous CCL's projects in the targeted area:
- Improve food security in the mountainous areas of Nhot Ou district, funded by EU, Action de Careme and Oxfam Hong Kong, from January 2008 to January 2010.
- Sustainable food security Project in Nyot Ou district funded by EU, Action de Careme and Oxfam Hong Kong, from January 2010 to January 2014.
- Promoting Climate Resilience, in partnership with CARE International, funded by UE, CARE Denmark and Oxfam Hong Kong, from March 2014 to February 2018.
- *Projet de renforcement de la sécurité alimentaire et nutritionnelle dans les provinces de Phongsaly et Luang Namtha* (PRESAN), in partnership with CARE and funded by UE and AFD from January 2017 to December 2019.
- *Projet de gestion durable du Territoire de Nyot Ou : Protection d'un Terroir et appui aux producteurs de Thé (P3T2),* funded by AFD from March 2020 to February 2023.

Target area: 30 upland villages of the district of Nyot Ou, Phongsaly Province.

Project Team:

CCL Project advisor (expatriate), CCL Project Officer Natural Resources Management, COSKA Program Officer, CCL Admin and Finances officer, CCL Technician Agriculture and Environment; CCL

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Technician Agroforestry; CCL Technician Value chain and control quality; CCL Technician agriculture/ family economy, CCL Driver, CCL housekeeper, CCL guardian.

In Vientiane (backstopping): CCL Director, CCL Finance Director, COSKA Director, CCL Accountant.

Projects funding sources and budget:

Based on the contractual agreement with AFD, the total budget for the project is 976 000 Euros with an AFD contribution of 400 000 Euros, a Brot Für die Welt (BFW) contribution of 570 000 Euros and a CCL contribution of 6000 euros (1800 euros in financial contribution and 4200 euros of volunteer's work contribution).

Projects overall and specific objectives:

Project	Projet de gestion durable du Territoire de Nyot Ou : Protection d'un Terroir et appui aux producteurs de Thé
Overall Objective	Contribute to the sustainable development of upland areas in Nyot Ou district.
Specific Objectives	1) Sustainable management of natural resources is improved. 2) The Nyot Ou Tea cooperative is strengthened and participates in the sustainable development of the tea sector in the district. 3) Civil society and local government (district and province) are committed to sustainable and inclusive territorial development.
Main results expected and activities	**R1.1.** Management and decision-making capacities at the household and women level are strengthened. 1.1.1 Training on the gender action learning system and implementation of participatory workshops with households. 1.1.2. Training, monitoring and advisory support to households in family economics. 1.1.3 Extension of a support/advice service on the use of agro-climatic forecasting tools and advice on contract farming. **R1.2.** Household socio-economic initiatives are supported at the community level. 1.2.1. Setting up participatory workshops on land management, drawing up village development plans and selecting agricultural activities and the promotion of agricultural products to be strengthened. 1.2.2. Technical and material support for the implementation of selected activities. **R1.3.** Community natural resources are protected, and communities involved in biodiversity conservation. 1.3.1. Establishment of Conservation and Biodiversity committees in the villages targeted by the activity and definition of objectives. 1.3.2. Exchange visits on conservation forest management and biodiversity for members of the Conservation and Biodiversity committees. 1.3.3. Monitoring of village Conservation and Biodiversity zones. 1.3.4. Technical & material support for improving water resources management. **R1.4.** Tea producers benefit from advisory services on tea production, processing and marketing 1.4.1. Training and monitoring of tea producers for the establishment and monitoring of nurseries, picking, and tea processing techniques. 1.4.2. Exchange visits between tea producers, at district and national levels to share lessons learned and best agroforestry practices.

