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## **Section 5. Terms of Reference (TOR)** for “Micro Assessments”, Spot Checks”, “Internal Control Audits”, “Financial Audits”

### within the context of Harmonized Approach to Cash Transfer (HACT) Turkey

The Proposers are strongly encouraged to review the “HACT FRAMEWORK” accessible at the link: <https://unsdg.un.org/resources/harmonized-approach-cash-transfers-framework>, before preparing their proposals.

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## TERMS OF REFERENCE FOR MICRO ASSESSMENTS

This TOR has been developed to guide United Nations agencies, third party 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 third-party 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. The risk rating, along with other available information, is also taken into consideration when selecting the appropriate cash transfer modality for an IP, based on each agency's business model (further detailed in section 8).

### **Timing**

The assessment should be completed (including the site visit) within four weeks of engaging the service provider. The HACT focal point and/or inter-agency coordinator will introduce the service provider and the IP to aid coordination of the site visit.

### **Micro Assessment Procedures/Deliverables**

The third party service provider receives general information regarding the IP and the programme from the HACT focal point and/or the inter-agency coordinator 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 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 third party 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.

### **Qualifications of the Third Party Service Provider**

The third party service provider should be 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.

CVs of all members of the assessment team should be provided and 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.

### **Items to be Provided to the Third Party Service Provider before Fieldwork Begins**

The agency provides the following documentation before starting fieldwork:

- Agency work plan, Common Country Assessment and CPAP, or equivalent;
- Macro assessments previously performed in the country; and
- 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 1. PROGRAMME-SPECIFIC INFORMATION

The following information should be completed at the start of the micro assessment.

<b>Implementing partner name:</b>	
<b>Programme name:</b>	
<b>Programme number:</b>	
<b>Programme background:</b>	
<b>Programme location:</b>	
<b>Programme contact person(s):</b>	
<b>Location of records:</b>	
<b>Currency of records maintained:</b>	
<b>Period of transactions covered by micro assessment:</b>	
<b>Funds received during the period covered by the attestation engagement:</b>	
<b>Expenditures incurred/reported during the period covered by the attestation engagement:</b>	
<b>Intended start date of micro assessment:</b>	
<b>Estimated number of days required for visit to IP:</b>	
<b>Any special requests to be considered during the micro assessment:</b>	
<b>Cash transfer modality used by the IP:</b>	

## ANNEX 2. MICRO ASSESSMENT QUESTIONNAIRE TEMPLATE:

### 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<sup>1</sup> 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
- **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

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<sup>1</sup> Agency work plans can be annual, multi-year, rolling or joint.

- 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 this checklist and assigned an overall risk rating.

**Micro Assessment Questionnaire**

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
<b>1. Implementing partner</b>						
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.  <i>Retain copies of registration documents if available.</i>				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?  <i>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.</i>				The IP does not have any pending legal actions against it.		
<b>Total number of questions in subject area:</b>	5					
<b>Number of questions marked 'N/A' in subject area:</b>						
<b>Total number of applicable questions in subject area:</b>						
<b>Total number of risk points:</b>						

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
<b>Implementing partner overall risk assessment:</b>						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.
<b>2. Funds Flow</b>						
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 country.) If so, does the IP have experience managing foreign exchange risk?				The IP has capacity and experience in managing foreign 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.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
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.		
<b>Total number of questions in subject area:</b>	<b>7</b>					
<b>Number of questions marked 'N/A' in subject area:</b>						
<b>Total number of applicable questions in subject area:</b>						
<b>Total number of risk points:</b>						
<b>Funds flow overall risk assessment:</b>						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.
<b>3. Organizational Structure and Staffing</b>						
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				The organizational structure of the IP's accounting/finance department is appropriate		

reporting and accountability? If so, please describe.  <i>Attach an organization chart if available.</i>				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				The level of posts and competency of staff are		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
department? Identify the staff, including job titles, responsibilities, educational backgrounds and professional experience.  <i>Attach job descriptions and CVs of key accounting/finance staff.</i>				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).		
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				The IP has not had significant turnover in the past five years.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
be a problem? If so, what is the IP doing to address this issue?"						
3.9 Does the IP perform background verification/checks on all new				The IP performs background		

accounting/finance and management positions? If alternative practices for processing new hires are in place, please provide a brief description.				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.						
<b>Total number of questions in subject area:</b>	<b>10</b>					
<b>Number of questions marked 'N/A' in subject area:</b>						
<b>Total number of applicable questions in subject area:</b>						
<b>Total number of risk points:</b>						
<b>Organizational structure and staffing overall risk assessment:</b>						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.
<b>4. Accounting Policies and Procedures</b>						
<b>4a. General</b>						
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				The IP has an accounting system that allows for proper recording of financial transactions from United		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
accordance with the respective components, disbursement categories and sources of funds?				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.		
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.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
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.		

