

Harmonized Approach to Cash Transfer (HACT) FRAMEWORK



United Nations Development Group

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ACRONYMS

ADB	Asian Development Bank
CIDA	Canadian International Development Agency
CPAP	Country programme action plan
CV	Curriculum vitae
DFID	UK Department for International Development
EU	European Union
FACE	Funding authorization and certificate of expenditures
HACT	Harmonized approach to cash transfers
HACT AC	UNDG HACT Advisory Committee
IMF	International Monetary Fund
IP	Implementing partner
IPPF	Institute of Internal Auditors' International Professional Practices Framework
ISRS	International Standards on Related Services
NEX	National execution
NIM	National implementation
PFM	Public financial management
SAI	Supreme audit institution
TOR	Terms of reference
UN DOCO	United Nations Development Operations Coordination Office
UNCT	United Nations country team
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
WB	World Bank
WFP	World Food Programme

1. ABOUT THE HACT FRAMEWORK

- 1.1 This document represents the second version of the Harmonized Approach to Cash Transfers (HACT) framework and supersedes the previous framework, adopted in 2005. This version was developed under the leadership of the inter-agency HACT Advisory Committee at the Headquarters of the United Nations (HQ) and its member agencies with the objective of:
- Improving the effectiveness of the framework;
 - Streamlining agency practices and reduce burden on implementing partners (IPs) and agencies;
 - Clarifying guidelines or developing additional guidelines to support consistent implementation of the framework; and
 - Addressing issues and recommendations identified in recent assessments of the HACT framework prepared by various United Nations agencies.¹
- 1.2 This framework provides an outline of the principles and implementing processes that have been agreed upon by the member agencies of the HACT Advisory Committee. The agencies implementing the framework should adhere to it, and the principles and processes are to be incorporated into agency-specific guidance. Agencies may decide to modify elements of the framework within the agreed principles and processes. In particular, materiality thresholds to determine selection for assessment, assurance activities, audit findings and transaction sampling may be set by the agencies according to their business models.
- 1.3 The key elements of this revisions of the HACT framework are:
- HACT as a risk-based management approach is reconfirmed, whether or not several agencies share an implementing partner;
 - HACT is to be the sole framework applied by the adopting agencies when transferring cash to IPs. It applies in every country and context based on their respective risk profiles. Emphasis is on standardizing the way United Nations agencies work with IPs to reduce transaction costs while ensuring joint operationalization with respect to country macro assessments as well as assessments and audits of shared partners. Joint operationalization is particularly critical in supporting ‘Delivering as One’ in view of the requirements of the quadrennial comprehensive policy review (QCPR);
 - The agreed principles and processes will be mainstreamed into the adopting agencies’ guidelines, which are aligned with the revised HACT framework with due consideration for the specificity of each agency’s business model and business processes;

¹ Assessments performed include: *HACT Global Assessment* (December 2011) and the *Joint Audit of the Governance Arrangement for the Harmonized Approach to Cash Transfers (HACT)* (November 2012).

- Accountability and responsibility for applying these procedures and monitoring application lies with each agency. They are promoted and coordinated by the Resident Coordinator with oversight at HQ level.
- 1.4 Further clarification is provided on assurance planning. Financial audit will be added to the menu of assurance activities for higher-risk IPs, while internal control audit will apply to lower-risk IPs and spot checks and programmatic monitoring will apply to all IPs, as per agency procedures.

2. SUMMARY AND RATIONALE

- 2.1 The HACT framework was first adopted in 2005 by UNDP, UNICEF, UNFPA and WFP,² pursuant to United Nations General Assembly Resolution 56/201 on the triennial policy review of operational activities for development of the United Nations system. The HACT framework represents a common operational (harmonized) framework for transferring cash to government and non-governmental IPs, irrespective of whether these partners work with one or multiple United Nation agencies. The objective of the HACT framework is to support a closer alignment of development aid with national priorities and to strengthen national capacities for management and accountability, with the ultimate objective of gradually shifting to national systems. It is understood that ‘harmonized’ in the context of the HACT framework refers to agencies implementing a common operational framework using the same, consistent, standardized approach and tools.
- 2.2 The HACT framework represents a shift from assurance for cash transfers derived from project level controls and audits towards a method of assurance derived from risk/system-based assessments and audits.

² These agencies were then referred to as the United Nations Development Group Executive Committee agencies. As WFP primarily distributes goods through execution of its mission rather than cash, the HACT framework is not necessary for WFP at this time.

3. APPLICABILITY OF THE FRAMEWORK

3.1 The HACT framework applies to UNDP, UNFPA and UNICEF in all situations, including in emergency, crisis and post-conflict countries. Other United Nations agencies and inter-agency programmes³ may adopt the revised framework based on its applicability to their rules, policies and business models. The decision to adopt it should be taken with consideration of the implications for that agency, based on answers to the following questions:

- Does the agency provide cash transfers to IPs? If not, the HACT framework does not apply.
- Is the agency's programme cycle of sufficient duration to allow for application of all the components of the HACT framework? (For example, if programme cycles are typically only one year, it may not be effective for the agency to implement the framework.)
- Are IPs shared with other agencies that have adopted the HACT framework? While the framework is designed to apply to all IPs, not just those that are shared by more than one agency, there are clearly benefits to the IP if all agencies with whom they are actively engaged are using the same standardized approach.
- Does the agency have the staff capacity to implement the HACT framework?
- Does the agency have the resources to engage the necessary third party service providers for the various assurance activities required by the HACT framework?

3.2 Once an agency has decided to adopt the HACT framework, it should leverage the experience and knowledge of agencies that have successfully implemented it. Some agencies may require a transition period to fully roll out the framework. The framework's guidance is incorporated into agency-specific policies and procedures to ensure a standard approach to managing cash transfers to its IPs, and each agency will communicate this guidance as part of the roll-out process.

3.3 The HACT framework does not require approval from the government in the country in which the IP operates.

³ For example, the United Nations collaborative programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD).

4. DEFINITION OF KEY TERMS

- 4.1 **Harmonized:** Harmonized in the context of the HACT framework refers to agencies implementing a common operational framework using the same, consistent, standardized approach and tools. Harmonized does not necessarily imply a joint approach between agencies for all components of the HACT framework. Agencies should set thresholds as necessary for their own business models.
- 4.2 **Implementing partner:** The IP is the entity responsible and accountable for ensuring proper use of agency-provided resources and implementation and management of the intended programme as defined in the work plan.⁴ Possible IPs include:
- Government institutions;
 - Inter-governmental organizations; and
 - Eligible civil society organizations, including non-governmental organizations. Eligible civil society organizations are those that are legally registered (if required) in the country where they operate; and
 - Other eligible United Nations agencies.⁵
- 4.3 The IP is typically the organization that signs the agency's work plan. However, the organization that signs the work plan may primarily serve in a coordination role and further delegate responsibility for implementation and management of the programme to other departments or organizations. It is the agency's responsibility to assess the work plan and related organizations to properly identify the IP.
- 4.4 **Capacity development:** Capacity development is a central part of the HACT vision and is a core component of managing risk, rather than just assessing it. Identification of capacity gaps in IPs and plans to address them (either through direct assistance by the country team or through other development partners) must be an element of implementation. All agencies should take serious steps to embed actions to address capacity gaps within their approach to implementing the HACT framework. It is acknowledged that agencies will focus their resources on their key thematic and mandated areas of development; however, financial management capacity is a cross-cutting, underlying capacity necessary for any IP to effectively contribute to achievement of the shared result.
- 4.5 Capacity development work can take place at two levels:
- National level, usually led by other development partners such as the World Bank;
 - IP level, which can be provided through activities targeted to improve specific gaps in financial management capacity and/or through close collaboration with United

⁴ Agency work plans can be annual, multi-year, rolling or joint. (They were previously referred to as the annual work plan).

⁵ Although other eligible UN agencies can serve as IPs, due to the single audit principle, the HACT framework does not apply to these partnerships.

Nations agency staff during programme implementation, thereby developing capacity indirectly.

- 4.6 Capacity development is key to achieving the HACT objective of promoting national ownership. However, United Nations agencies do not necessarily have the mandate or capacity to respond effectively to the capacity development needs of partners with respect to financial management. For this reason, agency guidelines must be used to determine the level of capacity development activities undertaken by each country office.
- 4.7 The HACT framework can also support wider capacity development efforts by:
- Having United Nations staff with skills in financial management, assurance and oversight activities communicate expectations and requirements to partners, which helps establish a common understanding of financial management expectations in the United Nations system; and
 - Providing incentives for IPs to pursue capacity development efforts with other development partners or private providers. The HACT framework ‘rewards’ IPs with strong financial management capabilities by reducing the amount of assurance activities required, through decreased risk ratings. Therefore, even if United Nations agencies are not the direct providers of capacity development activities, the HACT framework supports and complements this longer term aspiration. Additionally, the HACT framework may support an IP’s reputation for transparent, efficient and effective management of funds, thereby encouraging investments by other development partners and the government.

