

Terms of Reference for the Audit of Irish Aid Funded Programme:
“Improving the Nutrition Status of Ethnic Minority Children in Thanh Hoa Province, Vietnam”

Grant number: RI.2016.VN.01

1. Back ground

The project “**Improving the Nutrition Status of Ethnic Minority Children in Thanh Hoa Province, Vietnam**” is funded by Irish Aid to improve children feeding during the critical first 1,000 days to ensure that every child has a healthy start to life and is able to reach their full potential. The project approaches are to use Infant and Young child Feeding (IYCF) Support Groups (SG) as a platform to transfer knowledge and skills to mothers and caregivers of children 0-24 months on appropriate feeding practices. The project has also introduced the UNICEF-developed Integrated Management of Acute Malnutrition (IMAM) model to provide immediate treatment to identified malnourished children and provided support for home gardens to improve access to food and dietary diversity. IMAM focuses on the integration of the management of acute malnutrition into routine health services at all levels of the health infrastructure.

The project is carried out in Thuong Xuan District, Thanh Hoa Province, Vietnam. The duration of the project is from July 1, 2016 through June 30, 2017. This project is a follow up phase of the nutrition projects also funded by Irish Aid from the end of 2012 to 2015.

Total project budget is EUR100,000 funded by Irish Aid

For this year, the project objectives:

- To strengthen the impact and sustainability of IMAM, IYCF and HH food security interventions in Thuong Xuan District, Thanh Hoa Province
- To support the development of Thanh Hoa Province and Thuong Xuan District Multi-sectoral Nutrition Strategy for Ethnic Minority Children

Project key activities including:

- Follow-up support for the implementation of IMAM intervention in 10 communes
- Strengthening of 114 established IYCF - Support Group (SG) in 38 communes
- Follow-up support for Household (HH) food security intervention
- Development of Multi-Sectoral Nutrition Strategic Plan for Thanh Hoa Province and Thuong Xuan District

2. Objectives of the Audits

The objective of the audit of the project financial statements is to enable the auditor to express a professional opinion on the financial statements that the partner is required to prepare. The audit is conducted to allow the Evaluation and Audit Unit Dublin and the Irish Comptroller and Auditor

General to rely on the auditor's opinion in forming their own professional opinions on the use of Irish Government funds.

3. Scope

The scope of the audit will include all funds received from Irish Aid by Save the Children being audited.

The audit will be carried out in accordance with international standards on auditing, as promulgated by the International Federation of Accountants and will include such tests and auditing procedures as the auditor considers necessary under the circumstances.

Special attention should be paid by the auditor as to whether:

- a) Irish Aid funds have been used in accordance with the conditions of funding agreements, with due attention to efficiency and economy, and only for the purposes for which funding was provided.
- b) Bank accounts maintained for Irish Aid funds have not become overdrawn during the accounting period.
- c) Goods and services have been procured in accordance with the relevant procedures
- d) All necessary supporting documents, records and accounts have been kept in respect of each project with clear linkages to the progress reports presented to the Embassy.
- e) The financial statements have been prepared in accordance with international accounting standards taking into account the Save the Children's system of accounting which is modified cash based.

The audit should include a rigorous examination of the system of internal controls, including organisation structure, authority levels, staff competence, accounting records and supporting documentation, separation of duties, and monitoring arrangements. Where certain controls are impracticable, appropriate compensating controls should exist.

The auditor should plan the audit so that there is a reasonable expectation of detecting material misstatements in the accounts resulting from fraud, error or non-compliance with laws and regulations as may be necessary. If the auditor's suspicions are aroused, s/he must inquire into all the circumstances until satisfied. If material irregularities are discovered, they must be reported to the Embassy and to the Evaluation and Audit Unit (Dublin) immediately.

4. Financial Statements

The financial statements must be **prepared in the Save the Children's own format** from the accounting records maintained at particular projects however, at a minimum this must include:

- a) A Receipts and Payments or an Income and Expenditure Statement (in the Save the Children's currency of operation) showing separately all income received from Irish Aid. The accounts should include expenditure by budget line item, and comparative figures for the preceding year together with and any other information included in the format of the standard financial statements provided by Irish Aid.

