



## **ASEAN Regional Mine Action Center**

### **Terms of Reference for the Financial Audit of**

### **The Permanent Secretariat of ASEAN Regional Mine Action Center**

**Friday, 12 July 2019**

**Financial year : 01 January 2017 to 31 December 2017**  
**01 January 2018 to 31 December 2018**  
**01 January 2019 to 31 December 2019**

**Starting date of the Audit : 15 January 2020**

**Ending date of the Audit : 28 February 2020**

## Introduction

This Terms of Reference (ToR) set the conditions that must be met in order to qualify as an independent audit firm to engage in the financial audit of the Permanent Secretariat (PS) of ASEAN Regional Mine Action Center (ARMAC). The external audit shall be conducted by an independent organisation licensed by the auditing authority (in Cambodia it should be a KICPAA's registered member).

## Objectives of the Audit

The objectives of this financial audit are to plan, execute and report on the ARMAC's financial activities in order to form a professional opinion on the following matters:

- a) True and fair view of the financial reports in all material aspects and compliance with the existing **guideline on decision making and reporting process, ARMAC policies and ARMAC manuals**
- b) Existence, adequacy and effectiveness of the Internal Control System through the control of the organization's organizational chart for the segregation of duties and approval and authorisation schedule for financial accountabilities.
- c) Protection and safeguarding of ARMAC's financial resources and its assets from being misused and misappropriated.

## Audit Standards

The audit firm must conduct the financial audit in accordance with the International Standards on Auditing (ISA) and must comply with the mandatory national auditing guidelines.

The audit firm must adhere to the IFAC's Code of Ethics for Professional Accountants which establishes fundamental ethical principles for audit firms with regard to integrity, objectivity, independence, professional competence, due care, confidentiality, professional behaviour and the fulfilment of technical standards.

## Audit Scope

This ToR addresses the financial audit requirements for independent external financial audit of the ARMAC PS for the period: 01 April 2017 to 31 December 2019.

The audit will be performed at **the PS of ARMAC in Phnom Penh, Cambodia**. The audit firm will coordinate on the areas of audit with the management of ARMAC prior to the start of the audit fieldwork to ensure that relevant supporting documents as well as key personnel members will be available during the audit.

The audit firm should obtain key information about the purpose of ARMAC's financial audit, donor contractual conditions, books of accounts to be audited and the deadline for submitting audited financial reports before signing the audit engagement.

## Audit Procedures

The audit firm shall perform the audit in accordance with the financial audit procedures which cover audit planning, collating documentation and evidences, planning fieldwork and reporting of the audit findings.

The audit firm shall 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 financial audit.

### Audit Planning

- a) The audit firm shall adequately plan its engagement so as to ensure that the financial audit of highest professional quality is performed in an economical and efficient manner.
- b) The financial audit shall include several methods of review such as document control, evaluation, inspection, interview, analysis and other.

### Audit Execution

- a) The audit firm will in accordance with ISAs, prepare audit documentation and obtain sufficient appropriate audit evidences to support audit findings and to draw reasonable conclusions on which to base the audit opinion. Audit documentation means the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached.
- b) The audit firm will be given access to the records and documents of ARMAC PS and its projects, including accounting records, contracts, minutes of meetings where financial decisions were made, bank records, invoices, personnel involved in processing/approving financial activities wherever feasible etc.
- c) The following documents are considered as basic reference documents to carry out the audit:
  - The guideline on decision making and reporting process, ARMAC policies and ARMAC manuals applicable for the PS's financial management activities and local regulations applicable for the project.
  - Self-declaration of internal audit
  - Approved total budget
  - Fixed Assets and Inventory Assets Lists
  - Financial reports including annual balance sheets, annual statement of revenue and expenditures, transactions/journal report, cash count statement, bank statement, and so on.
  - Any other financial documents concerning the ARMAC's operations deemed necessary during the audit by the audit firm.

### Audit Risk Assessment

The audit firm will apply materiality and its relationships with audit risk to detect material errors and misstatements in the revenue expenditures stated in the Financial Report caused by error or fraud. The audit firm will pay specific attention to:

- Traceable documentation, segregation of duties, the correct record keeping and orderly filing of the ARMAC's revenue and expenditure transactions with due diligence and control
- Financial Reports and information are in agreement with the ARMAC's accounting system.
- Management and control of ARMAC's financial resources and fixed assets.

### Audit Closing

The audit firm will conduct closing meeting to outline significant audit findings. The meeting shall be held together with the ARMAC's management team. The meeting shall address the outcomes of the financial audit and significant areas of improvements identified in financial management of the PS.

The audit firm will document responses made by the ARMAC's management during the closing meeting and take these responses into account for the audit report. The content of the closing meeting is to be summarised in writing in the management letter.

### Audit Reports

The audit firm confirms in writing that the financial audit reports are produced in accordance with the ISAs for reporting and complying with the mandatory national auditing standards.

The report should be clear, concise, timely and constructive. The financial audit report and management letter must be submitted in English only.

Audit opinions can be unqualified, qualified, adverse or disclaimer of opinion based on the audit evidence the audit firm obtained during the financial audit.

The financial audit reports must be presented in the currency of **USD**.

The audit report shall validate the following information:

- a) Whether the audit responsibilities have been fulfilled by the management **in** the PS and the audit firm
- b) Whether the PS's accounting was maintained following the Cambodian International Financial Reporting Standard (CIFRS) which is also in line with the International Public Sector Accounting Standards (IPSAS).
- c) Whether the self-declaration of the management on the internal **audit** reflects the reality identified during the financial audit. In the event of any deviation, the findings are documented in the management letter.

The audited financial report must include the relevant ARMAC's account codes, sub-codes (if any) and the total amount in the PS's bookkeeping currency (**USD**).

The audit firm must submit **four (04)** original (signed and dated) paper version and one (1) electronic version of the financial audit report and management letter along with the cover note directly to the Permanent Secretariat of ARMAC. These reports shall be provided on audit firm's original letterhead.