5. GUIDANCE FOR SHARED IMPLEMENTING PARTNERS

- 5.1 Where agencies share an IP, they are required to work together to ensure an appropriate balance between the agency’s assurance requirements and the burden of oversight and assurance on the IP. For shared IPs, agencies identify a lead agency for purposes of managing the micro assessment and audit processes. The lead agency should be the one that is responsible for more of the funding being provided to the IP (relative to each agency’s overall country programme cycle budget), and the one that has sufficient internal capacity.
- 5.2 All agencies are responsible for including the assurance activities planned relative to a shared IP in their agency assurance plans (see section 9) and micro assessment plans (see section 7). The lead agency is responsible for ensuring the micro assessment and audits are executed as planned on behalf of all agencies. The results of assurance activities are shared and discussed with all agencies providing funding to the shared IP, and opportunities are provided to share insights on the IP, based on each agency’s working relationship and observations. All agencies providing funding to the shared IP will provide input regarding the overall IP risk rating and planned assurance activities. The responsibilities for shared assurance activities are summarized in table 1.

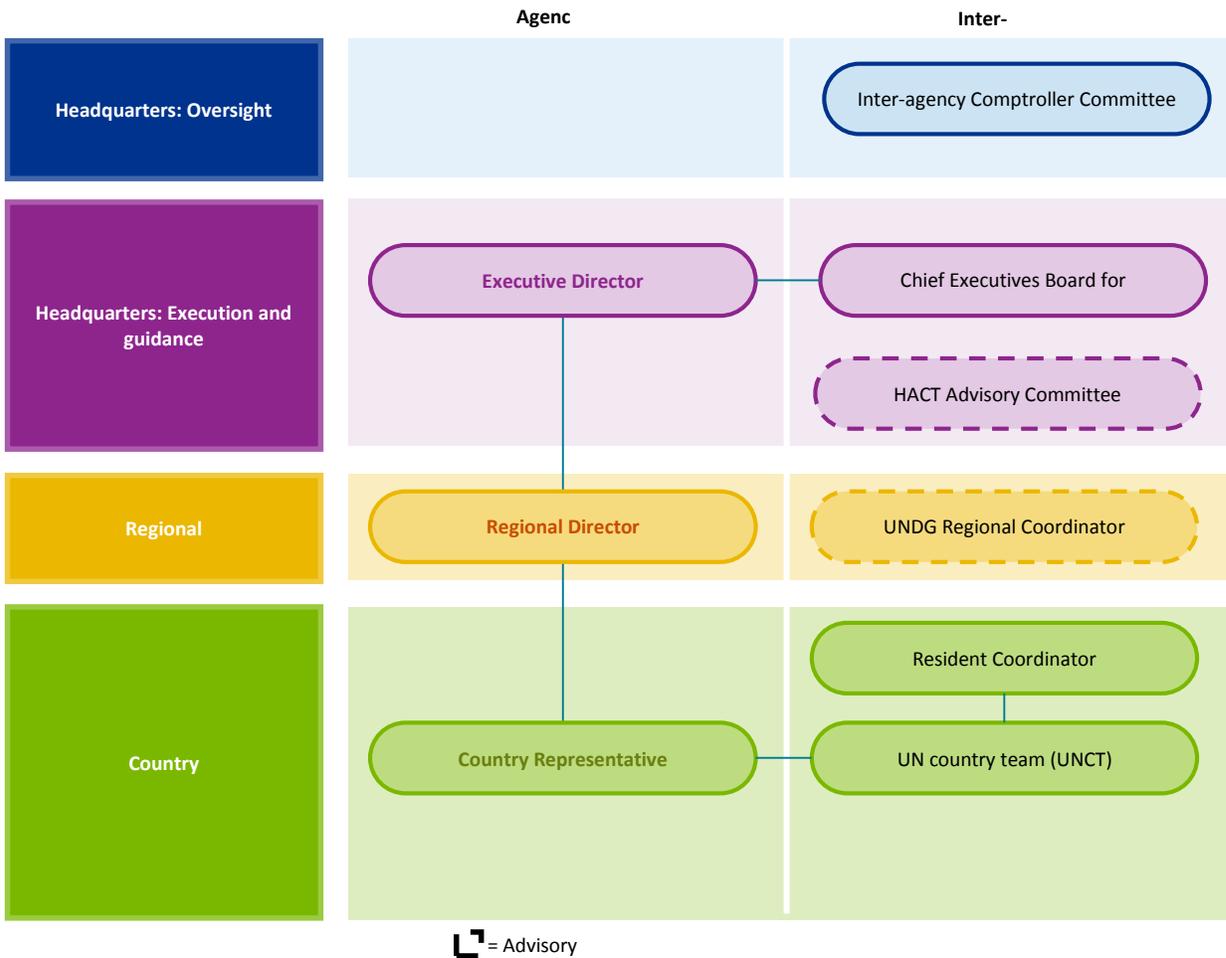
Table 1. Responsibilities for Shared Assessments and Assurance Activities

Activity	Responsibility
Assurance planning/scoping	All agencies
Managing micro assessments and audits	Lead agency
Executing other assurance activities	All agencies
Review of results and agreement on next steps	All agencies

6. GOVERNANCE AND ACCOUNTABILITY

6.1 The key roles and responsibilities in implementing the HACT framework are provided in figure 1 and further described throughout this document.

Figure 1. Roles and Responsibilities in Implementing the HACT Framework



Headquarters Level

Inter-agency Oversight

6.2 The primary inter-agency oversight body is the Inter-agency Comptroller Committee. This body performs the following activities:

- (a) Resolves emerging issues not addressed by the revised HACT framework that relate to shared IPs and/or shared segments of the HACT framework;
- (b) Resolves HACT issues not resolved by the United Nations country team (UNCT) (which have thus been escalated), especially pertaining to fiduciary and reputational issues of the United Nations system; and

- (c) Resolves HACT joint audit issues requiring action at the United Nations system level.
- 6.3 This body is composed of the comptrollers from UNFPA, UNICEF and UNDP, as regular members, and from one specialized agency, on a rotational basis. This body meets based on requests from UNCTs and/or from agency HQ focal points who may identify substantive issues emerging from agency-specific monitoring. The detailed modus operandi of this body are established by this body.

HACT Advisory Committee

- 6.4 The primary inter-agency mechanism for the HACT framework at HQ level is the HACT Advisory Committee. It serves in an advisory capacity only, providing inter-agency policy advice, technical guidance and support to agencies implementing the HACT framework. The committee consists of individuals from finance and programme units from the various agencies.

Inter-agency Monitoring

- 6.5 The United Nations Development Operations Coordination Office (DOCOCO) is the technical support unit for the United Nations Development Group (UNDG), which provides the link between UNDG discussions at HQ and the work of the United Nations development system at country level. DOCOCO's work focuses on supporting and strengthening the Resident Coordinator system with funding, policy guidance and training.
- 6.6 In terms of the HACT framework, DOCOCO provides annual monitoring of HACT implementation at an aggregate agency level on behalf of UNDG by consolidating information reported to it by the respective agencies. Results of this monitoring are reported to the HACT Advisory Committee so its members can analyse trends and patterns relevant to implementation and provide direction to address challenges associated with achieving full implementation. This analysis must also be validated by the agencies.

HQ-level Agency Accountability

- 6.7 Each agency implementing the HACT framework is accountable for implementing required components, such as assessments and assurance activities.
- 6.8 Agency executive directors/administrators are responsible for identifying an appropriate mechanism, such as executive management team meetings, for receiving updates on agency-specific HACT implementation efforts and any issues arising, in particular where there may be variances between HACT and agency-specific operating models.

Agency HQ focal point

- 6.9 Agencies designate an agency HQ focal point, which may be one person globally or one person per region, as decided by each agency. These individuals are members of the HACT Advisory Committee.
- 6.10 The primary focal point responsibility is systematic monitoring of country office implementation of the HACT framework. The focal point becomes a reference point for

county offices, providing guidance and technical support. He or she also identifies implementation issues that may need to be raised with the comptroller, agency leadership and/or HACT Advisory Committee.

- 6.11 Where IPs are shared and agencies perform activities together, the agency HQ focal points from each agency work together to ensure that activities at country level are appropriate.

Country Level

Country Level Inter-Agency Accountability

Resident Coordinator

- 6.12 The Resident Coordinator is not directly accountable for the funds disbursed by each agency; this remains within the purview of the Country Representatives. However, the Resident Coordinator is responsible for:
- Supporting agencies implementing the HACT framework, for example, by promoting the benefits of the framework with IPs and government officials;
 - Encouraging agencies to coordinate activities where there are shared IPs and creating a working environment that helps agencies to identify and plan for coordinated activities; and
 - Coordinating the development of the macro assessment, with the support of United Nations agencies, and regularly reviewing the status of HACT implementation.