#### **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**

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
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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		
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,		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
				and developed by knowledgeable individuals.		
<b>4d. Payments</b>						
4.18 Do invoice processing procedures provide for: <ul style="list-style-type: none"> <li>Copies of purchase orders and receiving reports to be obtained directly from issuing departments?</li> <li>Comparison of invoice quantities, prices and terms with those indicated on the purchase order and with records of goods actually received?</li> <li>Checking the accuracy of calculations, if any?</li> </ul>				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.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
4.22 Do controls exist for expense categories that do not originate from invoice payments, such as DSA, travel, consultancies?				Controls exist for expense categories that do not originate from invoice payments, such as DSA, travel, consultancies.		
<b>4e. Policies and procedures</b>						
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.		
<b>4f. Cash and banks</b>						
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 significant and unusual reconciling items?				Bank balances and cash ledgers are reconciled monthly and properly approved. Significant and unusual reconciling items are explained.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
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.		
<b>4g. Safeguards for assets</b>						

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.		
<b>4h. Other offices or entities<sup>2</sup></b>						
4.40 Do any other offices/entities participate in implementation? If so, does the IP have policies and				If the IP has other offices/entities participating in implementation, there are		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
process to ensure appropriate oversight and monitoring of implementation?				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.		

<sup>2</sup> This refers to sub-offices of the IPs or other parties.



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.		
<b>4i. Other</b>						
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		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
				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.		
<b>Total number of questions in subject area:</b>	<b>46</b>					
<b>Number of questions marked 'N/A' in subject area:</b>						
<b>Total number of applicable questions in subject area:</b>						
<b>Total number of risk points:</b>						
<b>Accounting policies and procedures overall risk assessment:</b>						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.

<b>5. Internal Audit</b>						
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.		

Subject area	Yes	No	N/A	Low risk consideration	Risk	Remarks/comments
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					points	
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 safeguard assets? If so, please describe.				The IP appears to have strong internal controls to ensure funds are expended for the intended purpose, discourage and prevent improper use of funds, and safeguard assets.		
<b>Total number of questions in subject area:</b>	<b>5</b>					
<b>Number of questions marked 'N/A' in subject area:</b>						
<b>Total number of applicable questions in subject area:</b>						
<b>Total number of risk points:</b>						
<b>Internal audit overall risk assessment:</b>						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.
<b>6. Financial Audit</b>						

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
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.		
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.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
<i>Total number of questions in subject area:</i>	7					
<i>Number of questions marked 'N/A' in subject area:</i>						
<i>Total number of applicable questions in subject area:</i>						
<i>Total number of risk points:</i>						
<i>Financial audit overall risk assessment:</i>						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.
<b>7. Reporting and Monitoring</b>						
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 decisionmaking.		
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				The reporting system has the capacity to link the financial information with the work plan's physical progress.		

that the physical data may not synchronize with the financial data?						
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Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
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 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? <i>Provide the amount of total assets and total liabilities for the current and prior fiscal year.</i>				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?  <i>Provide the amount of total revenues/contributions and total expenditures for the current and prior fiscal year.</i>				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.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
<b>Total number of questions in subject area:</b>	8					
<b>Number of questions marked 'N/A' in subject area:</b>						
<b>Total number of applicable questions in subject area:</b>						
<b>Total number of risk points:</b>						

<b>Reporting and monitoring overall risk assessment:</b>						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.
<b>8. Information Systems</b>						
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.		
<b>Total number of questions in subject area:</b>	5					
<b>Number of questions marked 'N/A' in subject area:</b>						
<b>Total number of applicable questions in subject area:</b>						
<b>Total number of risk points:</b>						
<b>Information systems overall risk assessment:</b>						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.
<b>9. Procurement</b>						
<b>9a. General</b>						
9.1 Has the IP undertaken a procurement exercise with United Nations / World Bank / European Union resources in the past? If so, please describe it.				The IP has undertaken a procurement exercise with UN/WB/EU resources in the past.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
9.2 Has the IP been audited by ECHO and selected as a Framework Partnership Agreement partner as per: <a href="http://ec.europa.eu/echo/files/partners/humanitarian_aid/fp_a_partners.pdf">http://ec.europa.eu/echo/files/partners/humanitarian_aid/fp_a_partners.pdf</a>				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: <a href="http://ec.europa.eu/echo/files/partners/humanitarian_aid/HPC-register_en.pdf">http://ec.europa.eu/echo/files/partners/humanitarian_aid/HPC-register_en.pdf</a>				The IP has been audited by ECHO and selected as a Humanitarian Procurement Centre partner.		
<b>9b. Procurement principles, policies and procedures</b>						
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? <i>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.</i>				The IP has written procurement policies and procedures.		
9.6 Does the IP have a specific code of procurement ethics? <i>Please attach copy of the code.</i>				The IP has a specific code of 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		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
				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				Exceptions to procedures are documented and		