	1.4.3. Action research on tea in agroforestry and the resilience of production systems to climate change. **R2.1**. The Nyot Ou Thé Cooperative is efficient and is recognized on the international market for the premium quality of its products. 2.1.1. Strengthening the quality control system and supporting the organic certification process for Nyot Ou Thé product. 2.1.2. Strengthening the Cooperative's marketing & communication strategy. **R2.2.** The good governance of the Nyot Ou Thé Cooperative is effective, the principle of inclusion is respected, and its socio-environmental commitments are recognized. 2.2.1. Participatory study for the definition of criteria and indicators of economic and social performance of the Cooperative. 2.2.2. Strengthening the skills of the members of the Cooperative on the principles of good governance and participatory management. 2.2.3. Strengthening the skills of members of the cooperative's management and control committee in management and finance. 2.2.4. Support for the Cooperative for the annual organization of the general assembly. **R3.1.** Local associations and the government are developing integrated strategies for environmental protection and natural resource management in a concerted manner. 3.1.1. Support for the implementation of the multi-year action plan of the district working group Natural Resources Management and Biodiversity. 3.1.2. Organization of district-wide agro-environmental fairs. 3.1.3. Disseminate key messages and lessons learned on sustainable land and biodiversity management practices to key local and national decision-makers. **R.3.2.** The transversal expertise of the CCL and the tools developed are capitalized and transferred to civil society and institutional partners. 3.2.1. Transversal capitalization work. 3.2.2. Thematic and transversal exchanges internal to the CCL and with its partners.

B-Framework of the financial audit
The CCL (Comité de Coopération avec le Laos) has been involved in implementing rural development programs in Laos for almost 40 years.

CCL is the main applicant and leader of the project. One grant agreement has been signed between CCL and AFD and one grant agreement has been signed between CCL and BFW.

For the implementation of the project, CCL has signed a partnership agreement with COSKA association and a partnership agreement with the Nyot Ou Tea Cooperative to define the mandate and responsibilities of each partner and budget allocated within the project.

The proposed contract is expected to audit the CCL project's expenses during the project period from 1st March 2023 to 28th February 2026.

2-Objectives and implementation of the financial audit

Objective of the audit:
The aim of the audit is the submission of audit opinions related to the financial report on the project, compliance of the use of the project funds by CCL under the period March 2023 to February 2026.

<u>In particular, the finance auditors shall:</u>

- Follow and respect the *Financial audit checklist* from AFD (see Annex 4: *Tool worksheet: Financial Audit*).

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- To ensure the compliance of Audit Report with AFD templates (for the Final Financial Audit Report, as described in the Table 2).
- To ensure the compliance of CCL's project final finance report with AFD report template (the template will be furnished during the audit completion).
- To verify the eligibility of the expenses made during the program implementation and reported in the AFD financial reports, according to AFD project budget (in Annex 1.1 & 1.2).
- To provide an opinion about the compliance of procedures followed by CCL during the project implementation with the procedures listed in the *AFD funding agreement* and in the AFD guidelines (see the *Methodology guide for co-funding of "field" and "public interest" projects and programmes*, attached to these ToR).

Reporting format:

The format of the reports must comply with the format prescribed by *Tool worksheet: Financial Audit* (AFD guidelines, in Annex 4) for the Final Audit Financial Report within the AFD project.

The audit firm will provide: 1 Audit Report following AFD templates and guidelines (cf. calendar below)

Provisional calendar

- **1st May - 10th of May 2026**: audit of expenses of P3T2 project for the period 01/03/2023 to 28/02/2026
- **15th of May 2026**: deadline for submission of the draft of audit final report for P3T2 project to CCL

Implementation of the audit

As all supporting document are stored at CCL's office in Vientiane, the audit will take place in Vientiane, at CCL's office: Asean Road, Sidamdouane Village, Chanthabouli District, House N° 123, Unit 07.

The entire audit will be implemented in cooperation with CCL's team: Director, Administrative & Finance Director, Accountant, Project Advisor.

Proposal format to be followed by the Audit Company

Audit company will realise the audit of CCL project (976 000€). The audit company shall provide an estimation cost of the audit.

The following documents are attached or annexed to these Terms of Reference:

- Detailed budget of P3T2 project (Annex 1.1 & 1.2)
- AFD Methodology guide for co-funding of "field" and "public interest" projects and programmes (in attachments)
- Tool worksheet: Financial Audit (AFD guidelines, Annex 4)

The following documents will be provided to the contracted auditor:

- Funding agreement with AFD
- Agreed Project document and logical framework
- Any Non-objection notification provided by AFD during the project implementation
- Intermediary Activity and Finance Report
- partnership grant agreement between CCL and NOTC and between CCL and COSKA
- Every supporting document necessary for verifications (made available at CCL's office in Vientiane)

3- Application process

Audit firms are requested to submit their proposals **by the 15th of November 2025** to:
- Manivone VORACHAK, CCL Country Director: manirachak@gmail.com
- Inthoulath SAYYAPHOL, CCL Finance Director: inthoulath@ccl-laos.org

Contracted auditor will be invited to a preparatory meeting at CCL's office in Vientiane.