HACT Working Group

- 6.13 Each country is strongly encouraged to establish a HACT working group, which is a sub-group of the UNCT, comprised of operations and programme staff from each participating agency. The working group should meet regularly and be responsible for planning and facilitating the implementation of the HACT framework in the country. Specific duties may include:
- Preparing the work plan and budget of the HACT working group;
 - Reviewing annual agency assurance plans;
 - Planning periodic trainings for agency and IP staff regarding the HACT framework;
 - Advising on risk management approaches in implementing HACT;
 - Monitoring implementation;
 - Developing a central repository of all HACT assessments, reports and materials; and
 - Sharing lessons learned and best practices.
- 6.14 The participation of IPs in the HACT working group, noted as a current practice in some countries, has been seen as a way to promote national ownership and increase capacity, as it helps IPs to understand the expectations and requirements of the HACT framework.

HACT inter-agency coordinator

- 6.15 Designation of a HACT inter-agency coordinator for implementation of the HACT framework is strongly recommended. This person’s primary role is to identify, encourage and facilitate shared assurance activities where possible. She or he also supports agencies in discussing the benefits and approach of the HACT framework with IPs. The inter-agency coordinator is responsible for data collection and coordination across agencies and for maintaining consolidated records. These include the list of country IPs, planned and actual cash transfers, cash transfer modality data, assessment results and assurance plans and results. The coordinator is also responsible for ensuring that agencies post their agency assurance plans and related information on a shared site available for HQ monitoring. Additionally, the HACT inter-agency coordinator provides secretarial support for the HACT Working Group.
- 6.16 The responsibilities may be added to an existing position if the role is not seen as requiring a full-time commitment. One of the HACT focal points in the country may be able to assume this role. Each agency is responsible for establishing this role.

Country Level Agency Accountability

Country Representative

- 6.17 Each agency Country Representative has primary responsibility and accountability for implementation of the HACT framework at country level. Each is also accountable for all funds disbursed by their agency in that country. Where agencies have shared IPs, the Country Representative remains ultimately accountable for the assurance of cash transfers by their agency to the IPs. Country Representatives also report to their agencies on implementation of HACT processes such as assessments and assurance activities. This can be guided by the metrics shown in table 2.

Table 2. Metrics for Implementation of HACT Processes

Implementation area	Metric
Assessments	Macro assessment has been completed. ⁶
	Micro assessments, deemed necessary through micro assessment planning, have been completed or high risk has been assumed.
Assurance	Agency assurance plan has been completed and implementation is on track. Adjustments to the plan have been documented as necessary and at least annually.
	For shared IPs, planned assurance activities have been detailed in the agency assurance plan and implementation is on track. Adjustments to the plan have been documented as necessary.
Capacity development	Capacity development has been completed as required and communicated by agency HQ.

⁶ Refer to para 7.7 for the case when a macro assessment has not yet been completed.

Agency HACT focal point

- 6.18 Each agency identifies a HACT focal point, who serves as the key point of contact for HACT implementation in the agency. This person is responsible for managing or supporting HACT activities and arising issues, according to agency office structure. This role may be suitable for an existing position and may not necessarily require a full-time commitment; this is decided by each agency.
- 6.19 The HACT focal point is also responsible for working with the HACT inter-agency coordinator (discussed below) to share information as necessary for effective coordination and to develop best practices at country level.

Agency programme staff

- 6.20 Effective implementation of the HACT framework requires consideration of HACT as part of regular programme planning and monitoring activities. It is important to embed HACT activities in agency programmatic activities, such as by combining financial monitoring procedures with programmatic monitoring activities. This will minimize the burden on IPs and achieve the most efficient use of resources.
- 6.21 Equally, agency programme staff are an important part of the capacity assessment process. Programme staff observations about the IP's activities should be considered throughout the programme cycle and should inform assurance activities, leading to adjustments if necessary.

Regional Level Agency Accountability

- 6.22 Where regional offices are providing cash transfers directly to IPs, regional offices are accountable for those transfers and the HACT framework applies. The roles and responsibilities of regional offices with respect to oversight of the HACT framework implementation by country offices is decided by each agency.
- 6.23 HACT accountabilities are summarized in table 3.

Table 3. HACT Accountabilities

	Country	Regional	Headquarters
Agency	Country Representatives	Decided by each agency	Executive Directors/Administrators
Inter-Agency	Country Representatives for shared IPs		Executive Directors/Administrators

7. HACT PROCESSES: CAPACITY ASSESSMENTS

- 7.1 The HACT framework consists of four processes: (1) macro assessments and (2) micro assessments, both detailed in this section; (3) cash transfers and disbursements, described in section 8; and (4) assurance activities, covered in section 9. Assurance activities include planning, periodic on-site reviews (spot checks), programmatic monitoring, scheduled audits and special audits.

Macro Assessment

Purpose

- 7.2 To ensure adequate awareness of the public financial management (PFM) environment within which agencies provide cash transfers to IPs, a desk review of assessments of the PFM system is conducted. In the HACT framework PFM is broadly defined to include a range of considerations for operating in the country. It is not limited solely to the financial environment but also includes national procurement capacity, exchange rate volatility, presence of informal/black markets, etc. This assessment is called a macro assessment.
- 7.3 The two primary outputs of the macro assessment are:
- (a) An outline of risks related to the use of the PFM for cash transfers to government IPs within the country (individual IP risk is determined through the micro assessment), as well as other country-specific knowledge for non-governmental IPs, such as environmental conditions, exchange rate volatility, presence of black markets, etc.; and
 - (b) A determination on whether the government's supreme audit institution (SAI) has the capacity to undertake the scheduled and special audits of government IPs.
- 7.4 Typical sources of PFM assessments include:

World Bank

- Country financial accountability assessment, which varies in format and presentation;
- Public expenditure review, which analyses a country's fiscal position, expenditure policies and public expenditure management systems;
- Country procurement assessment review, which reviews public procurement institutions and practices;
- Institutional and governance review, which reviews the quality of accountability, policymaking and service delivery institutions; and
- Capacity Assessment of Heavily Indebted Poor Country PFM, done jointly with the International Monetary Fund (IMF), which covers some of the same issues as a country financial accountability assessment.

Assessments by other institutions

- Fiscal transparency review, undertaken by the IMF, which uses the code of good practices on fiscal transparency adopted by the IMF in 1998;
- Diagnostic study of accounting and auditing, undertaken by the Asian Development Bank;
- Ex-ante audits of PFM systems, undertaken by the European Commission;
- Assessments by CIDA, DFID, EU, ADB and other agencies; and
- Public expenditure and financial accountability, performed by the WB, European Commission, DFID, Swiss State Secretariat for Economic Affairs, French Ministry of Foreign Affairs, Royal Norwegian Ministry of Foreign Affairs and IMF.

7.5 Agencies may wish to contact the World Bank at the outset of the macro assessment to develop an initial list of assessments conducted by the Bank and others that may be available for the third party service provider.

7.6 Authorization from the government is not necessary to complete a macro assessment, as no original data collection is performed. The assessment is commissioned by the Resident Coordinator on behalf of the UNCT, managed by the inter-agency coordinator (or similar function) and performed by a third party service provider. Where appropriate, the UNCT may use results of an existing PFM assessment to determine the overall risks of the national PFM environment and capacities of the SAI. This decision should be appropriately documented for reference by agencies.

7.7 Where no previously conducted assessments of the PFM environment exist, the Resident Coordinator should advocate with the government and other major development partners for such assessments to be undertaken. Every effort should be made to conduct assessment(s) with those partner(s) who are willing to conduct them in conjunction with the UNCT. In the absence of a macro assessment, the SAI cannot be used to conduct audits of IPs for the agencies. If there is an earlier macro assessment, its conclusions continue to apply until a new macro assessment is carried out.

Timing

7.8 The macro assessment is expected to be undertaken once per programme cycle, preferably during preparation of the Common Country Assessment. The macro assessment is updated during interim periods of the programme cycle if circumstances change significantly or changes are identified in the country's PFM environment. This assessment must be completed once per programme cycle, even in countries where agencies have a history of operating, as countries and PFM systems are continuously evolving.

7.9 The third party service provider summarizes the findings regarding the risks related to the use of PFM systems for cash transfers within the country in the macro assessment checklist (included in [Appendix I](#)). The use of a standard template for this assessment ensures consistency among deliverables. The preliminary results of the macro assessment are discussed with all agencies, both to provide a summary of the results and

to incorporate agency-specific experience and knowledge of the country into the final assessment as appropriate. The final macro assessment must be signed off by the Resident Coordinator on behalf of the UNCT.