and sent to management for approval? Are the exceptions periodically analysed and corrective actions taken?				sent to management for approval. Exceptions are periodically analysed and corrective actions are taken.		
<b>9c. Internal control system</b>						
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.		
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		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/ comments
				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 with potential suppliers/procurement agents.		
<b>9e. Procurement process</b>						
9.18 Does the IP have a well-defined process for sourcing/prequalification of suppliers? Do formal procurement methods include broadly broadcasting procurement opportunities?  <i>Please attach methodology for the assessment of suppliers.</i>				The IP has a well-defined process for sourcing/prequalifying 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.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/ comments
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 procurement methods (invitation to bid and request for proposal)? What is the composition of public bid opening committees?				The IP conducts public bid 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.		
<b>9f. Awarding of contracts</b>						
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				The IP awards procurement contracts to qualified proposers		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/ comments
proposer whose proposal, all factors considered, is the most responsive to the requirements set forth in the solicitation documentation?				whose proposals, all factors considered, are the most responsive to the requirements set forth in the solicitation process.		
<b>9g. Reporting and monitoring</b>						
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.		
<b>9h. Information system</b>						
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.		
<b>9i. Verification of procurement capacity</b>						
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.		
<b>Subject area</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Low risk consideration</b>	<b>Risk points</b>	<b>Remarks/ comments</b>
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.		
<b>Total number of questions in subject area:</b>	<b>37</b>					
<b>Number of questions marked 'N/A' in subject area:</b>						
<b>Total number of applicable questions in subject area:</b>						
<b>Total number of risk points:</b>						
<b>Procurement overall risk assessment:</b>						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.

### ANNEX 3. SAMPLE MICRO ASSESSMENT PLAN TEMPLATE

The micro assessment plan template, created to assist country offices in planning and scheduling micro assessments of IPs, is based on the following assumptions:

- Programme cycle began 1 January 2014;
- It serves as the plan for one UN Agency and includes the complete listing of that agency's IPs.

The steps for completing the plan are discussed in table 7 below.

IP name	Agency	1 Budgeted programme cycle funding	2 Summary scope of work	Years working with IP	Previous micro assessment	Other assessments (e.g., NEX/NIM audit, HACT audit, etc.)	3 Agency capacity assessment	4 Micro assessment deemed necessary	Priority rating	5 Planned micro assessment date
C	UN1	\$500,000	Promoting prenatal care	2	No	Expenditure audit (NEX/NIM) in 2013 – qualified opinion with various high and moderate risk findings	Yes – performed in 2012 and noted significant findings regarding procurement process	Yes	1	14 February 2014
D	UN1, UN3	\$700,000	Promoting gender equality	3	No	Expenditure audit (NEX/NIM) in 2013 – unqualified opinion with no significant findings	Yes – performed prior to initially working with this IP	Yes	2	14 April 2014
A	1) UN 1, UN 2	2) \$250,000	3) Early childhood programmes and school readiness	4) 7	5) No	6) Expenditure audit (NEX/NIM) in 2013 – unqualified opinion with no significant findings	7) Yes – performed prior to initially working with this IP	8) No	9) N/A	10) N/A
B	11) UN 1	12) \$100,000	13) Reducing the vulnerability of women	14) 1	15) No	16) Expenditure audit (NEX/NIM) in 2013 – unqualified opinion	17) No	18) No	19) N/A	20) N/A

IP name	Agency	1 Budgeted programme cycle funding	2 Summary scope of work	Years working with IP	Previous micro assessment	Other assessments (e.g., NEX/NIM audit, HACT audit, etc.)	3 Agency capacity assessment	4 Micro assessment deemed necessary	5 Priority rating	Planned micro assessment date
			and girls to HIV			with no significant findings				
E	21) UN 1	22) \$50,000	23) Support to police remuneration, infrastructure, and capacity development	24) 2	25) No	26) Expenditure audit (NEX/NIM) in 2013 – unqualified opinion with no significant findings	27) Yes – performed prior to initially working with this IP	28) No	29) N/A	30) N/A
Agency total budgeted programme cycle funding		31) \$1,600,000								

1	Step 1: Populate the micro assessment plan template with the complete listing of agency IPs in the country and sort the data in descending order based on estimated programme cycle funding.
2	<p><i>If exact figures are not available, agencies should estimate based on information such as historical cash transfers and/or planned/budgeted transfers to IPs.</i></p> <p>Step 2: Based on estimated programme cycle funding, identify the IPs that present the greatest risk to the agency based on monetary value.</p> <p><i>Consideration should exclude budgeted programme funding related to agency salaries and benefits, which are the responsibility of the agency.</i></p>
3	<p><i>Example: Agency UN1 has five IPs with the following estimated programme cycle funding during this programme cycle:</i></p> <p>IP 1: \$250,000  IP 2: \$100,000  IP 3: \$500,000  IP 4: \$700,000  IP 5: \$50,000</p> <p>Thus total budgeted programme cycle funding is \$1,600,000.</p> <p>IPs 3 and 4 account for \$1,200,000, or 75%, of the total estimated programme cycle funding.</p>
4	Step 3: Consider other elements included in the micro assessment plan (e.g. negative past assessments, negative audit opinions/findings, lack of previous audit, etc.) for all IPs to identify those that may require an assessment based on agency guidelines.
5	<p>Step 4: Based on the results of Step 2 and 3, determine which IPs require a micro assessment to provide the appropriate level of coverage of the total estimated programme cycle funding as set by the agency.</p> <p><i>Agencies should use judgment in this determination, considering both materiality of funds provided to IPs (Step 2) and severity of other available information (Step 3).</i></p> <p>Step 5: Assign a priority rating and planned assessment date to each IP selected for micro assessment in Step 4.</p> <p><i>Each agency should share its micro assessment plan with other agencies implementing the HACT framework in the country to determine the existence of any shared IPs. In such cases, the lead agency should be determined and planned assessment dates should be coordinated.</i></p>

Agencies should share the agency micro assessment plan with the inter-agency coordinator. The IPs not selected for micro assessment should be designated as 'non-assessed' and agency guidelines should be used to determine necessary assessment and assurance activities during the programme cycle.

