

Simplified Financial Management Assessment Checklist¹

Financial Management Capacity Questionnaire for Implementing Partners receiving or expect to receive cash transfers below an annual amount (usually less than \$100,000 combined from all Agencies or as locally agreed among the Agencies).

Name of Implementing Partner: _____

Date: _____

Number of years Agency has worked with the IP: _____

| Summary of Risks related to the Financial Management Capacity of Implementing Partner | | | | |
|--|-----------------|----------|----------|----------|
| Tested Subject Area (see subsequent pages for questions for each area that should be completed and summarized in these sections below) | | | | |
| Subject Area | Risk Assessment | | | Comments |
| | <i>H</i> | <i>M</i> | <i>L</i> | |
| 1. Implementing Partner | | | | |
| 2. Funds Flow | | | | |
| 3. Staffing | | | | |
| 4. Accounting Policies and Procedures | | | | |
| 5. External Audit | | | | |
| 6. Reporting and Monitoring | | | | |
| 7. Information Systems | | | | |
| Inherent Risk | | | | |
| List major specific issues identified in the assessment of the country's public financial management system (macro-assessment), or specific risks related to the nature or operation of the Implementing Partner | | | | |
| Overall Risk Assessment | | <i>H</i> | <i>M</i> | <i>L</i> |

H – High

M – Moderate

L – Low

¹ For PCAs that involve transfer of more than US\$100,000, a financial management capacity assessment is mandatory as per the [Framework for Cash Transfers to Implementing Partners](#). For PCAs that are for less than US\$100,000, Country Offices should use a simplified assessment format, based on the one provided here.

Financial Management Questionnaire

| Subject Area | Yes | No | N/A | Review | Remarks / Comments |
|---|----------|----------|----------|--------|--|
| 1. Implementing Partner (IP) | | | | | |
| 1.1 Is the IP legally registered? Please note the legal status /registration of the entity. | | | | | |
| 1.2 Has the IP received UN resources in the past? | | | | | |
| 1.3 Does the IP have statutory reporting requirements? Please describe. | | | | | |
| 1.4 Is the governing body of the IP independent? | | | | | |
| 1.5 Is the organization structure appropriate for the work to be carried out under UN cooperation? | | | | | |
| Risk Assessment (Implementing Partner) | H | M | L | | Circle assessed risk for Subject Area |
| 2. Funds Flow | | | | | |
| 2.1 Can the IP receive and transfer funds? | | | | | |
| 2.2 Are the arrangements to transfer the funds to the IP satisfactory? | | | | | |
| 2.3 Have there been major problems in the past in receipt of funds by the IP, particularly where the funds flow from the Government/Ministry of Finance? | | | | | |
| 2.4 In the past, has the IP had any problems in the management of disbursements from a member of the UN country team? Please describe. | | | | | |
| 2.5 How does the IP access its funds? | | | | | |
| 2.6 How does the IP issue payments? | | | | | |
| 2.7 If some activities will be implemented by NGOs or CBOs, does the IP have the necessary reporting and monitoring mechanisms to track the use of funds? | | | | | |
| Risk Assessment (Funds Flow) | H | M | L | | Circle assessed risk for Subject Area |
| 3. Staffing | | | | | |
| 3.1 Is the organizational structure of the accounting department | | | | | |

| Subject Area | Yes | No | N/A | Review | Remarks / Comments |
|---|----------|----------|----------|--------|--|
| appropriate (include adequately qualified and experienced staff) for the level of financial volume? Attach an organizational chart. | | | | | |
| 3.2 Is the level and competencies of staff appropriate for the level of financial volume? Identify the staff for the accounts department, including job title and responsibilities. Attached job descriptions for all posts (including vacant posts) and provide CVs of key accounting staff. | | | | | |
| 3.3 Are accounts and finance staff familiar with UN procedures related to cash transfers? | | | | | |
| 3.6 Is the IP anticipating any vacancies (e.g. retirement, rotation) within the duration of the agreement? | | | | | |
| 3.7 Is there a training program for new and existing finance and accounting staff? Please describe. | | | | | |
| Risk Assessment (Staffing) | H | M | L | | Circle assessed risk for Subject Area |
| 4. Accounting Policies and Procedures | | | | | |
| 4.1 Does the IP have an accounting system that allows for the proper recording of financial transactions from UN Agencies, including allocation of expenditures in accordance with the respective components, disbursement categories, and source of funds, i.e., Chart of Accounts? | | | | | |
| 4.2 Are cost allocations to the various funding sources made accurately and in accordance with established agreements? | | | | | |
| 4.3 Are the general ledger and subsidiary ledgers reconciled and balanced? | | | | | |
| 4.4 Are all accounting and supporting documents retained in accordance with agreements in a defined system that allow authorized users easy access? | | | | | |
| Segregation of Duties | | | | | |
| 4.5 Are the following functional responsibilities performed by different units or persons: (a) authorization to execute a transaction; (b) recording of the transaction; and (c) custody of | | | | | |

