

TERMS OF REFERENCE (Revised)

Professional Service

Project Information

Assignment Title:	Micro Assessment (Assessment of the Financial Management Capacity) of Implementing Partners
UNDP Practice Area:	Financial Management
Cluster/Project:	UNDP Cambodia
Assignment Location:	Phnom Penh, Cambodia
Assignment Duration:	Long Term Agreement for 12 Months

Background and Project Description

Pursuant to the UN General Assembly Resolution 56/201 on the Triennial Policy Review of operational activities for development of the United Nations System, UNDP, UNICEF, UNFPA and WFP (the United Nations Development Group (UNDG) Executive Committee Agencies (Ex-Com Agencies) adopted a common operational framework for transferring cash to government and non-government Implementing Partners. In April 2005, the UNDG formally released a Harmonized Framework for Cash Transfers to Implementing Partners (HACT, hereinafter called as “the Framework”). Its implementation will significantly reduce transaction costs and lessen the burden that the multiplicity of UN procedures and rules creates for its partners. Implementing Partners will use common forms and procedures for requesting cash and reporting on its utilisation. Agencies will adopt a risk management approach and will select specific procedures for transferring cash on the basis of the joint assessment of the financial management capacity of Implementing Partners. They will also agree on and coordinate activities to maintain assurance over the utilisation of the provided cash. Such jointly conducted assessments and assurance activities will further contribute to the reduction of costs.

The adoption of the new harmonised approach is a further step in implementing Rome Declaration on Harmonisation and Paris Declaration on Aid Effectiveness, which call for a closer alignment of development aid and with national priorities and needs. The approach allows efforts to focus more on strengthening national capacities for management and accountability, with a view to gradual shift to utilising national systems. It will also help Agencies shape their capacity development interventions and provide support to new aid modalities.

This framework applies to the UNDG's Executive Committee Agencies (ExCom Agencies being UNDP, UNICEF, UNFPA and WFP) and other UN Agencies that choose to adopt it. It calls for an upfront assessment of the programme country's public financial management system (macro assessment) and similar assessments of Implementing Partners' (IPs) financial management capacity (micro assessment).

The HACT Framework has been revised in February 2014.

Within this context UNDP is looking for a third-party service provider to provide consultancy services for conducting an assessment of the financial management capacity for all partners (IP-Implementing Partners or RP-Responsible Parties) expected to receive cash transfers from UNDP during the Country Programme cycle 2019-23 (Refer to Annex I).

Objective and scope of the assessment

The micro assessment is performed by a third-party service provider and includes a site visit to the IP/RP's offices. The assessment primarily consists of interviews with partners' personnel and a review of relevant

documentation sufficient to complete the micro assessment questionnaire (Annex II). 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.
- Moderate 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/RP's financial management capacity (i.e. accounting, procurement, reporting, internal controls, etc.) to determine the overall risk rating which then inform the type and frequency of assurance activities. The risk rating, along with other available information, is also taken into consideration when selecting the appropriate cash transfer modality for an IP/IP.

Micro Assessment Procedures and Deliverables

The Service provider receives general information regarding the IP/RP and the programme from the 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/RP. The service provider should also provide 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 also 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 relevant agency personnel and the HACT focal point before finalizing it. Upon finalization, the service provider delivers an executive summary, detailing the overall risk rating and specific identified risks, and the completed questionnaire.

The micro assessment report is to be delivered in the format given in Annex III.

Institutional Arrangement

Under the overall guidance of the UNDP Country Director, the service provider will report to Oversight Analyst/ HACT Focal Point at UNDP Cambodia Office.

Duration of the Work

The successful service provider will commence the assignment as soon as the procurement process is completed and the contract is signed.

The assessment of Partners included in Annex I should be completed (including the site visit) within six weeks of engaging the service provider. The HACT focal point will introduce the service provider and the IP to aid coordination of the site visit.

However, the Long-Term Agreement will remain valid for 12 months for possible assessments of new IPs/RPs.

Duty Station

The assignment is home-based with expected 5 days of field work for each Partner's assessment. All field work will be conducted in Phnom Penh. Budget proposal should include related travel expenses (for international firm travel related costs from home country to Cambodia should be included in the proposal).