## ANNEX 4. AGENCY ASSURANCE PLAN TEMPLATE

### Overview

The agency assurance plan should be continuously updated throughout the programme cycle to reflect the status, necessary changes, results and corrective actions (if any) of planned activities. For ease of management and use, it is suggested to base the plan in Excel. It should contain the following tabs:

1. Cover sheet with summary of assurance plan metrics:
  - Total number of IPs;
  - Total budgeted programme cycle funding;<sup>3</sup>
  - Distribution of risk ratings (per cent of high, significant, moderate and low risk IPs);
  - Distribution of cash transfer modalities (per cent direct cash transfers, reimbursements and direct payments);
2. IP information (as defined below);
3. Planned spot checks and scheduled audits for each programme cycle (as defined below but combined onto one Excel tab); 4. Repeats of #3 for each year of programme cycle;

### IP Information

The information below is specific to the IP and is unlikely to change over the course of the programme cycle.

IP name	Budgeted programme cycle funding	Other agencies	Summary scope of work	Micro assessment date	Risk rating	Cash transfer modality	Notes/ comments

Definitions and use:

1. **IP name:** Name of the implementing partner
2. **Budgeted programme cycle funding:** Total amount of agency-budgeted funding to the IP during the current programme cycle. If total budgeted programme cycle funding is not readily available, agencies should use available information to estimate it, including historical cash transfers and/or planned/budgeted transfers.

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<sup>3</sup> If total budgeted programme cycle funding is not readily available, it should be estimated based on available information, including historical cash transfers and/or planned/budgeted transfers.

3. **Other agencies:** Name and total budgeted programme cycle funding of other agencies that share the IP.
4. **Summary scope of work:** Details of the stated purpose noted in the work plan.<sup>4</sup>
5. **Micro assessment date:** Date of completed or planned micro assessment in the current programme cycle.
6. **Risk rating:** Low, moderate, significant or high, based on framework guidance. The rating should default to high risk if no micro assessment has been performed.
7. **Cash transfer modality:** Direct cash transfers, direct payments or reimbursements.
8. **Notes/comments:** Any other items to be noted (e.g., issues encountered, best practices identified, comments regarding other agencies that share the IP, etc.).

### Spot Check Scheduling

IP name	Total spot check requirement	Total spot checks completed	Spot check			
			Planned date	Actual date	Status	Results

Definitions and use:

1. **IP name:** Name of the implementing partner.
2. **Total spot check requirement:** Total number of spot checks required for the current programme cycle per agency guidance.
3. **Total spot checks completed:** Total number of spot checks completed during the programme cycle.
4. **Planned date:** Date when spot check is planned to be performed. Revise the date if it changes.
5. **Actual date:** Date when spot check was actually performed.
6. **Status:** Status should be indicated by color as follows:

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<sup>4</sup> Agency work plans can be annual, multi-year, rolling or joint.

- Red – The scheduled date has passed and the activity is not complete (plan is behind).
- Yellow – The scheduled date has not yet passed (plan is on track).
- Green – The scheduled date has passed and the activity is underway/complete (plan is on track).

**7. Results:** Summary of the results or outcomes of the assurance activity including any change to the agency assurance plan and work plan as a result.

### Audit Scheduling

IP name	Required frequency	Required audit type	Planned date	Actual date	Status	Results

Definitions and use:

- 1. IP name:** Name of the implementing partner.
- 2. Required frequency:** The audit frequency per agency guidance.
- 3. Required audit type:** Financial or internal control-based audit.
- 4. Planned date:** Date audit is planned to be performed. Revise the date if it changes.
- 5. Actual date:** Date audit was actually performed.
- 6. Status:** Status should be indicated by color as follows:
  - Red – The scheduled date has passed and the activity is not complete (plan is behind).
  - Yellow – The scheduled date has not yet passed (plan is on track).
  - Green – The scheduled date has passed and the activity is underway/complete (plan is on track).
- 7. Results:** Summary of the results or outcomes of the assurance activity including any change to the agency assurance plan and work plan as a result.

## ANNEX 5. GUIDELINES FOR COMPLETING A FACE FORM

This section summarizes the components of a FACE form and guidelines for completing it.

### Header Area

The header area of the FACE form allows the IP to report on the reason for and purpose of the funding/reporting request. This information is required for appropriate coding in the agency's financial and management accounting systems. The specific data elements include:

- Name of the agency
- Date of the request
- Type of request (direct cash transfers, direct payments or reimbursements)
- Country where the programme takes place
- Programme title and code (as appropriate)
- Work plan<sup>5</sup> title and code
- Responsible officer(s)
- IP name
- Currency of the request/disbursement

### Body of the Form

**Activity description:** This text field contains a short description of the activity as it appears in the underlying work plan, as well as its duration. This information is required for the agency's programme or project management systems.