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P3T DETAILED BUDGET (estimated expenditures)

N° projet : CLA1148 01 J Tranche 1 : 18 mois Tranche 2 : 18 mois Types de dépenses (en €) (à détailler et sigles à expliciter)	Total dépenses prévisionnelles (convention) (en €)	Dépenses prévisionnelles (convention) Tranche 1 (en €)*	(automatique) Dépenses prévisionnelles (convention) Tranche 2 (en €)	(automatique) Part des dépenses prévisionnelles /total dépenses prévisionnelles (convention) (en %)
1- Immobilier, équipements technique et mobilier				
- Dont immobilier, locaux, terrains, infrastructures.				
Réseaux d'adduction d'eau villageois	50.000	50.000	0	5%
- Dont équipements techniques et véhicules				
Materiel pour la transformation du thé (four a thé, machine à rouler, presse hydraulique)	35.000	25.000	10.000	4%
Materiel pour la transformation des produits forestiers non ligneux et pour l'amélioration des activités de petit élevage	25.000	15.000	10.000	3%
ordinateurs - équipe terrain	2.500	2.500	0	0%
Equipement informatique - équipe terrain	1.200	1.200	0	0%
(02) motos - équipe projet	3.600	3.600	0	0%
matériel éco-acoustique / suivi biodiversité	3.000	3.000	0	0%
- Dont logiciel filtrage			0	0%
			0	0%
			0	0%
- Dont mobilier				
mobilier de bureau	1.500		1.500	0%
			0	0%
			0	0%
Sous total 1 - Immobilier, équipements techniques et mobilier	**121.800**	**100.300**	**21.500**	**12%**
2- Frais de services, achats et locations				
- Dont intrants, matières premières, marchandises et autres approvisionnements				
Intrants agricoles	23.600	15.000	8.600	2%
			0	0%
- Dont fournitures et consommables				
Carburant / déplacement de l'équipe projet et techniciens des Districts	14.000	7.000	7.000	1%
Carburant / déplacements de bénéficiaires paysans	5.000	2.500	2.500	1%
Fournitures de bureau et consommables pour activités de terrain	5.400	2.700	2.700	1%
Eau et électricité	2.520	1.260	1.260	0%
- Dont locations hors leasing (salles, véhicules, bureau…)				
location salle de réunion	2.000	1.000	1.000	0%
Location bureau - équipe terrain	10.500	5.250	5.250	1%
Location bureau CCL - Vientiane	3.000	1.500	1.500	0%
- Dont frais de documentation, de publication et de diffusion				
			0	0%
- Dont autres achats et services extérieurs (téléphone, internet…)				
Frais de téléphone & Internet Bureau Nyot Ou	4.680	2.340	2.340	0%
Taxe de relèvement des ordures ménagères Bureau Nyot Ou	180	90	90	0%
Frais d'envoi du courrier (Nyot Ou - Vientiane)	1.800	900	900	0%
Sous total 2 - Achats et services extérieurs	**72.680**	**39.540**	**33.140**	**7%**
3- Frais d'études, de consultances et de prestations externes (dont audit et évaluation)				
- Dont frais de services spécifiques au projet (gardiennage, entretien, maintenance…)				
			0	0%
			0	0%
			0	0%
- Dont prestations externes spécifiques au projet (experts honorariés, sous-traitance, études techniques…)				
Expertise biodiversité	27.900	15.000	12.900	3%
Expertise thé	33.000	15.000	18.000	3%
Etude participative gouvernance Coopérative	4.900	4.900	0	1%
Expertise genre / économie familiale	10.500	3.500	7.000	1%
Expertise communication/ design	11.600	5.700	5.900	1%
Expertise - compétences personnelles et interpersonnelles	9.000	4.000	5.000	1%
Test en laboratoires (échantillons de thé) - dépistage de pesticide	8.000	4.500	3.500	1%
Service de certification fair trade / SPG	10.000	5.000	5.000	1%
Achat des cartes Satellites Land en digital & impression	6.000	3.000	3.000	1%
Impression de brochures, photos, études, panneaux de sensibilisation	8.000	4.000	4.000	1%
Frais de traduction	4.000	1.500	2.500	0%
- Dont évaluation externe				
Consultance évaluation finale du projet	16.000	0	16.000	2%
- Dont audit externe (obligatoire pour tous les projets)				
audit externe	12.000	0	12.000	1%
Sous total 3 - Frais de services, d'études et de prestations externes	**160.900**	**66.100**	**94.800**	**16%**

