Annex 3: Financial Management Advisory Services Terms of Reference

Standard UNICEF Terms of Reference for the provision of Assessment, Audit and Advisory Services

Appendix A: Terms of Reference of Overall Arrangement

Appendix B: Terms of Reference for Macro Assessment

Appendix C: Terms of Reference for Micro Assessment

Appendix Da: Terms of Reference for UNICEF Spot Checks

Appendix Db: Terms of Reference for UNFPA Spot Checks

Appendix E: Terms of Reference for Internal Control Audit

Appendix F: Terms of Reference for Financial Audit

Appendix G: Terms of Reference for Management Letter (for both internal control audit and financial audit)

Attachment 1: UNFPA_spot_check_tool.xlsx

Attachment 2: UNFPA current audit report data entry system.pptx

APPENDIX A: TERMS OF REFERENCE OF OVERALL ARRANGEMENT

Background

UNICEF, UNFPA and UNDP have adopted the 2014 revised UNDG Harmonized Approach to Cash Transfers (HACT) as a tool to ensure that funds transferred to partners are utilized as intended. Within the HACT framework there are the following four processes: (1) capacity assessments (macro assessment and micro assessment); (2) cash transfers and disbursements; (3) assurance activities; and (4) financial management capacity development.

UNICEF, UNFPA and UNDP transfer cash to both governmental and non-governmental partners. The transfer of non-cash resources to partners (ex. supplies) is not considered under the HACT framework.

Purpose

The purpose of this LTA is to identify global and/ or regional service provider(s) to provide professional services to UNICEF and UNFPA (UNICEF/UNFPA) as described in Table 1.

Table 1: Scope of professional services

	Service	Terms of reference, including output	Comments
1	Macro assessment	Appendix B: Terms of Reference for Macro Assessment	Required once every programme cycle (5 years).
2	Micro assessment	Appendix C: Terms of Reference for Micro Assessment	Required for all partners receiving more than $100,000/year (UNICEF) or more than $100,000/ programme cycle (UNFPA) (must be updated at least every 5 years).
3	Spot checks	Appendix Da: Terms of Reference for Spot Checks UNICEF Appendix Db: Terms of Reference for Spot Check UNFPA	Required for all partners receiving more than $20,000/year with increased frequency for higher value of cash transfers and higher risk partners (UNICEF) or all partners (UNFPA).
4	Internal control audits	Appendix E: Terms of Reference for Internal Control Audit and Appendix G: Terms of Reference for Management Letter	Required for all partners (UNICEF) or for all low and moderate risk partners (UNFPA).
5	Financial audit	Appendix F: Terms of Reference for Financial Audit and Appendix G: Terms of Reference for Management Letter	Required for all significant and high risk partners that are shared with other agencies or for all significant and high risk partners (UNFPA).
6	Special audits	The specific terms of reference and outputs will be developed in accordance with the issue that triggered the special audit.	Triggered as a result of specific issues and concerns arising during the programme cycle. Examples include operational audits, financial audit and investigative

	Service	Terms of reference, including output	Comments
			procedures.
7	Follow-up on recommendations	Specific to cases of negative spot check and audit findings with financial impact (ineligible/unsupported amounts claimed). UNICEF/UNFPA may work with partner to identify evidence to clear the finding. Evidence collected by UNICEF/UNFPA and/or partner is reviewed by the service provider to determine whether if the finding resulting in financial impact (ineligible/unsupported amounts claimed) can be resolved in total or part.	As requested by UNICEF/UNFPA
8	Financial management capacity development	The specific terms of reference and outputs will be developed according to the specific capacity development activity.	Financial management capacity development will be advisory services to assist partners in the remediation of issues identified by micro assessments and assurance activities.
9	Summary report	An annual summary report providing trend analysis of common weaknesses in micro assessments, spot checks and audits across countries, regions and global operations. The report specification to be co-developed between service provider and UNICEF and UNFPA upon award of contract.	One report to be provided to UNICEF headquarters 15 January each year. One report to be provided to UNFPA headquarters 15 January each year.
10	Other related advisory services	The specific terms of reference and outputs will be developed according to the specific advisory services requirement.	Possible services include quality assurance activities, strategic advice on establishing thresholds for audit, micro assessment and spot check sample size.

As at the date of this RFP, it is difficult to provide figures as to the volume of services required for year 2014 and beyond. This is due to the fact that the request for services will be driven by the number and volume of partners of each office which varies from year to year. UNICEF/UNFPA may also opt to have assessments on partners undertaken by a difference service provider that undertakes spot checks and audits. In cases, where UNICEF/UNFPA request a service provider to undertaken both assessment and post assessment services on a specific partner, the service provider is expected to ensure there is no conflict of interest in the provision of both types of services.

Table 2 provides UNICEF 2013 data on the number of partners and value of cash advances/direct cash transfer (USD) to partners by country. [1]

Country	Government		Civil Society		Total	
	Number partners	DCT Amount	Number partners	DCT Amount	Number partners	DCT Amount
Afghanistan	241	28,561,756	24	4,404,096	265	32,965,852
Albania	19	247,959	27	1,329,613	46	1,577,572
Algeria	1	189,846	5	313,697	6	503,543
Angola	34	2,754,022	9	1,028,316	43	3,782,338
Argentina	21	2,233,517	46	3,131,566	67	5,365,084
Armenia	1	11,563	17	593,130	18	604,693
Azerbaijan	5	58,983	10	300,996	15	359,979
Bangladesh	111	17,371,943	52	13,209,991	163	30,581,933
Barbados	19	510,256	8	270,555	27	780,811
Belarus	6	323,796	2	263,696	8	587,492
Belize	5	222,329	9	238,504	14	460,833
Benin	79	4,855,610	6	326,642	85	5,182,252
Bolivia	36	1,442,753	11	459,848	47	1,902,600
Bosnia and Herzegovina	30	991,221	21	1,148,879	51	2,140,100
Botswana			2	54,311	2	54,311
Brazil			44	4,645,689	44	4,645,689
Bulgaria	11	412,159	24	452,724	35	864,883
Burkina Faso	152	9,036,163	52	7,728,806	204	16,764,969
Burundi	30	2,723,388	32	2,368,252	62	5,091,640
Bhutan	36	2,035,373			36	2,035,373
Cambodia	114	8,535,307	15	1,474,892	129	10,010,199
Central African Republic	18	1,837,402	32	7,426,291	50	9,263,693
Chad	73	8,997,575	87	3,674,609	160	12,672,184
Chile			4	43,671	4	43,671
China	18	735,882			18	735,882
Colombia			35	4,023,627	35	4,023,627
Comoros	22	360,976	1	19,732	23	380,708
Congo	24	1,645,391	10	388,121	34	2,033,511
Costa Rica			4	161,186	4	161,186
Cote D'Ivoire	46	2,083,815	48	6,077,643	94	8,161,458
Croatia	1	91,490	2	63,443	3	154,934
Democratic Republic of Congo	160	31,795,226	157	75,132,762	317	106,927,988
Djibouti	14	796,381	8	598,597	22	1,394,978
Dominican Republic	16	603,990	10	274,793	26	878,783
Ecuador	3	119,000	12	1,071,672	15	1,190,672
Egypt	29	1,650,011	16	1,603,858	45	3,253,868
El Salvador	10	594,050	14	483,121	24	1,077,171

[1] UNICEF provides cash transfers in the modality of direct cash transfer (cash advance), reimbursement and payments to third parties, however, direct cash transfer represents the most commonly used modality of cash transfer. UNICEF offices may transfer cash to partners in non-programme countries.

Country	Government		Civil Society		Total	
	Number partners	DCT Amount	Number partners	DCT Amount	Number partners	DCT Amount
Equatorial Guinea	1	79,248	1	11,867	2	91,115
Eritrea	18	5,353,757			18	5,353,757
ESARO, Kenya			3	169,831	3	169,831
Ethiopia	142	45,802,762	29	6,143,642	171	51,946,404
Fiji (Pacific Islands)	35	3,025,740	13	942,778	48	3,968,518
Gabon	20	379,796	6	47,315	26	427,111
Gambia	9	1,128,470	4	379,457	13	1,507,926
Georgia	9	710,345	23	2,321,061	32	3,031,407
Ghana	92	9,838,187	25	1,399,646	117	11,237,833
Guatemala	4	652,211	24	4,594,753	28	5,246,963
Guinea	78	6,020,541	17	2,424,305	95	8,444,846
Guinea Bissau	35	1,257,694	28	1,257,027	63	2,514,720
Guyana	17	1,032,553	2	20,218	19	1,052,771
Haiti	40	9,353,056	45	11,337,512	85	20,690,569
Honduras	29	1,304,779	3	150,646	32	1,455,425
India	420	11,634,986	326	8,823,927	746	20,458,913
Indonesia	84	7,800,333	24	1,057,758	108	8,858,091
Iran	16	212,819	2	37,901	18	250,720
Iraq	39	4,952,408	21	11,718,583	60	16,670,991
Jamaica	13	560,148	6	170,027	19	730,175
Jordan	7	5,707,493	40	76,019,483	47	81,726,975
Kazakhstan			18	364,619	18	364,619
Kenya	34	6,376,977	37	12,577,455	71	18,954,433
Kosovo	5	310,663	16	828,657	21	1,139,320
Lao People's Dem Rep.	60	1,642,609	4	730,827	64	2,373,436
Lebanon	2	352,700	50	23,821,859	52	24,174,559
Lesotho	8	3,080,300	15	1,053,243	23	4,133,543
Liberia	35	5,699,220	26	3,932,694	61	9,631,913
Libya			1	14,069	1	14,069
Macedonia	3	55,499	10	365,949	13	421,448
Madagascar	107	8,668,907	19	1,355,591	126	10,024,498
Malawi	46	9,230,961	25	4,414,184	71	13,645,146
Malaysia	2	82,010	4	109,330	6	191,340
Maldives	16	341,886	3	39,238	19	381,124
Mali	78	9,667,250	57	21,387,355	135	31,054,605
Mauritania	74	5,243,042	35	2,410,315	109	7,653,357
MENA, Jordan			4	84,988	4	84,988
Mexico	5	628,655	9	902,205	14	1,530,860
Moldova	8	410,216	20	1,127,403	28	1,537,618
Mongolia	31	1,435,032	11	318,413	42	1,753,445
Morocco	15	1,021,479	6	271,134	21	1,292,613
Myanmar	17	8,457,025	30	12,226,605	47	20,683,630
Namibia	14	712,507	9	780,122	23	1,492,629
Nepal	235	8,148,774	52	1,850,290	287	9,999,064
Nicaragua	19	874,700	5	440,259	24	1,314,958
Niger	99	11,972,064	37	4,959,215	136	16,931,279

Country	Government		Civil Society		Total	
	Number partners	DCT Amount	Number partners	DCT Amount	Number partners	DCT Amount
Nigeria	358	60,090,738	12	971,395	370	61,062,133
Pakistan	123	11,667,522	95	18,257,460	218	29,924,982
Palestine, State of	9	1,372,430	24	5,630,146	33	7,002,575
Panama	1	234,940	13	665,920	14	900,860
Papua New Guinea	20	1,532,261	4	127,837	24	1,660,098
Paraguay			22	795,002	22	795,002
Peru	38	1,530,602	21	1,351,597	59	2,882,199
Philippines	20	1,645,509	30	7,582,078	50	9,227,587
Rep of Uzbekistan	34	1,842,037	6	224,273	40	2,066,310
Rep. of Turkmenistan	1	18,517	1	2,912	2	21,429
Republic of Cameroon	49	5,380,371	22	3,337,885	71	8,718,256
Republic of Kyrgyzstan	37	832,308	34	2,410,531	71	3,242,839
Republic of Montenegro	7	468,673	4	66,793	11	535,466
Republic of Mozambique	124	22,287,519	33	3,793,096	157	26,080,614
Romania	33	204,167	12	560,802	45	764,969
ROSA, Nepal	1	19,996			1	19,996
Rwanda	50	8,438,876	22	3,547,766	72	11,986,642
Sao Tome & Principe	10	378,464	4	26,172	14	404,636
Senegal	69	6,204,178	33	2,047,638	102	8,251,816
Serbia	30	626,013	17	480,985	47	1,106,998
Sierra Leone	66	5,345,341	79	17,600,744	145	22,946,085
Somalia	25	5,318,230	138	32,449,918	163	37,768,149
South Africa	1	63,294	11	1,156,415	12	1,219,709
South Sudan	97	9,366,786	85	15,766,163	182	25,132,949
Sri Lanka	149	3,607,549	14	422,704	163	4,030,253
Sudan	127	33,753,411	79	9,760,860	206	43,514,272
Swaziland	9	407,411	13	428,031	22	835,442
Syria	7	1,638,192	40	6,920,271	47	8,558,464
Tajikistan	29	641,765	20	587,066	49	1,228,832
Thailand	31	1,872,164	7	509,404	38	2,381,568
Timor-Leste	17	1,105,957	13	623,316	30	1,729,274
Togo	33	2,655,367	12	1,408,509	45	4,063,876
Tunisia	2	47,775	4	29,025	6	76,800
Turkey	19	2,362,503	2	614,060	21	2,976,562
Uganda	108	9,673,817	36	10,364,117	144	20,037,934
Ukraine			10	913,397	10	913,397
United Rep. of Tanzania	56	13,990,800	37	4,538,735	93	18,529,534
Uruguay	3	110,559	9	379,881	12	490,440
Venezuela	8	269,371	4	223,406	12	492,777
Vietnam	35	7,252,691	8	78,853	43	7,331,544
Yemen	80	23,042,397	43	19,636,761	123	42,679,157
Zambia	112	10,002,360	38	6,787,301	150	16,789,661

Country	Government		Civil Society		Total	
	Number partners	DCT Amount	Number partners	DCT Amount	Number partners	DCT Amount
Zimbabwe	86	19,140,388	39	19,059,448	125	38,199,835
Grand Total	**5,520**	**611,492,179**	**3,151**	**572,319,759**	**8,671**	**1,183,811,938**

Table 3 provides UNFPA 2013 data on the number of partners and total value of cash transfer (direct cash transfer/reimbursement/direct payment) (USD) to partners by country.

Country	Government		NGO		Total	
	Number of Partners	Total cash transfer	Number of Partners	Total cash transfer	Number of Partners	Cash Transfer
ARAB STATES	**112**	**$15,934,891**	**106**	**$13,938,206**	**218**	**$29,873,097**
Algeria	1	-$7,770	2	$53,733	3	$45,962
Arab States Regional Office			9	$1,067,920	9	$1,067,920
Djibouti	3	$390,147			3	$390,147
Egypt	8	$1,117,377	3	$87,823	11	$1,205,199
Iraq	2	$625,196	15	$1,113,996	17	$1,739,192
Jordan	4	$246,033	6	$2,353,033	10	$2,599,066
Lebanon	3	$176,233	8	$1,208,686	11	$1,384,918
Morocco	16	$489,010	5	$109,575	21	$598,585
Oman	1	$30,000			1	$30,000
Palestine	12	$1,149,454	7	$971,470	19	$2,120,923
Republic of Yemen	7	$1,057,845	8	$935,205	15	$1,993,050
Somalia	11	$6,685,384	3	$814,253	14	$7,499,637
Sudan	36	$3,397,053	36	$3,953,765	72	$7,350,818
Syrian Arab Republic	3	$462,085	3	$1,185,218	6	$1,647,303
Tunisia	5	$116,846	1	$83,530	6	$200,376
Asia and the Pacific	**212**	**$25,168,612**	**137**	**$19,200,210**	**349**	**$44,368,823**
Afghanistan			9	$4,569,268	9	$4,569,268
Asia and Pacific Regional Office			8	$1,288,257	8	$1,288,257
Bangladesh	12	$3,567,500	5	$611,872	17	$4,179,373
Bhutan	7	$556,440	2	$226,733	9	$783,173
Cambodia	5	$1,128,867	8	$927,660	13	$2,056,527
China	10	$2,077,555	1	$90,825	11	$2,168,379
India	10	$1,009,376	31	$3,143,526	41	$4,152,902
Indonesia	17	$2,177,072	1	$18,066	18	$2,195,138
Iran	9	$689,546			9	$689,546
Lao	5	$1,941,371			5	$1,941,371
Malaysia	3	$23,259	2	$77,797	5	$101,055
Maldives	4	$61,670			4	$61,670
Mongolia	13	$1,053,360	5	$492,766	18	$1,546,126