Minimum Qualifications of the Successful Contractor at Various Levels

The service provider should be legally registration entity and experienced in performing assessments similar to a micro assessment and assessing risks related to organizational financial management capacity (i.e. accounting, reporting, procurement and internal controls). The service provider should also have knowledge of the United Nations system and the development sector. Knowledge of Cambodian government's accounting and financial management system is an advantage.

The proposal should include CV of a Task manager who will oversee the work and ensure the quality of the deliverables and CVs at least 2 team members (Assessors) who will undertake the assessments include conducting field mission, data collection and interviews as required to complete the Micro Assessment Questionnaire and other deliverables.

Minimum Qualifications of "Task Manager":

Education:	At least Master's Degree in accounting or financial management or accredited CPA
Experience:	<ul style="list-style-type: none"> • Minimum 15 years of experience in the field of audit and institutional capacity assessment. • Experiences in supervising and quality assurance of similar exercises. • Familiarity with the UN HACT framework. • Knowledge of the UN sector and development work • Familiarity of the Cambodia public financial management context is an advantage.
Competencies:	Demonstrated ability to achieve results under time pressure

Minimum Qualifications of "Team member (Assessor)":

Education:	Holding at least CPA/ACCA accreditation
Experience:	<ul style="list-style-type: none"> • Minimum 10 years of experience in conducting audit and institutional capacity assessment • Familiarity with the UN HACT framework. • Knowledge of the UN sector and development work • Familiarity of the Cambodia public financial management context is an advantage

	<ul style="list-style-type: none"> Ability to communicate in Khmer (otherwise translator needs to be included in the proposal)
Competencies:	Demonstrated ability to achieve results under time pressure

CVs of all members should include details on engagements carried out by relevant staff, including ongoing assignments indicating responsibilities assumed by them and their qualifications and experience in undertaking similar assessments.

Scope of Bid Price and Schedule of Payments

- a) The contract price is a fixed output-based price regardless of extension of the herein specific duration.
- b) In the computation of contract price please include professional fees, inclusive of travel, living allowances, and taxes. UNDP will not be responsible for travel costs from the Consultants country of residence and will only cover travel from Barbados to OECS member states.
- c) The Consultant will receive payment upon satisfactory completion of deliverables specified below:

20%	Upon completion of field work
80%	Final payment upon approval of the final report

Documents

UNDP HACT Focal Point will provide the following document/Information before the start of fieldwork:

- Latest HACT Macro Assessment Report (An assessment of Cambodia' Public Information System)
- Work plan, Common Country Assessment and Country Programme Document 2019-23;
- Macro assessments previously performed in the country;
- Reports of any financial or internal control audits and spot checks previously performed on the IP;
- List of IPs/RPs to be assessed and Programme information (Annex I)
- Micro Assessment Questionnaire (Annex II)
- Any other documentation that may help the service provider better understand the country context from a United Nations perspective.

The third-party service provider should review the information received before performing the assessment.

ANNEX I: LIST OF IPs/RPs TO BE ASSESSED AND PROGRAMME INFORMATION

List of Partners:

1. Council for the Development of Cambodia
2. Ministry of Environment
3. National Council for Sustainable Development
4. Cambodian Mine Action and Victim Assistance Authority
5. Ministry of Women's Affairs
6. Ministry of Agriculture, Forestry and Fisheries
7. National Committee for Sub-national Democratic Development
8. Other partners - to be identified

The following information should be completed at the start of the micro assessment and annexed to the report as per the format in Annex III.

Implementing partner name:	
Implementing partner code or ID in UNICEF, UNDP, UNFPA records (as applicable)	
Implementing partner contact details (contact name, email address and telephone number):	
Main programmes implemented with the applicable UN Agency/ies:	
Key Official in charge of the UN Agency/ies' programme(s):	
Programme location(s):	
Location of records related to the UN Agency/ies' programme(s):	
Currency of records maintained:	
Latest expenditures incurred/reported to UNICEF, UNDP and UNFPA (as applicable). Indicate the amount (in US\$) and the financial reporting period ;	
Current or latest cash transfer modality/ies used by the UN agency/ies to the IP	
Intended start date of micro assessment:	

Number of days to be spent for visit to IP:	
Any special requests to be considered during the micro assessment:	

ANNEX II: MICRO ASSESSMENT QUESTIONNAIRES

Please see separately provided excel format for the questionnaire with calculation formulas included, which has to be used. The excel file can also be found at www.undg.org/.

