



Terms of Reference

End of Project Audit

Phoukoud Integrated Climate Resilient Agriculture & Improved Livelihoods Project – Phase II (PICRAIL Phase II)

1. Background and Rationale

ADRA Lao has been registered as an independent International INGO in Lao PDR since 1992 with a core focus of assisting those most vulnerable by alleviating poverty through community driven development projects. ADRA Lao is connected to the Adventist Development and Relief Agency network which has more than 110 offices worldwide.

ADRA has implemented more than 127 projects in Lao PDR since its inception in core sectors including Health; Integrated Agriculture and Natural Resource Management; Economic Development; and Emergency Management. ADRA has gained significant knowledge and technical expertise over the past 30 years in sub sectors including Nutrition; Maternal and Newborn Child Health; Water Sanitation and Hygiene (WASH); Tobacco Control; Permaculture; Livestock and Income Generation; Informal Adult Education; Climate Change Adaptation and Disaster Risk Reduction.

ADRA Laos' 'Phoukoud Integrated Climate Resilient Agriculture and Improved Livelihoods (PICRAIL Phase II) Project (01.11.2022 – 30.06.2026) is funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and ADRA Germany. As part of project design and approval, an external independent Financial Audit must be undertaken for the Final Audit for the project period **from 01.11.2022 to 30.06.2026 with accumulated quantitative documentary proof covering period 01.11.2022 to 30.06.2026, in which the interim audit report with quantitative documentary proof for period 01.11.2022 to 30.12.2023 was issued by an independent auditor.**

The PICRAIL Phase II project aims to increase overall food security of smallholder farmers through improved nature-based solutions and climate resilient agriculture in Phoukoud district. The project works with over 2,000 households including women-headed households. The project also lays a focus on the inclusion of disadvantaged groups, including persons with disabilities. The project includes 43 villages and partners with 25 implementing partners.

In collaboration with government partners, local NPAs, and beneficiaries, and ADRA, the project aims to achieve the following outputs:

1. 1000 trained vulnerable households apply nature-based solutions for crop and livestock production, increasing their product and crop yields.
2. The population in 1 province is sensitized regarding gender equality and social inclusion in cooperation with national multi-stakeholders and institutions.
3. 25 local implementing partners at provincial and district level and civil society are better qualified to implement community projects.

2. Scope of End of Project Audit

The Audit will be performed in Laos. The Auditor should confirm the location for the Audit with ADRA Laos and prior to the start of the Audit and ensure that relevant supporting documents as well as key staff will be available during the Audit.

The audit shall be carried out in accordance with the standards specified in these terms of reference and shall include such tests and verification procedures as the Auditors consider necessary under the circumstances and in accordance with the International Standards on Auditing, ISA 800 & ISA 805, the ISRS 4400 (the compliance checks, expenditure verification) from the IAASB and in compliance with the Code of Ethics for Professional Accountants issued by the IFAC. ADRA Laos requires that the Auditor complies with the independence requirements of the Code of Ethics for Professional Accountants.

The scope of the PICRAIL's End of Project External Audit, covering the period from **01.11.2022** to **30.06.2026** will include documentation primarily held by ADRA Laos national office in Vientiane office and also include PICRAIL's project offices in Xiengkhouang Province, and documentation held by PICRAIL's sub-contractor, the 'Sustainable Agriculture and Environment Development Association' (SAEDA), and the 'People with Disabilities Development Association' (PDDA), with regards to original personnel contracts, salary payments or related documents.

The End-of-project Audit should include the following auditing and control measures:

- Verifying accounting records for correctness and completeness.

- Verifying the financial report in which all project-related revenues and expenditure must be shown and for which it must be confirmed that receipts are provided for all revenues and expenditure.
- Verifying how the project funds provided have been managed. This includes:
 - Project funds transferred to ADRA Laos for PICRAIL II Project in the auditing period and during the project term
 - Interest earned in the auditing period and during the project term from project funds transferred ADRA Laos for PICRAIL II Project
 - Other revenues from the project activity.
- Verifying that proof of payments and receipts have been furnished in the form of vouchers. The receipts for expenditure must provide information as to the recipient, the reason for payment, proof of payment and the date. All the vouchers must also include a clear indication of the project as well as the budget line to which they relate (Project No. 6803).
- Verifying to what extent the funds have been used appropriately for the purpose of carrying out the planned project objectives and activities.
- Verifying the cost-effectiveness of expenditure with regard to financial resources (to be used economically and as effectively as possible).
- Verifying the personnel costs and social security contributions to ensure that they are in line with local standards, legal in the respective project country and, above all, that they comply with contracts and that the contributions required by law are being withheld.
- Verifying that the cost plan is being adhered to by means of a comparison of objectives and effects (based on the most recent valid budget).
- Verifying the economic use of project equipment.
- Verifying the procured inventory, where it is being held and whether it has been/is being used appropriately for the purpose of carrying out the planned project objectives and activities.
- Verifying and confirming that project-relevant documentation is complete and correct.
- Verifying that all agreements fundamental to the project are being adhered to (contracts, German private executing agency guidelines, BMZ funding requirements, BNBest-P/private executing agencies and BMZ contract award guidelines).
- The Auditor must seek evidence on a sample basis and in accordance with the principles of legality and regularity.