Country	Government		NGO		Total	
	Number of Partners	Total cash transfer	Number of Partners	Total cash transfer	Number of Partners	Cash Transfer
Myanmar	7	$593,798	9	$2,570,147	16	$3,163,945
Nepal	26	$1,357,028	4	$146,034	30	$1,503,062
Pacific-SRO	23	$1,310,257	7	$756,760	30	$2,067,017
Pakistan	11	$739,232	12	$996,006	23	$1,735,238
Papua New Guinea	6	$962,223	4	$532,635	10	$1,494,859
Philippines	17	$1,871,485	20	$2,007,454	37	$3,878,939
Sri Lanka	4	$477,621	4	$330,957	8	$808,578
Thailand	6	$292,063	4	$234,047	10	$526,109
Timor Leste	5	$593,769			5	$593,769
Vietnam	12	$2,685,119	1	$179,401	13	$2,864,520
Eastern Europe and Central Asia	**25**	**$1,421,059**	**55**	**$3,303,913**	**80**	**$4,724,972**
Albania			6	$379,648	6	$379,648
Armenia	2	$57,998	1	$23,871	3	$81,869
Azerbaijan	2	$49,017			2	$49,017
Belarus	1	$24,665	3	$161,715	4	$186,380
Bosnia & Herzegovina	1	$0	2	$16,795	3	$16,795
EECA Regional Office	1	$38,557	15	$1,469,265	16	$1,507,822
Georgia	2	$776,614	2	$166,783	4	$943,397
Kazakhstan	4	$75,322	3	$121,965	7	$197,287
Kosovo			6	$144,800	6	$144,800
Kyrgyzstan	1	$27,292	1	$39,405	2	$66,697
Macedonia			1	$22,550	1	$22,550
Moldova Republic			5	$106,695	5	$106,695
Serbia			3	$49,527	3	$49,527
Tajikistan	5	$127,150	5	$481,558	10	$608,708
Turkey	1	$173,199	1	$61,370	2	$234,569
Turkmenistan	5	$71,245	1	$57,966	6	$129,212
East and Southern Africa	**159**	**$30,508,426**	**173**	**$29,523,971**	**332**	**$60,032,397**
Angola	1	$71,284	4	$1,018,881	5	$1,090,166
Botswana	4	$203,126	5	$329,662	9	$532,788
Burundi			1	$229,401	1	$229,401
Comoros	8	$404,588	1	$39,122	9	$443,709
Dem Rep Congo	19	$1,430,157	13	$621,626	32	$2,051,783
Eritrea	3	$1,253,237	1	$391,077	4	$1,644,313
Ethiopia	22	$5,261,115	20	$2,329,115	42	$7,590,231
Kenya	6	$426,810	12	$1,411,672	18	$1,838,482
Lesotho	4	$485,780	4	$789,907	8	$1,275,687
Madagascar	5	$1,228,427	2	$778,092	7	$2,006,519

Country	Government		NGO		Total	
	Number of Partners	Total cash transfer	Number of Partners	Total cash transfer	Number of Partners	Cash Transfer
Malawi	11	$799,280	16	$1,148,559	27	$1,947,839
Mauritius	4	$50,582			4	$50,582
Mozambique	15	$2,567,886	6	$1,480,570	21	$4,048,457
Namibia	4	$562,004	3	$92,593	7	$654,597
Regional Office/ESA Region	1	-$1,100	15	$1,532,598	16	$1,531,498
Rwanda	5	$1,558,778	6	$1,376,770	11	$2,935,548
Seychelles	1	$30,598			1	$30,598
South Africa	1	$302,970	5	$477,965	6	$780,935
South Africa-SRO	1	-$222	6	$32,403	7	$32,182
South Sudan	2	$2,077,173	6	$3,994,427	8	$6,071,600
Swaziland	2	$108,598	3	$753,999	5	$862,596
Tanzania	9	$1,193,268	11	$1,408,176	20	$2,601,444
Uganda	13	$4,042,708	17	$5,250,615	30	$9,293,323
Zambia	13	$2,403,416	3	$407,163	16	$2,810,579
Zimbabwe	5	$4,047,962	13	$3,629,577	18	$7,677,539
Headquarters			**53**	**$11,749,523**	**53**	**$11,749,523**
Commodity Security Branch			6	$1,515,077	6	$1,515,077
Ethiopia Liaison Office			1	$35,347	1	$35,347
Gender HR & Culture Branch			6	$712,116	6	$712,116
HIV/AIDS Branch			8	$2,540,639	8	$2,540,639
Human. and Fragile Cont. Branch			1	$82,769	1	$82,769
Information and External Relations Division			9	$2,097,007	9	$2,097,007
Media and Communications Branch			1	$158,006	1	$158,006
Office in Tokyo			1	$614,396	1	$614,396
Population and Development Branch			6	$562,197	6	$562,197
Procurement Services Branch			1	-$955	1	-$955
Sexual & Reproductive Health Branch			13	$3,432,923	13	$3,432,923
Latin America and the Caribbean	**129**	**$9,854,801**	**141**	**$11,293,835**	**270**	**$21,148,636**
Argentina			4	$87,179	4	$87,179
Bolivia	21	$456,181	11	$453,359	32	$909,540
Brazil			1	$27,574	1	$27,574
Chile	1	$9,676	2	$39,090	3	$48,766

Country	Government		NGO		Total	
	Number of Partners	Total cash transfer	Number of Partners	Total cash transfer	Number of Partners	Cash Transfer
Colombia	3	$2,959,331	16	$3,103,621	19	$6,062,952
Costa Rica	8	$263,955			8	$263,955
Cuba	7	$375,064	2	$43,096	9	$418,160
Dominican Republic	4	$72,953	6	$188,898	10	$261,851
Ecuador			2	$27,000	2	$27,000
El Salvador	6	$471,283	5	$143,985	11	$615,268
Eng Speak Caribb Countrys B	3	-$529	3	-$1,152	6	-$1,681
Guatemala	12	$691,028	26	$1,719,130	38	$2,410,158
Haiti	7	$1,566,433	6	$1,529,659	13	$3,096,092
Honduras	7	$615,262	4	$641,946	11	$1,257,208
Jamaica-SRO	18	$442,488	13	$180,983	31	$623,471
Latin America/Caribbean Regional Office	2	$14,629	11	$1,443,711	13	$1,458,340
Mexico	4	$347,056	3	$218,178	7	$565,234
Nicaragua	14	$753,012	6	$599,730	20	$1,352,741
Panama	5	$235,522			5	$235,522
Paraguay			3	$85,322	3	$85,322
Peru	2	$66,168	6	$552,281	8	$618,449
Uruguay	5	$515,289	6	$114,958	11	$630,247
Venezuela			5	$95,288	5	$95,288
West and Central Africa	**166**	**$25,612,257**	**104**	**$12,580,248**	**270**	**$38,192,505**
Benin	6	$576,075			6	$576,075
Burkina Faso	7	$2,020,604	10	$1,566,538	17	$3,587,142
Cameroon	2	$550,508	5	$210,037	7	$760,545
Central African Republic	1	-$706	1	$27,316	2	$26,610
Chad	2	$38,253	8	$397,257	10	$435,510
Congo	9	$441,000	2	$253,749	11	$694,749
Cote D'Ivoire	1	$95,147	9	$804,572	10	$899,719
Equatorial Guinea	2	-$1,109			2	-$1,109
Gabon	2	$200,727	2	$95,320	4	$296,047
Gambia	4	$336,672	4	$382,259	8	$718,931
Ghana	22	$322,515	3	$152,939	25	$475,453
Guinea	4	$1,873,172			4	$1,873,172
Guinea-Bissau	5	$691,745	3	$97,633	8	$789,379
Liberia	5	$1,206,414	9	$933,435	14	$2,139,849
Mali	18	$1,247,270	4	$194,376	22	$1,441,646
Mauritania	12	$582,698	1	$0	13	$582,698
Niger	5	$4,668,280	5	$1,736,728	10	$6,405,008

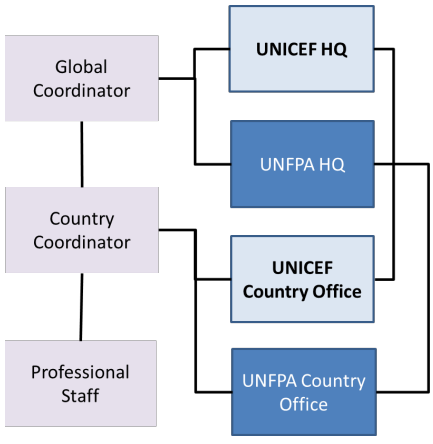
Country	Government		NGO		Total	
	Number of Partners	Total cash transfer	Number of Partners	Total cash transfer	Number of Partners	Cash Transfer
Nigeria	27	$4,522,256	12	$1,335,405	39	$5,857,661
Regional Office/WCA Region			8	$449,926	8	$449,926
Sao Tome & Principe	7	$280,359			7	$280,359
Senegal	10	$1,361,276	6	$1,132,471	16	$2,493,746
Sierra Leone	8	$2,996,140	10	$2,788,385	18	$5,784,525
Togo	7	$1,602,959	2	$21,902	9	$1,624,861
Grand Total	**803**	**$108,500,047**	**769**	**$101,589,906**	**1572**	**$210,089,953**

Operational structure and roles

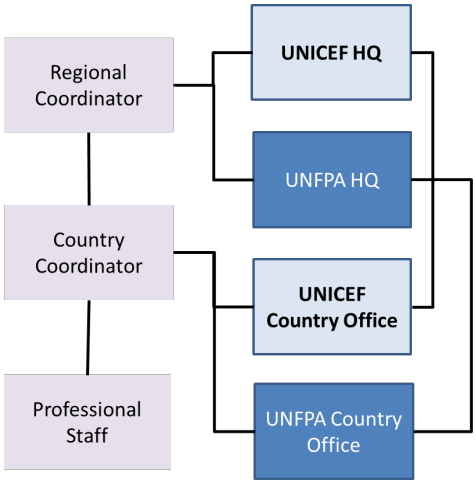
The organizational structure envisioned for this arrangement consists of a Global/Regional Coordinator appointed by the global/regional firm. The Global/Regional Coordinator will be a senior partner appointed by the firm who will be responsible to ensure that there are global/regional mechanisms in place for standardization and quality assurance of all service delivery to UNICEF/UNFPA, including training of all personnel, affiliates and review of all reports. All issues with quality or timely service delivery are to be addressed by the Global Coordinator/Regional Coordinator. UNICEF/UNFPA headquarters will interact with the Global/Regional Coordinator.

Under the supervision of the Global/ Regional Coordinator, the delivery of professional services in each country will be assigned to a resident or non-resident Country Coordinator. The Country Coordinator will coordinate with the UNICEF/UNFPA office requesting a service and be responsible for carrying out planning, execution and reporting.

An indicative global service provider organizational structure:



An indicative regional service provider organizational structure:



The HACT Focal Point in the UNICEF/UNFPA Office will be the primary point of contact for the Country Coordinator.

Reports

Upon award of contract, UNICEF/UNFPA and the service provider will jointly agree on the exact report specifications of the deliverables of Appendix B, C, Da, Db, E and F as well as the Summary Report. The report specification will be in accordance with all agreed upon reporting templates of the UNDG HACT Framework (2014). These jointly agreed report templates are to be used by the service provider in all countries work is being undertaken through this LTA.

Draft reports are shared with the UNICEF/UNFPA office and the implementing partner. Final reports are to be issued by the service provider directly to UNICEF/UNFPA. UNICEF /UNFPA will share the final report(s) with the implementing partner and other UN agencies. The service provider will not share any deliverable to any other party, including donors providing funding for the specific project or programme.

Any indication included in any deliverable restricting its distribution and/or use will be null and void.

Reports are to be provided in Word or Excel format, as appropriate (or as may be further specified in the specific terms of reference). Where the service provider's internal policies require the final signed version to be provided only in PDF, UNICEF/UNFPA will accept the PDF version accompanied by a Word/Excel version with same content but without signature and/or branding (as per service provider's internal policies).

The service provider will for UNFPA enter the spot check, internal control and financial audit reports into the agency's data system. (See Attachment 2: UNFPA current audit report data entry system.pptx)

Timing and Schedules

Services are required throughout the year and as scheduled by each UNICEF/UNFPA office. Only UNFPA financial audits are required to be submitted by 30 April of each year following the year under review. The service provider will plan accordingly and ensure resources are available to meet office needs as required.

Other Pertinent Matters

In the delivery of any services under this LTA, cases which indicate fraud or presumptive fraud will be brought to the immediate attention of the designated person in each UNICEF office without waiting for the issuance of the audit report. In the case of UNFPA, such indications will be brought to the attention of the Investigation Branch, Office of Audit and Investigation Services.

The service provider is to maintain working papers supporting audit work at its premises for five years. UNICEF/UNFPA shall on request have access to the working paper documentation. At the request of UNICEF/UNFPA, the service provider is to brief subsequent service providers on the details of the results of any work carried out under this LTA.

Professional experience and qualification of each service provider staff member are expected to meet or exceed specific requirements listed in each individual terms of reference contained in the LTA. UNICEF/UNFPA reserves the right to request CVs for each service provider staff member that will be carrying out any work under this LTA. UNICEF/UNFPA reserves the right to request the service provider to provide replacement staff where UNICEF/UNFPA feels CVs do not meet minimum requirements as per the specific terms of references.

Any staff of the service provider providing services to UNICEF/UNFPA is required to review UNDG HACT Framework, UNICEF/UNFPA HACT related policies and procedures (provided upon contact award) and other pertinent background material in order to provide quality services to UNICEF/UNFPA.

Successful Bidders will maintain separate reporting and communication lines with UNICEF and UNFPA (and another other UN agency whom may avail of any LTA established as a result of this RFP).

The UN agencies shall be bound by the provisions of this LTA in respect of each other only to the extent that each UN agency has actually placed, and the LTA holder (s) has accepted, any Purchase Orders in accordance with this LTA, and the placing of any Purchase Orders by each UN agency shall not under any circumstance render each UN agency jointly and severally liable with other organization of UN for the obligations of another UN agency arising out of or in connection with this LTA.

Successful Bidder(s) shall accord the same terms and conditions to any other organization within the United Nations System that wishes to avail of such terms, after written consent from UNICEF.

APPENDIX B: TERMS OF REFERENCE FOR MACRO ASSESSMENT

These terms of reference (TOR) have been developed to guide United Nations agencies, service providers and implementing partners (IPs) through the objectives, scope and deliverables of a requested macro assessment.

Objective and Scope of the Macro Assessment

To ensure adequate awareness of the public financial management (PFM) environment in which agencies provide cash transfers to IPs, a desk review of assessments of the PFM system will be conducted. The term 'PFM' in the harmonized approach to cash transfers (HACT) framework is broadly defined to include a range of considerations for operating within the country; it is not limited solely to the financial environment but also includes national procurement capacity, exchange rate volatility, presence of informal/black markets, etc. This assessment is called a macro assessment.

The two primary outputs of the macro assessment are:

1. An outline of the risks related to use of the PFM for cash transfers within the country by governmental IPs, as well as other country-specific knowledge for non-governmental IPs; and
2. A determination on whether the government's supreme audit institution (SAI) has the capacity to undertake scheduled and special audits of government IPs.

Macro Assessment Procedures

The service provider performing the macro assessment collects available PFM assessments to aid in detailing the risks related to the use of PFM systems for cash transfers within the country. This includes considerations regarding the use of the SAI and broader country conditions, such as environmental conditions, legal regulations, judicial environments, exchange rate volatility and the presence of informal/black markets, etc.

Typical sources of PFM assessments are:

World Bank

- Country financial accountability assessments. These vary in format and presentation.
- Public expenditure reviews. These analyse a country's fiscal position, expenditure policies and public expenditure management systems.
- Country procurement assessment reviews. These review public procurement institutions and practices.
- Institutional and governance reviews. These review the quality of accountability, policymaking and service delivery institutions.
- Capacity assessments of heavily indebted poor country PFM. Performed jointly with IMF, this assessment covers some of the same issues as a country financial accountability assessment.

Assessments by other institutions

- Public Expenditure and Financial Accountability (PEFA) monitoring and evaluation reports.
- Fiscal transparency reviews (IMF). These use the code of good practices on fiscal transparency adopted by IMF in 1998.
- Diagnostic study of accounting and auditing (Asian Development Bank).
- Ex-ante audits of PFM systems (European Commission).
- Assessments by CIDA, DFID, EU, ADB and other agencies.

The preliminary results of the macro assessment are discussed with the agencies implementing the HACT framework, both to provide a summary of the results and to incorporate agency-specific experience and knowledge of the country into the final assessment.

Deliverables

The service provider summarizes the findings on the risks related to the use of PFM systems for cash transfers within the country in the macro assessment checklist (provided in Annex I and Annex II).

The service provider will submit a draft report for review and comment. The service provider will provide a final report incorporating comments provided by UNICEF/UNFPA.