**Coding column:** The second column allows the agency to enter its own account codes. This information is required for the agency's financial accounting system. The agency may enter this data itself or it may require the IP to do so. If the IP is to enter the data, counterpart staff must be trained.

### Reporting Area

The FACE form is a dynamic form that must balance and reconcile from one reporting period to the next. The first column on the new form, Column A, therefore should repeat the last column (Column G) from the previously submitted and authorized FACE form. Note that Columns C, D, F and G are shaded. They are blank when the FACE is submitted to the agency. They are filled out by the agency prior to the financial processing of the form. All non-shaded columns are to be completed by the IP prior to submission.

**Column A – Authorized amount:** Column A will be blank for the first request from an IP. Subsequently it should include the date of the most recent previous authorization.

**Column B – Actual expenditure:** Column B reports the IP's actual expenditures for the period. At this point the expenditures are still subject to review and approval by the agency. The IP's

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<sup>5</sup> Agency work plans can be annual, multi-year, rolling or joint.



designated official certifies that these expenditures are reported in accordance with the stipulation of the work plan, CPAP or equivalent and/or other related agreements with the agency.

**Column C – Expenditures accepted by agency:** The agency uses column C to review and approve, reject or request an amendment to expenditures reported by the IP. If the amounts are accepted as reported, no further adjustments to this part of the FACE form or communication with the IP about these expenditure are required. However, if changes are made (e.g., to query or reject a reported expenditure), the amount recorded by the agency in column C will differ from that reported in column B. In this case, the change needs to be communicated with the IP.

**Column D – Balance:** Column D records the balance of funds authorized for use in the reporting period that remained unspent as of the date of the form. The term ‘unspent’ can also reflect expenditures that are either known or ongoing as of the date of the FACE form, but that cannot be certified by the IP due to timing or internal reporting delays. The outstanding balance of funds authorized by activity can be carried forward, reprogrammed or refunded, depending on the internal policies of each agency.

### **Requests/Authorizations Area**

**Column E – New request period and amount:** Column E determines the period of the new request, which is normally contiguous to the last reporting period. This column contains the requests for the authorization to spend or receive funds, by activity and for that period. Each request for new or additional funds is to be accompanied by an itemized list of expenditures in line with the work plan. This column can also reflect any balance for an activity in column D that is requested for reprogramming. This will reduce the total amount of the new disbursement request accordingly.

**Column F – Authorized amount:** The agency uses column F to establish the amount of funds to be disbursed for the new reporting period, by activity. This column is filled in by the agency. It is used to accept, reject or modify the amounts requested in column E. Any credits for reprogramming will be reflected in this column for reconciliation of the amounts.

**Column G – Outstanding authorized amount:** Column G is the sum of columns D and F, and indicates the total outstanding authorized amount. For subsequent period reporting, the amount of this column will be carried forward to column A of the new FACE form.

### **Certification Area**

The certification area is used by the designated IP official to request funds and certify expenditures. This area requires a date, the signature of the official and his/her title. **‘For**

### **Agency Use Only’ Area**

**Approvals box:** The ‘For all agencies’ box in the lower left corner of the FACE form should be signed by the appropriate agency official. This indicates the request for funds has been reviewed and approved and authorizes recording of the reported expenditures. The official should sign and date the form and provide his/her title.

**Agency-specific coding boxes:** The remainder of the form is used by UNICEF and UNFPA, as indicated, to complete the coding as required by their financial and management accounting systems. This section does not apply to other agencies.

<b>Funding Authorization and Certificate of Expenditures</b>				<b>UN Agency:</b> XXXXXXXXXX				<b>Date:</b> DDMM/YYYY			
Country: XXXXXXXXXXXXXXXXXXXXXXXXXXXX								<b>Type of Request:</b>			
Programme Code & Title: XXXXXXXXXXXXXXXXXXXXXXXXXXXX								<input type="checkbox"/> Direct Cash Transfer (DCT)			
Project Code & Title: XXXXXXXXXXXXXXXXXXXXXXXXXXXX								<input type="checkbox"/> Reimbursement			
Responsible Officer(s): XXXXXXXXXXXXXXXXXXXXXXXXXXXX								<input type="checkbox"/> Direct Payment			
Workplan Code & Title: XXXXXXXXXXXXXXXXXXXXXXXXXXXX											
Implementing Partner Name & Code: XXXXXXXXXXXXXXXXXXXXXXXXXXXX											
Currency: _____											

REPORTING				REQUESTS / AUTHORIZATIONS				
Activity Description from AWP with Duration	Coding for UNDP, UNFPA and WFP	Authorized Amount <small>MMMM YYYY</small> A	Actual Project Expenditure B	Expenditures accepted by Agency C	Balance D = A - C	New Request Period & Amount <small>MMMM YYYY</small> E	Authorized Amount F	Outstanding Authorized Amount G = D + F
XXXXXXXXXXXXXXXXXXXXXXXXXXXX (MM/YYYY - MM/YYYY)								
XXXXXXXXXXXXXXXXXXXXXXXXXXXX (MM/YYYY - MM/YYYY)								
XXXXXXXXXXXXXXXXXXXXXXXXXXXX (MM/YYYY - MM/YYYY)								
Total			0	0	0	0	0	0

**CERTIFICATION**

The undersigned authorized officer of the above-mentioned implementing institution hereby certifies that:

☐ The funding request shown above represents estimated expenditures as per AWP and itemized cost estimates attached.