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4- Frais de voyages, de déplacements et de mission liés au projet				
Frais de déplacements internationaux	10.500	6.000	4.500	1%
Déplacement locaux - équipe dédiée au projet	10.800	5.400	5.400	1%
Déplacements locaux - paysans bénéficiaires (réunions, visites d'échanges, formations)	6.000	4.000	2.000	1%
Frais de mission équipe projet (perdiem, herbergement) : formations, missions de suivi, ateliers , visites d'échanges	14.002	7.500	6.502	1%
Frais de mission partenaires étatiques locaux (perdiem, herbergement) : formations, missions de suivi, ateliers , visites d'échanges	9.900	4.500	5.400	1%
Frais de mission bénéficiaires paysans (visites échanges, formations, etc.)	12.600	7.000	5.600	1%
Sous total 4 - Frais de voyages, de déplacements et de mission	**63.802**	**34.400**	**29.402**	**7%**
5- Activités non ventilables (hors coût RH ou honoraires)				
			0	0%
			0	0%
			0	0%
			0	0%
			0	0%
			0	0%
			0	0%
			0	0%
Sous total 5 - Activités non ventilables	**0**	**0**	**0**	**0%**
6-Ressources Humaines (renvoi à l'Onglet "Répartition RH" à compléter obligatoirement)				
Total Ressources Humaines	448.247	224.123	224.123	46%
Sous total 6 - Ressources Humaines	**448.247**	**224.123**	**224.123**	**46%**
7- Fonds redistributifs (ne concernent pas les rétrocessions)				
- Dont fonds d'appels à projets				
			0	0%
			0	0%
- Dont fonds d'urgence (appui juridique…)				
			0	0%
			0	0%
- Dont autres fonds (microcrédit, microgarantie, microparticipation…)				
			0	0%
			0	0%
Sous total 7 - Fonds redistributifs	**0**	**0**	**0**	**0%**
A-Sous-total coûts directs (1+2+3+4+5+6)	**867.429**	**464.463**	**402.965**	**89%**
B - Divers et imprévus (5% maximum de la ligne A)	4.000	2.000	2.000	0%
C-Total coûts directs (A+B)	**871.429**	**466.463**	**404.965**	**89%**
D-Coûts indirects	**104.571**	**55.976**	**48.596**	**11%**
- 12% des coûts directs	104.571	55.976	48.596	11%
TOTAL GENERAL (C+D)	**976.000**	**522.439**	**453.561**	**100%**
contrôles totaux onglet 'Ressources'	*0*	*0 0*	*0*	

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P3T DETAILED BUDGET (financial resources)

N° du projet : CLA1148 01 J Tranche 1 : 18 mois Tranche 2 : 18 mois Origine des ressources (en €) *(à détailler et sigles à expliciter)*	Total ressources prévisionnelles (convention) (en €)	Ressources prévisionnelles (convention) Tranche 1 (en €)*	(automatique) Ressources prévisionnelles (convention) Tranche 2 (en €)	(automatique) Part des ressources prévisionnelles /total ressources prévues (convention) (en %)
1 - Contribution de l'AFD et des Ministères français				
Subvention de l'AFD (DPA-OSC)	400.000	200.000	200.000	41%
Part de la subvention AFD (DPA-OSC) reçue en tranche 1 mais non consommée en tranche 1				
Sous-total 1 - Contribution AFD et des Ministères français	**400.000**	**200.000**	**200.000**	**41%**
2 - Autres ressources mobilisées				
2.1 - Ressources d'origine privée				
Total des valorisations d'origine privée (cf onglet valorisations)	4.200	600	3.600	0%
Fonds apportés par l'OSC	1.800		1.800	0%
Autres fonds privés (à détailler)				
brot fuer die welt	570.000	321.839	248.161	58%
Sous-total 2.1 - Ressources d'origine privée	**576.000**	**322.439**	**253.561**	**59%**
2.2 - Ressources d'origine publique française et internationale				
Sous-total 2.2 - Ressources d'origine publique française et internationale	**0**	**0**	**0**	**0%**
Sous-total 2 - Autres ressources mobilisées	**576.000**	**322.439**	**253.561**	**59%**
TOTAL GENERAL DES RESSOURCES	**976.000**	**522.439**	**453.561**	**100%**

