



Request for Expression of Interest

The Arbitration Council Foundation (ACF) seeks the services of a qualified firm to provide external audit services on the financial statements for fiscal year 2017 and 2018

1. The Arbitration Council (AC) is a national quasi-judicial institution mandated to resolve labour disputes between employers and employees/workers in Cambodia. The AC is supported by the Arbitration Council Foundation (ACF), a registered non-governmental organization providing technical, managerial and financial assistance to the AC.

2. The ACF receives grant as a core support from Swedish International Development Agency (Sida) represented by the Embassy of Sweden to Cambodia Agency. Besides the core support from Sida, ACF receives grants from US Agency for International Development (USAID), Brands and Levi Strauss Foundation (LSF), Royal Government of Cambodia (Ministry of Labour and Vocational Training - RGC) etc.

3. Key scope and deliverables include:

- Plan and conduct the audit in accordance with a risk-based framework with a detailed audit work program.
- Gather evidence and prepare working papers to properly document the evidence seen in support of the opinion given.
- Consider the risk of material misstatement(s) as a result of fraud or error, to provide reasonable assurance that any material misstatements are detected.
- Take responsibility to consider fraud in an audit by following relevant ISAs.
- Review and evaluate internal control systems.
- Review compliance with laws, regulations and funding agreements.
- Separate reports, financial audit report and management letter, will be prepared and submitted to the Foundation.

4. Qualifications of an ideal firm:

- a) Recognized and registered with relevant Cambodian Authorities
- b) Prior experience and knowledge of relevant Cambodian laws and legal systems
- c) A minimum of four years of demonstrated experience relevant to financial auditing
- d) Experience with not-for-profit organization and development partners' requirement
- e) Fluency in Khmer and English of the service team is required

5. The firms interested in submitting their expressions of interest must submit the proposal including detailed information indicating that they are qualified to perform the services (organization profile, description of similar assignments, experience in similar conditions and financial proposal).

6. How to submit the proposal

The detailed term of reference can be obtained upon request via e-mail sseng@arbitrationcouncil.org or downloaded from ACF website: www.arbitrationcouncil.org.

Interested firms should submit their expression of interest (EOI) clearly marked, "EOI for Auditing the ACF Financial Statement 2017 and 2018" to the following address on or before December 06, 2017 at 16:00 PM.

Attn: Mr. Men Nimmith
Executive Director
Arbitration Council Foundation
72, Street 592 (corner of St. 327),
Sangkat Boeung Kak II, Khan Tuol Kork,
Phnom Pehn, Cambodia
Tel: 855 881 815, Fax: 855 23 881 918
Website: www.arbitrationcouncil.org



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ARBITRATION COUNCIL FOUNDATION

TERMS OF REFERENCE

1. Purpose of the Audit

The Arbitration Council Foundation seeks the services of a qualified auditing firm to undertake the auditing of the ACF financial statement, bank accounts, resources and expenditures, relating to the ACF operation for the financial year 2017 and 2018.

The financial audit is primarily designed to provide assurance that the annual financial statements of the Foundation/project have been prepared in accordance with relevant legal and professional standards and give a “true and fair” view of the financial performance and financial position of the Foundation. Besides this primary objective, it is expected that the external audit services will go beyond giving assurance on the accounts to include examination of the use of resources and aspects of financial management and internal control covering such as legality of transactions, systems of internal control, standards of financial implementation, prevention and detection of fraud and corruption.

It is accepted that the external audit is not a substitute for the Foundation/project’s own responsibility for putting into place, proper arrangements to ensure that the Foundation/project is conducted in accordance with the law and proper standards, and the resource and asset are safeguarded and properly accounted for and used economically, efficiently and effectively. The management of the Foundation/project has responsibility for the financial statements and all representations contained therein. The management also has responsibility for the adoption of sound accounting policies and the implementation of record keeping and internal control to maintain the reliability of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements.

It is recognized that because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that some material misstatements may remain undiscovered. Accordingly, the audit should not be relied on to disclose fraud, defalcations or other irregularities. However, if they exist, their disclosure may result from the audit tests the auditor’s will undertake. The auditor shall report any such matters and any material weaknesses in the system of accounting and internal control that come to their notice.

2. Background

The Arbitration Council (AC) is a national quasi-judicial institution mandated to resolve labour disputes between employers and employees/workers in Cambodia. The AC is supported by the Arbitration Council Foundation (ACF), a registered non-governmental organization providing technical, managerial and financial assistance to the AC.