☐ The actual expenditures for the period stated herein has been disbursed in accordance with the AWP and request with itemized cost estimates. The detailed accounting documents for these expenditures can be made available for examination, when required, for the period of five years from the date of the provision of funds.

Date Submitted: _____	Name: _____	Title: _____	
NOTES: * Shaded areas to be completed by the UN Agency and non-shaded areas to be completed by the counterpart.			

FOR ALL AGENCIES	FOR UNICEF USE ONLY	FOR UNFPA USE ONLY	
Approved by: _____  Name: _____  Title: _____  Date: _____	Account Charges Cash Transfer Reference: <small>P/C ref. no. / P document ref. no.</small>  GL codes: Training                0 Travel                  0 Meetings & Conferences      0 Other Cash Transfers         0 Total                        0	Liquidation Information DCT Reference: <small>P/C ref. no. / Liquidation ref. no.</small>  DCT Amount                0 Less: Liquidation Amount        0 Balance                      0	New Funding Release  Activity 1                      0 Activity 2                      0  Total                            0

## ANNEX 7. ASSURANCE MONITORING DASHBOARD

Prepared as of the month ending: \_\_\_\_\_

Agency name: \_\_\_\_\_

Country: \_\_\_\_\_

Prepared by: \_\_\_\_\_

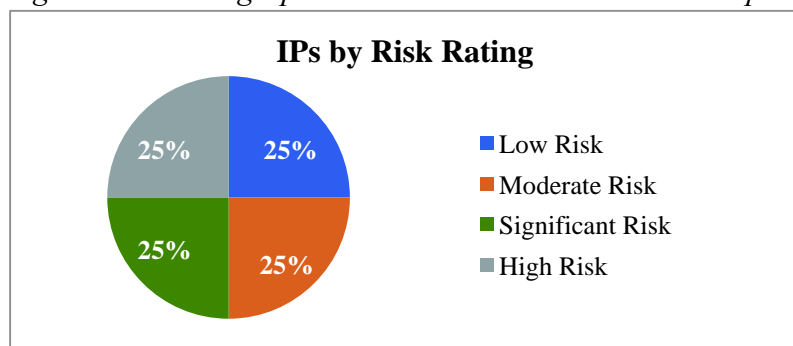
Implementation year: \_\_\_\_\_

Programme cycle: \_\_\_\_\_

Total number of IPs: \_\_\_\_\_

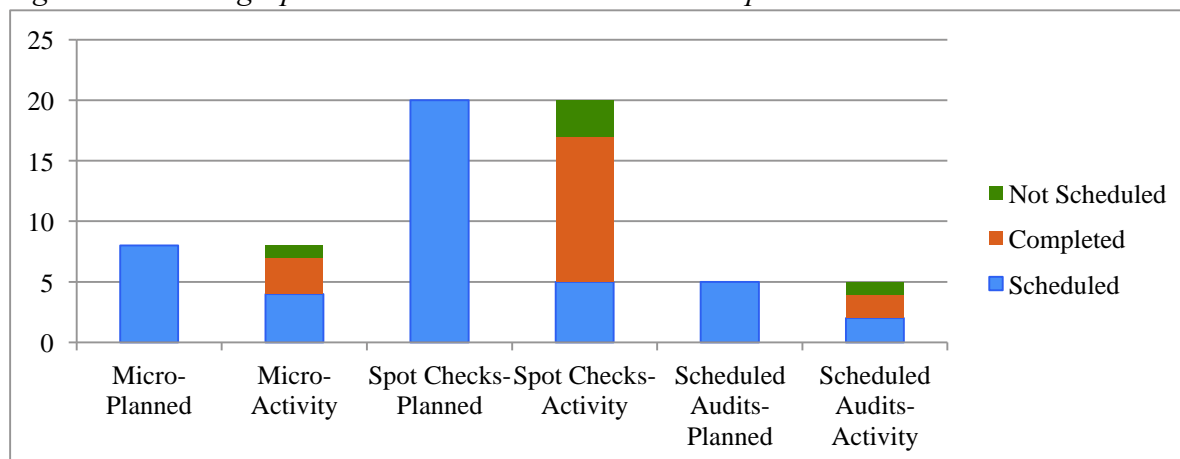
### **Concentration of IP by risk rating:**