- b) Where possible the statement should also include expenditure incurred directly by Irish Aid on behalf of the Save the Children. The payment statement will identify the total amount by organisation of any grant to Save the Children's partners from Irish Aid funding.
- c) Balance sheet as at the year-end (in the partner's currency of operation), including the Irish Aid fund balance remaining. Where Irish Aid funds remaining are mixed with other source of funds, the accounts will note the fund balance remaining to Irish Aid and make a statement on where this fund balance is held.¹
- d) Notes to the financial statements presenting:
- A brief explanation of the programme/ project objectives.
 - Accounting policies.
 - Any supplementary financial information or schedules in support of (a), (b) and (c) above.
 - Receipts from Irish Aid equivalent Euro and actual local currency with the date of transfer of the funds.
- e) The financial statements should be signed by Save the Children.

5. Audit Report

The audit report is intended for the information of Irish Aid, the audit committee of the Department of Foreign Affairs of Ireland and for the Irish Comptroller and Auditor General, and for the information of the partner being audited. **The audit report should be addressed to Save the Children.** The opinion expressed in the audit report will address whether:

- a) The financial statements present a true and fair view of the financial position of the partner audited. In expressing this opinion, the auditor must consider whether proper accounting records have been maintained in each case, and whether the financial statements are in agreement with these records.
- b) Funds provided for the project by Irish Aid have been used in accordance with the relevant agreement and Irish Aid PAEG and IDC approval.
- c) The auditor shall make a statement confirming they have complied with these terms of reference in the introduction to the management letter. In particular, they will confirm that they have complied with each of the points raised under section 4 above.

6. Management Letter/ Internal Control Letter

In addition to the audit report, the auditor will prepare a "Management Letter" **addressed Save the Children**, which will:

- a) Give comments and observations on the accounting records, systems, and controls that were examined during the audit;

¹ For Example if a project has a remaining fund balance to Irish Aid of 20,000 the note would say that the 20,000 is on deposit in Bank account no XXX, which also contains the fund balance of other Donors/The agencies own funds.

- b) Identify specific deficiencies or areas of weakness in systems and controls, and make recommendations for their improvement;
- c) Include management comments and observations relating to the recommendations in (b) above.
 - Include management comments from the partners' programme/project management.
 - The auditors will bring matters to the attention of management as they arise and seek clarification and/or management's comments during the course of the audit.
- d) Communicate matters that have come to the auditor's attention that might have a significant impact on the implementation of the programme.
- e) Refer to any other matters that the auditor considers relevant.
- f) The management letter must include a review of the issues raised in the previous year's management letter and a status report on progress/follow up covering:
 - Recommendations from previous years not implemented;
 - Recommendations from previous years implemented;
 - Recommendations from current year – including note when there are no issues highlighted during the year.
- g) In all cases, a management letter **MUST** be issued. If no issues have arisen during the course of the audit, the auditors must issue a management letter stating that no issues have arisen. – This situation does not mean that the update on previous years will not be given.
- h) Include a high, medium or low prioritisation on all issues arising in the management letters. Ranks should be allocated according to the following criteria:
 - A - a major weakness or a recurring issue that must be addressed soon
 - B - an important matter that will significantly improve the control environment, the accounting system or the operations of the business but is not so serious or prevalent as to be considered a major weakness
 - C - a minor (or isolated) weakness that should nevertheless be addressed to improve the control environment, the accounting system or the operations of the business.

7. Available information

The auditor are given access to all legal documents, correspondence, and any other information relevant for the proposes of conducting the audit as deemed necessary by the auditor

8. Timing for submission

The financial statements including the audit report should be received by the Irish Aid no later than three months after the end of the grant period to which the audit refers. The auditors are required to plan the audit and submit report to Save the Children one month before the submission deadline to the donor.

9. Submission of Proposal

The proposal should provide the following information:

- a) Outline of the audit approach and methodology to undertaking the assignment
- b) Profile of staff proposed for the assignment
- c) Detailed quotation for the audit, showing hours and costs by grade