- 7.10 When the service provider finalizes the macro assessment, each agency implementing the HACT framework is required to document its understanding of the assessment, recognition of the identified risks and understanding of the effects at country level that are specific to the agency, including programme design. This assessment or response must be signed by the Country Representative and provided as an attachment to the macro assessment.
- 7.11 A summary of the macro assessment should be incorporated into the Common Country Assessment. If the timing of these assessments does not coincide, the summary of the macro assessment should be communicated through the annual UNDAF review. The final macro assessment should also be shared with the World Bank and other parties as appropriate. Additionally, risks identified in the macro assessment should be incorporated into country-level risk management activities and logs, as appropriate.

Roles and Responsibilities

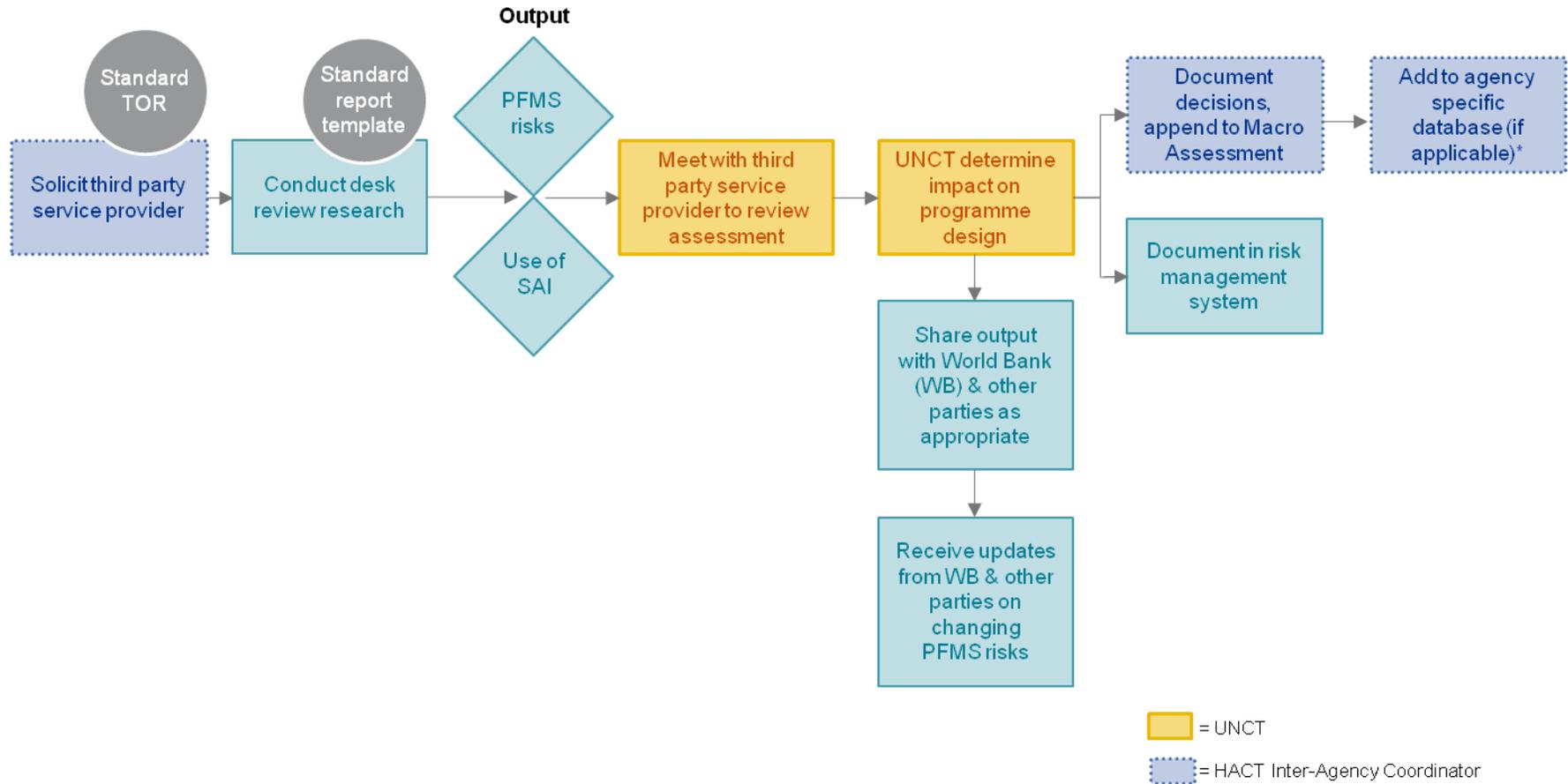
Third party service provider

- 7.12 The macro assessment is undertaken by a qualified third party service provider, to ensure it is independent and reflects the required technical expertise. Agencies can retain such service providers at country, regional or global level. Using regional or global service providers may result in more consistency across assessments and greater cost efficiency compared to country-level procurement. Agencies are required to communicate with regional and/or HQ management to determine the appropriate procurement option.
- 7.13 The cost of the third party service provider is to be shared among the agencies implementing the HACT framework in proportion to programme cycle funding. The cost-sharing arrangement should be managed by the HACT focal point and inter-agency coordinator (if applicable). (see [Appendix I](#) for a standard terms of reference [TOR] for a macro assessment by a third party service provider).
- 7.14 The responsibilities for overseeing third party service providers are as follows:
- **HACT inter-agency coordinator:** Responsible for managing the macro assessment process on behalf of the HACT working group, including country-level procurement of service providers (where applicable).
 - **Resident Coordinator:** Responsible for advocating with governments and major development partners to undertake a PFM assessment if one does not already exist.

Summary of relevant appendices and templates:

Title	Appendix reference
Third party service provider terms of reference for a macro assessment	Appendix I
Macro assessment checklist	Appendix I

Figure 2. Macro Assessment Process



**If agency specific database has not been created, provide to Inter-Agency Coordinator for retention.*

Micro Assessment

Purpose

- 7.15 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). This assessment applies to both governmental and non-governmental IPs.
- 7.16 The two primary outputs of the micro assessment are:
- (a) An overall risk rating related to cash transfers to IPs (low, moderate, significant or high); and
 - (b) The appropriate type and frequency of assurance activities and cash transfer modality based on each agency's business models.
- 7.17 The micro assessment is viewed as a component of the standard overall assessment of an IP, in addition to other available sources of information (e.g. history of engagement with the agency, previous audit reports, etc.) and results from the macro assessment (or the absence of information regarding the PFM environment and capacity of the SAI if no macro assessment exist).

Timing

- 7.18 The micro assessment plan (further detailed below) is prepared in advance of each programme cycle and updated annually. Required micro assessments should be completed during the programme cycle as detailed in the plan.
- 7.19 For IPs that have been identified as requiring a micro assessment (consistent with the agency's plan), the agency should assume continuation of the latest risk rating until a micro assessment has been completed. Where there is no previous assessment, high risk should be assumed during the programme period until the micro assessment has been completed and the overall risk rating has been determined.
- 7.20 IPs that have not been identified as requiring a micro assessment are designated as non-assessed. Agency guidelines should be used to determine the level of risk and corresponding assurance activities to be performed during the programme cycle (discussed further under 'Planning' below).
- 7.21 The results of the micro assessment are valid for a period not to exceed the duration of the programme cycle and may extend across programme cycles. For example, a micro assessment conducted at the beginning of the fourth year of a five-year country programme cycle will be valid up to the end of the third year of the following country programme cycle unless there was a change in the IP's management structure or processes and procedures as noted above. If significant changes to an IP's organizational management structure or processes and procedures with respect to the programme are observed, a new micro assessment may be deemed necessary by the agency during the programme cycle.

Roles and Responsibilities

Third party service provider

- 7.22 The micro assessment is undertaken by a qualified third party service provider to ensure independence and technical expertise. Agencies can retain service providers at the country, regional or global level. Using regional or global providers may result in more consistency and cost efficiency compared to country level procurement. Agencies are required to communicate with regional and/or HQ management to determine the appropriate option for procurement.
- 7.23 The cost of the third party service provider is shared among the agencies implementing the HACT framework in proportion to budgeted programme cycle funding. A standard TOR can be found in [Appendix II](#).

HACT focal point

- 7.24 The focal point is responsible for managing or supporting the micro assessment process, including preparation of the micro assessment plan, supporting the procurement expert for procurement of third party service providers at country level (if applicable), maintaining records and coordinating communication with IPs. The HACT focal point is also responsible for ensuring that required micro assessments are performed before cash transfers are provided to IPs; otherwise the latest available risk rating is maintained or a high risk rating is assumed.