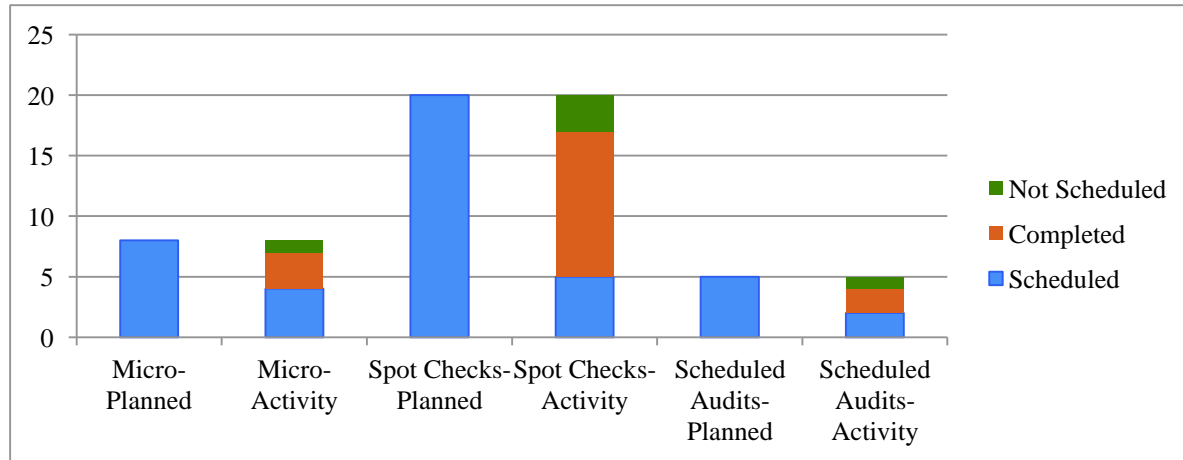
*Right click on the graph below and select 'Edit Data' to update*



### **Year-to-date assurance activities status:**

*Right click on the graph below and select 'Edit Data' to update*





**Comments:**

# TERMS OF REFERENCE FOR SPOT CHECKS

This TOR was developed to guide United Nations agencies, third party 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 a third party service provider to prepare a report on factual findings based on specific, agreed-upon procedures performed. As the third party 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, status of the programme 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 prior to the start of the spot check.

1. Compare documentation obtained describing the IP's financial management internal controls against the most recent micro assessment from the corresponding programme cycle. Document any changes or inconsistencies.
2. 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.
3. Obtain a listing of all programme-related expenditures during the **XX** month period ended **(date)** for the agreed-upon procedures engagement and perform the following:
  - Randomly select a sample of expenditures amounting to a certain percentage of total expenditures. (The percentage is to be determined by each agency relative to its needs and requirements.) 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.<sup>6</sup>
  - 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.
  - Verify that supporting documents are stamped 'PAID from XXX grant', 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).
4. 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**

1. The third party service provider prepares a standard agreed-upon procedures report in accordance with the applicable standards, which includes:
  - Enumeration of the agreed-upon procedures performed and a summary of corresponding factual findings;
  - A statement indicating that the report is intended solely for the information and use of the specified parties;
  - Identification of the specific parties to whom use is restricted;
  - A statement that the report is not intended to be and should not be used by anyone other than the specified parties; and
  - A statement that the scope of agreed-upon procedures does not provide the same level of assurance as that of an audit or review.

A report template following ISRS 4400 is included in Annex 2.

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<sup>6</sup> Agency work plans can be annual, multi-year, rolling or joint.

2. The third party service provider prepares a spot check work plan detailing work performed. A template is provided in Annex 3.

### **Qualifications of the Third 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 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.

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

CVs of all members of the assessment team should be provided. They should include details on agreed-upon procedures carried out by the relevant staff, including ongoing assignments indicating responsibilities assumed by them, and their qualifications and experience in undertaking agreed-upon procedures.

United Nations and agency-specific (if any) procurement policies should apply in procurement of third party service providers.

### **Items to be Provided to the Third Party Service Provider before Starting Fieldwork**

The agency provides the following documentation in advance of starting fieldwork:

- Work plan and any progress reports submitted during the year;
- A list of the IP’s individual transactions (i.e., accounting records), including a summary of the disbursements and FACE forms submitted during the period selected for assessment; and
- A list of findings of the IP’s micro assessment, 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 third party service provider should review the information received and provide the IP with a list of requested documents in advance of any site visits.

## **ANNEX 1. PROGRAMME-SPECIFIC INFORMATION**

The following information should be completed by the agency country office and be provided to the third party service provider prior to the site visit.

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



## 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 programme disbursements related to (insert programme name and number) as at (for the XX month period ended) (date), set forth in the accompanying management letter. 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. Compare documentation obtained describing the IP's financial management internal controls against the most recent micro assessment from the corresponding programme cycle. Document any changes or inconsistencies.
2. 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.
3. Obtain a listing of all programme related expenditures during the XX month period ended (date) for the agreed-upon procedures engagement and perform the following:
  - Randomly select a sample of expenditures amounting to a certain percentage of total expenditures. The percentage to be determined by each agency in relation to their needs and requirements. 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.
    - 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', 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).

4. 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 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).

(d) With respect to item 4 we found (provide details of findings).

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 programme disbursements as of (for the XX month period ended) (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 EXAMPLE

### Spot Check Work Plan

*This is a minimum required template. It may be modified by agencies.*

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

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

	Procedure	Findings
1	Compare documentation obtained describing the IP's financial management internal controls against the most recent micro assessment from the corresponding programme cycle.  Document any changes or inconsistencies identified.	
2	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:** Complete the following table for details related to each sample

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)	Activity is related to expenditure in accordance with work plan? (Y/N)	Expenditure has been reviewed and approved in accordance with IP's applicable rules and procedures and agreements with the agency? (Y/N)	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? (Y/N)	FACE form was submitted consistent with the periodicity of disbursement requirement in the HACT framework (within two weeks)? (Y/N)	Price paid for goods or services against United Nations agreed standard rates (if readily available )	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)									

## TERMS OF REFERENCE FOR MANAGEMENT LETTER

This TOR was developed to guide United Nations agencies, third party 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 spot check or audit engagement.