P3T Table of financial valorisations

	TRANCHE 1 (en €)	TRANCHE 2 (en €)	MODE DE CALCUL (coût unitaire - nombre d'unités)
Valorisations d'origine privée			
Sous total	***0***	***0***	
Bénévolat			
Expertise CCL agrécologie		***3.000***	*10jours * 300 euros*
appui bénévoles organisation conférences	***600***	***600***	*4 jours * 300 euros*
Sous total	***600***	***3.600***	
Valorisations d'origine publique			
Sous total	***0***	***0***	
TOTAL GENERAL	**600**	**3.600**	

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Ressources Humaines	Coût Unitaire (salaire brut chargé)	Nombre de mois ou % temps passé	Total	Contenu du poste /Implication dans le Projet
Personnel Expatrié (à détailler, une fonction par ligne, indiquer lieu d'affectation)				
CCL Conseiller·ère Projet	4750	25,2	119700	Management opérationelle, appui technique & RC, suivi des activités et du M&E, finances, relations partenaires techniques et financiers, communication projet. Rattaché au siège de l'ONG, 40% du temps de travail sur la zone projet (Nyot Ou)
Technicien·ne Agronome Volontaire (VSI)	1700	18	30600	Appui méthdologique sur les activités Conservation et Biodiversité, valorisation des services écosystémiques et appui M&E. Basé·e à Nyot Ou
			0	
			0	
			0	
Personnel en appui ponctuel (à détailler, une fonction par ligne)				
			0	
			0	
			0	
			0	
			0	
Personnel Local (à détailler, une fonction par ligne)				
Equipe terrain technique				
CCL coordinateur NRM	1250	28,8	36000	Planification & coordination des activités en concertation avec les équipes techniques, CCL vientiane et partenaires étatiques locaux, suivi budgétaire du projet, le respect des procédures administratives, en appui au responsable administratif et financier du projet. Basé·e à Nyot Ou
COSKA Responsable Programme	1300	36	46800	Planification des activités en étroite collaboration avec le/la coordinateur·ice projet et conseiller projet, appui méthodologique sp. sur approche participative, Appui équipe technique de la Coopérative sur les aspects Communication, marketing, renforcement des compétences des membres de la Coopérative sur les principes de bonne gouvernance et gestion participative. Basé·e à Nyot Ou
CCL responsable admin et finances projet	800	36	28800	Gestion comptable et administrative du projet, relation avec les fournisseurs, mise à jour des liste inventaires des équipements, mise à de log book, gestion de stock, etc. Basé·e à Nyot Ou
CCL technicien·ne agriculture / environnement	800	36	28800	Mise en œuvre des activités Conservation et Biodiversité, appui technique et conseil sur les activités agriculture et élevage, la mise en place d'ateliers participatifs sur la gestion du foncier et l'élaboration des plans de développement villageois. Basé·e à Nyot Ou
CCL technicien·ne agroforesterie	800	35	28000	chef de file sur les activités de renforcement des producteur·ices de thé sur les aspects production et transformation, appui technique sur les filières PFNL, appui membres de la coopérative / renforcement de capacités. Basé·e à Nyot Ou
CCL techncien·ne filière thé & contrôle qualité	800	35	28000	Appui à la Coopérative sur les aspects contrôle qualité, stockage et emballage et marketing. chef de file pour la mise en place des échanges de producteur·ices, renforcement de compétences des membres de la Coopérative et comité de gestion.
CCL Technicien·ne en économie familiale / approche genre	800	35	28000	chef de file sur les activités GALS, appui-suivi conseil aux ménages en économie familiale ; appui technique pour la mise en œuvre des activités de valorisation des produits agricoles et forestiers, renforcement de compétences membres et comité de gestion Coopérative . Basé·e à Nyot Ou
Equipe soutien				
CCL directeur·ice financier·e	3032	3,6	10915	Représentation du projet, relations partenaires financiers, gestion des ressources humaines du projet, organisation des ateliers CCL. Basé·e à Vientiane
COSKA directeur	1493	4,5	6720	Représentation du projet, gestion des ressources humaines du projet, organisation des ateliers CCL. Basé·e à Vientiane
CCL Directeur·rice	2806	3,6	10102	Suivi financier du projet / état des dépenses, appui et coordination avec le/la responsable admin et finance du projet, et en étroite coordination avec le/la coordinateur·rice du projet et le/la conseiller·ère du projet . Basé·e à Vientiane
CCL comptable	1225	3,6	4410	contrôle comptable des dépenses du projet, travail en étroite coordination avec la DAF, coordinateur·rice projet et admin/ finances projet. Basé·e à Vientiane
CCL chauffeur projet	550	36	19800	chauffeur du projet. Assure déplacement équipe / partenaires sur le terrain. Basé·e à Nyot Ou
CCL Gardien·ne et personnel d'entretien	500	36	18000	1 gardien et 1 personne d'entretien prévus pour la gestion du bureau à Nyot Ou.
	TOTAL		**444,647**	