Instructions

This questionnaire contains questions related to seven subject areas. Certain questions are classified as “key questions” indicating that they have a greater impact in assessing the effective functioning of the IP’s control framework.

1. Answer each question by selecting ‘Yes’, ‘No’ or ‘N/A’ (for ‘not applicable’) from the drop down menu in the appropriate column.
2. Use the Risk Assessment column to 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 effective functioning of the IP’s control framework. Assigning risk ratings to each question requires judgment by the assessor as to how the response will impact the effectiveness of the IP’s control framework. **Attention: THE APPROPRIATE RISK ASSESSMENT OR “NOT APPLICABLE” MUST BE SELECTED FOR EACH QUESTION. IF THERE ARE QUESTIONS CONTAINING “ERROR” THE RISK RATING FOR THE CATEGORY AND OVERALL WILL BE WRONGLY CALCULATED!**
3. The risk ratings to be used are:
 - **High** – Response to question indicates a risk to the effective functioning of the IP’s control framework that has a high likelihood of a potential negative impact on the IP’s ability to execute the programme in accordance with the work plan and stated objectives;
 - **Significant** – Response to question indicates a risk to the effective functioning of the IP’s control framework that has a significant likelihood of a potential negative impact on the IP’s ability to execute the programme in accordance with the work plan and stated objectives;
 - **Moderate** – Response to question indicates a risk to the effective functioning of the IP’s control framework that has a moderate likelihood of a potential negative impact on the IP’s ability to execute the programme in accordance with the work plan and stated objectives; or
 - **Low** – Response to question indicates a low risk to the effective functioning of the IP’s control framework and a low likelihood of a potential negative impact on the IP’s ability to execute the programme in accordance with the work plan and stated objectives.
 - *N/A – The specific question is not applicable for the IP and therefore no risk rating is assigned.*
4. The Risk Points column automatically assign points to each question that correlate with the level of risk.
5. Points are assigned as follows:

Risk rating	Points: non-key questions	Points: key questions
H – High risk	4 points	8 points
S – Significant risk	3 points	6 points
M – Moderate risk	2 points	4 points
L – Low risk	1 point	1 point

6. Use the 'Remarks/ comments' column 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 and rationale for your assessment.

Calculation of risk rating per subject area section

For each subject area, the risk points are totaled and divided by the number of applicable questions in that area, to give a risk rating for the subject area. The method of calculation is weighted average, where key questions have double the weight of non-key questions as illustrated in Note 1.

Calculation of overall risk rating

For all the questions in the questionnaire, the risk points are totaled and divided by the number of applicable questions, to give an overall average score. The method of calculation is weighted average, where key questions have double the weight of non-key questions as illustrated in Note 1.

Note 1 – Method of assigning risk ratings to risk scores

As per paragraph 5, key questions are assigned double the risk points, resulting in a weighted average method for calculating the overall and by subject area risk rating. Therefore, the risk rating assigned to the key questions have twice the weight in determining the risk rating.

Assume the following two scenarios with the same risk rating for the questions.

1. Scenario 1: There are three non-key questions having equal weight
2. Scenario 2: The first question is key and the remaining two questions are non-key.

Scenario 1	Risk Rating	Points	Scenario 2	Risk Rating	Points
Question 1	High	4	Key Question 1	High	8
Question 2	Low	1	Question 2	Low	1
Question 3	Low	1	Question 3	Low	1
Total Risk Points:		6	Total Risk Points		10
Overall Risk	Moderate	2	Overall Risk	Significant	3.3

The Excel spreadsheet automatically assigns the risk rating by using the following algorithm:

1. Only the applicable questions are taken into consideration
2. The minimum possible points for the subject area are calculated, that is if all questions are assigned low risk rating
3. The maximum possible points for the subject area are calculated, that is if all questions are assigned high risk rating
4. The ranges for each risk rating are calculated by evenly distributing between the lowest and highest applicable points
5. The actual risk points are matched with one of the four risk ranges to determine the overall risk category.

The same algorithm is applied when calculated the overall risk rating for the IP.