Reports are to be provided in Word format. Where service provider's internal policies require the final signed version to be provided only in PDF, UNICEF/UNFPA will accept the PDF version accompanied by a Word version with same content but without signature and/or branding (as per service provider's internal policies).

Qualifications of the Service Provider

The staff of the service provider must be experienced in performing assessments similar to a macro assessment and assessing risks related to PFM systems. The staff must also have financial management experience and knowledge of the United Nations system and the development sector.

Items to be Provided to the Service Provider

The UNICEF/UNFPA Office HACT Focal Point provides the following documentation before starting the assessment:

- Summary of primary programme initiatives and IPs in the country;
- Details of macro assessments previously performed in the country; and
- Any other documentation that may help the provider better understand the country context from a United Nations perspective.

The service provider is to review the information received before performing the assessment and take it into account as part of the report.

Annex 1. Macro Assessment Checklist

General Overview of Macro Assessment

Country being macro assessed	
Agencies utilizing HACT framework in country	
Agency contact person(s)	
Start/end date of macro assessment (dd/mm/yyyy – dd/mm/yyyy)	
Has a macro assessment been performed for this country previously (by any organization)?	
Member(s) of the macro assessment team **(Name, designation, section/organization)**	
Sources of information used in assessment (title, date published, source, etc.)	

A risk consideration checklist is provided in Annex 2.

Annex 2. Risk consideration checklist

		Risk Consideration					
No.	**Indicator**	**High risk**	**Significant risk**	**Moderate risk**	**Low risk**	**Indicator risk level**	**Comment**
1	**The annual budget contains all significant government expenditures, including relevant donor contributions**	No	[redacted]	[redacted]	Yes		
2	**Budget and performance**	Budget decisions are only nominally debated. Little consideration of previous performance is taken into account when setting future budgets.	[redacted]	[redacted]	Budget decisions are fully debated with assistance from expert committees. Full consideration of previous performance is taken into account when setting future budgets.		
3	**Budget execution**	Government historically does not execute budgets as planned.	Government historically executes budgets as planned, but there are significant exceptions.	Government historically executes budgets as planned with limited exceptions.	Government historically executes budgets as planned without exceptions.		
4	**To what extent are internal controls and**	Procedures are frequently over-	Procedures are generally	Procedures are generally	Always.		

		Risk Consideration					
No.	**Indicator**	**High risk**	**Significant risk**	**Moderate risk**	**Low risk**	**Indicator risk level**	**Comment**
	financial procedures adhered to?	ridden or ignored. Emergency procedures are routinely used.	followed, but there are significant exceptions. Doubt exists as to whether or not the internal control system can be relied upon.	followed. While exceptions exist, they are not frequent enough to prevent reliance on the internal control system.			
5	**Bank reconciliations**	Many accounts are not reconciled monthly. Reconciliations are often poorly performed.	A number of significant accounts are not reconciled monthly. Quality is sometimes poor.	Generally banks are properly reconciled each month. Exceptions exist but appropriate follow-up action is taken in all cases.	Performed to a high standard for all bank accounts at least once a month.		
6	**Transfer of cash resources**	Cash transfers from central/regional levels to project level take more than one month.	Cash transfers from central/regional levels to project level take two to four weeks.	Cash transfers from central/regional levels to project level take one to two weeks.	Cash transfers from central/regional levels to project level take a week or less.		
7	**Reporting of cash and asset position to**	Analysis of cash and asset position made to			Full analysis of cash and asset position is		

		Risk Consideration					
No.	**Indicator**	**High risk**	**Significant risk**	**Moderate risk**	**Low risk**	**Indicator risk level**	**Comment**
	government	government contains significant omissions.			made to government.		
8	**Financial audit / SAI auditor general** **For decentralized governments, consider consolidated audit coverage, if available.*	External audit covers less than 80% of central government expenditures.	External audit covers 80% to 90% of central government expenditures	External audit covers 90% of central government expenditures.	External audit covers all central government expenditures.		
9	**SAI independence**	SAI reports to government agency.			SAI reports to legislature (or equivalent justice system).		
10	**Audit standards applied by the SAI**	SAI applies national audit standards, which are significantly inconsistent with international standards.		SAI applies national audit standards, which comply with international standards.	SAI applies international audit standard.		
11	**Follow-up action to**	Points raised by external audit are	Points raised by external audit are	Points raised by external audit	Points raised by external audit are		

		Risk Consideration					
No.	**Indicator**	**High risk**	**Significant risk**	**Moderate risk**	**Low risk**	**Indicator risk level**	**Comment**
	audit reports	infrequently followed up.	usually but not always followed up. A significant number of points recur in following years.	are always followed up. In a few cases points recur in following years.	always properly followed up. Points generally do not recur in following years.		
12	**Country has a national procurement framework**	No			Yes		
13	**Transparency of audit process**	Statutory external audit reports are infrequently published. They are rarely debated in the media, even when of public interest.	Most statutory external audit reports are published. They are sometimes debated in the media when of public interest.	All statutory external audit reports are published. They are usually debated in the media when of public interest.	All statutory external audit reports are published. They are debated in the media when of public interest.		
14	**Staff qualifications and skills**	It is often unclear whether staff have the skills and qualifications necessary to discharge their duties.	In some cases it is unclear whether staff have the skills and qualifications necessary to discharge their duties.	In only some isolated cases is it unclear whether staff have the skills and qualifications necessary to discharge their	It is always clear that all staff have the skills and qualifications necessary to discharge their duties.		

		Risk Consideration					
No.	**Indicator**	**High risk**	**Significant risk**	**Moderate risk**	**Low risk**	**Indicator risk level**	**Comment**
				duties.			
15	**Financial systems**	Financial systems only capture and report on the most basic financial data, and this is frequently unreliable. System maintenance and performance is generally poor.	Financial systems only capture and report on the most basic financial data. While there are system maintenance and performance problems, generally the system is stable.	Financial systems are adequate for most but not all data capture and reporting needs. They are reliable and properly maintained.	Financial systems are adequate for data capture and reporting needs. They are reliable and properly maintained.		
16	**Environmental conditions**	Natural disasters or significant events regularly occur that displace citizens and resources.			Natural disasters or significant events that displace citizens and resources rarely or never occur.		
17	**Exchange rate volatility**	Foreign exchange rates fluctuate significantly on a daily basis.	Foreign exchange rates fluctuate significantly on a weekly or monthly basis.	Foreign exchange rates have remained relatively consistent, with the exception of significant one-off fluctuations.	Foreign exchange rates do not fluctuate significantly.		

		Risk Consideration					
No.	**Indicator**	**High risk**	**Significant risk**	**Moderate risk**	**Low risk**	**Indicator risk level**	**Comment**
18	**Existence of a black market**	Black market is prevalent and influential in the country.	Black market exists and has significant influence in the country.	Black market exists in the country, but effective actions are being taken to eliminate or limit its influence in the country.	Black market may exist but does not have an influence in the country.		
19	**<Any other specific items identified by agency>** *Examples: Inflation, reliability of statistics bureau, parliamentarian control, unemployment rate, transparency of information collection*						

APPENDIX C: TERMS OF REFERENCE FOR MICRO ASSESSMENT

This TOR has been developed to guide United Nations agencies, service providers and IPs through the objectives, scope, timing and deliverables of performing micro assessments.

Objective and scope of the micro assessment

The micro assessment is performed by a service provider and includes a site visit to the IP. The assessment primarily consists of interviews with IP personnel and a review of relevant documentation sufficient to complete the micro assessment questionnaire (Annex 2). The questionnaire provides an overall risk rating based on responses provided:

- **Low risk –** Indicates a well-developed financial management system and functioning control framework with a low likelihood of negative impact on the IP's ability to execute the programme in accordance with the work plan.
- **Medium Risk** – Indicates a developed financial management system and control framework with moderate likelihood of potential negative impact on the IP's ability to execute the programme in accordance with the work plan.
- **Significant Risk** – Indicates an underdeveloped financial management system or control framework with a significant likelihood of potential negative impact on the IP's ability to execute the programme in accordance with the work plan.
- **High Risk** – Indicates an underdeveloped financial management system and control framework with a significant likelihood of potential negative impact on the IP's ability to execute the programme in accordance with the work plan.

The micro assessment assesses the IP's financial management capacity (i.e. accounting, procurement, reporting, internal controls, etc.) to determine the overall risk rating and assurance activities.

Timing

The assessment should be completed (including the site visit) within four weeks of engaging the service provider. The UNICEF/UNFPA Office HACT Focal Point will ensure there is an introduction of the service provider and the IP to aid coordination of the site visit.

Micro Assessment Procedures/Deliverables

The service provider receives general information regarding the IP and the programme from the UNICEF/UNFPA Office HACT Focal Point in preparation for the assessment (see Annex I for details). The service provider reviews this documentation in advance of performing a site visit to the IP. The service provider also provides the IP with an advance request of the documents and interviews they would like to have while on site, to ensure efficient use of time while on-site.

The service provider completes the micro assessment questionnaire (Annex II, with instructions) based on the procedures performed during the assessment period. The service provider discusses the results of the questionnaire with the IP and provides opportunity to the IP to provide further clarification.

The draft questionnaire and an executive summary, detailing the overall risk rating and specific identified risks are provided to the UNICEF/UNFPA Office HACT Focal Point for review and comment.

The service provider then provides the final micro assessment report (questionnaire and an executive summary) incorporating UNICEF/UNFPA feedback.

Reports are to be provided in Word format. Where service provider's internal policies require the final signed version to be provided only in PDF, UNICEF/UNFPA will accept the PDF version accompanied by a Word version with same content but without signature and/or branding (as per service provider's internal policies).

Qualifications of the Service Provider

The staff of the service provider must be experienced in performing assessments similar to a micro assessment and assessing organizational internal control frameworks and processes and related risks in the areas of accounting, financial and procurement management and oversight. The service provider staff must also have knowledge of the United Nations system and the development sector.

Items to be Provided to the Service Provider

The UNICEF/UNFPA Office HACT Focal Point provides the following documentation before starting fieldwork:

- Macro assessments previously performed in the country;
- Any other documentation that may help the service provider better understand the country context from a United Nations perspective;
- Any existing agreements/work plans with the implementing partner;
- Results of any recent previous assurance activities undertaken by UNICEF/UNFPA; and
- Any other relevant documentation determined by the office.

The service provider reviews the information received before performing the assessment.

Annex 1. Programme-specific Information

The following information is to be provided to the service provider by the UNICEF/UNFPA Office HACT Focal Point at the start of the engagement.

Implementing partner name:	
Programme name:	
Programme number:	
Programme background:	
Programme location:	
Programme contact person(s):	
Location of records:	
Currency of records maintained:	
Intended start date of micro assessment:	
Estimated number of days required for visit to IP:	
Any special requests to be considered during the micro assessment:	
Cash transfer modality used by the IP:	

Annex 2 Micro Assessment Questionnaire

Micro Assessment Questionnaire

Implementing Partner: _____ Date: _____

Instructions: This questionnaire contains various questions related to nine subject areas, summarized further below. Please answer each question by indicating your response as 'Yes', 'No' or 'N/A' (for 'not applicable'). Also, use the 'Comments' section next to each question to provide details of your assessment or to highlight any important matters. This document will be referenced subsequently by the agency when performing additional assurance activities related to the IP. Sufficient details should be provided in this document for the agency to understand the details of each response.

Assign a risk rating (high, significant, moderate or low) for each question based on the response obtained. (For example, if the question addresses an item that should ideally be marked 'Yes' but was marked 'No', it should be assessed for the level of risk it presents to the IP's financial management system). Assigning risk ratings to each question requires judgment by the assessor as to how the response will affect the IP's financial management system. The risk ratings to be used are:

- ***High*** – Response to question/subject matter provides a risk to the overall financial management system that has both a high likelihood of occurring and a potentially negative impact on the IP's ability to execute the programme in accordance with the work plan[2] and stated objectives. Additionally, this risk has not been mitigated by any other controls/process that have been implemented by the IP;
- ***Significant*** – Response to question/subject matter provides a risk to the overall financial management system that has either a significant likelihood of occurring or a potentially negative impact on the IP's ability to execute the programme in accordance with the work plan and stated objectives;
- ***Medium*** – Response to question/subject matter provides a risk to the overall financial management system that has a moderate likelihood of occurring and a potentially negative impact on the IP's ability to execute the programme in accordance with the work plan and stated objectives; or

[2] Agency work plans can be annual, multi-year, rolling or joint.

- ***Low*** – Response to question/subject matter provides a risk to the overall financial management system that has a low likelihood of occurring and a potentially negative impact on the IP's ability to execute the programme in accordance with the work plan and stated objectives.

To determine the overall risk assessment for a subject matter section (e.g., Section 1. Implementing Partner), points are assigned that correlate with the level of risk. The points assigned to each question should be totaled and averaged based on the number of questions in the subject matter section. Questions that are not applicable to the IP (marked as 'N/A') should not be assigned a risk rating and should be removed from the total number of questions for the calculation. Points should be assigned as follows:

- H – High risk: 4 points
- S – Significant risk: 3 points
- M – Moderate risk: 2 points
- L – Low risk: 1 point

The average number of points calculated should then be compared to the points rating above and assigned a corresponding risk (i.e., an average of 2.0 would indicate a moderate risk rating for the subject matter section). Numbers should be rounded as follows:

- 0.1 to 0.49: Round down to the closest whole number (i.e., an average of 3.3 would be rounded down to 3.0. indicating a 'significant' risk rating);
- 0.5 to 0.99: Round up to the closest whole number (i.e., an average of 1.99 would be rounded up to a 2.0, indicating a 'moderate' risk rating).

The same process should be followed for determining the overall risk assessment for the IP once the checklist has been completed

Summary of Risks Related to the Financial Management Capacity of the Implementing Partner				
Tested subject area (see subsequent pages for details of each subject area summarized below)				
	Total number of risk points	**Total number of applicable questions**	**Overall risk assessment**	**Comments**
1. Implementing partner:				
2. Funds flow:				
3. Organizational structure and staffing:				
4. Accounting policies and procedures:				
5. Internal audit:				
6. Financial audit:				
7. Reporting and monitoring:				
8. Information systems:				
9. Procurement:				
Total:				Divide the total number of risk points by the total number of applicable questions in the subject matter section. This amount should be rounded as detailed on page 1 of

Summary of Risks Related to the Financial Management Capacity of the Implementing Partner				
Tested subject area (see subsequent pages for details of each subject area summarized below)				
	Total number of risk points	**Total number of applicable questions**	**Overall risk assessment**	**Comments**
				this checklist and assigned an overall risk rating.

