



LAO PEOPLE'S DEMOCRATIC REPUBLIC  
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

**BANK OF THE LAO PDR**  
**Banking Operations Department**  
**Lao Access to Finance Fund**

No: 2890.../OPD.  
Vientiane, Dated: 29 SEP 2022

**Invitation for audit proposals**  
**Microfinance in Rural Areas Lao Access to Finance Fund (LAFF),**  
**Project-No. 2008 65 220, Project-No. 2018 67 639**

**Dear Sir or Madam,**

In accordance with the agreement and guidelines from German Development Bank (KfW), we are requesting proposals for audit services of the subject project covering the period July 2020 to December 2022.

Below are the proposal requirements and submission guidelines. We would be pleased to receive a proposal from your firm.

**Background and General Information of the Project:**

a) Objective of the Programme

- The overall objective of the Programme is to support the sustainable economic growth of the Lao economy by enhancing the business environment of the Lao financial and banking system and by this improving the business environment for the MSME sector.
- The specific programme objective is to facilitate the MSMEs' access to long-term finance in the domestic financial sector by offering eligible partner financial institutions a target-group oriented refinance facility, which would harmonize with the existing business environment of the local banking system. The rationale of the focus on MSMEs is the expected above average impact on poverty alleviation through job creation and income generation.

b) Funding and Operating Mechanism of the project

- The activities of the project consists in German Government Contribution through KfW providing a revolving fund ('Lao Access to Finance Fund' (LAFF)) to the Lao PDR as a grant in the amount of 3 million EUR and 6 million EUR. The grant is channelled to the Bank of Lao PDR (Programme-Executing Agency) and on-lent to the qualified bank(s) and Deposit Taking Microfinance Institution in local currency in order to refinance loans to eligible MSMEs. The interest, which qualified banks and DTMFIs have to pay is used to increase the financial capital of the LAFF.
- Todate, the following funding tranches have been contributed by the German Government through KfW
  - i. 3 million EUR for a revolving fund to be signed on 27<sup>th</sup> March 2014
  - ii. 0.8 million EUR for training and advancement measures – 31<sup>st</sup> May 2017
  - iii. 6 million EUR for a revolving fund to be signed on 27<sup>th</sup> December 2019
  - iv. 0.8 million EUR for training and advancement measures – 27<sup>th</sup> December 2019
- The fund has provided wholesale loans to 7 partners financial institutions (commercial banks and Deposit Taking Microfinance Institution), including: ACLEDA Bank Laos Ltd,

Sacombank Laos Ltd, BIC Bank Lao Ltd, Patoukham Deposit Taking Microfinance Institution, Champalao Deposit Taking Microfinance Institution, Ekphatthana Deposit Taking Microfinance Institution and Sinsapmeuangneua Deposit Taking Microfinance Institution. (commonly known as PFIs – Partner Financial Institutions)

## **Scope of Services**

### **1. Terms of Reference:**

#### **General remarks**

The objective of the audit of the Revolving Fund (including the Special Accounts opened with the Bank of Lao PDR and Partner Financial Institutions ) is to permit the auditor to express his professional opinion on the financial reports and statements of expenditure prepared by the management of the Revolving Fund to account for expenditures through the Revolving Fund made under the position of financial contribution and grant No. 2008 65 220 and Grand and Project Agreement No. 2018 67 639 extended by KfW to the Revolving Fund under German Financial Cooperation with Lao PDR.

#### **Audit**

The audit will be carried out in accordance with (International/National) Standards on Auditing and will include such tests and controls as the auditor considers necessary. The auditor will apply International Standard on Assurance Engagement (ISAE) 3000 revised. The auditor's opinion, established in the audit opinion report, will among others be required to state whether

- The audited financial reports (i.e. reconciliation sheets of the special account) have been prepared in accordance with consistently applied (International/National) Accounting Standards and Financing agreement(s) and the corresponding Separate Agreement.
- The proceeds of the Trust Accounts have been used exclusively for eligible expenditures as defined by the relevant (loan/financing) agreement(s).
- Provisions and covenants of the Financing agreement and Separate Agreement, as far as the Trust Accounts are concerned have been respected (e.g. regarding procurements or interest earned).
- All necessary supporting documents and records with respect to the reconciliation sheets have been made available.
- Audit should cover the total LAFF funds received and managed as recorded by LMU as well as operational processes and the effectiveness of internal controls.
- Audit should cover field level investigation based on an acceptable sample of sub-loans for their compliance to programme objective and conditions.
- The auditor will review the documents of the Project Executive Agency relating to the project, any documents received from PFIs. The auditor shall be entitled to request from the PFIs any additional information and documentations necessary to complete the audit.

#### **Deliverables;**

The audit report inclusive of audit opinion should be received by the Bank of Lao PDR and KfW no later than March 2023 after finalised.

Together with the audit opinion report, the auditor will prepare a "management report". In this report, the auditor will

- provide comments and observations on the accounting records, systems and controls examined during the course of the audit (as far as necessary for the understanding of the financial reports);

- Identify specific deficiencies and areas of weakness in systems and controls of the Revolving Fund that have come to the auditor's attention, especially with regard to withdrawal, purchase, storage and payment transactions, and make recommendations for their improvement;
- Report on actions taken by the management of the Revolving Fund to make improvements with respect to deficiencies and areas of weakness reported in the past;
- Bring to KfW's attention any other matters that the auditor considers pertinent.

**2. The period for auditing from 01 July 2020 to 31 December 2022**

**3. Reporting Deadlines** - The audit report shall be finalized and delivered by 31<sup>st</sup> March 2023

- Attend meetings at least once during the audit to update on progress;
- At the start the auditor should provide an audit plan with specific dates for different activities and meetings, time for responses and finalization etc.

**4. Payment** – The payment will be paid after the audit report is finalized and accepted.

**5. Proposal Submissions**

Please mail one set of your proposal in a sealed package clearly labeled on the outside of the package “Proposal for Auditing Services LAFF Project” to the attention of

Ms Soysouvanh SIBORLIBOUN; LAFF Fund Manager  
 Banking Operations Department; Bank of the Lao PDR  
 Yonnet Road; P.O. Box 19  
 Email: laff.laos@gmail.com  
 Tel: +856 21 262672, +856 20 22440559  
 Vientiane Capital, Lao PDR

Please submit your response to this request for proposal by 30<sup>th</sup> Nov 2022.

Any proposal received after the stated date, will not be considered and will be returned unopened to the proposer(s).

We would also appreciate a response if you decline to submit a proposal.

All proposals must be signed by an officer or employee having authority to legally bind the proposer(s).

**6. Evaluation of Proposals**

The Bank of Lao PDR with the support of the Technical Assistance provider to the project will evaluate proposals on a qualitative basis. This includes our review of the firm’s peer review reports and related materials, interviews with senior engagement personnel to be assigned to our organization, results of discussions with other clients, and the firm’s completeness and timeliness in its response to us.

Thank you very much for your good cooperation.

Yours Sincerely,



**Mr Khamkeo VISISOMBATH**  
 Director General, Banking Operations Department.  
 Bank of the Lao PDR.