HACT inter-agency coordinator

- 7.25 The inter-agency coordinator is responsible for assisting agency HACT focal points with coordination of micro assessments for shared IPs. This individual may take the lead in supporting the procurement expert if procurement of third party providers is to be shared among agencies. Even for micro assessment of non-shared IPs, a shared contract could be cost-effective.

Process

- 7.26 The micro assessment process consists of planning and executing phases as detailed below.

Planning

- 7.27 The planning process provides a mechanism for agencies and country offices to determine which IPs require a micro assessment and how to prioritize the assessments. This mechanism is consistent with the overall risk-based principles of the HACT framework.
- 7.28 Agencies are required to specify in their agency guidelines which IPs require a micro assessment. Each agency implementing the HACT framework will complete a separate micro assessment plan. A suggested template for such a plan, provided in [Appendix III](#), is based on the qualitative and quantitative components.

<p>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 planned for implementation through partners.</p> <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>In identifying these IPs, budgeted programme funding related to agency salaries and benefits should be excluded, as it is the responsibility of the agency.</i></p>
<p>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.</p>
<p>Step 4: Based on the results of Steps 2 and 3, determine which IPs require a micro assessment to provide the appropriate level of coverage of total estimated programme cycle funding, as set by each agency.</p> <p><i>Each agency 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.</p>

- 7.29 Consistent with a risk-based approach, the micro assessment plan is designed to limit the number of IPs that require a micro assessment to those that present significant financial or other specific risks to the country office. If a significant number of IPs are identified as requiring a micro assessment, the agencies may re-evaluate the steps in the plan and discuss this matter with the agency HQ focal point to identify a manageable number of micro assessments sufficient to satisfy agency requirements.
- 7.30 IPs not identified as requiring a micro assessment are designated as ‘non-assessed’, and agency guidelines determine the risk and necessary programme and assurance activities to be performed during the programme cycle. Agencies may use the following types of information in making these determinations:

- Previous agency reviews and audits and historical experience;
 - Agency-specific capacity assessments; and
 - Capacity assessments performed by other agencies.
- 7.31 At any point during programme implementation, particularly when issues are identified through Funding Authorization and Certification of Expenditures (FACE) form reviews and/or programmatic monitoring activities, agencies may decide that more assurance is needed for these IPs and require a micro assessment or other HACT assurance activities.
- 7.32 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 consistent assessment dates should be used. If inter-agency coordination is not possible in a timely manner, agencies should either (a) progress individually with the micro assessment to ensure the overall risk rating is assessed prior to disbursing cash, (b) assume the latest risk rating (if a previous assessment exists) or (c) assume a high risk rating. Agencies should discuss such cases with the HACT inter-agency coordinator.

Executing

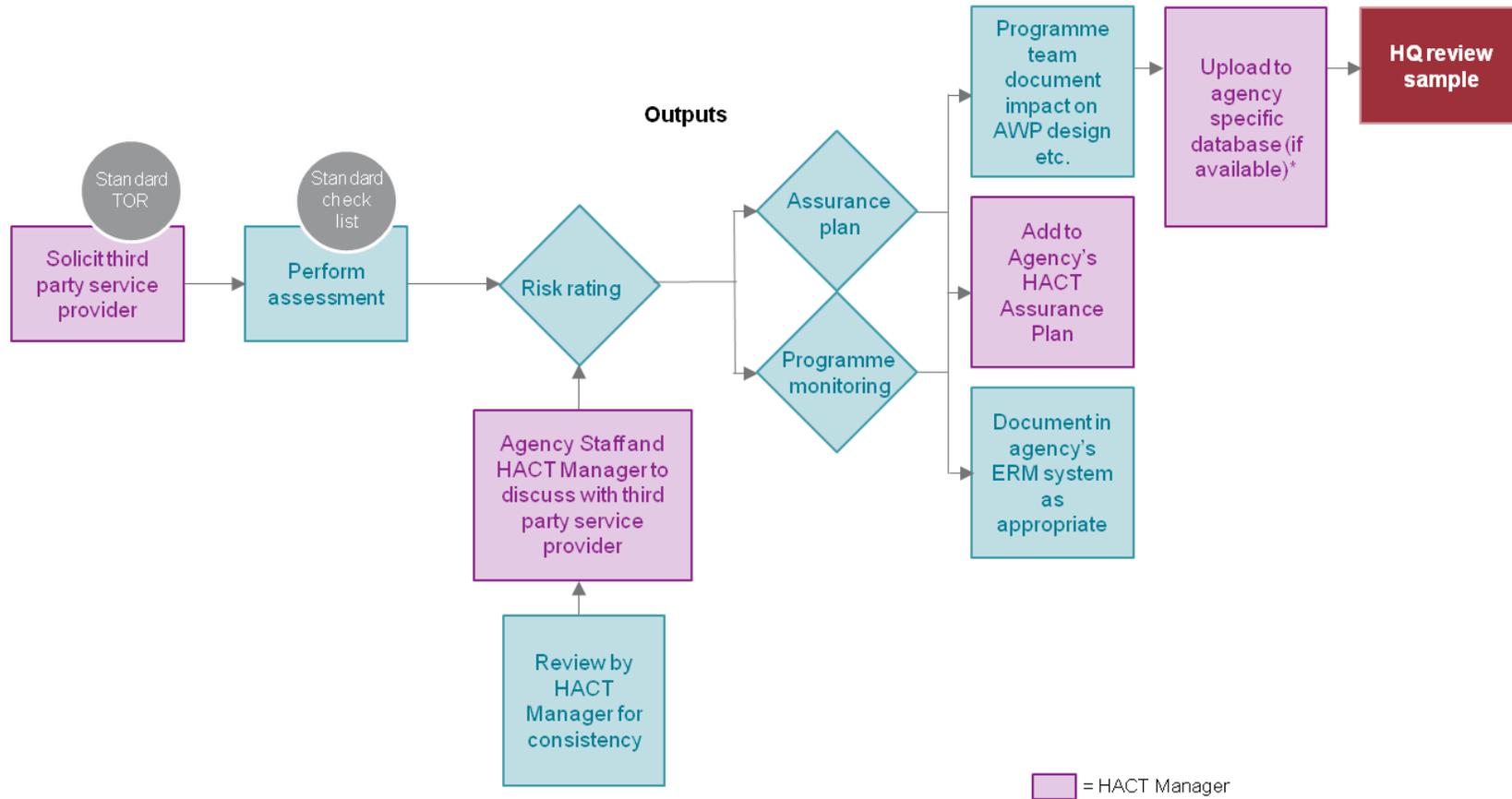
- 7.33 The micro assessment (see figure 3) is performed by a third party service provider and includes one or more site visits to the IP. The assessment primarily consists of interviews with IP personnel and a review of relevant documentation sufficient to complete the questionnaire ([Appendix IV](#)). The assessment should be completed within four weeks, including site visits. In preparation for the assessment, the service provider receives general information regarding the IP and programme information from the HACT focal point and/or inter-agency coordinator. The focal point and/or inter-agency coordinator will introduce the service provider and the IP to aid coordination of site visits.
- 7.34 The micro assessment questionnaire results in an overall risk rating:
- **Low risk** – Indicates a well-developed financial management system and functioning control framework with a low likelihood of potential negative impact on the IP’s ability to execute the programme in accordance with the WP.
 - **Medium risk** – Indicates a developed financial management system and control framework with a moderate likelihood of 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 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 negative impact on the IP’s ability to execute the programme in accordance with the work plan.

- 7.35 The third party service provider discusses the results of the micro assessment questionnaire with applicable agency personnel, the IP and the HACT focal point prior to finalization. The service provider should submit the final questionnaire with an executive summary of the overall risk rating and identification of specific risks identified, which together form the micro assessment. Each agency using the assessment is required to document its understanding of the assessment and the overall risk rating and its recognition of the identified risks and effects specific to the agency (including programme design). This documentation should be provided as an attachment or response to the final micro assessment.
- 7.36 Each agency’s response to the micro assessment must be signed off by its Country Representative. The overall risk rating for each IP should be discussed with the IP to provide details regarding the rationale for the rating, areas for improvement (indirect capacity building) and the impact that improvements may have on overall risk ratings and related assurance activities. The specific risks identified in the micro assessment are also incorporated into country level risk management activities and logs, as appropriate.
- 7.37 Additionally, the overall risk ratings for every IP that required a micro assessment are included in the micro assessment plan for tracking and further assessment. Once the required assessments are complete, agencies evaluate the distribution of risk ratings to ensure consistency with the risk-based approach. If a significant number of IPs are identified as significant or high risk (i.e. over 90 per cent of all IPs), the agency re-evaluates the micro assessments performed and discusses this with the agency HQ focal point to maximize assurance actions, consistent with the agency capacity.