Micro Assessment Questionnaire

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
1. Implementing partner						
1.1 Is the IP legally registered? If so, is it in compliance with registration requirements? Please note the legal status/registration of the entity. *Retain copies of registration documents if available.*				IP is registered in the country where the programme operates and is current with registration/reporting requirements.		
1.2 Has the IP received United Nations resources in the past? If so, provide details of amounts, from which agency and for what purpose.				IP has received United Nations resources in the past and no issues were encountered with utilizing these funds.		
1.3 Does the IP have statutory reporting requirements? If so, are they in compliance with such requirements? Please describe.				The IP is compliant with applicable statutory requirements.		
1.4 Is the governing body for the IP independent from management? If so, please describe.				The governing body of the IP is independent from management.		
1.5 Does the IP have any pending legal actions against it? *Confirm this with the IP, and possibly through assessment of the general ledger and confirmation with external legal counsel provided by the IP. Provide details and actions taken by the IP to resolve the legal action.*				The IP does not have any pending legal actions against it.		
Total number of questions in subject area:	**5**					
Number of questions marked 'N/A' in subject area:						

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
Total number of applicable questions in subject area:						
Total number of risk points:						
Implementing partner overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
2. Funds Flow						
2.1 Can the IP easily receive and transfer funds? If so, please describe the process.				The IP can receive funds directly from the agency.		
2.2 Are the proposed arrangements to transfer the funds to the IP satisfactory to the funding agency?				The proposed arrangements are satisfactory to the funding agency.		
2.3 Have there been major problems in the past in receipt of funds by the IP, particularly where the funds flow from government ministries (if applicable)? If so, please describe.				The IP has not had problems in the past regarding receipt of agency funding.		
2.4 In the past, has the IP had any problems in the management of funds received? If so, please describe.				The IP has not had problems in the management of funds received from the funding agency.		
2.5 Does the IP have capacity to manage foreign exchange risks? (If it is expected to be using funds outside the				The IP has capacity and experience in managing foreign		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
country.) If so, does the IP have experience managing foreign exchange risk?				exchange risk.		
2.6 Does the IP have a process in place to access counterpart funds? Please describe.				The IP has capacity and experience in assessing counterpart funds.		
2.7 If some activities will be implemented by others, such as civil society groups or non-governmental organizations, does the IP have the necessary reporting and monitoring mechanisms to track the use of funds? Does the IP have experience with implementation of activities by external civil society or non-governmental organizations? If so, please describe.				The IP has the necessary reporting and monitoring mechanisms in place to track the use of funds by external organizations. The IP also has experience with this process.		
Total number of questions in subject area:	**7**					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						
Funds flow overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
3. Organizational Structure and Staffing						

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
3.1 Is the organizational structure of the IP's accounting/finance department appropriate for the level of financial volume? Does the organizational structure provide clear lines of reporting and accountability? If so, please describe. *Attach an organization chart if available.*				The organizational structure of the IP's accounting/finance department is appropriate for the level of financial volume (including funding from the agency).		
3.2 Are the level of posts and competency of staff appropriate for the level of financial volume in the accounting/finance department? Identify the staff, including job titles, responsibilities, educational backgrounds and professional experience. *Attach job descriptions and CVs of key accounting/ finance staff.*				The level of posts and competency of staff are appropriate for the level of financial volume in the accounting/finance department.		
3.3 Is the IP's accounting/finance function staffed adequately to ensure sufficient controls are in place to manage agency funds? If so, please describe.				The IP's accounting/finance function is staffed adequately to ensure sufficient controls are in place to manage agency funds.		
3.4 Are accounting/finance staff familiar with United Nations procedures related to cash transfers (specifically the HACT framework)? If so, please provide details.				The accounting/finance staff are familiar with United Nations procedures related to cash transfers (specifically the HACT framework).		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
3.5 Are there vacancies in positions considered key? If so, provide the estimated date of appointment.				The IP does not have any vacancies in positions considered key.		
3.6 Are staff frequently transferred to other departments, offices, countries, etc.? If so, what is the estimated frequency?				IP staff are not frequently transferred to other departments, offices, countries, etc.		
3.7 Does the IP have training policies for accounting/finance staff? Are necessary trainings undertaken? If so, please describe.				The IP has training policies for accounting/finance staff, which are undertaken as planned.		
3.8 Has there been significant turnover in the past five years? If so, has the rate improved or worsened? Does it appear to be a problem? If so, what is the IP doing to address this issue?"				The IP has not had significant turnover in the past five years.		
3.9 Does the IP perform background verification/checks on all new accounting/finance and management positions? If alternative practices for processing new hires are in place, please provide a brief description.				The IP performs background verification/checks on all new accounting/finance and management positions.		
3.10 Does the IP have a defined and documented internal control framework? Is this framework consistent with international standards? If so, please describe.						
Total number of questions in subject area:	**10**					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
Total number of risk points:						
Organizational structure and staffing overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
4. Accounting Policies and Procedures						
4a. General						
4.1 Does the IP have an accounting system that allows for proper recording of financial transactions from United Nations agencies, including allocation of expenditures in accordance with the respective components, disbursement categories and sources of funds?				The IP has an accounting system that allows for proper recording of financial transactions from United Nations agencies, including allocation of expenditures in accordance with the respective components, disbursement categories and sources of funds.		
4.2 Are controls in place concerning preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?				Controls are in place concerning preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
4.3 Is the chart of accounts adequate to properly account for and report on activities and disbursement categories?				The chart of accounts is adequate to properly account for and report on activities and disbursement categories in accordance with the established agreements.		
4.4 Are controls in place for accurate cost allocations to the various funding sources in accordance with established agreements?				Controls are in place for accurate cost allocations to the various funding sources in accordance with established agreements.		
4.5 Are the general ledger and subsidiary ledgers reconciled at least monthly? Are explanations provided for significant reconciling items?				The general ledger and subsidiary ledgers are reconciled at least monthly, and explanations are provided for significant reconciling items.		
4.6 Are all accounting and supporting documents retained permanently in a defined system that allows authorized users easy access? If so, please describe.				Accounting and supporting documents are retained permanently in a defined system that allows authorized users easy access.		
4.7 Does the IP have policies and procedures for tracking and reporting United Nations resources as required in the HACT framework? If so, please describe.				The IP has policies and procedures for tracking and reporting United Nations resources as required in the HACT framework.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
4b. Segregation of duties						
4.8 Are the following functional responsibilities performed by different units or individuals: (a) authorization to execute a transaction; (b) recording of the transaction; and (c) custody of assets involved in the transaction?				The following functional responsibilities are performed by different units/individuals: (a) authorization to execute a transaction; (b) recording of the transaction; and (c) custody of assets involved in the transaction.		
4.9 Are the functions of ordering, receiving, accounting for and paying for goods and services appropriately segregated?				The functions of ordering, receiving, accounting for and paying for goods and services are appropriately segregated.		
4.10 Are bank reconciliations prepared by individuals other than those who make or approve payments?				Bank reconciliations are prepared by individuals other than those who make or approve payments.		
4c. Budgeting system						
4.11 Do the IP's budgets lay down physical and financial targets?				The IP's budgets lay down physical and financial targets.		
4.12 Are IP budgets prepared for all significant activities in sufficient detail to provide a meaningful tool for monitoring subsequent performance?				IP budgets are prepared for all significant activities in sufficient detail to provide a meaningful tool for monitoring subsequent performance		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
4.13 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations from the budget?				Actual expenditures are compared to the budget with reasonable frequency, and explanations are required for significant variations from the budget.		
4.14 Are approvals required prior to significant variations from the budget?				Approvals are required prior to significant variations from the budget.		
4.15 Does the IP have a designated individual(s) responsible for preparation and approval of budgets related to agency funding?				The IP has a designated individual(s) responsible for preparation and approval of budgets related to agency funding.		
4.16 Are procedures in place to plan activities, collect information from the units in charge of the different components and prepare the budgets? If so, please describe.				Procedures are in place to plan activities, collect information from the units in charge of the different components and prepare the budgets.		
4.17 Are the plans and budgets of activities realistic, based on valid assumptions and developed by knowledgeable individuals?				The plans and budgets of activities appear to be realistic, based on valid assumptions, and developed by knowledgeable individuals.		
4d. Payments						

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
4.18 Do invoice processing procedures provide for: • Copies of purchase orders and receiving reports to be obtained directly from issuing departments? • Comparison of invoice quantities, prices and terms with those indicated on the purchase order and with records of goods actually received? • Checking the accuracy of calculations, if any?				Invoice processing procedures are sufficient, including: receiving copies of purchase orders and receiving reports directly from issuing departments; comparing invoice quantities, prices and terms with those indicated on the purchase order and with records of goods actually received; and checking the accuracy of calculations (if any).		
4.19 Can the IP identify tax-exempt activities to ensure tax is not paid?				The IP has the ability and experience to identify tax-exempt activities and ensure tax is not paid.		
4.20 Are all invoices stamped '*PAID*', dated, reviewed and approved, and clearly marked for account code assignment?				Invoices are stamped '*PAID'*, dated, reviewed and approved, and clearly marked for account code assignment.		
4.21 Do controls exist for preparation and approval of payroll expenditures? Are changes properly authorized? If so, please describe.				Controls exist for the preparation and approval of payroll expenditures and changes are properly authorized.		
4.22 Do controls exist for expense categories that do not originate from invoice payments, such as DSA, travel,				Controls exist for expense categories that do not originate		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
consultancies?				from invoice payments, such as DSA, travel, consultancies.		
4e. Policies and procedures						
4.23 Does the IP have a single stated basis of accounting (e.g., cash or accrual)? If so, please describe.				The IP has a single basis of accounting.		
4.24 Does the IP have an established accounting manual sufficient to ensure control of assets and proper use of agency funds? Are internationally accepted accounting standards followed? If so, which standard?				The IP has an established accounting manual sufficient to ensure control of assets and proper use of agency funds. This manual follows an internationally accepted accounting standard.		
4.25 Does the IP have an adequate policies and procedures manual to guide activities and ensure staff accountability? If so, please describe.				The IP has an adequate policies and procedures manual to guide activities and ensure staff accountability.		
4.26 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the IP?				The IP has procedures in place to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure.		
4.27 Are there written policies and procedures covering all routine financial management and related administrative activities? Are these accessible? Please describe.				There are accessible written policies and procedures covering all routine financial management and related administrative activities.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
4.28 Do policies and procedures clearly define 'conflict of interest' and 'related party transactions' (real and apparent) and provide safeguards to protect the organization from them? If so, please describe.				The IP has well-defined policies and procedures for 'conflict of interest' and 'related party transactions' (real and apparent) that provide adequate safeguards to protect the organization from them.		
4.29 Are manuals distributed to appropriate personnel? If so, please describe the manuals and the personnel who receive them.				Manuals are distributed to appropriate personnel.		
4f. Cash and banks						
4.30 Are there authorized signatories on the bank accounts that will be used for United Nations resources? How many signatories are on the bank account and how many are required to execute transactions? If so, provide names.				The IP has signatories on the bank accounts that will be used for United Nations resources and more than one signatory is required for each transaction.		
4.31 Does the IP maintain an adequate, up-to-date cashbook, recording receipts and payments?				The IP maintains an adequate, up-to-date cashbook, recording receipts and payments.		
4.32 Do controls exist for the collection, timely deposit and recording of receipts at each collection location? If so, please describe.				Controls exist for the collection, timely deposit and recording of receipts at each collection location.		
4.33 Are bank balances and cash ledger reconciled monthly and properly approved? Are explanations provided for				Bank balances and cash ledgers are reconciled monthly and properly approved. Significant		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
significant and unusual reconciling items?				and unusual reconciling items are explained.		
4.34 Are agency resources be placed in a separate bank account?				Agency resources are placed in a separate bank account.		
4.35 Are cash and checks maintained in a secure location? Has access been properly designated and maintained?				Cash and checks are maintained in a secure location and access has been properly designated and maintained.		
4g. Safeguards for assets						
4.36 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse? If so, tour the facility to ensure the system has been implemented and followed.				The IP has a system of adequate safeguards to protect assets from fraud, waste and abuse.		
4.37 Are subsidiary records of fixed assets and inventory kept up to date and reconciled with control accounts? If so, please describe.				Subsidiary records of fixed assets and inventory are kept up to date and reconciled with control accounts.		
4.38 Are there periodic physical inventories of fixed assets and stocks? If so, please describe.				The IP performs periodic physical inventories of fixed assets and inventory.		
4.39 Are fixed assets and inventory adequately covered by insurance policies?				The IP's fixed assets and inventory are adequately covered by insurance policies.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
4h. Other offices or entities[2]						
4.40 Do any other offices/entities participate in implementation? If so, does the IP have policies and process to ensure appropriate oversight and monitoring of implementation?				If the IP has other offices/entities participating in implementation, there are adequate policies and procedures to ensure appropriate oversight and monitoring of implementation. The IP also has experience with this process.		
4.41 Does information flow among the different offices/entities in an accurate and timely fashion? If so, please describe.				Information flows among the different offices/entities in an accurate and timely fashion.		
4.42 Does the IP have a process in place to evaluate the impact of any deficiencies or negative findings identified through reporting or discussions with the other offices/entities? If so, describe the process.				The IP has a process in place to evaluate the impact of any deficiencies or negative findings identified through reporting or discussions with the other offices/entities. The IP also has experience with this process.		
4.43 Does the IP maintain contractual agreements with other offices/entities?				The IP maintains current contractual agreements with other offices/entities.		

[2] This refers to sub-offices of the IPs or other parties.

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
4.44 Does the IP have a process to ensure expenditures of other offices/entities are in compliance with the work plan and/or contractual agreement noted in item 4.43?				The IP has a process to ensure expenditures of other offices/entities are in compliance with the work plan and/or contractual agreements.		
4i. Other						
4.45 Has the IP advised employees, beneficiaries and other recipients to whom they should report if they suspect fraud, waste or misuse of agency resources or property?				The IP has advised employees, beneficiaries and other recipients to whom they should report if they suspect fraud, waste or misuse of agency resources or property.		
4.46 If yes to item 4.45, does the IP have a policy against retaliation for those who report fraud, waste or misuse of agency resources or property?				The IP has a policy against retaliation for those who report fraud, waste, or misuse of agency resources or property.		
Total number of questions in subject area:	**46**					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
Accounting policies and procedures overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
5. Internal Audit						
5.1 Is the internal auditor sufficiently independent to make critical assessments? To whom does the internal auditor report?				The internal auditor is sufficiently independent to make critical assessments.		
5.2 Does the IP have stated qualifications and experience requirements for internal audit department staff? If so, please describe.				The IP has stated qualifications and experience requirements for internal audit department staff.		
5.3 Will the activities financed by the agencies be included in the internal audit department's work programme?				The activities financed by agency funds will be included in the internal audit department's work programme.		
5.4 Does the internal auditor have policies and procedures to take action on findings identified?				The internal auditor has policies and procedures to take action on findings identified, if any.		
5.5 Does the IP appear to have strong internal controls to ensure funds are expended for their intended purpose, to discourage and prevent improper use of funds, and to				The IP appears to have strong internal controls to ensure funds are expended for the		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
safeguard assets? If so, please describe.				intended purpose, discourage and prevent improper use of funds, and safeguard assets.		
Total number of questions in subject area:	**5**					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						
Internal audit overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
6. Financial Audit						
6.1 Are the IP's specific financial statements audited regularly by an independent auditor? If so, please describe the auditor.				The IP's specific financial statements are audited regularly by an independent auditor.		
6.2 Are there any delays in audit of the IP? When are the audit reports issued?				There are no delays in audits of the IP's financial statements, and the financial statements are issued within a reasonable amount of time.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
6.3 Is the audit of the IP's financial statements conducted according to the International Standards on Auditing?				The audit of the IP's financial statements are conducted according to the International Standards on Auditing.		
6.4 Were there any major accountability issues brought out in audit reports of the IP over the past three years?				No major accountability issues were brought out in audit reports of the IP over the past three years.		
6.5 Will the auditor audit the accounts related to the work plan or other contractual agreements with the agency? If not, will a separate auditor be appointed to audit the work plan financial statements?				The auditor will audit the accounts related to the work plan or other contractual agreements with the agency.		
6.6 Have any recommendations made by auditors in the prior three audit reports and/or management letters not yet been implemented?				All recommendations made by the auditor in the prior three audit reports and/or management letters have been implemented.		
6.7 Historically, has the IP prepared audit plans?				The IP has historically prepared audit plans.		
Total number of questions in subject area:	**7**					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
Financial audit overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
7. Reporting and Monitoring						
7.1 Are financial statements prepared specifically for the IP?				Financial statements are prepared specifically for the IP.		
7.2 What is the frequency of preparation of the financial statements mentioned in 7.1? Are the reports prepared in a timely fashion so they are useful to management for decision-making?				Financial statements of the IP are prepared on a frequent basis so they are useful to management for decision-making.		
7.3 Does the reporting system have the capacity to link the financial information with the work plan's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?				The reporting system has the capacity to link the financial information with the work plan's physical progress.		
7.4 Does the IP have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain and how they are to be used? If so, please describe.				The IP has established financial management reporting responsibilities that specify what reports are to be prepared, what they are to		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
				contain and how they are to be used.		
7.5 Does the IP have financial reports that compare actual expenditures with budgeted and programmed allocations?				The IP has financial reports that compare actual expenditures with budgeted and programmed allocations.		
7.6 Are financial reports prepared directly by the automated accounting system or are they prepared using spreadsheets or some other means?				Financial reports are prepared directly by the automated accounting system or using spreadsheets (or some other means) that are properly reviewed and approved.		
7.7 Does the IP appear to have been solvent (i.e. total assets greater than total liabilities) for the past three fiscal years? Are there any unexplained or ongoing inconsistencies? *Provide the amount of total assets and total liabilities for the current and prior fiscal year.*				The IP appears to have been solvent (i.e. total assets greater than total liabilities) for the past three fiscal years.		
7.8 *Do* the IP's total revenues/contributions exceed its total expenditures over the past three fiscal years? Have the IP's contributions been contracting (i.e. dwindling) over the past three years? If so, why and how will the organization address this issue? *Provide the amount of total revenues/contributions and total expenditures for the current and prior fiscal year.*				The IP's total revenues/contributions exceed its total expenditures in the past three fiscal years, and its contributions have not been contracting in the past three fiscal years.		
Total number of questions in subject area:	**8**					