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Annex 1: Tool worksheet: Financial Audit (AFD guidelines)

Version: October 2016

Information sheet 6: Project financial audit

The project financial audit is not a mere reconciliation of accounting documents. It aims to examine the use of the funds allocated to the project, in accordance with contractual obligations and the purpose of the project, and consistent with this methodology guide.
The goal is to improve the quality and consistency of the information produced by the CSO, verified by the auditor and transmitted to the SPC/DPO Division.
To this end, the issue of financial auditing must be addressed as early on as possible, as of the project review phase. The aim is to enhance communication of information between the CSO, the SPC/DPO Division and the auditor, as well as to clarify the level of requirements for carrying out the financial audit.

- **When are CSOs subject to a financial audit?**

Financial audits are compulsory in the following cases:

- **for any initial project co-funding application submitted to the SPC/DPO Division.**
- **projects/programmes for which SPC/DPO Division funding is equal to or greater than €500,000.**
- projects/programmes for which SPC/DPO Division funding is less than €500,000, **if no external audit was carried out and/or reported to the SPC/DPO Division for the last two projects co-funded by the Division.**

The SPC/DPO Division reserves the right to impose a financial audit for new projects submitted by a CSO whose previous project met with negative conclusions following an audit.
Moreover, any CSO may be subject to a random financial audit carried out at the initiative of the SPC/DPO Division and funded with programme 209 funds.

- **Financial audit budget**

As the financial audit is co-funded by AFD subsidy funds, its cost must be included in the project budget attached to the NIONG.
During the review phase, the SPC/DPO Division will be particularly attentive to the amount allocated to the financial audit. This amount should not be underestimated with regard to the requirements and scope of the financial audit requested (a bottom threshold is set at €10,000 for small projects).

- **Choice of auditor**

The financial audit contract must be awarded at the latest within the first 12 months of project implementation. The SPC/DPO Division will issue a NON regarding the terms of reference for the financial audit and the selection procedure.
Terms of reference must include all the items selected by the SPC/DPO Division for verification by the auditor (see Checklist).

The CSO must select an independent external auditor or audit firm with membership in a national accounting or statutory auditors' organisation.
The auditor's mission must be specifically identified and defined in the terms of reference for the financial audit.
If the financial audit is conducted by the CSO's statutory auditor (the latter having responded to the call for tenders for the financial audit), performance of the audit on the project co-funded by AFD must be specifically identified and defined in a mission letter to which all items selected by the SPC/DPO Division for verification by the auditor will be appended (see Checklist).
In all cases, the financial audit as a service rendered is subject to AFD procurement rules as specified in the AFD funding agreement.

- **The two stages of the financial audit during the project**

Stage 1: Preparatory meeting with the auditor

Who and when?
This meeting is not mandatory but is strongly recommended by the SPC/DPO Division. This meeting takes place between the CSO and the auditor as soon as possible after the effective start of the project once audit contract is awarded. On the CSO's side, the meeting must include at least the project manager(s) and the persons in charge of the financial/accounting/legal aspects of the project. It is a **one-off meeting between the auditor** and the CSO at the beginning of the project; the auditor will not be called in again until the end of the project to carry out the financial audit.

What is the aim of the meeting?
The main objective of this meeting is **for the CSO to fully understand the scope and inspection techniques of the audit.** It should help the CSO strengthen the internal procedures necessary to fulfil its contractual obligations in order to facilitate the auditor's work and **ensure that the level of ineligible expenditure recorded following project implementation is as low as possible.** This meeting can also enable the auditor to make recommendations to the CSO at the start of the project.
Note: expenditure samples should in no case be audited at this stage. The auditor may explain the principle and techniques of sampling (% of expenditure, breakdown by budget heading, random selection, etc.), but sampling is to be carried out only during the financial audit at the end of the project.