- Where expenditure is not supported by sufficient documentary evidence, or where it is not properly incurred, the Auditor has no discretion; he must report the matter and the amounts as a proposed disallowance. The subsequent decision as to whether to issue a recovery order is one made by ADRA Germany and the BMZ after considering all known facts/mitigating circumstances leading to the provisional disallowance as reported by the auditor. The Auditor plays no part in the decision on whether to issue a recovery order.

3. Objectives of the Audit and requirement of Audit certificate

The Auditors' primary task is to verify the expenditure of BMZ project funds to ensure that expenditure is supported by appropriate documentary evidence, that is in compliance with the BMZ Grant Agreement and the ADRA Germany Project Implementation Contract. The objective of *this End-of-project Financial Audit is to conduct an end of project audit for ADRA Lao PDR's – PICRAIL II project which started on 01.11.2022 and ends on 30.06.2026. The End-of-project Auditors must be independent and work to internationally recognized standard and follow BMZ's Guidelines for the funding of projects of importance to development under the responsibility of private German executing agencies (chapter 2302 Title 687 76) section IV as follows:*

- A. In drawing up the Audit's **certificate**, the recognized, independent auditors shall structure his auditor's certificate according to the quantitative documentary proof of the statement of application of funds (see Annex B). The auditors shall explain the auditing mandate they were given and shall give an account of the documents used for the audit of proper use of funds and compliance with the terms of funding. The key statements (in particular the audit findings) and the final audit certificate (cf. 3) must be in **English**.
- B. If the difference between budgeted figures and actual figures on main budget item is more than 30 per cent, this must be justified separately, unless prior authorization was obtained from the BMZ.
- C. The report of End-of-project Audit Certificate must include the following information:
 - Presentation of Audit assignment and scope with extensive comments on the audit findings. The auditor must also state which documents were used for the audit of appropriate use of funds and compliance with the project term.
 - Recommendations in case of complaints.
 - Comment on how audit observations from previous years were followed up on.

- Budget (most recent version) with the structure used for the financial report, provided for the final report and presented like the attached template. The comparison of planned and actual expenditure is shown in the currency in which the expenditure was incurred.
- Deviations of actual expenditure from the planned expenditure in the most recent budget that exceed 30% of main budget items (main budget categories), must be explained and reasoned.
- Deviations of actual expenditure from the planned expenditure in the most recent budget that exceed 30% of sub-budget items (sub- budget categories), reasons must be given.
- The audit report should provide a clear conclusion regarding the adherence with the binding agreements set out in the project agreement.
- The final audit opinion of the audit certificate must contain the following content (minimum requirement) which is must be clearly formulated by the external auditor and adjusted if necessary:

"We hereby certify that we have audited the statement of accounts of ADRA Lao PDR regarding the financing of the Project "Phoukoud Integrated Climate Resilient Agriculture and Improved Livelihoods (PICRAIL Phase II)". Our audit was carried out on the basis of the following requirements pertaining to the use of funding: (add list of relevant contracts and documents provided during the audit course). To this end, we have inspected the books and vouchers, receipts. Based on our audit, we confirm that:"

Following this, the audit should provide specific statements on the following questions :

- To what extent has all income and expense been properly documented by mean of receipts and proof of payments?
- To what extent has the documented expenditure complied with its application and project approval? And to what extent is it in keeping with appointed purpose and the most recent budget? Have any deviations from the most recent budget been explained separately?
- To what extent has the documented income, that is accounted for as contributions made by the local partner, the target group and/or other agencies in the project country been specified correctly and its origin explained in accordance with the guidelines?
- To what extent were the donor's conditions that were specified in the project agreement met?