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						
Reporting and monitoring overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
8. Information Systems						
8.1 Is the financial management system computerized? If so, does the IP have policies and procedures to maintain this system?				The financial management system is computerized and properly maintained.		
8.2 Does the IP have policies and procedures to restrict access to the computerized financial management system to appropriate personnel? If so, please describe them.				The IP has policies and procedures to restrict accesses to the computerized financial management system to the appropriate personnel.		
8.3 Can the computerized financial management system produce the necessary financial reports?				The computerized financial management system can produce the necessary financial reports.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
8.4 Are IP staff adequately trained to maintain the computerized financial management system?				IP staff are adequately trained to maintain the computerized financial management system.		
8.5 Does the IP have appropriate safeguards to ensure the confidentiality, integrity and availability of the data? If so, please describe them.				The IP has appropriate safeguards to ensure the confidentiality, integrity and availability of the data.		
Total number of questions in subject area:	**5**					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						
Information systems overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
9. Procurement						
9a. General						
9.1 Has the IP undertaken a procurement exercise with United Nations / World Bank / European Union resources in the				The IP has undertaken a procurement exercise with		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
past? If so, please describe it.				UN/WB/EU resources in the past.		
9.2 Has the IP been audited by ECHO and selected as a Framework Partnership Agreement partner as per: http://ec.europa.eu/echo/files/partners/humanitarian_aid/fpa_partners.pdf				The IP has been audited by ECHO and selected as a Framework Partnership Agreement partner.		
9.3 Has the IP been audited by ECHO and selected as a Humanitarian Procurement Centre partner as per: http://ec.europa.eu/echo/files/partners/humanitarian_aid/HPC-register_en.pdf				The IP has been audited by ECHO and selected as a Humanitarian Procurement Centre partner.		
9b. Procurement principles, policies and procedures						
9.4 Does the IP follow acceptable United Nations procurement principles? Do these principles promote broad participation from potential bidders? If so, please describe them.				The IP follows acceptable United Nations procurement principles.		
9.5 Does the IP have written procurement policies and procedures? *If yes, please provide a copy. If no, please attach an outline of the tender procedures specifying the different procurement procedures, related thresholds and methodology for the assessment of tenders.*				The IP has written procurement policies and procedures.		
9.6 Does the IP have a specific code of procurement ethics?				The IP has a specific code of		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
Please attach copy of the code.				procurement ethics.		
9.7 Does the IP have a specific anti-fraud and corruption policy? If so, please describe it.				The IP has a specific anti-fraud and corruption policy.		
9.8 Do the IP's procurement rules and regulations contemplate a fair and impartial mechanism for revision of procurement protests?				The IP's procurement rules and regulations contemplate a fair and impartial mechanism for revision of procurement protests.		
9.9 Does the IP frequently override purchasing procedures without proper authorization?				The IP does not frequently override the purchasing procedures without proper authorization.		
9.10 Are exceptions to procedures documented and sent to management for approval? Are the exceptions periodically analyzed and corrective actions taken?				Exceptions to procedures are documented and sent to management for approval. Exceptions are periodically analysed and corrective actions are taken.		
9c. Internal control system						
9.11 Does the IP have a procurement committee for review and approval of contracts? If so, please specify composition of committee.				The IP has a procurement committee that reviews and approves contracts.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
9.12 Does the IP identify the requested authorizations for each value level of purchases? At what value does the IP require written authorization of senior management for a purchase (value in US dollars)?				The IP has defined authorization guidance and policies and procedures to ensure they are properly applied.		
9.13 Does the IP use standard bidding documents and contracts?				The IP utilizes standard bidding documents and contracts.		
9.14 Do the procurement procedures and templates of contracts integrate references to ethical procurement principles and exclusion and ineligibility criteria?				The procurement procedures and templates of contracts integrate references to ethical procurement principles and exclusion and ineligibility criteria.		
9.15 Does the IP obtain sufficient approvals before signing a contract, executing a purchase, or a payment? How many people give their approval before signing a contract or executing a purchase or a payment?				The IP obtains sufficient approvals before signing a contract executing a purchase or a payment.		
9.16 Does the IP rotate staff positions for internal control purposes? If yes, how often?				The IP has procedures to rotate staff positions for internal control purposes.		
9.17 Does the IP have formal guidelines and procedures in place to assist in identifying, monitoring and dealing with potential conflicts of interest with potential suppliers/procurement agents? If so, how does the IP proceed in cases of conflict of interest?				The IP has formal guidelines and procedures in place to assist in identifying, monitoring and dealing with potential conflict of interests		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
				with potential suppliers/procurement agents.		
9e. Procurement process						
9.18 Does the IP have a well-defined process for sourcing/pre-qualification of suppliers? Do formal procurement methods include broadly broadcasting procurement opportunities? *Please attach methodology for the assessment of suppliers.*				The IP has a well-defined process for sourcing/pre-qualifying suppliers.		
9.19 Does the IP undertake regular market surveys? If so, describe the process.				The IP undertakes regular market surveys.		
9.20 Does the IP have a database of active suppliers? If so, please describe the process for maintaining this database.				The IP has a database of active suppliers.		
9.21 Does the IP keep track of past performance of suppliers? If so, describe the process.				The IP keeps track of past performance of suppliers.		
9.22 Does the IP regularly check 'market' prices for goods and services purchased? If so, describe the frequency and process.				The IP regularly checks 'market' prices of goods and services purchased.		
9.23 Does the IP conduct public bid opening for formal				The IP conducts public bid		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
procurement methods (invitation to bid and request for proposal)? What is the composition of public bid opening committees?				opening for formal procurement methods.		
9.24 Does the IP have a well-defined process in place to ensure a secure and transparent bid and evaluation process? If so, describe the process.				The IP has a well-defined process in place to ensure a secure and transparent bid and evaluation process.		
9.25 Does the IP establish long-term agreements with suppliers based on a tender process?				The IP establishes long-term agreements with suppliers based on a tender process.		
9.26 Are long-term agreements reviewed/retendered? If so, how frequently? Please describe.				Long-term agreements are reviewed and retendered.		
9f. Awarding of contracts						
9.27 When a formal invitation to bid has been issued, does the IP award the procurement contract to the qualified bidder whose bid substantially conforms to requirements set forth in the solicitation documentation and offers the lowest cost?				The IP awards procurement contracts to qualified bidders whose bids substantially conform to requirements set forth in the solicitation documentation and offer the lowest cost.		
9.28 When a formal request for proposal has been issued, does the IP award the procurement contract to the qualified proposer whose proposal, all factors considered, is the most responsive to the requirements				The IP awards procurement contracts to qualified proposers whose proposals, all factors considered, are the most responsive to the requirements		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
set forth in the solicitation documentation?				set forth in the solicitation process.		
9g. Reporting and monitoring						
9.29 Are procurement reports prepared for the IP? If so, describe the preparation and frequency of these reports.				Procurement reports are prepared frequently for the IP.		
9h. Information system						
9.30 Is the procurement system computerized? If so, is the system adequately maintained?				The procurement system is computerized and adequately maintained.		
9.31 Can the procurement system produce the necessary reports?				The procurement system is capable of preparing the necessary reports.		
9i. Verification of procurement capacity						
9.32 Is the IP's procurement unit properly resourced in terms of number of staff and their qualifications?				The IP's procurement unit is properly resourced in terms of number of staff and their qualifications.		
9.33 Is the structure of the IP's procurement unit clear, with defined reporting lines that foster efficiency and accountability?				The structure of the IP's procurement unit is clear, with defined reporting lines that foster efficiency and accountability.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
9.34 Does the IP have a procurement strategy and appropriate tools and mechanisms to conduct procurement activities? If so, please describe.				The IP has a procurement strategy and appropriate tools and mechanisms to conduct procurement activities.		
9.35 Does the IP verify that established procedures for handling complaints are implemented? If so, please describe.				The IP verifies that established procedures for handling complaints are implemented.		
9.36 Does the IP manage the procurement cycle following the established policies and procedures? If so, how do they verify this?				The IP manages the procurement cycle per established policies and procedures.		
9.37 Does the IP consistently apply transparency and integrity in the procurement process?				The IP consistently applies transparency and integrity in the procurement process.		
Total number of questions in subject area:	**37**					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						
Procurement overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
						assigned an overall risk rating.

APPENDIX Da: UNICEF TERMS OF REFERENCE FOR SPOT CHECKS

This TOR was developed to guide United Nations agencies, service providers and IPs through the objectives, scope, timeline and deliverables of the requested agreed-upon procedures engagement. (See Annex 1 for programme-specific information)

Purpose of Agreed-upon Procedures Engagements

An agreed-upon procedures attest engagement involves engagement of the service provider to prepare a report on factual findings based on specific, agreed-upon procedures performed. As the service provider is engaged to report on findings of the agreed-upon procedures, no assurance is expressed. Instead, users of the report assess for themselves the procedures and findings reported by the service provider and draw their own conclusions. The report is restricted to parties that have agreed to the procedures to be performed, since others, unaware of the reasons for the procedures, may misinterpret the results.

Standards

The attestation engagement should be conducted in accordance with ISRS 4400, *Agreed-upon Procedures Regarding Financial Information*.

Scope of the Spot Check Agreed-upon Procedures Engagement

Spot checks are performed to assess the accuracy of financial records for cash transfers to IPs and whether there have been any significant changes to applicable internal controls. The spot check is not an audit.

Spot Check Procedures

The following are examples of procedures to be performed during the spot check. The actual procedures to be performed must be confirmed with the UNICEF Office HACT Focal Point prior to the start of the spot check.

1. Inquire of IP management whether there have been any changes to internal controls since the prior micro assessment from the current programme cycle. Document any changes identified, if any.
2. Obtain a listing of all programme-related expenditures that support the actual programme expenditures submitted by (insert IP name) on FACE form (insert date and number)for the agreed-upon procedures engagement and perform the following:
    - Select a sample of expenditures using a statistical (i.e. random sampling) or non-statistical (e.g. high value or high risk items) approach amounting to at least 50% of total expenditures for the period. At least one item should be selected from each expense category which is greater than 5% of the total expenditure for the period. Provide a detailed listing of expenditures selected as samples.
    - For each sample selection perform the following procedures:
        - Verify that documentation exists to support the expenditure in accordance with the IP's rules and procedures and agreements with the agency.
        - Verify that the activity related to the expenditure is in accordance with the work plan.[3]
        - Verify that the expenditure has been reviewed and approved in accordance with the IP's rules and procedures and agreements with the agency.
        - Verify that the expenditure was reflected on a certified FACE form submitted to the agency.
        - Verify that the expenditure was reflected in the IP's accounting records (official book of accounts) and bank statement.

[3] Agency work plans can be annual, multi-year, rolling or joint.

- Verify that supporting documents are stamped 'PAID by UNICEF resources' (or coded to and recorded in a separate fund to ensure there is no duplicate claiming of expenditure to UNICEF and/or another funding agency), indicating which agency funded the transaction.
- Verify that the FACE form was submitted consistent with the periodicity-of-disbursement requirement in the HACT framework (two weeks).
- Verify the price paid for goods or services against United Nations agreed standard rates (if readily available).

3. If separate bank accounts are maintained for agency-granted funds, perform the following procedures:
   - Verify that the activity per the bank statements agrees with that reflected in the accounting records. Document any variances noted; and
   - Confirm that a bank reconciliation was completed and the balance has been reconciled to the accounting records. Document any variances noted.

Deliverables

The service provider prepares a report in accordance with ISRS 4400. The report template is provided in Annex 2.

Prior to the conclusion of the site visit, the service provider holds an exit meeting with the IP to discuss any initial findings. The UNICEF Office Focal Point should be invited to attend the closing meeting at their discretion.

The service provider provides the draft spot check report and summary of findings and observations to the IIP to provide any further clarification and management responses.

The spot check report is then provided to the UNICEF Office Focal Point for review and comment.

The final reports are to be provided in Word format. Where service provider's internal policies require the final signed version to be provided only in PDF, UNICEF will accept the PDF version accompanied by a Word version with same content but without signature and/or branding (as per service provider's internal policies).

Qualifications of the Party Service Provider

As noted in ISRS 4400 paragraph 7: "The auditor should comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code). Ethical principles governing the auditor's professional responsibilities for this type of engagement are:

(a) Integrity;
(b) Objectivity;
(c) Professional competence and due care;
(d) Confidentiality;
(e) Professional behavior; and
(f) Technical standards."

Independence is not a requirement for agreed-upon procedures engagements. However, the terms or objectives of an engagement or national standards may require the party service provider to comply with the independence requirements of the IESBA Code. Where the service provider is not independent, a statement to that effect should be made in the report of factual findings.

The service provider staff must be experienced in applying ISRS standards. The service provider should employ staff with recognized professional qualifications and suitable experience with ISRS standards, including experience in reviewing similar entities.

Items to be Provided to the Service Provider

UNICEF County Office HACT Focal Point provides the following documentation in advance of starting fieldwork:

- Work plan and any progress reports submitted during the year;
- Micro assessment report and any related agreed actions, reports of relevant field monitoring visits, available audits reports and other documentation that may help to understand the IP's internal controls and supported activities.

To ensure efficient use of time, the service provider reviews the information received and provides the IP with a list of requested documents in advance of any site visits.

Annex 1. Programme-specific Information

The following information is to be provided to the service provider by the UNICEF Office HACT Focal Point at the start of the engagement.

IP name:	
Programme name:	
Programme number:	
Programme background:	
Programme location:	
Programme contact person(s):	
Location of records:	
Currency of records maintained:	
Period of transactions covered by spot check:	
Funds received during the period covered by the spot check:	
Expenditures incurred/reported during the period covered by the spot check:	
Intended start date of the spot check:	
Estimated number of days required for the spot check:	
Recipient of the report:	
Submission deadline (including draft and final reports to local agency management):	
Submission logistics:	
Any special requests to be considered during the spot check:	
Cash transfer modality used by the IP:	

Annex 2. ISRS 4400 Agreed-upon Procedures Report Template

Report of factual findings

To (those who engaged the auditor)

We have performed the procedures agreed with you and enumerated below with respect to the actual programme expenditures related to (insert programme name and number) as at (for the XX month period ended) (date), submitted by (insert IP partner name) on FACE form (insert date and number). Our engagement was undertaken in accordance with the ISRS (or refer to relevant national standards or practices) applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the validity of accounting records that support cash transfers from (agency) and are summarized as follows:

1. Inquire of IP management whether there have been any changes to internal controls since the prior micro assessment from the current programme cycle. Document any changes identified.

2. Obtain a listing of all programme related expenditures that support the actual programme expenditures submitted by (insert IP name) on FACE form (insert date and number) for the agreed-upon procedures engagement and perform the following:

    - Select a sample of expenditures amounting to (insert the number of percentage) percent the actual programme expenditures submitted on the FACE form.
    - For each sample selection performed the following procedures:
        - Verify that documentation exists to support the expenditure in accordance with the IP's rules and procedures and agreements with the agency.
        - Verify that the activity related to the expenditure is in accordance with the work plan.
        - Verify that the expenditure has been reviewed and approved in accordance with the IP's rules and procedures and agreements with the agency.
        - Verify that the expenditure was reflected on a certified FACE form submitted to the agency.
        - Verify that the expenditure was reflected in the IP's accounting records and bank statement.
        - Verify that supporting documents are stamped 'PAID from XXX grant' or coded to and recorded in a separate UNICEF fund, indicating which agency funded the transaction.
        - Verify that the FACE form was submitted consistent with the periodicity-of-disbursement requirement in the HACT framework (within two weeks).
        - Verify the price paid for goods or services against United Nations agreed standard rates (if readily available).

3. If separate bank accounts are maintained for agency-granted funds, perform the following procedures:

   - Verify that the activity per the bank statements agrees with that reflected in the accounting records. Document any variances noted; and
   - Confirm that a bank reconciliation was completed and the balance has been reconciled to the accounting records. Document any variances noted.

We report our findings in the attached schedules specified by UNICEF:

(a) Spot Check Work plan;

(b) Sample of Expenditures; and

(c) Findings and Recommendations.

Because these procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), we do not express any assurance on the actual programme expenditures submitted by (insert IP name) on FACE form (insert number and date) .

Had we performed additional procedures or had we performed an audit or review of the financial statement in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information. It is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the items specified above and does not extend to any financial statement of the implementing partner, taken as a whole.

Signature

Date

Address

Annex 3. Spot Check Work Plan

Programme title:	
Project title:	
Name of IP:	
Location of IP/programme:	
IP contact person and position:	
Start/end date of spot check (dd/mm/yyyy – dd/mm/yyyy):	
Dates covered by FACE form selected for testing (dd/mm/yyyy – dd/mm/yyyy):	
Date of last spot check (dd/mm/yyyy – dd/mm/yyyy):	
Member(s) of the spot check team **(Name, designation, section/organization):**	
IP staff whom the spot check team met and worked with during the spot check (names and titles)	

Internal Controls: Complete the following table covering specific procedures regarding internal controls.

	Procedure	Findings
1	Inquire of IP management whether there have been any changes to internal controls since the prior micro assessment from the current programme cycle. Document any changes identified.	

.

Sample of Expenditures. This is a minimum requirements template. It may be modified to include additional sections.

