MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT
CENTRAL PROJECT OFFICE (CPO)

PROJECT
WATER EFFICIENCY IMPROVEMENT IN DROUGHT-AFFECTED PROVINCES
(WEIDAP/ADB8)

TERMS OF REFERENCES
PACKAGE CPO-C-08: EXTERNAL AUDITOR (CPO-C-08)

Hanoi 10/2020

This information is accessible to ADB Management and staff, as described in AO 4.17. It may not be shared with external parties without the permission of the information asset originator.
I. Introduction:

1. Project Summary:

1.1. Project Objectives:

English name: Water Efficiency Improvement in Drought Affected Provinces (WEIDAP).

Sponsor: Asian Development Bank (ADB)

Project location: Command areas in 05 provinces most affected by drought in the period 2014 – 2016, comprising those provinces: Khanh Hoa, Ninh Thuan, Binh Thuan, Dak Lak, and Dak Nong. All selected areas mainly focus on high value crops cultivation.

The project integrates climate-resilient agricultural practices through a transformational shift in irrigation modernization including: (i) strengthening irrigation management to improve climate resilience; (ii) modernizing irrigation infrastructure; and (iii) supporting efficient on-farm water management practices. The project will have the following outcome: climate-resilient and modernized irrigation systems in five provinces established. The modernized systems will enhance the provinces’ ability to manage climate variability, improve the water productivity of agriculture, and increase incomes by supporting farmers in growing high-value crops.

Overall objective of the project is supporting to improve the sustainability of irrigation systems and irrigation, water use for 05 provinces most affected by drought in period 2014÷2016, through modernization of irrigation management services and on-farm irrigation techniques and modernization of 08 irrigation systems for irrigation of high value crops in the direction of flexibility and resistance to climate change.

Objective of component 1: Modernization of irrigation management services in 08 sub-projects in 05 provinces in the South-Central region and the Central Highlands. This includes the modernization of water allocation and irrigation supply services; improving the efficiency of water use in a sustainable way via assessment of water productivity, water pricing, etc., and supporting the implementation of policy institutions in irrigation management under the Irrigation Law within the project.

Objective of component 2: Upgrade, renovate and modernize each parts of the irrigation system in a flexible and resilient manner to extreme weather events, especially droughts and flooding, to reduce water losses and improve water distribution reliability; high flexibility in modernization also allows diversification of crops to ensure maximum benefits for producers. The modernization of the transfer systems will also serve as a foundation for the implementation of the modernization of irrigation management.
Support the development of infrastructure of hi-tech agricultural areas to attract private investors to invest in large-scale agricultural production and processing in the project area.

**Objective of component 3**: Technical assistance to modernize irrigation in general and to develop modern water saving irrigation in particular to improve water use in the field in 08 sub-project areas. This component will support the expansion of production areas using modern irrigation technology to save water in the field through the application of advanced scientific and technological solutions in irrigation water economy. Fertilizer application for economical use of water, reduction of energy costs and labor costs to enhance the value chain in the production of high value crops.

Please refer to the Report and Recommendation of the President1 (RRP: VIE 49404-002) on the proposed loan, grant, and administration of grant to Viet Nam for the Water Efficiency Improvement in Drought-Affected Provinces Project and the Project Administration Manual (PAM)2, the linked document for the RRP for more precise definitions and descriptions for each of three components (i.e. outputs).

1.2. Executing and Implementing Agencies:

The project consists of 06 project executing agencies: 01 project executing at the central level and 05 provincial project executing agencies.

1. Ministry of Agriculture and Rural Development (MARD)
2. Khanh Hoa Province People’s Committee
3. Ninh Thuan Province People’s Committee
4. Binh Thuan Province People’s Committee
5. Dak Lak Province People’s Committee
6. Dak Nong Province People’s Committee

And 06 implementing agencies including:

<table>
<thead>
<tr>
<th>Implementing Agencies</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Project Office</td>
<td>No. 23 Hàng Tre, Hoàn Kiếm, Hà Nội</td>
</tr>
<tr>
<td>Binh Thuan Agriculture and Rural development work construction investment project management unit</td>
<td>Km1700, Hàm Thắng Commnue, Hàm Thuận Bắc District, Bình Thuận Province.</td>
</tr>
<tr>
<td>Ninh Thuan Agriculture and Rural development work construction investment project</td>
<td>No. 36, 16/4 Street, Phan Rang - Tháp Chàm, Ninh Thuận</td>
</tr>
</tbody>
</table>

---

1 The report and recommendation of the President to the Board of Director (RRP) document describes the terms and conditions of a project for consideration and approval by ADB’s Board of Directors. This document dated October 2018 is provided for the ADB project 49404-002 in Vietnam. Please refer to the link https://www.adb.org/projects/documents/vie-49404-002-rrp for more details.