Preparing for the meeting
To ensure that the meeting is as effective and constructive as possible, the CSO should transmit the documents requested by the auditor beforehand (e.g. CSO articles of association, CSO financial statements and progress reports, AFD funding agreement and any amendments thereto, partnership agreement, project document (NIONG), this methodology guide, procurement plan, etc.).

What should be discussed?
The agenda of the meeting is left to the discretion of each auditor. If a preparatory meeting is planned, the SPC/DPO recommends addressing the following points (in addition to any other points the parties wish to discuss:

- **the contractual obligations of the CSO vis-a-vis AFD** under the agreement (timeline, eligibility of expenditures, procurement, activity reports, partnership agreements, etc.),

- the scope and nature of the project co-funded by AFD,
- the nature of partnerships for the project,
- the procurement methods the CSO expects to apply for the project (the CSO is encouraged to transmit to the auditor an indicative procurement plan, i.e. a document listing all contracts currently in the process of attribution or to be awarded and including all relevant information) (see template on the AFD website),
- the funding arrangements for the project (nature and rate of co-funding, methods of payment, etc.),
- the financial and accounting traceability system for the project and the CSO's internal control procedures.

What is the point of this meeting?

For the auditor:
- acquire sufficient knowledge of the project's organisational context, information and accounting process,
- identify weaknesses and risk factors depending on the nature of the project and the type of partnership,
- identify the key and specific points to be inspected,
- identify the CSO's financial and accounting traceability system.

For the CSO:
- understand its contractual obligations vis-a-vis AFD and the associated implications for the concrete implementation of the project,
- identify any risk areas in its method of management that may violate its obligations and set out corrective measures,
- identify best practices, particularly in terms of traceability of project information (e.g. analytic monitoring of the project, time sheets, pay slips, etc.) and procurement,
- understand how the financial audit will be conducted, what is expected and how the CSO can work effectively with the auditor.

At the end of this meeting, the auditor, with no input from the CSO, will draw up a framework memorandum with key recommendations for implementation of the future financial audit. This memorandum will be transmitted to the CSO.
At the mandatory mid-term meeting, the CSO may inform the SPC/DPO Division of the content of the framework memorandum and the actions taken by the CSO to meet the auditor's recommendations.

Stage 2: Performance and documentation of the financial audit

At the end of the project, the auditor carries out its verification mission and writes a report.
The CSO must transmit the financial audit report to the SPC/DPO Division no later than 6 months after the effective closing date of the project.
In the event that the audit indicates ineligible expenditures, unjustified funds must be repaid to AFD within six months of approval of the audit report by the SPC/DPO Division.

FINANCIAL AUDIT CHECKLIST

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Version: October 2016

The auditor selected through the call for tenders undertakes to carry out all of the following verifications, and to **attach this list, completed and signed, to the financial audit report**. If some items could not be verified, please specify and explain the reasons in the management letter.

Auditor (name/status/address): Certification/qualification:
CSO or partner audited: Dates of audit:
AFD Agreement No. Amount audited: Tranches:

1. INSPECTION QUESTIONS	Yes, the item was verified	Add a comment if the item could not be verified
1.1. Inspection methods		
Was a preparatory meeting held between the auditor and the CSO within the first 12 months of project implementation?		
Was the sampling of expenditures to be verified defined independently by the auditor?		
Does the expenditure sample to be verified exceed 50% of total expenditures for the project?		
Was a significant amount of each budget heading audited?		
Did the auditor verify locally managed expenditures? If so, please explain the method of inspection (travel to the field, collaboration with a local audit firm, transfer of local documents to the head office, etc.)?		
1.2. Contractual obligations		
Do contractual documents (application form, funding agreement, partnership agreement) exist; are they signed and dated?		
Is there a clear system of accounting and financial management? Have the responsibilities of the CSO, project coordinators, management and financial controllers been clearly defined?		
Have the provisions provided for in the agreement as well as those in the methodology guide in force at the time of granting been complied with?		
1.3. Analysis of funding plan		
Has the ceiling for in-kind resources (25% of the total project budget) been heeded? Please note that in-kind resources may not be included in the contributions of AFD or French ministries.		
Have the procedures for calculating in-kind resources, as explained in the methodology guide, been heeded?		
Has the contractually agreed budget been heeded overall, within the limits of the rules set out per budget heading and partner? If you have noticed a deviation of 20% or more from the initially planned		