Summary of relevant appendices and templates:

Title	Appendix reference
Third party service provider TOR for performing a micro assessment	Appendix II
Micro assessment plan	Appendix III
Micro assessment questionnaire	Appendix IV

Figure 3. Micro Assessment Process



** If agency specific database has not been created, provide to Inter-Agency Coordinator for retention.*

8. HACT PROCESSES: CASH TRANSFERS DISBURSEMENT AND REPORTING

Purpose

- 8.1 The overall risk rating determined by the micro assessment (described in section 7) should be used by agencies in determining the appropriate cash transfer modality for the IP and the corresponding assurance activities. Other available information should also be taken into consideration, including the results of the macro assessment, strength of the IP procurement process, past experience with the IP, agency capacity and other factors. Three cash transfer modalities are available under the HACT framework:
- **Direct cash transfers** – Funds are transferred by the agency to the IP before the IP incurs obligations and expenditures to support activities agreed in the work plan;
 - **Direct payments** – Funds are paid by the agency directly to vendors and other third parties for obligations and expenditures incurred by the IP to support activities agreed in the work plan; and
 - **Reimbursements** – Funds are provided by the agency to the IP for obligations made and expenditures incurred in support of activities agreed in work plan.
- 8.2 These cash transfer modalities are summarized in table 4.

Table 4. Cash Transfer Modalities and Responsibilities

Cash transfer modality	Obligation and expenditures	Initial payment to vendor and other third parties
Direct cash transfers	IP	IP
Direct payments	IP	Agency
Reimbursements	IP	IP

- 8.3 Circumstances may arise that require an agency to directly implement all or a portion of a programme. These arrangements are not considered cash transfer modalities; they are referred to as direct agency implementation. The HACT framework does not apply to these transfers, as a result of the United Nations Single Audit Principle. Agency expectations for use and assurance of funds should be communicated with the receiving agency in advance of these arrangements.
- 8.4 The standard FACE template should be used by all IPs to request cash transfers and report on their use, along with an itemized cost estimate. The FACE form is a simplified and harmonized tool, replacing agency-specific reporting formats and documentation to support IP requests for expenditure. Agencies account for cash transfers in accordance with their established policies and procedures.
- 8.5 Modified procedures may apply to IPs operating under the direct payments cash transfer modality, which should be confirmed with the agency prior to requesting payments.

8.6 The FACE form supports several important functions, including:

- *Request for funding authorization:* The IP uses the section ‘Requests/Authorizations’ to enter the amount of funds to be disbursed for use in the new reporting period. Against this request, the agency can accept, reject or modify the amount approved;
- *Reporting of expenditures:* The IP uses the section ‘Reporting’ to report to the agency the expenditures incurred in the reporting period. The agency can accept, reject or request an amendment to the reported expenditures; and
- *Certification of expenditures:* The designated official from the IP uses the section ‘Certification’ to certify the accuracy of the data and information provided.

Timing

8.7 IPs prepare FACE forms based on the corresponding cash transfer modality, as detailed below:

- *Direct cash transfers* are expected to be requested and released for programme implementation periods not exceeding three months, with exceptions up to six months consistent with each agency’s guidelines; and
- *Reimbursements/direct payments* for previously authorized expenditures are to be requested and released quarterly or after completion of activities, consistent with each agency’s guidelines.

8.8 Note: FACE forms are not used under direct agency implementation, as previously noted.

Roles and Responsibilities

8.9 Following are the roles and responsibilities for cash transfers disbursement and reporting:

- **IP designated official** – Responsible for certifying the accuracy of the data provided in the FACE form. Typically this is the same individual who signs the work plan. Certification includes:
 - Funding request shown represents estimated planned expenditures as per the work plan, and itemized cost estimates are attached;
 - Actual expenditures for the reported period have been disbursed in accordance with the work plan and previously approved itemized cost estimates; and
 - Supporting accounting documentation will be made available to the agency for a period of five years.
- **Country Representative/Resident Coordinator** – Responsible for reinforcing the concepts of the FACE form and advising agency programme staff not to modify the template provided or request supporting documentation from IPs. Suggestions from agency programme staff for improving the FACE form can be coordinated through the HACT focal point or inter-agency coordinator.

- **HACT focal point** – Responsible for reviewing each FACE form in coordination with other appropriate agency personnel in accordance with agency guidelines.

Process

- 8.10 The FACE form replaces all other documentation used by IPs to request funds and report expenditures. The form is provided in a standard template that must be used by each IP.
- 8.11 IPs must complete FACE forms at least quarterly unless no expenditures have occurred and no further funds are requested. The required fields in each FACE form must be completed and the form must be certified for processing by the agency. Each FACE form is reviewed by the HACT focal point and additional agency personnel per agency guidelines. These reviews include, but are not limited to:
- Ensuring completeness of the FACE form;
 - Ensuring appropriate certification;
 - Reviewing expenditures for consistency with previous request for funding and work plan; and
 - Ensuring appropriateness of expenditures.
- 8.12. Cash disbursed but not used by the IP during the reporting period may be re-programmed in the following quarter by mutual agreement if doing so is consistent with the agency’s policies and procedures (e.g. to fund a similar activity whose purpose and timeframe are consistent with the requirements of the funding source or donor). Alternatively, the cash may be refunded.
- 8.13 When processing payments for IPs, a copy of the approved FACE form should be returned to the IP along with the notice of disbursement, cheque, etc. A copy of the FACE form template has been included in [Appendix VII](#) and a detailed discussion of each segment of the FACE form is provided in [Appendix VI](#).

Summary of relevant appendices and templates:

Title	Appendix reference
FACE form template	Appendix VI
Guidelines for completing FACE form	Appendix VII

9. HACT PROCESSES: ASSURANCE ACTIVITIES

- 9.1 The purpose of assurance activities is to determine whether the funds transferred to IPs were used for their intended purpose and in accordance with the work plan. Without appropriate completion of the assurance activities, the HACT framework would only serve as a mechanism for risk assessment/identification, rather than a mechanism for risk management and mitigation. This would expose the United Nations to significant risk and audit findings.
- 9.2 For the HACT framework to provide the appropriate levels of assurance to United Nations management, it relies on a ‘dynamic’ or ‘continuous feedback’ approach. This includes the development of a comprehensive agency assurance plan, which considers:
- Timely execution of assurance activities;
 - Updates to planned assurance activities based on the results of assessment and assurance activities; and
 - Monitoring of implementation progress by management at country and HQ levels.
- 9.3 The level of risk may change over time for each IP, potentially resulting in changes in cash transfer procedures and planned assurance activities. The components of assurance activities are further detailed in the sections below, including periodic on-site reviews (spot checks), programmatic monitoring and scheduled and special audits (financial or internal control).

Assurance Planning

Purpose

- 9.4 Planning assurance activities is critical to successful implementation of the HACT framework. It is also important for agency management and to assure other stakeholders regarding the overall management of funds at country level. As a risk-based approach, the HACT framework allocates the strongest assurance activities to the IPs with the weakest financial/procurement management practices (those deemed significant and high risk), as identified in the micro assessment process.
- 9.5 Planning of assurance activities is guided by:
- HACT capacity assessments, which identify risks at the macroeconomic level (macro assessment) and IP level (micro assessment);
 - Agency business model and capacity to implement assurance activities; and
 - Total budgeted programme cycle funding and total IP population (because assurance activities are driven by total programme cycle coverage rather than dollar value thresholds).
- 9.6 These guidelines must be considered for assurance planning but they do not limit the overall assurance deemed necessary by the agency.

Timing

- 9.7 Assurance planning activities should be completed at the beginning of the programme cycle and updated annually. The coverage, type and frequency of assurance activities is guided by the overall risk rating associated with the IP, as determined through the micro assessment. IPs assessed as high risk are subject to more frequent assurance activities, such as in-depth programmatic monitoring and audits (scheduled and special).
- 9.8 Unfavourable findings of assurance activities may result in reconsideration of the risk rating and related assurance activities for that IP, based on agency guidelines.

Roles and Responsibilities

- 9.9 The roles and responsibilities concerning assurance activities are as follows:
- **Country Representative** – Responsible and accountable for the overall development and approval of the agency assurance plan for their office.
 - **HACT focal point** – Responsible for managing the development of the agency assurance plan and involving relevant parties.
 - **Programme staff** – Involved as key contributors in the assurance planning process. Programme staff have significant insights into the operations of IPs, and they should provide input about the planned coverage, type and frequency of assurance activities.

Process

- 9.10 The HACT framework provides the following three mechanisms to obtain assurance of transferred funds to IPs:
- *Periodic on-site reviews (spot checks)* of the IP's financial records of cash transfers. These may be performed by qualified agency staff or third party service providers;
 - *Programmatic monitoring* of activities supported by cash transfers, which provides evidence regarding the state of programme implementation and use of agency resources; and
 - *Scheduled and special audits (financial or internal control)* of the IP's financial records and financial management systems of internal controls related to the programme.
- 9.11 The process for developing an agency assurance plan is illustrated in figure 4 and described below. Guidance for assurance activities is provided in table 5 and a suggested template is provided in [Appendix V](#).