2 The Project Administration Manual (PAM) provide essential administrative and management requirement for project or program implementation. This document dated October 2018 is provided for the ADB project 49404-002 in Vietnam. Please refer to the link https://www.adb.org/projects/documents/vie-49404-002-pam for more details.
This information is accessible to ADB Management and staff, as described in AO 4.17. It may not be shared with external parties without the permission of the information asset originator.

<table>
<thead>
<tr>
<th>Sub-project</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sub-project 1 Improve and upgrade the South main canal of Cam Ranh reservoir and the main canal of Suoi Dau reservoir, Khanh Hoa province</td>
</tr>
<tr>
<td>2</td>
<td>Sub-project 2 Develop irrigation for high technology agriculture in Thanh Son - Phuoc Nhon, Ninh Thuan province</td>
</tr>
<tr>
<td>3</td>
<td>Sub-project 3 Develop irrigation for high technology agriculture in Nhon Hai – Thanh Hai, Ninh Thuan province</td>
</tr>
<tr>
<td>4</td>
<td>Sub-project 4 Upgrading irrigation of Tra Tan reservoir, Duc Linh district</td>
</tr>
<tr>
<td>5</td>
<td>Sub-project 5 Du Du – Tan Thanh irrigation canal, Ham Thuan Nam district, Binh Thuan province</td>
</tr>
<tr>
<td>6</td>
<td>Sub-project 6 Upgrade and construct irrigation system for upland crops in Dak Lak province</td>
</tr>
<tr>
<td>7</td>
<td>Sub-project 7 Water efficiency improvement of Irrigation works in Cu Jut district, Dak Nong Province</td>
</tr>
<tr>
<td>8</td>
<td>Sub-project 8 Water efficiency improvement of irrigation works in Dak Mil district, Dak Nong Province</td>
</tr>
</tbody>
</table>
1.4. Accounting and financial management methods, financial reports for audit periods:

Project financial management complies with the regulations of ADB and Vietnamese Government. Accounting regime applicable to project management units uses public investment capital.

II. Management responsibility for preparing project financial statements

1. The Management is responsible for preparing and fairly presenting the project financial statements, and for maintaining sufficient internal controls to ensure that the financial statements are free from material misstatement, whether due to fraud or error. In addition, management is responsible for ensuring that funds were used only for the purpose(s) of the project, for compliance with financial covenants (where applicable), and for ensuring that effective internal controls, including over the procurement process, are maintained. In this regard, management must:

(i) Prepare and sign the Project Financial Statements.
(ii) Prepare and sign a Statement of Compliance (Annex 2).

III. Objectives:

2. The objectives of the audit of the project financial statements is to enable the auditor to (i) express an independent and objective opinion as to whether the project financial statements present fairly, in all material respects, or give a true and fair view of the project’s financial position, its financial performance and cash flows, and (ii) provide a reasonable assurance opinion over certain specific representation made in the Statement of Compliance.

This information is accessible to ADB Management and staff, as described in AO 4.17. It may not be shared with external parties without the permission of the information asset originator.
IV. Auditing Standards:

3. The audit is required to be conducted in accordance with the Standards promulgated by the International Auditing and Assurance Standards Board (IAASB), including: (i) International Standards on Auditing (ISA); and (ii) International Standards on Assurance Engagements (ISAE).

4. These standards require that the auditor comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the project financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the project financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the project financial statements whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity’s preparation and fair presentation of the project financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the project financial statements. The auditor also notes the impact on APFS arising from any material deviations from the agreed accounting standards and comment on any accounting policy changes during a financial year or from one year to another.

5. In complying with ISA, the auditor will pay particular attention to the following standards:

   (i) ISA 800: Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks. Where the audit report has been issued under ISA 800, it shall include the mandatory Emphasis of Matter paragraph alerting users of the audit report that the project financial statements are prepared in accordance with a special purpose framework and that, as a result, the project financial statements may not be suitable for another purpose. The auditor shall include this paragraph under an appropriate heading;

   (ii) ISA 240: The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements.

   (iii) ISA 250: Consideration of Laws and Regulations in an Audit of Financial Statements.