Sample expenditure description and voucher number	Sample expenditure amount reported	Documentation exists to support expenditure in accordance with IP's applicable rules and procedures and agreements with the agency? (Y/N) – document the evidence reviewed	Activity is related to expenditure in accordance with work plan? (Y/N) – document the line item in the budget or work plan	Expenditure has been reviewed and approved in accordance with IP's applicable rules and procedures and agreements with the agency? (Y/N) – document the level of review and approval	Expenditure was reflected on a certified FACE form submitted to the agency and in IP's accounting records and bank statement? (Y/N)	Supporting documents are stamped 'PAID from XXX grant', indicating which agency funded the transaction or coded to and recorded in a UNICEF specific fund? (Y/N)	Expenditure was recorded in the IP's accounting records and reflected in a certified FACE form in the period in which it was incurred(Y/N)	Price paid for goods or services against United Nations agreed standard rates (if readily available) and according to budget	Comment/ finding
Total sample expenditures:									
Total expenditures reported on FACE forms during period under spot check:									
Percentage coverage: (Total sample expenditures divided by total expenditures reported on FACE forms during period under spot check)									

Findings and Recommendations

This is a minimum requirements template. It may be modified to include additional sections.

A. Observations relating to overall financial management practices, internal control environment and compliance

	Observation description	Category of observation[1]	Risk rating[2]	Management Response	Recommendation	Priority[3]	Due date for implementation	Management Response
1								
2								
…								

Note 1:
Category of observations:

1. Accounting and financial reporting systems and procedures
2. Cash, bank and asset management
3. Internal control deficiency, including approvals and segregation of duties
4. Contracting process and procurement procedures
5. Compliance with agreement and other laws and regulations
6. Other

Note 2:
Risk ratings:

High: significant likelihood of negative impact on the IP's ability to execute or report on the programme in accordance with the work plan.
Medium: likelihood of negative impact on the IP's ability to execute or report on some aspects of the programme in accordance with the work plan.
Low: low likelihood of potential negative impact on the IP's ability to execute or report on the programme in accordance with the WP

Note 3:
Priority Ranking:

High: Action that is considered imperative to ensure that the agency is not exposed to high risks (i.e. failure to take action could result in major consequences and issues).
Medium: Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).
Low: Action that is considered desirable and should result in enhanced control or better value for money.

B. Observations relating to specific expenditures selected for testing

	Sample expenditure description and voucher number	Sample expenditure amount reported and currency	Observation description	Category of observation	Risk rating	Management Response	Recommendation	Priority	Due date for implementation	Management Response
1										
2										
…										

Note 1:
Category of observations:

1. Missing or inadequate documentation
2. Error in calculating or recording the expenditure
3. Expenditure not related to the programme or activity
4. Expenditure exceeds the approved budget rate or amount
5. Expenditure incurred outside the agreement period
6. Expenditure not recorded in the correct period or FACE form
7. Expenditure not approved as per IP policy
8. Expenditure not compliant with tax, legal or other regulations
9. Lack of proof that the expenditure was incurred or no proof of payment
10. Potential fraud or other irregularity
11. Other (specify)

Note 2:
Risk ratings:

High: significant likelihood of negative impact on the IP's ability to execute or report on the programme in accordance with the work plan.
Medium: likelihood of negative impact on the IP's ability to execute or report on some aspects of the programme in accordance with the work plan.
Low: low likelihood of potential negative impact on the IP's ability to execute or report on the programme in accordance with the WP

Note 3:
Priority Ranking:

High: Action that is considered imperative to ensure that the agency is not exposed to high risks (i.e. failure to take action could result in major consequences and issues).
Medium: Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).
Low: Action that is considered desirable and should result in enhanced control or better value for money.

APPENDIX Db: UNFPA TERMS OF REFERENCE FOR SPOT CHECKS

UNFPA has further developed upon the TOR for spot checks in Appendix Da and a spot check tool that is currently being piloted. Pending pilot results, the service provider will use the spot check tool to carry out UNFPA spot checks. The UNFPA spot check tool is attached to this RFP and entitled AppendixDd_UNFPA.xlsx.

The service provider will for UNFPA enter the spot check, internal control and financial audit reports into the agency's data system.

APPENDIX E: TERMS OF REFERENCE FOR INTERNAL CONTROL AUDIT

This TOR has been developed to guide United Nations agencies, service providers and IPs through the objectives, scope, timeline and deliverables of the requested agreed-upon procedures engagement. (See Annex 1 for programme-specific information)

Objective of the Agreed-upon Procedures Engagement

The objective of an agreed-upon procedures attest engagement is to engage a service provider to prepare a report of findings based on specific procedures performed on the subject matter. As the service provider is engaged to report on factual findings of the agreed-upon procedures, no assurance is expressed. Instead, users of the report assess for themselves the procedures and findings reported by the service provider and draw their own conclusions from the work.

The report is restricted to parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results.

Standards

The attestation engagement should be conducted in accordance with ISRS 4400, *Agreed-upon Procedures Regarding Financial Information*.

Scope of the Attestation Engagement

Internal Controls

The agreed-upon procedures are performed to assist the IP in assessing internal control of the financial management system. The specific procedures to be performed can be adapted by the agency to suit the specific IP and UNICEF/UNFPA agreement needs. The service provider should agree in writing to perform the procedures enumerated below to assist the IP in its assessment and to report on factual findings.

Specific Procedures to be Performed

1. Obtain documentation describing the IP's financial management internal controls and report on whether the documentation includes controls related to the following areas of financial management. The documentation should cover:
   (a) Authorization of expenditures, including FACE forms and requests for direct payment. These include:
      - Expenditures authorized in accordance with IP policies and procedures;
      - Expenditure included in activity detailed in the work plan;[4] and
      - Expenditures supported by documentation consistent with IP policies and procedures and the HACT framework

   (b) Procurement/contracting of supplies and services. The service provider should detail whether:
      - Competitive bids are obtained for expenditures described in the work plan;
      - Vendors consistently implement the IP's rules and procedures and agreements with the agency;
      - Procurement of supplies and services is consistent with the IP's rules and procedures and its agreements with the agency, including requirements for competitive procurement; and
      - Supplies and services agree with those required by the work plan.

   (c) Adequacy of the accounting and financial operations and reporting systems. The service provider should ensure that:

[4] Agency work plans can be annual, multi-year, rolling or joint.

- The IP has an accounting manual or guidelines;
- The accounting methodology complies with applicable standards in the IP country of operation;
- Duties are segregated between the components of the accounting and management departments;
- The IP maintains a separate official accounting record/sub-ledger to record transactions against the cash transfers for the agency; and
- The IP prepares a monthly bank reconciliation if it maintains a separate bank account for the agency's funds.

(d) Maintenance and security of accounting records. The service provider should ensure that:
- IP facilities have security procedures to protect against theft, damage or loss of data; and
- The IP has a document retention policy that conforms to agency requirements.

(e) Safeguarding assets. The third party service provider should ensure that IP facilities have security procedures to protect against theft, damage or loss of data.

If the IP does not have internal controls related to the above noted areas, document as a finding.

2. Select a sample of control instances during the period for the agreed-upon procedures engagement amounting to 30 to 50 per cent of total control instances for each control (e.g. for a monthly control, sample selections should be made for four to six instances during the period). Selections should be made randomly and can be combined with the sample of expenditure testing. For each sample selection perform the following procedures:
   (a) Obtain relevant supporting documentation to verify that the control occurred as described.
   (b) Verify that the actual date of occurrence was within 2 weeks (14 days business days) of the occurrence (i.e. for a monthly control, the 31 January control occurrence should have occurred within 14 business days of February).

Sample of Expenditures

3. Obtain a listing of all programme-related expenditures during the period for the agreed-upon procedures engagement and perform the following:
   (a) Select a sample of expenditures using a statistical (i.e. random sampling) or non-statistical (e.g. high value or high risk items) approach amounting to at least 50% of total expenditures for the period. At least one item should be selected from each expense category that is greater than 5% of the total expenditure for the period. Extend the sample if ineligible expenses are discovered in the respective expense category.
   (b) For each sample selection perform the following procedures:
   - Verify that documentation exists to support the expenditure in accordance with the IP's rules and procedures and agreements with the agency, including a transparent selection process for procurement of goods and services.
   - Verify that activity is in accordance with the work plan.
   - Verify that the expenditure has been properly reviewed and approved in accordance with the IP's rules and procedures and agreements with the agency.
   - Verify that the expenditure was properly reflected on the certified FACE form submitted to the agency.
   - Trace the sample transactions into the IP's accounting records and bank statement.
   - Verify that supporting documents are stamped 'PAID from UNICEF/UNFPA resources' or coded to and recorded in a separate fund, indicating which agency funded the transaction.

- Verify that submission of the FACE form was consistent with the periodicity-of-disbursement requirement in the HACT framework (two weeks).
- Compare the price paid for goods or services against agreed standard rates (if readily available).

Deliverables

The service provider prepares a standard agreed-upon procedures report in accordance with the applicable standards, which includes:

- Details of procedures performed and corresponding findings;
- Details explaining that the scope of agreed-upon procedures varies from that of an audit or review; and
- Limitations on the distribution of the report.

A report template following ISRS 4400 has been included in Annex 2.

An exit meeting with the IP to discuss initial findings must take place prior to issuance of a draft report.

Reports are to be provided in Word format. Where service provider's internal policies require the final signed version to be provided only in PDF, UNICEF/UNFPA will accept the PDF version accompanied by a Word version with same content but without signature and/or branding (as per service provider's internal policies).

The service provider will for UNFPA enter the spot check, internal control and financial audit reports into the agency's data system.

Qualifications of the Service Provider

As noted in ISRS 4400 paragraph 7: "The auditor should comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code). Ethical principles governing the auditor's professional responsibilities for this type of engagement are:

(a) Integrity;
(b) Objectivity;
(c) Professional competence and due care;
(d) Confidentiality;
(e) Professional behavior; and
(f) Technical standards."

Independence is not a requirement for agreed-upon procedures engagements. However, the terms or objectives of an engagement or national standards may require the third party service provider to comply with the independence requirements of the IESBA Code. Where the service provider is not independent, a statement to that effect should be made in the report of factual findings.

Service provider staff is to be experienced in applying ISRS standards. The service provider should employ staff with recognized professional qualifications and suitable experience with ISRS standards, including experience in reviewing similar entities.

Items to be Provided to the Service Provider

Before the field work begins, the UNICEF/UNFPA Office HACT Focal Point provides the service provider with the following documentation:

- Work plan and any progress reports submitted during the audit period;

- The FACE forms, duly certified as to their accuracy and completeness by the IP management;
- The direct payment requests authorized by the IP and included in the FACE form; and
- Current micro assessment report, previous audit, spot check and programmatic visit reports.

To ensure efficiency, the service provider reviews the information received and provides the IP with a list of requested documents in advance of any site visit(s).

Annex 1. Programme-specific Information

The following information is to be provided to the service provider by the UNICEF/UNFPA Office HACT Focal Point at the start of the engagement.

Implementing partner name:	
Programme name:	
Programme number:	
Programme background:	
Programme location:	
Programme contact person(s):	
Location of records:	
Currency of records maintained:	
Period of transactions covered by attestation engagement:	
Funds received and expenditure incurred during the period covered:	
Intended start date of fieldwork:	
Estimated number of days required for fieldwork:	
Recipient of the report:	
Submission deadline (including draft and final reports to local agency management):	
Submission logistics:	
Any special requests to be considered during the engagement:	
Cash transfer modality used by the IP:	

Annex 2. Sample ISRS 4400 Agreed-upon Procedures Report Template

REPORT OF FACTUAL FINDINGS

To (those who engaged the auditor)

We have performed the procedures agreed with you and enumerated below with respect to the internal controls of the implementing partner and expenditures related to (insert programme name and number) as at (date), set forth in the accompanying management letter. Our engagement was undertaken in accordance with the International Standard on Related Services (or refer to relevant national standards or practices) applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the functioning of internal controls and programme expenditures and are summarized as follows:

1. Obtain documentation describing the IP's financial management internal controls and report on whether the documentation includes controls related to the following areas of financial management:

   (a) Authorization of expenditures, including FACE forms and requests for direct payment:
   - Expenditures authorized in accordance with IP policies and procedures;
   - Expenditure included in activity detailed in the work plan;[5]
   - Expenditures supported by documentation consistent with IP policies and procedures and the HACT framework.

   (b) Procurement/contracting of supplies and services, in terms of ensuring that:
   - Competitive bids are obtained for expenditures described in the work plan;
   - Vendors are consistent with the IP's rules and procedures and agreements with the agency;
   - Procurement of supplies and services is consistent with the IP's rules and procedures and agreements with the agency, including requirements for competitive procurement; and
   - Supplies and services agree with those required by the work plan.

   (c) Adequacy of the accounting and financial operations and reporting systems, in terms of ensuring that:
   - The IP has an accounting manual or guidelines;
   - The IP's accounting methodology complies with applicable standards in the IP country of operation;
   - Duties are segregated between the components of the accounting and management departments;
   - The IP maintains a separate official accounting record/sub-ledger to record transactions against the cash transfers for the agency; and
   - The IP prepares a monthly bank reconciliation if it maintains a separate bank account for the agency's funds.

   (d) Maintenance and security of accounting records, in terms of ensuring that:
   - IP facilities have security procedures to protect against theft, damage or loss of data; and
   - The IP has a document retention policy that conforms to agency requirements.

[5] Agency work Plan (WP) can be annual, multi-year, rolling or joint.

(e) Safeguarding assets, in terms of ensuring that IP facilities have security procedures to protect against theft, damage or loss of data.

If the IP does not have internal controls related to the above noted areas, it should be documented as a finding.

2. Select a sample of control instances during the period under review for the attestation engagement, amounting to 30 to 50 per cent of total control instances for each control (e.g. for a monthly control, sample selections should be made for four to six instances during the period). Selections should be made randomly. For each sample selection perform the following procedures:

   (a) Obtain relevant supporting documentation to verify that the control occurred as described.

   (b) Verify that the actual date of occurrence was within 2 weeks (14 days business days) of the occurrence (i.e. for a monthly control, the 31 January control occurrence should have occurred within 14 business days of February).

3. Obtain a listing of all programme-related expenditures during the period under review for the attestation engagement and perform the following:

   (a) Select a sample of expenditures amounting to (insert number of) percentage of total expenditures during period under review.

   (b) For each sample selection perform the following procedures:

   - Verify that documentation exists to support the expenditure in accordance with the IP's rules and procedures and agreements with the agency, including a transparent selection process for procurement of goods and services.
   - Verify that activity is in accordance with the work plan.
   - Verify that expenditures have been properly reviewed and approved in accordance with the IP's rules and procedures and agreements with the agency.
   - Verify that expenditures were properly reflected on the certified FACE form submitted to the agency.
   - Trace the sample transactions into the IP's accounting records and bank statement.
   - Verify that supporting documents are stamped 'PAID from UNCIEF resources' or coded to and recorded in a separate fund, indicating which agency funded the transaction.
   - Verify that submission of the FACE form was consistent with the periodicity-of-disbursement requirement in the HACT framework (two weeks).
   - Compare the price paid for goods or services against agreed standard rates (if readily available).

We report our findings below:

(a) With respect to item 1 we found [provide details of findings].

(b) With respect to item 2 we found [provide details of findings].

(c) With respect to item 3 we found [provide details of findings].

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), we do not express any assurance on the functioning of internal controls and programme expenditures as of (date).

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the items specified above and does not extend to any financial statements of the implementing partner, taken as a whole.

Auditor Signature

Date

Address

APPENDIX F: TERMS OF REFERENCE FOR FINANCIAL AUDIT

This terms of reference (TOR) was developed to guide United Nations (UN) agencies, third party service providers and implementing partners through the development of objectives, scope, and deliverables of the financial audit.

Background

The background section includes a broad description of the purpose for which funds are provided to implementing partners in the context of their contribution to achieving the goals of the programme. The auditor should understand the "purpose for which the funds are intended" in the context of programme objectives as well as in terms of the specific budget for the programme.

The background section includes a general description of the roles of the UN entity (s), the government entity (as appropriate), and the implementing partner with respect to the management and oversight of the programme.

Objective of the Audit

The objective of the audit is to obtain reasonable assurance as to whether the financial statements[6] are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.

The auditor also expresses an opinion whether the funds were properly supported with approved documentation and used for the purpose intended in accordance with the approved budget, requirements of the applicable funding agreement and the organization's policies and procedures.

Standard

The audit is conducted in accordance with International Auditing Standards (ISA) 800 *Special Considerations – Audit of Financial Statements Prepared in Accordance with Special Purpose Frameworks.*

The audit is conducted in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) if the auditor is a supreme audit institution.