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total of a budget heading in the comprehensive funding plan for the project, has AFD issued a NON regarding this deviation?		
In the expenditure table, have the ceilings provided for in the methodology guide been heeded: - The "Miscellaneous and unforeseen" heading is capped at 5% of total direct project costs (excluding administrative and structural costs) - If the CSO has a specific "head office staff dedicated to the project" line in the "support and monitoring" budget heading, administrative costs are capped at 10% of the direct costs of the project - If the CSO has declared administrative costs of up to 12% of the direct costs of the project, has it been verified that the "support and monitoring" budget heading includes only the mission expenses of head office staff (per diems and transport costs)?		
Have partners and stakeholders benefiting from retrocessions greater then €5,000 systematically been reported to the SPC/DPO Division?		
1.4. Accounting system verification		
In the CSO's accounting, is there an analytical code dedicated to the income and expenditures generated by the project?		
Can the amount indicated in the execution report be reconciled with a list of expenditures taken from the accounting system?		
Does the registration system make it possible to match each expenditure with an invoice or accounting document of equivalent probative value?		
Does the registration system make it possible to match each expenditure with a proof of payment (usually a bank statement, bank transfer confirmation, receipt)?		
1.5. Monitoring of expenditures		
Compliance with applicable legislation - Have national and European rules been complied with? - Is the procurement process compliant with regard to: ▪ European and national/internal procurement rules and those provided for in the agreement. ▪ Documentation regarding compliance with the procedure set out (tenders, rejection letters, notification, contract). ▪ Have the principles of transparency, non-discrimination, equal treatment and fair competition been complied with?		
Monitoring of eligibility of expenditures - Do expenditures meet the eligibility criteria set out in the methodology guide? - Is there a guarantee that the expenditure has not already been subsidised by another source of funding (EU, regional, local or other) that was not declared in the funding plan? Are there mechanisms in place to prevent double funding?		
Payroll expenses - Are expenditures indeed related to CSO employees or otherwise justified by actions provided for in the agreement?		

- Are payroll expenses justified by documents such as employment contracts, pay slips (or any other documents of equivalent probative value), proof of payment, details of the calculations for determining staff unit cost (day, Week, month), tally sheets, time sheets specific to the project? - Is the calculation based on actual costs (gross salaries + employer's contractual obligations for the employee who actually worked on the project)? - When staff do not work full-time on the project, is pro rata calculation based on a traceable and verifiable method?		
<u>Travel and lodging</u> - Have travel, perdiem and lodging expenses been reported in accordance with internal regulations established by the CSO? - Are the journeys concerned by these expenses justified by the objectives of the project as provided for in the initial application? - Is travel limited to the geographical areas covered by the project? If outside these areas, were they explicitly approved by the SPC/DPO Division? - Are travel and lodging expenses exclusively related to travel by project stakeholders identified by the CSO or its partners?		
<u>Equipment expenses</u> - Was equipment purchased originally foreseen in the funding application? If not, did the SPC/DPO Division issue a NON in accordance with the provisions set out in the methodology guide (materiality threshold > €10,000 for "field" projects and €5,000 for "public interest" projects)? - In the event that a material asset is valued, is the depreciation method in line with that provided for in the methodology guide? - If the material was not used only for the Project, does the cost allocated to the project represent only part of the actual cost? Is this share calculated on a fair and justified basis?		
<u>External expertise</u> - Are expenditures linked to the items provided for in this budget line according to the characteristics mentioned in the funding application? - Was the use of external expertise carried out in accordance with the rules for competitive tendering and award procedures stipulated in the agreement?		
<u>Exchange rate</u> - Was the conversion method applied by the CSO explained and the rate verified? - Does this method comply with the provisions of article 3.2.3 of the agreement? - Has the CSO specified how it will use the amounts generated by foreign exchange gains and offset the exchange losses during the project implementation period?		

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2. EXPECTED DELIVERABLES	Yes, the deliverable has been translitted to AFD	No (please explain)
An audit report, providing comments on each inspection, as well as the amount of ineligible expenditures, and in particular including an evaluation of calls for tenders, retrocessions and valuations carried out during the project.		
A management letter reflecting the main conclusions of the expenditure verification report and making key recommendations.		