   (iv) ISA 260: Communication with Those Charged with Governance.
(v) ISA 265: Communicating Deficiencies in Internal Control to those Charged with Governance and Management.

(vi) ISA 330: The Auditor’s Responses to Assessed Risks.

V. Audit Deliverables:

A. Audited project financial statements:

6. The auditor must verify that the project financial statements have been prepared in accordance with **Vietnamese Accounting Standards, Circular 79/2019/TT-BTC**. An auditor’s opinion providing reasonable assurance over the project financial statements (see Annex 1 for requirement of annual financial statements presentation) following ISA 800.

7. The auditor will provide a reasonable assurance opinion over the use of loan proceeds following ISAE 3000 “Assurance Engagements other than Audits or Reviews of Historical Financial Information” for the following confirmations provided by Management in the Statement of Compliance (Annex 2).

8. Where reasonable assurance has been provided using ISAE 3000 (on the use of loan proceeds), the assurance report must contain, among others:

   (i) A statement that the engagement was performed in accordance with ISAE 3000
   (ii) Subject matter;
   (iii) Criteria for measurement;
   (iv) A summary of the work performed; and
   (v) The auditor’s conclusion.

B. Management letter

C. Specific Considerations in Audit Deliverables

9. The auditor will, during the course of the audit, pay particular attention to the following:

   (i) The use of external funds in accordance with the relevant legal and financing agreements;
   (ii) The provision of counterpart funds in accordance with the relevant agreements and their use only for the purposes intended;
   (iii) The maintenance of proper books and records;
   (iv) The existence of project fixed assets and internal control related thereto;
   (v) Project’s accounting policies and confirm the extent to which the agreed project accounting policies have been applied. In particular, the impact on the APFS arising from any material deviations from the agreed accounting standards. Comments on any accounting policy changes, either during a financial year, or from one year to another.
(vi) On the advance fund procedure (where applicable), audit procedures are planned and performed to ensure (a) the advance account (and any sub-accounts) has been managed in accordance with ADB’s Loan Disbursement Handbook, (b) the cash balance of the advance account (and any sub-accounts) is supported by evidence, (c) the expenditures paid from the advance account (and any sub-accounts) comply with the approved project purpose and cost categories stipulated in the loan agreement, and (d) the amount of expenditures paid from the advance account (and any sub-accounts) comply with disbursement percentage stipulated in the loan agreement.

(vii) On the SOE procedure (where applicable), audit procedures are planned and performed to ensure that (a) the SOEs have been prepared in accordance with ADB’s Loan Disbursement Handbook, (b) the individual payments for expenditures stated in the SOE are supported by evidence, (c) the expenditures stated in the SOEs comply with the approved project purpose and cost categories stipulated in loan agreement, (d) the amount of expenditures stated in the SOEs comply with disbursement percentages stipulated in the financing agreements, (e) adequate supporting documentation has been maintained to authenticate claims stated in the SOE for reimbursement of eligible expenditures incurred and liquidation of advances provided to the advance account;

(viii) Any weakness in internal controls. Review and evaluate the system of internal controls in effect, including internal audit procedures, to determine the degree of reliance that may be placed upon them and to determine the extent of testing of actual transactions needed to assure the auditor of the accuracy of the accounting records.

10. All reports must be presented in the English language within 6 months following the end of the fiscal year. (five in English and 5 in Vietnamese for each report).

11. Public disclosure of the project financial statements, including the auditor’s opinion on the audited project financial statements. After review, ADB will disclose the audited project financial statements and the opinion of the auditor on the audited project financial statements no later than 14 calendar days of ADB’s confirmation of their acceptability by posting them on ADB’s website. The management letter and the additional auditor’s opinions will not be disclosed.

VI. Audit qualification

12. The following are the requirements on the qualification of auditing firms for auditing ADB funded projects in Viet Nam. It must be authorized to practice in Viet Nam and be capable of applying the agreed international auditing standards. All established procedures and methodology are reliable and in conformity with ISA. The detailed requirements on the qualification of auditing company are:
13. The following are the requirements on the qualification of Individual auditor for each proposed position in the audit: The auditor must be authorized to practice in the country and be capable of applying the agreed auditing standards. The auditor should have appropriate professional qualifications and suitable experience, including experience in auditing the accounts of projects or entities comparable in nature, size and complexity to the project or entity whose audit they are to undertake. To this end, the auditor is required to provide curriculum vitae (CV) of the personnel who will provide the opinions and reports, together with the CVs of managers, supervisors and key personnel likely to be involved in the audit work. These CVs should include details of audits carried out by these staff, including ongoing assignments.