Where it is decided that the country's Supreme Audit Institution (SAI) undertakes the audit of UN agencies' government IPs, the UN agency commissioning the audit will make proper arrangements with the government to ensure that the audits are undertaken according to the ToR for HACT Financial Audit and delivered within the established deadlines.

Selection of Implementing Partner/Project subject to Audit

The UN agency commissioning the audit will provide a listing of implementing partner(s) and project(s) to be audited and clearly mark those IPs shared by two or more UN agencies. The listing is based on the results of micro assessments and the assurance plan and consists of implementing partners where the risk rating is designated as "significant" or "high".

[6] As per UN agency specific requirements listed in section Deliverables. In this case, financial statements refer to the Statement of Expenses, and Statements of Cash Balance, Assets and Equipment, and List of Inventory, as applicable.

Scope of the Audit

The scope of the audit must be sufficiently clear and properly define what is expected of the auditor. However, the scope must not, in any way, restrict the audit procedures or techniques the auditor may wish to use to form an opinion.

The scope includes a definition of the entity, or the portion of an entity, that is subject to audit. This is normally the programme counterpart unit whether located within the implementing partner or in a separate location.

The scope must specify, at a minimum, that the:

a. Auditor is required to express an opinion on financial statements related to the funds provided to the project or the implementing partner by the UN agency:
   i. **If "project" based audit** – The Combined Delivery Report (CDR), or its UN agency equivalent prepared by the agency, serves as the official statement of expenses that will be subject to audit. The statement of assets and equipment, statement of cash position, and list of inventory as at 31 December XXXX (or on the date prescribed by the UN agency), as appropriate, may also be subject to audit based on UN agency specific requirements.
   ii. **If "IP" based audit -** Total expenses incurred by the implementing partner from funds provided by UN agencies (this can be the sum of CDRs or sum of CDR equivalent) that will be subject to audit. Also, based on UN agency specific requirements and as appropriate, the total assets and equipment for all projects implemented by the implementing partner through funds provided by the UN agencies, list of inventory and the cash position of funds provided by the UN agencies. The sample of expenses tested should be representative of resources provided by all the UN agencies.

   iii. **If the IP is shared by two or more UN agencies** - The audit report must include a separate opinion for each UN agency on the CDRs/ financial statements related to the funds provided by each UN agency to the IP(s) or project(s).

b. Audit period is 1 January to 31 December of the year XXXX, or as prescribed by the UN agency.
c. The audit will be carried out in accordance with International Auditing Standards (ISA) 800 *Special Considerations – Audit of Financial Statements Prepared in Accordance with Special Purpose Frameworks*
d. Scope is limited to the implementing partner expenses incurred from funds provided by the UN agencies, which includes: (1) all expenses listed in the statement of expenses submitted by the implementing partner, and (2) the direct payments processed by the UN agencies at the request of the implementing partner (if any).
e. Auditor is required to verify that the expenses in the statement of expenses are in accordance with the approved budget (and work plan) and reconciled to appropriate supporting documentation.

f. Auditor is required to state in the audit report the amount of expenses excluded from the scope of the audit because they were made by UN agencies as part of direct services (if any) and the amount of total expenses excluded because they were made by UN agencies[7].
g. Auditor is required to report the net financial impact of any modified opinion on the CDR (or its UN agency equivalent) to include prior year un-resolved net financial impact amount(s). The net financial impact is defined as any material misstatement that affects the financial statements as defined by the International Standards of Audit (710).
h. In case of auditing shared IP(s), the auditor is required to define the financial impact of any modified opinion for each UN agency separately.
i. Auditor is required to produce a management letter as further defined in the Deliverables section below.

Deliverables

The audit report must clearly indicate the auditor's opinion on the financial statement (s) of the project(s).

The audit report must also state, at a minimum:

a. That the audit report is a special purpose and confidential report;
b. The audit standard that was applied to carry out the audit;
c. Period covered by the audit opinion and the statement of expenses (CDR or its UN agency equivalent) is for the period 1 January to 31 December XXXX (or the period prescribed by the UN agency);
d. Total amount of expenses, assets, cash balance and inventory audited, to be reported separately for each UN agency, in case the IP(s) are shared by two or more UN agencies;
e. Scope limitation (if any) for those transactions that are the responsibility of the UN agency;
f. Amount of the net financial impact of the qualified audit opinion if qualified, to be reported separately for each UN agency, in case the IP(s) are shared by two or more UN agencies, and the reason(s) resulting in the issuance of a qualified, adverse or disclaimer opinion as per Annex 3; and
g. Management letter as described below and further detailed in Appendix XI. Terms of Reference for Management Letter which is relevant to the context of the financial audit.

The deadline for submitting the auditor's opinion on the financial statements (s) will be prescribed by the commissioning UN agency.

<u>Management Letter</u>

The auditor is required to submit a management letter that takes into consideration the following:

a. General review of the project(s)' progress and timeliness in relation to progress milestones and the planned completion date[8];
b. An assessment of the implementing partner's internal controls as related to the project(s) with equal emphasis on: (i) the effectiveness of the system of internal control in the areas of operations/finance/compliance management in providing programme management with

[7] This scope limitation is not a valid reason for the auditors to issue a qualified audit opinion on the statement of expenses.

[8] This is not a programmatic evaluation. Programmatic evaluation will be conducted separately based on participating UN agency's programmatic guidelines and procedures.

useful and timely information for the proper management of programme; (ii) the general effectiveness of internal control system in protecting the assets and resources of the programme, and in preventing and detecting fraud; and (iii) the compliance with contractual documents between the implementing partner and UN agency/ies. These can be examined through the review of overall programme management, financial operations, controls and cash/fund management, contracting for procurement of goods and services, staffing and management of human resources, assets/property management, ICT and general services, and other observations. Sample categories of Internal, Compliance and other control findings are provided in Annex 3;

c. A description of any specific internal control weaknesses noted in the financial management of the programme and the audit procedures followed to address or compensate for the weaknesses, resulting in recommendations to resolve/eliminate the internal control weaknesses identified.

The service provider will for UNFPA enter the spot check, internal control and financial audit reports into the agency's data system.

Qualification of the Third Party Service Provider

The third party service provider (auditor) is subject to the relevant ethical requirements, including those pertaining to independence and conflict of interest relating to financial audit engagements. Relevant ethical requirements ordinarily comprise of Parts A and B of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) related to an audit of financial statements together with national requirements that may be more restrictive.

The third party service provider must have experience in conducting audits in accordance with ISA or INTOSAI standards. The audits must be undertaken by staff with professional qualifications and suitable experience with the applicable standard, including experience in conducting audits of similar size and nature.

CVs of all members of the audit engagement team must be provided to the commissioning UN agency. The CV of each team means must include details on relevant professional qualifications, education and experience in undertaking audits of similar size and nature. Work experience descriptions must include details on the responsibilities assumed for completed and ongoing audit engagements.

Where it is decided that the country's Supreme Audit Institution (SAI) undertakes the audit of UN agencies' government IPs, the UN agency commissioning the audit will make proper arrangements with the government to ensure that the audits are undertaken according to the ToR for HACT Financial Audit and delivered within the established deadlines.

Documents to be provided to the Third Party Service Provider

Documents to be provided by the UN agencies (coordinated by the UN commissioning agency) to the third party service provider in advance of the engagement are, at a minimum:

a. Country Programme Action Plan (CPAP/UNDAF)/Project Agreements/Project Documents/Letter of Agreements (or their equivalent as defined by UN specific guidelines) and any applicable amendments, if any;

b. Statement of expenses (Combined Delivery Report (CDR)) or its equivalent, as defined by the UN agency specific guidelines;
c. Statement of assets and equipment (as necessary and as defined by UN agency specific guidelines);
d. Statement of cash position (as necessary and as defined by UN agency specific guidelines);
e. Statement of inventory (as necessary and as defined by UN agency specific guidelines);
f. Work Plans (WP) and any other relevant reports;
g. Financial Authorization and Certification of Expenses (FACE) forms included in the statement of expenses (i.e., CDR or its equivalent), duly certified as to their accuracy and completeness;
h. Direct payment requests authorized by the implementing partner and included in the statement of expenses (i.e., CDR or its equivalent);
i. Spot check and field monitoring reports in the areas of finance/operations/compliance management of the implementing partner;
j. List of disbursements made by the UN agency (if applicable) as part of support services provided to the implementing partners; and
k. Previous audit reports and other relevant assessments (e.g., micro assessments)

The third party service provider is to review the information received from the UN commissioning agency and provide the implementing partner with a document request listing in advance of any programme site visits.

Other Pertinent Matters

Cases which indicate fraud or presumptive fraud will be brought to the immediate attention of the Investigation Services of the commissioning UN agency by the auditor and/or UN unit commissioning the audit without waiting for the issuance of the audit report.

Protocols on management replies, draft and submission of final signing audit reports will follow the guidance and rules of the commissioning UN agency. This includes requirements related to language of reports (and other documents) as well as file formats (e.g. PDF, doc etc.).

Final audit reports are to be issued by the auditor directly to the commissioning UN agency. The commissioning UN agency will share the final audit report(s) with the implementing partner and the other UN agencies. It is at the discretion of each agency whether the audit report received related to its funding provided to the implementing partner is shared with other parties (ex. donor providing funding for the specific project or programme).

Requirements for multilingual audit staff is to be specified by the commissioning UN agency.

Any indication included in the audit report restricting its distribution and/or use will be null and void.

The third party service provider is to maintain working papers supporting audit work at its premises. At the request of the UN commissioning agency, the third party service provider is to brief (or provide working papers) subsequent auditors on the details of audit results.

Annexes

Annex 1. Sample Audit Report (including format of audit observations to be drafted)

Annex 2. Definition of audit opinions and risk levels
Annex 3. Categorization of Audit Findings

Annex 1: Sample audit report

Auditor's report to:

The Implementing Partner and the Country Representative

Format for financial certifications

I. Sample certification for statement of expenses

REPORT OF THE INDEPENDENT AUDITORS TO UN ENTITY [insert name of UN ENTITY] [insert project name]

We have audited the accompanying statement of expenses ("the statement") of [insert name of entity] (the "recipient"), engaged by UN ENTITY under the agreement dated [insert date of agreement] (the "Agreement"), in connection with the project [insert award and project number(s)], [insert official title of project] for the period [insert period covered]. The statement has been prepared by management of UN ENTITY in accordance with the UN ENTITY accounting policies, as described in Note X.

Management's Responsibility for the Statement

Management of the recipient of funds is responsible for the preparation of the statement in accordance with the UN ENTITY accounting policies and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UN ENTITY's preparation of the statement 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 project'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 presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Clean opinion: Option 1: (Unmodified)

In our opinion, the statement of expenses of the recipient under the Agreement for the period [insert period covered] is prepared, in all material respects, in accordance with the UN ENTITY accounting policies [if needed add: and the note to the statement].

Modified opinions

Option 2: (Qualified opinion)

In our opinion, the attached statement of expenses, except for the reasons indicated above in paragraphs (1), (2), (3) etc., [there should be a separate Basis for Qualified Opinion Paragraph where the basis for qualified opinion is clearly explained and the above paragraphs should be amended in accordance with ISA 800 to reflect the modification] is prepared, in all material respects, in accordance with UN ENTITY accounting policies [if needed add: and the note to the statement].

Option 3: (Adverse opinion)

In our opinion, based on the significance of the matter discussed in paragraph (1), (2), (3) etc., [there should be a separate Basis for Adverse Opinion Paragraph where the basis for adverse opinion is clearly explained and the above paragraphs should be amended in accordance with ISA 800 to reflect the modification] the statement of expenses is not prepared, in all material respects, in accordance with the UN ENTITY accounting policies.

Option 4: (Disclaimer of opinion)

Because of the significance of the matter described in paragraph (1), (2), (3), etc., [there should be a separate Basis for Disclaimer of Opinion Paragraph where the basis for disclaimer of opinion is clearly explained and the above paragraphs should be amended in accordance with ISA 800 to reflect the modification] we were unable to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly we are unable to express an opinion on the statement of expenses of [insert amount in US$] incurred by the recipient under the Agreement and audited by us for the period [insert period covered].

Emphasis of matter [if applicable]

We draw attention to Note [insert number] to the statement of expenses which describes the uncertainty related to the [insert the issue]. Our opinion is not qualified in respect of this matter.

Auditor's signature

Date of the auditor's report

Auditor's address

II. Sample certification for statement of assets, including equipment

We have audited the accompanying statement of assets ("the statement") of [insert name of entity] (the "recipient"), engaged by UN ENTITY under the agreement dated [insert date of agreement] (the "Agreement"), in connection with the project [insert award and project number(s)], [insert official title of project], as at [insert date]. The statement has been prepared by the recipient in accordance with the UN ENTITY accounting policies, as described in Note X.

Management's Responsibility for the Statement

Management of the recipient of funds is responsible for the preparation of the statement in accordance with the UN ENTITY accounting policies and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UN ENTITY's preparation of the statement 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 project'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 presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Clean opinion: Option 1: (Unmodified)

In our opinion, the statement of assets of the recipient under the Agreement as at [insert date], is prepared, in all material respects, in accordance with the UN ENTITY accounting policies [if needed add: set out in the note to the schedule].

Modified opinions

Option 2: (Qualified opinion)

In our opinion, the attached statement of assets of the recipient under the Agreement as at [insert date, except for the reasons indicated above in paragraphs (1), (2), (3) etc., [there should be a separate Basis for Qualified Opinion Paragraph where the basis for qualified opinion is clearly explained and the above paragraphs should be amended in accordance with

ISA 800 to reflect the modification] is prepared, in all material respects, in accordance with the UN ENTITY accounting policies [if needed add: set out in the note to the schedule].

Option 3: (Adverse opinion)

In our opinion, based on the significance of the matter discussed in paragraph (1), (2), (3) etc., [there should be a separate Basis for Adverse Opinion Paragraph where the basis for adverse opinion is clearly explained and the above paragraphs should be amended in accordance with ISA 800 to reflect the modification] the statement of assets of the recipient under the Agreement as at [insert date is not prepared, in all material respects, in accordance with the UN ENTITY accounting policies.].

Option 4: (Disclaimer of opinion)

Because of the significance of the matter described in paragraph (1), (2), (3), etc., [there should be a separate Basis for Disclaimer of Opinion Paragraph where the basis for disclaimer of opinion is clearly explained and the above paragraphs should be amended in accordance with ISA 800 to reflect the modification] we were unable to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly we are unable to express an opinion on the statement of assets of [insert amount in US$] incurred by the recipient under the Agreement and audited by us as at [insert date].

Emphasis of matter [if applicable]

We draw attention to Note [insert number] to the statement of assets which describes the uncertainty related to the [insert the issue]. Our opinion is not qualified in respect of this matter.

Auditor's signature

Date of the auditor's report

Auditor's address

III. Sample certification of statement of cash position (statement of cash position is required only if there is a separate bank account for each of the projects and/or petty cash)

We have audited the accompanying statement of cash ("the statement") of [insert name of entity] (the "recipient"), engaged by UN ENTITY under the agreement dated [insert date of agreement] (the "Agreement"), in connection with the project [insert award and project number(s)], [insert official title of project], as at [insert date]. The statement has been prepared by the recipient in accordance with the UN ENTITY accounting policies, as described in Note X.

Management's Responsibility for the Statement

Management of the recipient is responsible for the preparation of the statement in accordance with the UN ENTITY accounting policies and for such internal control as management determines is necessary to enable the preparation of a schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UN ENTITY's preparation of the statement 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 project'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 presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Clean opinion: Option 1: (Unmodified)

In our opinion, the attached statement of cash position of the recipient under the Agreement as at [insert date] is prepared, in all material respects, in accordance with the UN ENTITY accounting policies [if needed add: set out in the note to the statement].

Modified opinions

Option 2: (Qualified opinion)

In our opinion, the attached statement of cash of the recipient under the Agreement as at [insert date], except for the reasons indicated above in paragraphs (1), (2), (3) etc., [there should be a separate Basis for Qualified Opinion Paragraph where the basis for qualified opinion is clearly explained and the above paragraphs should be amended in accordance with ISA 800 to reflect the modification] is prepared, in all material respects, in accordance with the UN ENTITY accounting policies [if needed add: set out in the note to the statement].

Option 3: (Adverse opinion)

In our opinion, based on the significance of the matter discussed in paragraph (1), (2), (3) etc., [there should be a separate Basis for Adverse Opinion Paragraph where the basis for adverse opinion is clearly explained and the above paragraphs should be amended in accordance with ISA 800 to reflect the modification] the statement of cash of the recipient under the Agreement as at [insert date] is not prepared, in all material respects, in accordance with the UN ENTITY accounting policies.