| Subject Area | Yes | No | N/A | Review | Remarks / Comments |
|--|-----|----|-----|--------|--------------------|
| assets involved in transactions? | | | | | |
| 4.6 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated? | | | | | |
| 4.7 Are bank reconciliations prepared by someone other than those who make or approve payments? | | | | | |
| Budgeting System | | | | | |
| 4.8 Do the budgets lay down physical and financial targets? | | | | | |
| 4.9 Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance? | | | | | |
| 4.10 Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget? | | | | | |
| 4.11 Who is responsible for the preparation and approval of budgets? | | | | | |
| 4.12 Are procedures in place to plan activities, collect information from the units in charge of the different components, and prepare the budgets? | | | | | |
| 4.13 Are the plans and budgets of activities realistic, based on valid assumptions, and developed by knowledgeable individuals? | | | | | |
| Payments | | | | | |
| 4.15 Do invoice processing procedures provide for: <ul style="list-style-type: none"> • 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? • Comparison of invoice quantities with those indicated on the receiving reports? • Checking the accuracy of calculations? | | | | | |

| Subject Area | Yes | No | N/A | Review | Remarks / Comments |
|--|-----|----|-----|--------|--------------------|
| 4.16 Are all invoices stamped PAID , dated, reviewed and approved, and clearly marked for account code assignment? | | | | | |
| 4.17 Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized? | | | | | |
| <i>Policies and Procedures</i> | | | | | |
| 4.18 Describe the basis for accounting (e.g. cash, accrual)? | | | | | |
| 4.19 Are internationally accepted accounting standard followed? If so, which standard? | | | | | |
| 4.20 Does the IP have adequate policies and procedures manual to guide activities and ensure staff accountability? | | | | | |
| 4.21 Are manuals distributed to appropriate personnel? | | | | | |
| <i>Cash and Bank</i> | | | | | |
| 4.22 Indicate in remarks/comments section the names and positions of authorized signatories on the bank accounts. | | | | | |
| 4.23 Does the implementing partner maintain an adequate, up-to-date cashbook, recording cash receipts and payments? | | | | | |
| 4.24 Do controls exist for the collection, timely deposit, and recording of cash receipts at each collection location? Are receipts deposited on a timely basis? | | | | | |
| 4.25 Are bank and cash reconciled on a monthly basis? | | | | | |
| 4.26 Are all unusual items on the bank reconciliation reviewed and approved by a responsible officer? | | | | | |
| <i>Safeguard Over Assets</i> | | | | | |
| 4.27 Is there a system of adequate safeguards to protect assets from fraud, waste or abuse? | | | | | |
| 4.28 Are subsidiary records of fixed assets and inventories kept up to date and reconciled with control accounts? | | | | | |
| 4.29 Are there periodic stock-taking of fixed assets and inventories? | | | | | |
| 4.30 Are assets sufficiently covered by insurance policies? | | | | | |

| Subject Area | Yes | No | N/A | Review | Remarks / Comments |
|--|-----------------|-----------------|-----------------|--------|---|
| <i>Other Offices or Entities</i>² | | | | | |
| 4.31 Are there any other regional offices participating in implementation? | | | | | |
| 4.32 Has the IP established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities? Please describe approval process. | | | | | |
| 4.33 Does information among the different offices/Agencies flow in an accurate and timely fashion? | | | | | |
| 4.34 Are period reconciliations performed among the different offices/Agencies? | | | | | |
| <i>Other</i> | | | | | |
| 4.35 Has the implementing partner advised employees, beneficiaries, and other recipients to whom to report if they suspect fraud, waste, or misuse of Agency resources or property? | | | | | |
| <i>Risk Assessment (Accounting Policies & Procedure)</i> | <i>H</i> | <i>M</i> | <i>L</i> | | <i>Circle assessed risk for Subject Area</i> |
| <i>5. External Audit</i> | | | | | |
| 5.1 Is the IP financial statement audited regularly by an independent auditor? Who is the auditor | | | | | |
| 5.2 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented? If yes, is there a plan to implement these? | | | | | |
| <i>Risk Assessment (External Audit)</i> | <i>H</i> | <i>M</i> | <i>L</i> | | <i>Circle assessed risk for Subject Area</i> |
| <i>6. Reporting and Monitoring</i> | | | | | |
| 6.1 Are timely financial statements prepared for the entity and at what frequency? | | | | | |
| 6.2 Does the system support reporting AWP related expenditures? | | | | | |
| 6.3 Does the reporting system have the capacity to link the | | | | | |

² Other offices or entities refers to sub-offices of the implementing partners and/or respective parties.

| Subject Area | Yes | No | N/A | Review | Remarks / Comments |
|--|-----------------|-----------------|-----------------|---------------|---|
| financial information with the AWP's programme implementation? If separate systems are used to gather the information, what controls are in place to reduce the risk that the programme implementation information is synchronized with the financial information? | | | | | |
| 6.4 Does the IP comply with the financial management reporting requirements within the agreements? | | | | | |
| 6.5 Are financial management reports used by management? | | | | | |
| 6.6 Are financial reports generated by the automated accounting system or are they prepared by spreadsheets or some other means? | | | | | |
| <i>Risk Assessment (Reporting and Monitoring)</i> | <i>H</i> | <i>M</i> | <i>L</i> | | <i>Circle assessed risk for Subject Area</i> |
| <i>7. Information Systems</i> | | | | | |
| 7.1 Is the financial management system computerized? | | | | | |
| 7.2 Are the staff adequately trained to maintain the system? | | | | | |
| 7.3 Does the management organization and processing system safeguard the confidentiality, integrity, and availability of data? | | | | | |
| <i>Risk Assessment (Information Systems)</i> | <i>H</i> | <i>M</i> | <i>L</i> | | <i>Circle assessed risk for Subject Area</i> |