14. The auditor will be impartial and independent from any aspects of management or financial interest in the entity or project under audit. In particular, the auditor should be independent of the control of the entity. The auditor should not, during the period covered by the audit, be employed by, or serve as director for, or have any financial or close business relationship with the entity. The auditor should not have any close personal relationships with any senior participant in the management of the entity. The auditor must disclose any issues or relationships that might compromise their independence.

15. National expert (14) and international expert (0)

16. The following are the outline TOR of each position:
17. Audit Director (AD)/Engagement partner: 01 expert

a. Hold highest responsibility for the audit engagement, the Director will be responsible for:

- Provide directives for the whole audit team from the planning, implementation of the audit and issuing audit opinions.
- Take responsibility for the overall quality of the audit. Assure the audit is carried out in compliance with the Firm’s quality standards and procedures and with the requirements of clients.
- Developing an understanding of client’s business and becoming a "functional expert" in the area.

b. Minimum Qualifications/Experience:

- A university graduate (preferably with a post–graduate degree) in Accounting, finance, Certified auditor certificate by the MOF or international certificate (ACCA or other recognized international accounting/ auditing certificate),
- At least 15 years or above experience working in auditing services; At least 4-year experience in management of auditing teams; and at least 8 years actual working years in auditing since being granted with Vietnamese or international auditor certificate;
- Should have worked as Audit Director for at least three audit contracts on ADB, the World Bank or other international donors funded projects;
- Fluent English is compulsory;
- Experience working for a Big 4 or large regional accounting firm is a plus.

18. Audit Managers (AM): 01 expert

This information is accessible to ADB Management and staff, as described in AO 4.17. It may not be shared with external parties without the permission of the information asset originator.
a. The Manager will be responsible for:

- Receive the instructional directives from Directors and give detailed guidance to all team members;
- Monitor the audit fieldwork of engagement team, reviews staff work and ensure that it meet professional standards and the internal audit department's guidelines;
- Take responsibility for the quality of the audit before submitting to Director;
- To be the contact point with Client’s Management and Chief Accountant regarding key issues identified, audit adjustments; and
- Monitor the progress of the audit and monitor the adherence to the committed deadline

b. Minimum Qualifications/Experience:

- A university graduate (preferably with a post-graduate degree) in Accounting, finance, Certified auditor certificate by the MOF or international certificate (ACCA or other recognized international accounting/ auditing certificate),
- At least 10 years or above experience working in auditing services; Audit seniors who are the team leader shall have 5 years’ experience in their profession;
- Audit experience for ADB/World Bank funded projects in Vietnam would be an advantage;
- Ability to work within budgetary and time constraints while providing a high-level of client satisfaction;

19. Senior Auditors/ Team leaders at field: (SA/TL) - 03 experts

a. The Senior Auditors will be responsible for:

- Follow the instructions from Director and Engagement Manager;
- Keep AD and AM being updated with the key issues or key audit adjustments day to day;
- Being responsible for the audit quality of the whole team in front of AM;
- Being responsible for the compliance with auditing firm quality standards and procedures and with the requirements of Clients/ Projects.

b. Minimum Qualifications/Experience:

- Senior Auditors are required to be graduates of a recognized university in the fields of Commerce, Economics, Accounting and Auditing or equivalent;
- At least 05 years or above experience working in auditing services;
20. Auditor (9 experts)

a. The Auditors will be responsible for:

- Implementing professional work, auditing assigned sections in the agencies, be responsible for the data and issues related to the auditing activities.
- Supporting to release the official report; draft minute of audit; report to the Team leader of the rising issues related to the audit in the agencies.

b. Minimum Qualifications/Experience:

- A university graduate (preferably in recognized university in the fields of Commerce, Economics, Accounting and Auditing or equivalent);
- At least 03 years or above experience working in auditing services Preferably to whom holding Certified auditor certificate by the MOF or international certificate (ACCA or other recognized international accounting/ auditing certificate);
- Should have worked as Auditor for audit contracts on ADB’s, the World Bank’s on other international donors’ funded projects would be preferable).
- English proficiency would be preferable.