Option 4: (Disclaimer of opinion)

Because of the significance of the matter described in paragraph (1), (2), (3) etc., [there should be a separate Basis for Disclaimer of Opinion Paragraph where the basis for disclaimer of opinion is clearly explained and the above paragraphs should be amended in accordance with ISA 800 to reflect the modification] we were unable to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly we are unable to express an opinion on the statement of cash in the amount of [insert amount in US$] audited by us as at [insert date].

Emphasis of matter [if applicable]

We draw attention to Note [insert number] to the statement of cash which describes the uncertainty related to [give explanation of the uncertainty]. Our opinion is not qualified in respect of this matter.

Auditor's signature

Date of the auditor's report

Auditor's address

Date of issue: _____

AUDITOR'S NAME (Please print): _____

AUDITOR'S SIGNATURE: _____

STAMP AND SEAL OF AUDIT FIRM: _____

AUDIT FIRM ADDRESS: _____

_____

AUDIT FIRM TEL. NO. _____

Note: Audit opinions must be one of the following: (a) qualified, (b) unqualified, (c) adverse, or (d) disclaimer. If the audit opinion is other than 'unqualified', the audit report must describe both the nature and amount of the possible effects on the UN ENTITY financial statement (Amount of qualification/Net Financial Impact). A definition of audit opinions is provided in Annex 2. Categorization of audit Financial, Internal Control, Compliance and Other Findings is provided in Annex 3.

Annex 2: Definition of audit opinions

Unqualified (clean or positive) opinion

An unqualified opinion should be expressed when the auditor concludes that the financial statements give a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

Qualified opinion – a modified (negative) audit opinion

A qualified opinion should be expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management, or limitation on scope is not as material and pervasive as to require an adverse opinion or a disclaimer of opinion. A qualified opinion should be expressed as being 'except for' the effects of the matter to which the qualification relates.

Disclaimer of opinion – a modified (negative) audit opinion

A disclaimer of opinion should be expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and, accordingly, is unable to express an opinion on the financial statements.

Adverse – a modified (negative) audit opinion

An adverse opinion is expressed by an auditor when the financial statements are significantly misrepresented, misstated and do not accurately reflect the expenditure incurred and reported in the financial statements (statement of expenses, statement of cash, statement of assets and equipment).

An adverse opinion is expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

Risk levels

In addition to explaining the and giving details about the 'effect, potential impact or risk' in the text of an audit observation, UN ENTITY requires that the auditor also identifies the risk level in the audit report by using one of the following three pre-established risk levels:

High	Action that is considered imperative to ensure that UN ENTITY is not exposed to high risks (i.e. failure to take action could result in major consequences and issues)
Medium	Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).
Low	Action that is considered desirable and should result in enhanced control or better value for money

Annex 3. Categorization of Audit Findings

Financial Findings (with Financial Impact and risk rating for each UN agency)

No supporting documentation

Insufficient supporting documentation

Cut-off error

Expenditure not for project purposes

No proof of payment

No proof of goods / services received

VAT incorrectly claimed

DSA rates exceeded

Bank interest not reported

Support costs incorrectly calculated

Expenditure claimed but activities not undertaken

Advance claimed as expenditure

Commitments treated as expenditure

Ineligible salary cost

Other

Internal Control Findings (with the risk rating for each UN agency if applicable. Financial impact is not required)

Lack of audit trail

Inconsistent basis of accounting

Lack of financial control policies and procedures

Lack of procedures for verification of assets

Lack of procedures for disposal of assets

Lack of segregation of duties

Suppliers' invoices not approved

Lack of bank reconciliations

Lack of basis for allocating salary costs

Payments not approved

No competitive procedures for the award of contracts

Failure to implement prior year's audit recommendations

Poor record keeping

Excessive use of cash payments

Other

Compliance Findings (with the risk rating for each UN agency if applicable. Financial impact is not required)

Bank account different from that named in the LoU

Signatories on FACE forms different from those in the LoU

Fixed assets not marked with UN agency insignia

FACE forms not submitted quarterly

Other

Other Findings (with the risk rating for each UN agency if applicable. Financial impact is not required)

Fundamental project activities not completed

Other

APPENDIX G: TERMS OF REFERENCE FOR MANAGEMENT LETTER

This TOR was developed to guide United Nations agencies, service providers and IPs through the objectives, scope, timeline and deliverables of the requested audit. (See Annex 1 for programme-specific information)

Purpose
A management letter is meant to communicate observations, findings and recommendations related to deficiencies in internal control identified by the third party service provider during the engagement performed in accordance with the standards noted below.

Scope
The engagement includes the IP's internal controls regarding its financial management system as at the period indicated by the agency in Annex 1 and consistent with the corresponding audit engagement.

Preparation of a management letter is not a stand-alone engagement; it is prepared as part of an internal control audit engagement or financial audit engagement.

Standards
The management letter is to be prepared in accordance with the International Professional Practices Framework (IPPF). The management letter does not provide any assurance or opinion regarding the IP's internal controls.

Deliverable
The management letter should be addressed to those charged with governance and includes the following:

- A description of the observations and deficiencies identified, an explanation of their potential effects and recommendations to address the potential effects;
- Sufficient information to enable those charged with governance and management to understand the context of the communication;
- A general review of a programme's progress and timeliness relative to progress milestones as stated in the agency work plan. This is not intended to address whether the IP is in compliance with specific covenants relating to performance criteria or outputs in the work plan. However, general compliance with broad covenants, such as implementing the programme with economy and efficiency, might be commented upon, though not with the legal force of an audit opinion.
- The categorization of observations by risk severity:
    - *High* – Action that is considered imperative to ensure that the agency is not exposed to high risks (i.e. failure to take action could result in major consequences and issues);
    - *Medium* – Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences); or
    - *Low* – Action that is considered desirable and should result in enhanced control or better value for money.
- Management response to the service provider's observations and recommendations.

Reports are to be provided in Word format. Where service provider's internal policies require the final signed version to be provided only in PDF, UNICEF/UNFPA will accept the PDF version

accompanied by a Word version with same content but without signature and/or branding (as per servicer provider's internal policies).

Qualifications of Service Provider

The service provider is subject to relevant ethical requirements provided in the Institute of Internal Auditor's Code of Ethics together with national requirements, which may be more restrictive.

The service provider staff must have experience in performing similar engagements applying relevant standards. The service provider staff must have recognized professional qualifications and suitable experience, including experience in undertaking engagements of similar size and nature to this proposed.

Annex 1. Programme-specific Information

The following information is to be provided to the service provider by the UNICEF/UNFPA Office HACT Focal Point at the start of the engagement.

IP name:	
Programme name:	
Programme number:	
Programme background:	
Programme location:	
Programme Internet address:	
Programme contact person(s):	
Location of records:	
Currency of records maintained:	
Period covered:	
Intended start date of fieldwork:	
Estimated number of days required for fieldwork:	
Recipient of management letter:	
Submission deadline (including draft and final reports to local agency management):	
Submission logistics:	
Any special requests to be considered during engagement:	
Cash transfer modality used by the IP:	

Annex 2. Management Letter Template in Accordance with IPPF

Contents

	Page
1. Introduction	99
2. Audit Objectives, Scope and Operational Overview	99
3. Detailed Assessment	100
A. Overall project management	100
B. Financial operations, controls and cash/fund management	101
C. Contracting for procurement of goods and services	102
D. Staffing and management of human resources	103
E. Asset/property management, ICT and general issues	103
F. Other observations – without audit recommendations	104
Annex 1. Definitions of Ratings, Priorities, Causes and Functional Areas for Management Report	105
Annex 2. Summary of Audit Recommendations	107

Glossary

Acronym	**Definition**

1. Introduction

Background

On behalf of the [Insert agency name and name of internal audit], [insert auditor firm name] conducted an engagement in accordance with Institute of Internal Auditors' International Professional Practices Framework (IPPF), regarding xxx Project bearing project ID number XXXXX in XXX 20XX *(month and year).* The engagement was carried out with the assistance of *(insert name of firm).*

The purpose of the engagement was to carry out procedures of an advisory nature. The engagement covered the period from XXX until XXXX 20XX (*insert month and year*).

Overall Assessment

Based on the weighted rating of individual areas per agency guidance, the overall level of internal control with respect to the XXXX project's operations is considered to be ***Satisfactory/Partially Satisfactory/Unsatisfactory.*** It should be noted, however, that we consider the level of internal control in XXXX area to be ***Satisfactory/Partially Satisfactory/Unsatisfactory*** (*if any*).

Management should consider this rating within the context of the recommendation that XXXX project management team should attempt to strengthen its management practices in the following areas:

- Xx
- xx

Highlights

This letter contains XX recommendations, of which XX are considered high priority, XX are considered medium priority and XX are considered low priority, as per definitions in Annex 1. These recommendations are summarized above and detailed throughout this report and in Annex 2.

Good Practices Observed

XXX

2. Audit Objectives, Scope and Operational Overview

Objectives

[Insert objectives]

Scope

During the engagement, relevant samples of documents and transactions for the period covered by the engagement were reviewed. Discussions were held with [insert agency name] staff and personnel at headquarters and in the field throughout the engagement.

Standards

The engagement has been conducted as per the Institute of Internal Auditors' International Professional Practices Framework (IPPF).

Operational Overview

[Here provide a brief background of the project, including, project budget, expenditure, staffing, and key financial indicators.]

Office Management

The management of the XX project at the time of the engagement consisted of:

- XXX
- XXX

The engagement team extends its appreciation to the management and staff members of [insert agency name] office in XXX project for their full cooperation during the engagement.

1. Detailed Assessment

The details of the findings are contained in the subsequent **Audit Subject A to F** of this report.

A: Overall Project Management

Good practices observed:

XXXX

XXXX

Observation A.1:

This is where the observation is written. Clearly describe the findings as follows:

- State the criteria, requirement or the expected conditions
- State the current condition or the situation that deviates from the criteria, requirement or the expected conditions
- State the conclusions

State the cause(s) or reason(s) for the difference between the criteria, requirements or expected conditions and the actual conditions. [In this context, you may want to offer several contributing factors or reasons underlying the audit observations. To the extent possible, identify the root cause for a particular issue.]

The engagement has been conducted as per the Institute of Internal Auditors' International Professional Practices Framework.

Operational Overview

[Here provide a brief background of the project, including, project budget, expenditure, staffing, and key financial indicators.]

Office Management

The management of the XX Project at the time of the engagement consisted of:

- XXX
- XXX

The engagement team extends its appreciation to the management and staff members of [insert agency name] office in XXX project for their full cooperation during the engagement.

3. Detailed Assessment

A. Overall project management

The following good practices were observed:

Risk:

<High/Medium/Low>

Impact or risk:

Recommendation: **xxxx**
Management response: **xxxx**
Status of recommendation: *Open or closed (to be decided after obtaining management replies)*

Observation A.2:

[same format as above]

B. Financial operations, controls and cash/fund management

The following compliance and good practices were noted:

- XXX

Observation B.1:

This is where the observation is written. Clearly describe the findings as follows:

- State the criteria, requirement or the expected conditions
- State the current condition or the situation that deviates from the criteria, requirement or the expected conditions
- State the conclusions

State the cause(s) or reason(s) for the difference between the criteria, requirement, or the expected condition and the actual condition. [In this context, you may want to offer several contributing factors or reasons underlying the audit observations. To the extent possible, identify the root cause for a particular issue.]

Impact or risk:

Recommendation: **xxxx**
Status of recommendation: *Open or closed (to be decided after obtaining management replies)*

Observation B.2:

[same format as above]

C. Contracting for procurement of goods and services

The following compliance and good practices were observed in the procurement process:

- Xxx

The following audit observations are made:

Observation C.1:

This is where the observation is written. Clearly describe the findings as follows:

- State the criteria, requirement or the expected conditions
- State the current condition or the situation that deviates from the criteria, requirement or the expected conditions
- State the conclusions

State the cause(s) or reason(s) for the difference between the criteria, requirement, or the expected condition and the actual condition. [In this context, you may want to offer several contributing factors or reasons underlying the audit observations. To the extent possible, identify the root cause for a particular issue.]

Impact or risk:

Recommendation: **xxxx**
Status of recommendation: *Open or closed (to be decided after obtaining management replies)*

Observation C.2:

[same format as above]

D. Staffing and management of human resources

The following compliance and good practices were observed:

- Xxxx
- xxxx

The following audit observations are made:

Observation D.1:

This is where the observation is written. Clearly describe the findings as follows:

- State the criteria, requirement or the expected conditions
- State the current condition or the situation that deviates from the criteria, requirement or the expected conditions
- State the conclusions

State the cause(s) or reason(s) for the difference between the criteria, requirement or the expected condition and the actual condition. [In this context, you may want to offer several contributing factors or reasons underlying the audit observations. To the extent possible, identify the root cause for a particular issue.]

Impact or risk:

Recommendation:

xxxx

Status of Recommendation: Open or closed (to be decided after obtaining management replies)

Observation D.2:

[same format as above]

E. Asset/property management, ICT and general issues

The following compliance and good practices were observed:

- xxxx

The following audit observations are made:

Observation E.1:

This is where the observation is written. Clearly describe the findings as follows:

- State the criteria, requirement or the expected conditions
- State the current condition or the situation that deviates from the criteria, requirement or the expected conditions
- State the conclusions

State the cause(s) or reason(s) for the difference between the criteria, requirement, or the expected condition and the actual condition. [In this context, you may want to offer several contributing factors or reasons underlying the audit observations. To the extent possible, identify the root cause for a particular issue.]

Impact or risk:

Recommendation: **xxxx**
Status of Recommendation: *Open or closed (to be decided after obtaining management replies)*

Observation E.2:

[same format as above]

F. Other observations – without audit recommendations

The following other audit observations are made, on which no audit recommendations are being issued:

Xxxx

Observation F.1:

This is where the observation is written. Clearly describe the findings as follows:

- State the criteria, requirement or the expected conditions
- State the current condition or the situation that deviates from the criteria, requirement or expected conditions
- State the conclusions

State the cause(s) or reason(s) for the difference between the criteria, requirement, or the expected condition and the actual condition. [In this context, you may want to offer several contributing factors or reasons underlying the audit observations. To the extent possible, identify the root cause for a particular issue.]

Impact or risk:

Annex 2.1. Definitions of Ratings, Priorities, Causes and Functional Areas for Management Report

The following ratings have been defined so that management can put in context the opinions given in internal audit reports.

A. Ratings for overall performance of internal control system

The harmonized rating system being applied by the internal audit services of UNICEF, UNFPA, WFP, UNDP and UNOPS effective 1 January 2010 is based on the following principles:

- There are three categories: (a) satisfactory, (b) partially satisfactory, and (c) unsatisfactory.
- The elements of the rating system will take into account the audited office's internal control system and risk management practices and their impact on the achievement of office objectives.

The descriptions of the ratings are as follows:

Standard rating	Description
Satisfactory	Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the IP's objectives.
Partially satisfactory	Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect achievement of the IP's objectives.
Unsatisfactory	Internal controls, governance and risk management processes were either not established or not functioning well. The issues identified were such that the IP's overall objectives could be seriously compromised.

B. Rating for priorities of audit recommendations, possible causes and functional areas

The observations are categorized according to the priority of the audit recommendations and the possible causes of the issues. The categorized observation provides a basis by which the [insert agency name] country office management is to address the issues.

The following categories of priorities are used:

Rating	Description
High	Action that is considered imperative to ensure that the agency is not exposed to high risks (i.e. failure to take action could result in major consequences and issues).

Medium	Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).
Low	Action that is considered desirable and should result in enhanced control or better value for money.

The following categories of possible causes are used:

- **Compliance:** Failure to comply with prescribed agency regulations, rules and procedures.
- **Guidelines:** Absence of written procedures to guide staff in the performance of their functions.
- **Guidance:** Inadequate or lack of supervision by supervisors.
- **Human error:** Mistakes committed by staff entrusted to perform assigned functions.
- **Resources:** Lack of or inadequate resources (funds, skills, staff, etc.) to carry out an activity or function.

The following categories of functional areas are used:

- General policy;
- Project/programme activities;
- Finance;
- Human resources;
- Procurement;
- Information technology; and
- General administration.

Annex 2.2 Summary of Audit Recommendations

Note: Management comments are incorporated in this summary sheet along with the additional comments of attestation.

This summary excel sheet should contain the following columns:

4. Recommendation number
5. Recommendation
6. Management reply
7. Priority
8. Cause
9. Area
10. Further comments of attestation
11. Responsible manager
12. Expected completion date
13. Status (open/closed)

Sample as below:

Annex 2.3 Management replies and status of recommendations on attestation of XX project

1	2	3	4	5	6	7	8	9	10
Recommendation #	**Recommendation**	**Management reply**	**Priority**	**Cause**	**Area**	**Further comments of audit**	**Responsible manager**	**Expected completion date**	**Status**
									OPEN/CLOSED
1									