The ACF receives grant as a core support from Swedish International Development Agency (Sida) represented by the Embassy of Sweden to Cambodia Agency. Besides the core support from Sida, ACF receives grants from US Agency for International Development (USAID), Brands and Levi Strauss Foundation (LSF), Royal Government of Cambodia (Ministry of Labour and Vocational Training - RGC) etc.

2.1 Accounting Standards

The financial statement has been prepared on a modified cash basis. The year-end accounts have included any commitments under outstanding contracts so as to give a true and fair view of the financial position as of the end of the fiscal year.

2.2 Financial Reporting Standards

Financial statements should consist of the following:

- (a) A simplified Balance Sheet reflecting the assets, liabilities and funding balance of the Foundation on a modified cash basis.
- (b) A Statement of Sources and Uses of Funds reflecting receipts and expenditures on a modified cash basis by components/activities, showing the previous periods, current reporting period, year-to-date and compared to budgets.
- (c) Explanatory and supporting notes to the main statements including:
 - A statement of accounting and financial policies together with a management assertion that funds have been expended in accordance with the intended purposes
 - A Statement of Uses of Funds by Foundation component/activities
- (d) A management assertion that funds have been expended in accordance with the intended purposes.

The explanatory notes should include a schedule showing the value of contract entered into which is still being implemented (or where payments are still to be made), so as to arrive at an overall financial position of the Arbitration Council Foundation.

2.3 Available Facilities

All primary financial documents, records and information of the Foundation are located at the ACF office.

The Auditor will be provided access to all legal documents, the Foundation documents, donor partners' reports and/or correspondence, and any other information associated with the Arbitration Council Foundation and deemed necessary by the auditor. The Auditor will also be given access to all employees' files. The Auditor will have a right of access to banks and depositories, consultants, contractors and other persons or firms engaged by the Arbitration Council Foundation. Provision will be made at the ACF office to accommodate staff members of the Auditor, who will be provided with access to photocopying facilities.

The financial documents are including:

- Payment vouchers, Journal vouchers, Receipt vouchers
- Contract files
- Legal agreements
- Procurement records
- Asset management records
- Correspondence

In addition, access will be provided by the Foundation including the project proposal, funding agreements and progress reports. The annual workplan and budget is provided.

3. Objective, Scope and methodology of Audit

3.1 Objective

The objective of the annual financial audit is to enable the Auditor:

- to express an opinion on the financial statements for the year(s) then ended, in accordance with the adopted accounting standards and financial reporting frameworks;
- to assess compliance with laws, regulations and funding agreements that have a direct and material impact on the Foundation's financial statements; and
- to report on management's assertions that they complied with laws, regulations and funding agreements that have a direct and material financial effect on the entity, and that they have maintained an effective internal control framework over donor programs.

3.2 Scope

The contracted firm, subject to satisfactory performance will audit the financial statements of ACF for 2017 and 2018.

The Auditor must plan and carry out the audit in accordance with the Cambodia International Standard of Auditing (CISA) and Cambodian International Standard of Quality Control (CISQC) including:

- A. Plan and conduct the audit in accordance with a risk-based framework with a detailed audit work program which is sufficiently extensive in its coverage of the Foundation's accounts to support the opinion given.
- B. Gather evidence and prepare working papers to properly document the evidence seen in support of the opinion given, including sufficient evidence to substantiate in all material respects the accuracy of the information contained in supporting schedules attached to the financial statements.
- C. Consider the risk of material misstatement(s) as a result of fraud or error, and ensure that the audit program includes procedures that are designed to provide reasonable assurance that any material misstatements are detected.