What response was there to these conditions? Which of the conditions were not adhered to and were reasons given for this?

- Which special aspects – positive or negative- of the project should be mentioned?

4. Engagement Context

The Auditor should obtain a preliminary understanding of the engagement context based on the ToR. This ToR contains 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 BMZ guidelines, conditions, rules, criteria which are set out in the BMZ grant agreement for projects under the program "Private German Organisations." Furthermore, it refers to the Project Implementation Contract signed between ADRA Germany and ADRA Laos.

The Contractual Conditions for this Project are set out in:

- the BMZ Grant Agreement signed by the BMZ and ADRA Germany
- the Project Implementation Contract signed by ADRA Germany and ADRA Laos including all stated Annexes of the Project Implementation Contract
- the service and supply contract(s) signed by ADRA Laos and its service providers
- the works contract(s) signed by the ADRA Laos and its contractual providers
- Financial Reports
- Conditions for Eligibility of Expenditure

If Contractual Conditions are not clear the Auditor should enquire clarification of ADRA Laos or ADRA Germany.

Planning, procedures, documentation, and evidence:

The Auditor should perform the audit in accordance with the procedures described below, which cover documentation and evidence, planning, fieldwork, and reporting. 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.

Planning

Preparation of the Audit, Planning Activities

The Auditor must prepare the audit so that it is performed in an effective and efficient manner and agree on timing for carrying out the audit, notably with regard to fieldwork. The Auditor will then also confirm with ADRA Laos the location(s) and ensure that relevant supporting documents as well as key staff will be available during the audit. Adequate planning involves that appropriate attention is devoted to important areas of the audit, that potential problems are identified and resolved on a timely basis and that the audit is properly organized and managed in order to be performed in an effective and efficient manner.

The Auditor should have an audit plan documenting the audit approach and key principles of planning, fieldwork, and reporting.

Preparatory Meeting

ADRA Laos foresees a preparatory meeting with the Auditor. The purpose of this meeting is to discuss the planning, fieldwork and reporting of the audit and to clarify outstanding issues. During the preparatory meeting, the Auditor may request additional information and documents that he/she considers necessary or useful for the planning and fieldwork of the audit.

Fieldwork

The fieldwork shall commence as soon as possible and not later than (10) calendar days after the signature of the Service Contract. The main task during the fieldwork will be to perform substantive tests. Key information about the testing process must be provided in the Audit report.

Draft Report and Closing Meeting

At the end of the fieldwork, the Auditor shall create the draft report and organize a closing meeting with ADRA Laos in order to discuss the findings, obtain its initial comments and agree on additional information to be provided.

Audit Documentation and Evidence

The Auditor shall 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 shall use professional judgment to determine whether audit evidence is sufficient and appropriate taking into account the Contractual Conditions.

Audit Report and Management Letter

The auditor is expected to present an audit report and a Management Letter. The Auditor should submit to ADRA Laos one portable document format (PDF) copy and three (3) original copies of the Audit Report in English for the BMZ funded project. ADRA Laos will forward the report to ADRA

Germany for processing.

Conduct of the Audit

In conducting the Audit, the Auditor shall:

- Carry out tests of transactions as are necessary, in order to obtain an understanding of the accounting system, to assess its adequacy as a basis for the preparation of the financial statements and to establish whether adequate records have been maintained as required by ADRA Germany regulations and/or financial rules of the BMZ.
- Conduct an in-depth review of the internal control systems to have sufficient knowledge of the procedures underpinning the systems
- Confirm that funds have been used in accordance with the applicable rules of the BMZ and that they have only been used for the purposes for which they were intended for and in accordance with the conditions under which the funding was provided
- Confirm that goods and services financed have been procured in accordance with sound procurement procedures set out in the BMZ procurement guidelines and ADRA Germany Procurement Policy
- Verify
- that the expenditure verification is in line with the BMZ Grant Agreement and Project Implementation Contract (including all Annexes thereto).
- that it is evident from the bookkeeping records and from the audit of accounts that the expenditures are covered by the revenues, and it must thus be verified that there is no duplicate financing by external funding bodies.
- that transactions are supported by reliable invoices and receipts and supporting documents.
- the eligibility of expenses given the starting date of the monetary expenditure.
- that transactions have been reviewed and authorized by appointed personnel.
- that all expenses are recorded in the ADRA Laos – PICRAIL II Project’s accounts and are backed by originals of supporting evidence
- to audit the proper bookkeeping,
- to audit the accounts on the basis of original vouchers,
- to cancel the original vouchers,
- to audit the plausibility of expenditures,
- to assign expenditures to the items in the cost schedule