(Note: The number of specialists and person-months in the TOR are only indicative and will be standardized during preparation, appraisal and approval based on the output of the package)

VII. Other matters:

21. Locations to be audited:

<table>
<thead>
<tr>
<th>Central Project Office</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Binh Thuan Agriculture and Rural development work construction investment project management unit</td>
<td>Km1700, Hâm Thắng Commnue, Hâm Thuận Bắc District, Bình Thuận Province.</td>
</tr>
<tr>
<td>Ninh Thuan Agriculture and Rural development work construction investment project</td>
<td>No. 36, 16/4 Street, Phan Rang - Tháp Chàm, Ninh Thuận</td>
</tr>
<tr>
<td>Management Unit</td>
<td>Address</td>
</tr>
<tr>
<td>----------------</td>
<td>---------</td>
</tr>
<tr>
<td>Khanh Hoa Department of Agriculture and Rural development</td>
<td>No. 04 Phan Chu Trinh, Nha Trang, Khanh Hoa</td>
</tr>
<tr>
<td>Dak Lak Transportation and Agriculture and Rural development work construction investment project management unit</td>
<td>No. 25 Ngo Quyen, Buon Ma Thuot City, Dak Lak</td>
</tr>
<tr>
<td>Dak Nong Agriculture and Rural development work construction investment project management unit</td>
<td>Nghia Trung, Gia Nghia, Dak Nong</td>
</tr>
</tbody>
</table>

* At CPO: The auditing firm only audits bidding documents for packages using loan capital implemented by CPO for the whole project.

22. **Phasing of the Audit:**

   Timeframe for submitting final report:

   **Month of fiscal year (FY) and report submission**

<table>
<thead>
<tr>
<th>Period</th>
<th>FY start</th>
<th>FY end</th>
<th>Report submission</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>26/6/2019</td>
<td>31/12/2020</td>
<td>25/6/2021</td>
<td>5 individual reports and synthesis reports</td>
</tr>
<tr>
<td>2</td>
<td>1/1/2021</td>
<td>31/12/2021</td>
<td>25/6/2022</td>
<td>5 individual reports and synthesis reports</td>
</tr>
<tr>
<td>3</td>
<td>1/1/2022</td>
<td>31/12/2022</td>
<td>25/6/2023</td>
<td>5 individual reports and synthesis reports</td>
</tr>
</tbody>
</table>

23. Although the auditing firm will be contracted for the mentioned audit phases (maximum three years per contract), it must submit the financial proposal in US$ in a format indicating the amount for each financial year independently: (i) If performance is not satisfactory in one year then the client will not be bound for subsequent year’s audits; and (ii) If the performance is satisfactory, the auditor may participate in bidding process for the next fiscal years, but the total assignment should be up to 6 years for one project. The period needs to be cover will be from loan effective date to the end of 04 months grace period (if any) from the loan closing date. The auditing company will separately sign contracts with 5 project IAs of the provinces. The auditor's report on project financial statements will also be made separately for each Province on the basis of signed contracts. In addition, the audit company will have to prepare a general report on capital and costs for the whole project to send to the CPO and ADB.
24. **Available Information and Services to be Provided to the Auditor**

a. The auditor should have full and complete access, at all reasonable times, to all records and documents including books of account, legal agreements, bank records, invoices and any other information associated with the project and deemed necessary by the auditor. The auditor will also obtain confirmation of amounts disbursed and outstanding at ADB. In case access has been restricted, the auditor must note this in the management letter.

b. The auditor will be provided with full cooperation by all employees of the entity and the project implementing units, whose activities involve, or might be reflected in, the annual project financial statements. The auditor will be assured rights of access to banks and depositories, consultants, contractors, and other person or firms hired by the employer.

c. The Auditor shall have the right of access to banks and depositories, consultants, contractors and other persons or firms engaged by the project. If necessary, the auditing company can be requested, free of charge, to participate in a wrap-up session for the Ministry of Finance (MOF), the EA/IAs and ADB to share common findings across projects being audited and provide recommendations for addressing bottlenecks in preparation for the next audit.

d. ADB can request access to the auditors unedited audit working papers.