- D. Take responsibility to consider fraud in an audit. The primary responsibility for the prevention and detection of fraud rests with the Foundation, which is committed to establishing and maintaining an internal control environment with policies and procedures that assist in ensuring the orderly, efficient and non-fraudulent conduct of the Foundation's business. In reviewing and providing opinion on internal control, it is expected that the Auditor will follow relevant ISAs "The Auditor's Responsibility to consider Fraud in an Audit of Financial Statements."
- E. Review and evaluate internal control systems including internal audit procedures, to determine the degree of reliance that may be placed upon them and the extent of testing of transactions needed to assure the Auditor of the accuracy of the accounting records. It is expected that the Auditor will obtain an understanding of the design and operation of internal control systems over compliance with requirements that could have a direct and material effect on funding agreements. Equal emphasis will be placed on whether the systems: (i) provide reasonable assurance of compliance with laws, regulations and funding agreements; (ii) provide decision makers with useful and timely information for proper management of the Foundation; and (iii) protect the assets and resources of the Foundation.
- F. Review compliance with laws, regulations and funding agreements. Foundation's management is responsible for ensuring compliance with relevant laws, regulation and funding agreements. That responsibility encompasses the establishment of internal control systems designed to provide reasonable assurance that the Foundation has complied with applicable laws, regulations and funding agreements.

The audit of financial statements will include a sufficient sample of disbursements procedures to determine whether funds disbursed were utilized for the purposes defined by the funding agreement. The audit will include the gathering of sufficient evidence to determine that the account balances indicated as being on hand in the records is represented by unencumbered cash in bank accounts.

If for any reason the audit has not been conducted in accordance with the above scope, this should be stated in the Audit Opinion and Audit Report with an indication of alternative standards or procedures followed.

3.3 Methodology

The invited firms will provide the methodology for carrying out the audits based on contract made between Arbitration Council Foundation and the audit firm. It is expected that a high degree of probity and compliance with the law and accountability be reflected in the methodology. As a minimum, the methodology should address:

- Compliance with the Cambodia International Standard of Auditing (CISA) and Cambodian International Standard of Quality Control (CISQC)
- Understanding of the environment and key areas of audit risk.
- Audit planning and the role that the Foundation and its management is expected to play in the process.
- The experience of members of the proposed audit team.
- The resources to be allocated to the audit.

- The approach to fieldwork (e.g. gathering of evidence to support assertions to be made in the audit opinions).
- Quality assurance arrangements, including mechanisms for the Foundation management to be involved in this process.
- Timetable for completion of the audit work, related to the timing of handover of financial statements by the Foundation management.

4. Deliverables

4.1 Opinion and Reports

Separate reports will be prepared and submitted for the Foundation, each in two parts as follows.

A **Financial Audit Report** which, as a minimum, will:

- state the purpose of the audit and its intended use;
- state whether the audit was conducted in accordance with CISA and indicate the effect of any deviations from those standards;
- cover, in all material respects, the supporting schedules and the cumulative period since commencement of the Foundation; and
- state whether or not the financial statements fairly present the financial position and transactions for the Foundation in accordance with the stated accounting standards, and that the funds were utilized for the purposes intended.

A **Management Letter** which, as a minimum, will provide findings, conclusions and recommendations on:

- the effectiveness of internal control systems, supported by a schedule of findings and summary of the impact of non-compliance, with equal emphasis on: (i) providing useful and timely information for proper management of the Foundation; (ii) protecting assets and resources of the Foundation; and (iii) complying with laws, regulations and funding agreements;
- management's assertions that they complied with the laws, regulations and provisions of funding agreements, and that they maintained effective internal control systems for the Foundation;
- specific weaknesses in internal control systems, the audit procedures followed to address or compensate for the weaknesses, and recommendations to resolve and eliminate them; and
- progress towards improvements based on comparison with the findings, conclusions and recommendations of the previous audit period.

The ACF will be the prime recipient of the Audit Report and Management Letter relating to its Foundation, and will be responsible for ensuring that the standard of audit is acceptable and that the findings are followed up. The seven (7) original copies of the Audit Report together with Financial Statements and the Management Letter shall be delivered to the ACF through the management of ACF.

4.2 Exit Conference

Upon completion of fieldwork and drafting of the Financial Audit Reports and Management Letter, the Auditor will hold an exit conference with management of the ACF, to discuss the Auditor's findings, conclusions and recommendations. The exit conference will give the Auditor an opportunity to obtain management's comments on the accuracy and completeness of the findings and conclusions, including whether or not management concurs with them. The Auditor will document the exit conference for inclusion in the audit working papers.

5. Qualifications and Experience of an Ideal Firm

- a) Recognized and registered with relevant Cambodian Authorities
- b) Prior experience and knowledge of relevant Cambodian laws and legal systems
- c) A minimum of four years of demonstrated experience in financial auditing.
- d) Experience with not-for-profit organization and developing partners' requirement
- e) Fluency in Khmer and English of the service team is required.