- to audit the overall conduct of business.
- that financial transfers (bank, cash) are understandable and in line with the reported expenditures.
- that where special accounts have been used, they have been maintained in accordance with the provisions of the relevant BMZ and ADRA Germany Agreement/Project Implementation Contract.
- that each set of accounts contains a clear description of cash flows that is documented in the form of currency exchange confirmations and bank statements.
- if any interests have been generated in the project bank account.
- that the awarding of sub-contracts for delivery and supplies, work and services is in compliance with the relevant procurement procedures established by the donor.
- that purchased goods are listed correctly in the inventory list.

The Auditor will report to ADRA Germany any attempt by ADRA Laos to restrict the scope of the Audit, or any lack of cooperation on the part of ADRA Laos. The Auditor will consult ADRA Germany on what action may be required, whether or how the Audit can be continued and whether changes in the Audit scope or the timetable are acceptable.

Responsibilities of ADRA Laos

ADRA Laos is responsible for preparing Financial Statements for the Project financed by the Grant Agreement in compliance with such agreement and providing it to the Auditor, and for ensuring that these Financial Statements can be properly reconciled to the ADRA Laos's accounting and bookkeeping system and to the underlying accounts and records. Notwithstanding the procedures to be carried out, the Entity always remains responsible and reliable for the accuracy of the Financial Statements. The Financial Statements in this context refer solely to the Appendix to the Auditor's Report by which the Entity reports costs incurred under the Grant Agreement.

ADRA Laos is responsible for the factual statements which will enable the Auditor to carry out the procedures specified and will provide the Auditor with a written representation letter supporting these statements, clearly dated, and stating the period covered by the statements.

ADRA Laos accepts that the ability of the Auditor to perform the procedures required by this engagement effectively depends upon ADRA Laos providing full and free access to ADRA Laos's staff and its accounting and other relevant records.

Financial Statements

The Financial Statements to be audited, among others, include

- a Statement of Income and Expenditure,
- a Statement of Financial Position,
- a Statement of Financial Activities,
- a Statement of Changes in Accumulated Funds,
- a Statement of Cash Flow,
- the Accounting Policies Adopted and Explanatory Notes,
- the Financial Reports compliant with the terms and conditions of the BMZ Grant Agreement

5. Process and Timeline

ADRA is calling for quotations from recognized and independent End-of-project Audits in anticipation of PICRAIL II's project closure on 30 June 2026 with the Audit being scheduled in August 2026. Please see below the scheduled process timeline for PICRAIL II's EOP external audit:

Description	Achieved by:
ADRA reaches out to Government of Laos Approved Auditors to provide a quotation for auditing services	27 May 2026
Advertisement closure	10 June 2026
ADRA Laos shortlists and selects audit firms	12 June 2026
ADRA Laos consults with ADRA Germany	16 June 2026
ADRA Laos and selected audit firm sign the service contract	25.06.2026
ADRA Laos shares Final approved financial report with Audit firm	03 August 2026
PICRAIL End of project (EOP) audit is conducted	In the month of August 2026
Contracted Auditing Firm provides a draft audit report with ADRA Laos and conducts a debriefing meeting with ADRA Laos according to BMZ requirements	30 August 2026
Contracted Auditing Firm provides final audit report for ADRA Laos. ADRA Laos shares the final audit report with ADRA Germany	30 September 2026

6. Outputs and Deliverables

The Auditor shall report on his factual findings and recommendations in accordance with the requirements of these Terms. The report shall be objective, clear, concise, timely and constructive. The use of Appendix 1 (“Statement of application of funds” -BMZ template) and 2 (“Audit Report”) to Annex B is recommended. The Report shall be written in English. One report for each of the three envisioned Audits is required.

The Auditor agrees to a disclosure of his report to the BMZ and ADRA Germany in connection with the requirements as set out in the Grant Agreement with the provision that the report will be disclosed in complete, unabridged form including all its attachments.

The Contractor shall ensure that the audit reports are neatly and legibly compiled containing adequate documentation to demonstrate the nature and extent of the Auditing Services and containing sufficient audit evidence to support all audit conclusions, findings, and opinions.

The Contractor shall deliver to ADRA Laos an electronic copy of the audit reports.

Where the audit reports can only be read with the use of Contractor’s proprietary software, the Contractor will ensure a version of software is available upon which the reports can be accessed for a period of 10 years from the date of the submission date of the first report.