ANNEX III: MICRO ASSESSMENT REPORT FORMAT

Front Page

Micro Assessment of [Name of the IP] Commissioned by [Name of the UN Agency/ies] Name of the 3 rd Party Service Provider Date

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1. Background, Scope and Methodology

Background

The micro assessment is part of the requirements under the Harmonized Approach to Cash Transfers (HACT) Framework. The HACT framework represents a common operational framework for UN agencies' transfer of cash to government and non-governmental implementing partners.

The micro-assessment assesses the IP's control framework. It results in a risk rating (low, moderate, significant or high). The overall risk rating is used by the UN agencies, along with other available information (e.g. history of engagement with the agency and previous assurance results), to determine the type and frequency of assurance activities as per each agency's guideline and can be taken into consideration when selecting the appropriate cash transfer modality for an IP.

Scope

The micro-assessment provides an overall assessment of the Implementing Partner's programme, financial and operations management policies, procedures, systems and internal controls. It includes:

- A review of the IP legal status, governance structures and financial viability; programme management, organizational structure and staffing, accounting policies

and procedures, fixed assets and inventory, financial reporting and monitoring, and procurement;

- A focus on compliance with policies, procedures, regulations and institutional arrangements that are issued both by the Government and the Implementing Partner.

It takes into account results of any previous micro assessments conducted of the Implementing Partner.

Methodology

We performed the micro-assessment from [date] to [date] at [describe locations]. Through discussion with management, observation and walk-through tests of transactions, we have assessed the Implementing Partner's and the related internal control system with emphasis on:

- The effectiveness of the systems in providing the Implementing Partner's management with accurate and timely information for management of funds and assets in accordance with work plans and agreements with the United Nations agencies;
- The general effectiveness of the internal control system in protecting the assets and resources of the Implementing Partner.

We discussed the results of the micro assessment with applicable UN agency personnel and the IP prior to finalization of the report. The list of persons met and interviewed during the micro-assessment is set out in Annex III.

2. Summary of Risk Assessment Results

[Executive summary of the overall risk assessment].

The table below summarizes the results and main internal control gaps found during application of the micro-assessment questionnaire (in Annex IV). Detailed findings and recommendations are set out in section 3. below.

Tested subject area	Risk assessment*	Brief justification for rating (main internal control gaps)
1. Implementing partner		
2. Programme Management		
3. Organizational structure and staffing		

Tested subject area	Risk assessment*	Brief justification for rating (main internal control gaps)
4. Accounting policies and procedures		
5. Fixed Assets and Inventory		
6. Financial Reporting and Monitoring		
7. Procurement		
Overall Risk Assessment		

*High, Significant, Moderate, Low

3. Detailed Internal Control Findings and Recommendations

No.	Description of Finding	Recommendation
1.	<p>Example: Insufficient staff training</p> <p><i>We noted that staff employed in the accounts department, who were primarily bookkeepers / administrators, had not received training on UN requirements for financial management and reporting, and had received only informal “on the job” training on the GABS accounting system.</i></p> <p><i>Lack of sufficient training increases the risk of error and failure to comply with the UN financial reporting requirements.</i></p>	<p><i>Example:</i></p> <p><i>The organisation should ensure staff are properly trained and aware of UN financial reporting requirements.</i></p>
	Etc	

Annex I. IP and Programme Information

Implementing partner name:	
Implementing partner code or ID in UNICEF, UNDP, UNFPA records (as applicable)	
Implementing partner contact details (contact name, email address and telephone number):	
Main programmes implemented with the applicable UN Agency/ies:	
Key Official in charge of the UN Agency/ies' programme(s):	
Programme location(s):	
Location of records related to the UN Agency/ies' programme(s):	
Currency of records maintained:	
Expenditures incurred/reported to UNICEF, UNDP and UNFPA (as applicable) during the most recent financial reporting period (in US\$);	
Cash transfer modality/ies used by the UN agency/ies to the IP	
Intended start date of micro assessment:	
Number of days to be spent for visit to IP:	
Any special requests to be considered during the micro assessment:	

Annex II. Implementing Partner Organizational Chart

Annex III. List of Persons Met

Name	Unit/organization	Position

Annex IV. Micro Assessment Questionnaire

Include here the completed questionnaire and provide it in original excel format to the UN agency.