- The agency assurance plan must be developed at the beginning of the programme cycle and updated annually, and it must incorporate planned activities into the IP's work plan. If a micro assessment has not been completed at that stage, the risk rating for the IP defaults to the latest available risk rating. In the absence of a previous risk rating, the default is high risk until an assessment can be completed.

- The HACT focal point drafts the agency assurance plan based on the risk ratings of each IP. Guidance for assigning assurance activities and cash transfer modality with corresponding risk ratings is decided by each agency and is incorporated into agency guidelines. An example of suggested guidance for a five-year programme cycle has been provided in table 5 and may be modified by the agencies.

Table 5. Guidance for Assurance Activities

Risk rating	Spot checks*	Programmatic monitoring	Audit frequency	Audit type
Low	1 per year, excluding year of audit	Per agency guidelines	Third or fourth year of the programme cycle	<i>Internal controls audits</i> May switch to financial audit if significant issues or concerns are identified in spot checks
Moderate	1-2 per year, excluding year of audit		Second and fourth year of the programme cycle	
Significant	Per agency guidelines		Annual	<i>For shared IPs: Financial audits</i> If IPs receive two sequential audits with unqualified opinion, an internal controls audit should be performed for remaining period <i>Other partners: As per agency guidance</i>
High	Per agency guidelines		Annual	

*Each spot check reviews a significant amount of total expenditures reported on the selected FACE form for testing (i.e. one FACE form per year for low-risk IPs). The specific amount of expenditures to be selected for testing is based on agency guidance. This assurance activity is not intended to provide 100% coverage of expenditures during the entire programme year or cycle.



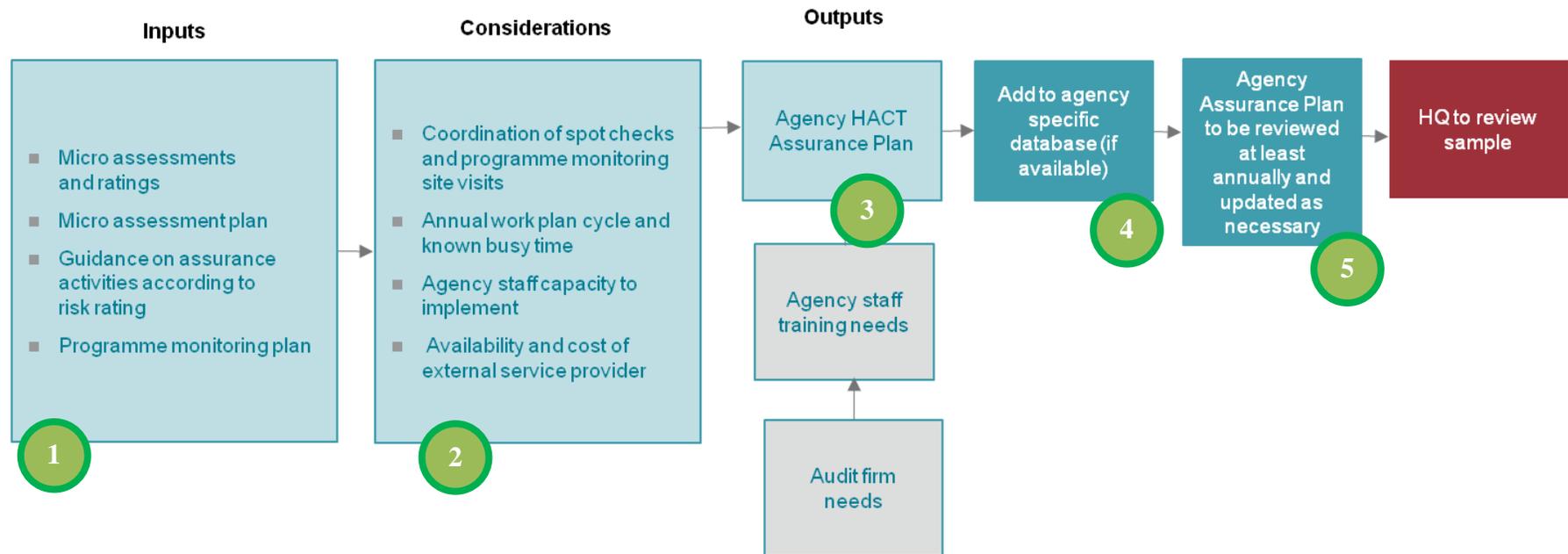
- The HACT focal point convenes a meeting with other programme and finance/operational staff to consider additional variables in the assurance planning process, including:
 - The programmatic monitoring schedule and ability to coordinate spot checks with programmatic monitoring site visits to help minimize the burden on IPs (if applicable);

- The annual work cycle and any known busy periods when the IP and/or agency staff may have reduced capacity to execute or be subject to assurance activities;
 - Availability of qualified agency staff to implement spot checks; and
 - Availability and cost of third party service provider support to execute activities in the agency assurance plan.
- 3**
- The HACT focal point must document the discussion undertaken in step 2 and adjust the agency assurance plan as necessary. Any significant deviation from agency guidance on assurance activities required per risk rating should be discussed with the agency HQ focal point.
 - Actions required to support the execution of the agency assurance plan should be documented and assigned. These actions may include:
 - Solicitation of a third party service provider (to train agency staff and/or provide assessment and assurance activities); and
 - Training plan for agency staff.
- 4**
- The agency assurance plan should be uploaded to agency databases sufficient to track the various components of the HACT framework. If agency databases are not sufficient, agency HACT focal points should manually track the various components of the HACT framework. A copy of the agency assurance plan should be provided to the HACT inter-agency coordinator and agency HQ focal point. Agency HQ focal points review a sample of plans to help ensure they have been developed in accordance with HACT guidance and are consistent with expectations.
- 5**
- The agency assurance plan should be reviewed at least annually by the HACT focal point (and other agency personnel as necessary) and updated.

Summary of relevant appendices and templates:

Title	Appendix reference
Agency assurance plan	Appendix V

Figure 4. HACT Assurance Planning Process



** If agency specific database has not been created, provide to Inter-Agency Coordinator for retention.*

Assurance Implementation

Purpose

- 9.12 Implementation of assurance activities as specified in the agency assurance plan (or subsequently modified as deemed necessary, and appropriately documented) provides agency management and other stakeholders (e.g. governments, United Nations Board of Auditors, Executive Boards, donors, the public, intended beneficiaries, etc.) with the appropriate level of assurance that funds are being used for their intended purpose.

Timing

- 9.13 The timing of implementation of assurance activities must be consistent with agency guidelines and the agency assurance plan, or subsequently modified as deemed necessary and documented.

Roles and Responsibilities

- 9.14 Roles and responsibilities for implementation of assurance activities are as follows:
- **HACT focal point** – Responsible for maintaining a current agency assurance plan for their agency; ensuring the agency’s review of assurance results is documented and the impact on planned assurance activities and/or the work plan is considered; and reporting on progress against the agency assurance plan (Assurance Monitoring Dashboard progress reporting; refer to [Appendix VIII](#)) to the Country Representative and/or executive management team of the country office, including both programme and finance heads at the country office.
 - **Agency HQ focal point** – Responsible for reviewing a sample of agency assurance plans and comparing them to the Assurance Monitoring Dashboard reports to ensure that country offices are implementing the HACT framework against their plan in a timely manner and in accordance with agency policy and procedures. The agency HQ focal point also reviews a sample of assurance activity deliverables/outputs to obtain evidence that they are being used to inform and adjust programme implementation as necessary. This includes documenting such adjustments to programme and assurance plans.

Process

- 9.15 The process for implementing the agency assurance plan is illustrated in figure 5 and described below:

1

- The agency assurance plan sets out the required assurance activities for each IP during the programme cycle. Agencies implement activities against the plan, including use of third party service providers as necessary.

2

- After each planned activity is performed, results of the activity, and any proposed corrective actions agreed to by the IP, should be considered by the HACT focal point and other agency staff.
- Specifically, agencies should consider any necessary changes to:

- Programme implementation and the work plan;
- Mode of implementation (direct vs. national);
- Cash transfer modality; and
- Planned assurance activities going forward.