The contracted Auditing firm will provide all correspondence in English that will deliver the following outputs:

- Audit certificate following the abovementioned requirements on Section 3 -Requirement on audit certificate
- Quantitative documentary proof consisting of statement of application of funds for the auditing period from 01.11.2022 to 30.06.2026 by accumulating the interim audited report from 01.11.2022 to 31.12.2023 with the report for period from 01.01.2024 to 30.06.2026 to a final accumulated reporting period from 01.11.2022 to 30.06.2026 (budget, actual expenditure, deviation); financial statement (total income, total expenditure, fund balance) following provided template
- Statement of financial positions with detail breakdown and disclosure on each project account balance
- The management letter, in which the Auditor shall:
 - Give comments and observations on the financial/accounting records, systems and controls that were examined during the Audit.

- Identify specific deficiencies or areas of weakness in systems and controls and make recommendations for their improvement.
- Communicate matters that have come to his/her attention during the Audit which might have a significant impact on the implementation of the project.
- Give comments on the extent to which outstanding issues/qualifications issues have been addressed.
- Give comments on previous audits' recommendations that have not been satisfactorily implemented.
- Bring to the recipient's attention any other matters that the Auditor considers pertinent, including ineligible expenditures.
- The management letter should also include responses from the implementing Entity to the issues highlighted by the Auditor.

7. Expert Profile of the Auditing Firm/Chartered Accountants

The Auditing firm/chartered accountants must be approved by the Government of Lao PDR and listed on the Accredited List of approved Auditing firms in Laos. The auditors should not only have high competency in the field of financial audits but also be able to communicate effectively in English (both spoken and written).

When applying, Auditing firms/chartered accounts should include:

- Current CVs with relevant experience and 3 reliable references
- Technical proposal including work plan and methodology
- A timeline plan developed in accordance with Clause 5 of this document (Audit conduct, draft audit report submission, debriefing meeting with ADRA Laos, revision, and final audit report submission)
- Financial proposal for fees in Laos KIP
- Valid Certificate (of the chartered accountant) and operating license (of the audit firm) for the year of 2026

All the technical and financial proposal should be sent to hr@adrالاos.org submitted to the ADRA office at Ban Saphangmore, Xaysetha District, Vientiane Capital, no late than 10 June 2026 at 5 PM.

Once the preferred Auditors are selected and approved by ADRA Laos and ADRA Germany, the Auditing Firm will be contracted - with the expectation that the final audit report and certificate will be approved by ADRA Germany and ADRA Laos by the said date. If delays are experienced by

the Auditing Firm this must be communicated to ADRA Laos and it may be possible to extend the contract duration for a short period if donors approve this action.

8. Management of the Evaluation

The stakeholders involved in the management of the Audit include ADRA Laos (Country Director, Finance Manager, Accountants, Program Advisor) and ADRA Germany (Program Coordinator, Project Finance Coordinator).

9. Management of the Audit

The stakeholders involved in the management of the Audit include ADRA Laos (Country Director, Finance Director, Accountants, Program Director) and ADRA Germany (Program Coordinator Project Finance Coordinator).

10. Compliance with applicable law

The Auditor, at the time of submitting the offer and beyond over the years of the assignment, if awarded, must comply with applicable environmental, social and labour law obligations established by Union law, Germany legislation, Laos legislation, collective agreements or the international environmental, social security and labour conventions. The same compliance must be verified with regards to fiscal matters.

11. Fraud, corruption, irregularity, etc.

If, during the audit engagement, the Auditor or any of the Auditor employees detect possible fraud, malfeasance, breach of statutory requirements, or material discrepancy of any nature, the Auditor shall immediately report the facts of the matter to feedback@adra.de.

Immediately upon becoming aware of any matter that the Auditor suspects on reasonable grounds concerns or may concern corrupt conduct the Auditor shall in writing inform and make known the matter to feedback@adra.de.

The Auditor shall not give any advice or information regarding the matter to any person whatsoever in the absence of written directions from ADRA Germany or unless otherwise required by law.

12. Other Matters

The Auditor shall not subcontract without prior written authorisation from ADRA Laos and ADRA Germany.

13. Terms of payment, Insurance and Liability modalities for Auditors

The terms of payment and liability modalities for auditors and will be defined in the Audit Service Contract.

Annex B

Guideline for an external, independent audit within the scope of the BMZ funding title for private executing agencies – Engagement Global – bengo



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