Preparation of a management letter is not a stand-alone engagement; it should be prepared as part of an engagement that provides a report (e.g. audit report or agreed-upon procedures). A management letter is an additional deliverable and incurs an additional cost to the agency.

### **Standards**

The management letter is to be prepared in accordance with the 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 should include 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 third party service provider's observations and recommendations.

*See Annex 2 for a template of a management letter related to a financial audit engagement. This template can be modified for use with a spot check or internal control-based audit.*

#### **Qualifications of Third Party Service Provider**

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

CVs of all members of the engagement team should be provided to the contracting agency. The CVs should include details on relevant engagements carried out by the engagement team, including ongoing assignments indicating responsibilities assumed, relevant professional qualifications and experience in undertaking engagements of similar size and nature.

United Nations (and agency-specific, if any) procurement policies should be used for procurement of third party service providers.

## ANNEX 1. PROGRAMME-SPECIFIC INFORMATION

The following information should be completed by the agency and provided to the third party service provider at the start of the engagement.

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

## **ANNEX 2. MANAGEMENT LETTER TEMPLATE IN ACCORDANCE WITH IPPF**

*This template is prepared for use with a financial audit engagement, but it can be updated for use with a spot check or internal control-based audit.*

### **Contents**

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

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 engagement name] office in XXX project for their full cooperation during the engagement.

## 3. 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
<b>Satisfactory</b>	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.
<b>Partially satisfactory</b>	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.
<b>Unsatisfactory</b>	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
<b>High</b>	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).
<b>Medium</b>	Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).

<b>Low</b>	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:

1. Recommendation number
2. Recommendation
3. Management reply
4. Priority
5. Cause
6. Area
7. Further comments of attestation
8. Responsible manager
9. Expected completion date
10. 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									

# TERMS OF REFERENCE FOR INTERNAL CONTROL AUDIT

This TOR has been developed to guide United Nations agencies, third party 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 third party 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 agency agreement needs. The third party 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;<sup>7</sup> and
- Expenditures supported by documentation consistent with IP policies and procedures and the HACT framework

(b) Procurement/contracting of supplies and services. The third party service provider should detail whether:

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<sup>7</sup> Agency work plans can be annual, multi-year, rolling or joint.

- 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 third party service provider should ensure that:
- 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 third party 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 with 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. 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) Randomly select a sample of expenditures amounting to a certain percentage of total expenditures during the period under audit.
  - (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 XXX grant', 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 third party 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.

### **Qualifications of the Third 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 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.

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

CVs of all members of the assessment team should be provided. They should include details on engagements carried out by the relevant staff, including ongoing assignments indicating responsibilities assumed by them, and their qualifications and experience in undertaking agreed-upon procedures.

United Nations and agency-specific procurement policies (if any) should be used for procurement of third party service providers.

### **Items to be Provided to the Third Party Service Provider in Advance**

Before the field work begins, the agency provides the third party service provider with the following documentation:

- Work plan and any progress reports submitted during the year;
- Signed combined delivery report (CDR), or agency equivalent;
- The FACE forms included in the CDR (or agency equivalent), duly certified as to their accuracy and completeness;
- The direct payment requests authorized by the IP and included in the CDR (or agency equivalent); and
- Previous audit reports and other relevant assessments (e.g. micro assessment).

To ensure efficiency, the third party service provider should review the information received and provide the IP with a list of requested documents in advance of any site visit(s).

## ANNEX 1. PROGRAMME-SPECIFIC INFORMATION

The following information should be completed by the agency and provided to the third party service provider at the start of the engagement.

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

## 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;<sup>8</sup>
- 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

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<sup>8</sup> Agency work Plan (WP) can be annual, multi-year, rolling or joint.



- 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 with agency requirements.

(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) Randomly select a sample of expenditures amounting to a certain percentage of total expenditures during period under review. The percentage is to be determined by each agency relative to its needs and requirements. Provide a detailed listing of expenditures selected as samples.

(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 XXX grant', indicating which agency funded the transaction.

- Verify that submission of the FACE form was consistent with the periodicity-ofdisbursement 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

## 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<sup>9</sup> 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".

### **Scope of the Audit**

The scope of the audit must be sufficiently clear and properly define what is expected of the

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<sup>9</sup> 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.

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<sup>10</sup>.
- 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 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.

### **Management Letter**

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

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<sup>10</sup> This scope limitation is not a valid reason for the auditors to issue a qualified audit opinion on the statement of expenses.

- a. General review of the project(s)' progress and timeliness in relation to progress milestones and the planned completion date<sup>11</sup>;
- 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 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.

### **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**

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<sup>11</sup> This is not a programmatic evaluation. Programmatic evaluation will be conducted separately based on participating UN agency's programmatic guidelines and procedures.

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 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 so 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