25. **Reporting Relationships:**

The audit services will be contracted by PPMUs. The Auditor shall report to: the PPMUs’ Directors and Chief Accountant.

| Binh Thuan Agriculture and Rural development work construction investment project management unit | Name: Mr. Phan Thành Hoàng  
Position: Director  
Phone No.: 091 9949499  
Email: thanhhoangqlqda@gmail.com  
Address: Km1700, Hầm Thường Commnue, Hầm Thuận Bắc District, Bình Thuận Province |
|---|---|
| Ninh Thuan Agriculture and Rural development work construction investment project management unit | Name: Mr. Nguyễn Vinh Quang  
Position: Director  
Phone No.: 091 3646033  
Email: vinhquangnt@gmail.com  
Address: No. 36, 16/4 Street, Phan Rang - Tháp Chàm, Ninh Thuận |
| Khánh Hoà Department of Agriculture and Rural development | Name: Mr. Lê Tấn Bân  
Position: Director  
Phone No.: 090 5222079  
Email: letanban06@gmail.com |
<table>
<thead>
<tr>
<th>Organization</th>
<th>Details</th>
</tr>
</thead>
</table>
| Dak Lak Transportation and Agriculture and Rural development work construction investment project management unit | Address: 04 Phan Chu Trinh, Nha Trang, Khánh Hòa  
  Name: Mr. Phạm Văn Hạ  
  Position: Director  
  Phone No.: 0914056062  
  Email: hadpidaklak@gmail.com  
  Address: No. 25 Ngô Quyền, Tan Loi Commune, Buôn Ma Thuột City, Đắk Lắk |
| Dak Nong Agriculture and Rural development work construction investment project management unit | Name: Mr. Nguyễn Văn Nghĩa  
  Position: Giám đốc  
  Phone No.: 0965197979  
  Email: minhvvdn@gmail.com  
  Address: Nghĩa Trung, Gia Nghĩa, Đắk Nông |
ANNEX 1

FORMAT OF ANNUAL PROJECT FINANCIAL STATEMENTS

1. The project financial statements are prepared in accordance with Vietnamese Accounting Standards, Circular 79/2019/TT-BTC

2. The content of the financial statements to be audited should include the following contents, as minimum:
   a. Balance Sheet;
   b. Statement of Funds Receipts and Disbursements;
   c. Statement of Funds and Expenditures includes a summary of fund by sources, and total expenditures presented in categories corresponding to the project’s components per loan agreement for the fiscal year under audit and cumulative to date;
   d. Statement of Advance Account comprises of (i) advance deposits; (ii) withdrawals related to project expenditures, (iii) interest that may have been earned on the accounts; and (iv) reconciliation with the bank statement balance at period-end;
   e. Statement of Withdrawals: shall detail all individual withdrawal applications during the period under audit by specific reference number, date, and amounts claimed;
   f. Statement of Budget versus Actual Expenditures;
   g. Notes to the Financial Statements include (i) accounting policies adopted for the project; (ii) explanatory notes; and (iii) reconciliations of the amounts recorded as expenditures from ADB funding for the project with actual amounts disbursed by ADB for the year and cumulative for the project (if the basis of accounting is accrual or modified cash); and
   h. Any additional schedules agreed, if necessary.

3. Specific considerations:
   a. Annual project financial statements should normally be presented in the local currency, with the basis for conversion of any foreign exchange transactions or commitments explicitly stated.
   b. The project expenditures should be presented following the expenditure categories contained in the legal agreement, other project documents, and revisions thereto.
   c. The annual project financial statements should include comparative figures for the preceding reporting year and cumulative figures from the loan effectiveness date to the end of the current reporting year. For projects that receive funding from other sources, the annual project financial statements
should include all sources of funds for the Project (both ADB-provided and otherwise).

d. The accompanying Notes to Financial Statements should provide sufficient explanation and information on the financials in narrative form or appropriate supporting schedules, including description of key financial reporting policies, and the adopted accounting standards.
ANNEX 2

STATEMENT OF COMPLIANCE

Management must prepare and sign a Statement of Compliance, which includes the following:

(i) That project financial statements are free from material misstatements including omissions and errors, and are fairly presented;

(ii) That the borrower or executing agency has utilized the proceeds of the loan only for the purpose(s) of the project;

(iii) That the borrower or executing agency/implementing agency was in compliance with relevant laws and regulations. (However, in case there are conflicts between ADB policies and procedures with Borrower’s relevant laws, ADB policies and procedures will prevail).

(iv) That the advance account procedure, where applicable, has been operated in accordance with the ADB Loan Disbursement Handbook;

(v) That adequate supporting documentation has been maintained to authenticate claims stated on the statement of expenditures (SOE) for reimbursement of eligible expenditures incurred and liquidation of advances provided to the advance account; and

(vi) That effective internal control, including over the procurement process, was maintained.
This information is accessible to ADB Management and staff, as described in AO 4.17. It may not be shared with external parties without the permission of the information asset originator.