- The agency must document the results of the assurance activity, any corrective actions proposed by the IP and the potential future impact on planned assurance activities. A decision tree to illustrate the considerations to be taken by the agency upon identification of any issues or concerns is provided in figure 6.
- Evidence of these considerations is monitored on an ongoing basis by the agency and on a sample basis by the agency HQ focal point to assure agency management that HACT assurance activities are being implemented in accordance with the framework.
- The agency assurance plan should be supported by a ‘live’ document that tracks real-time implementation of planned assurance activities. This document, the Assurance Monitoring Dashboard ([Appendix VIII](#)), enables stakeholders to request, at any point in the programme cycle, an up-to-date copy of assurance activities planned and implemented.

9.16 For shared IPs, the lead agency ensures that other agencies are involved in determining the scope of assurance activities to review the results, corrective actions, capacity development requirements and/or changes to planned assurance activities going forward.

Summary of relevant appendices and templates:

Title	Appendix reference
Assurance Monitoring Dashboard	Appendix VIII

Figure 5. Implementing HACT Assurance Activities

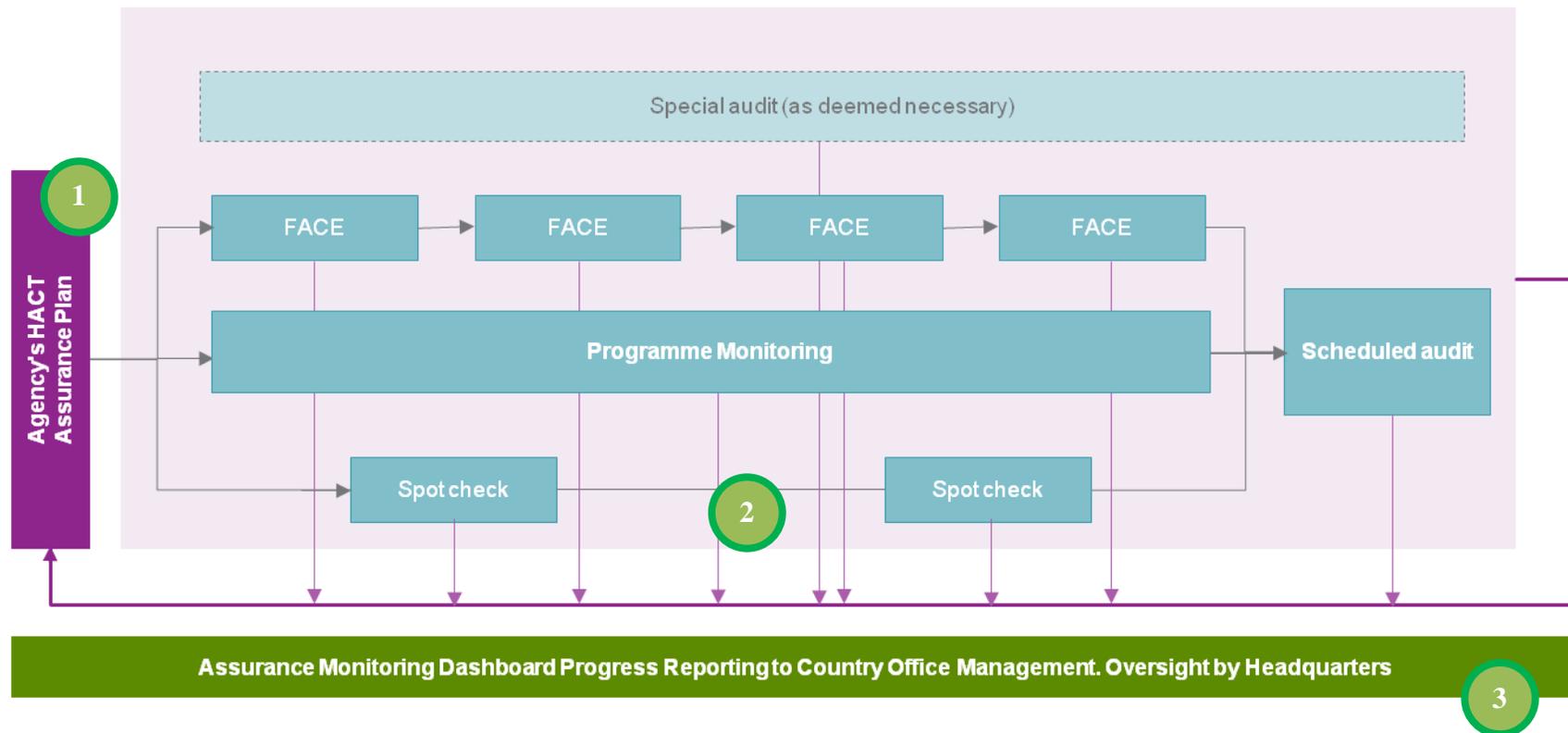
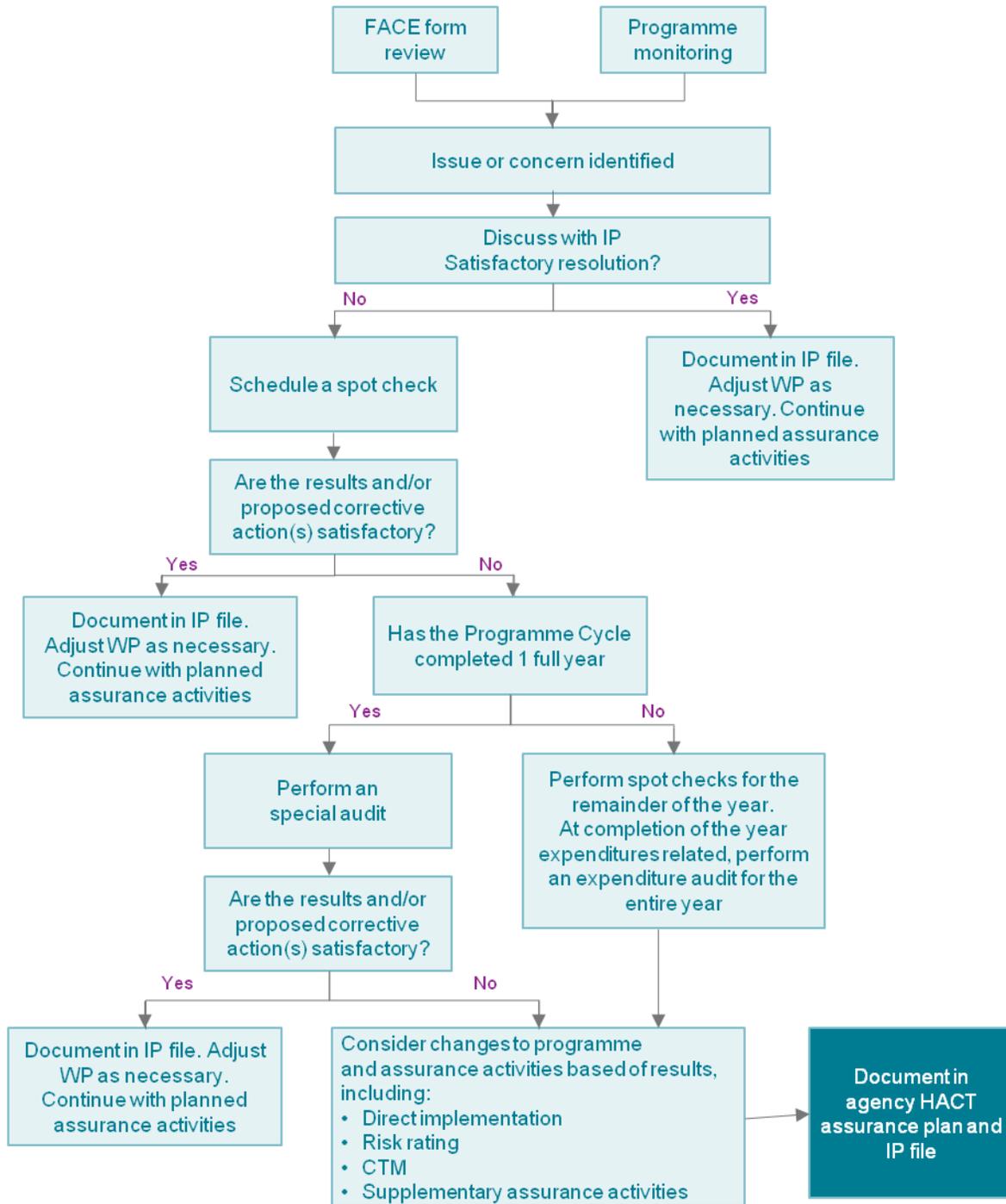


Figure 6. Issue Identification



Periodic On-site Reviews (Spot Checks)

Purpose

- 9.17 Periodic on-site reviews (spot checks) are performed to assess the accuracy of the financial records for cash transfers to the IP and the status of programme implementation (through a review of financial information), and to determine whether there have been any significant changes to internal controls. The spot check is not an audit.
- 9.18 Spot checks involve:
- Checking the IP's internal controls with respect to financial management, procurement and/or other controls required to implement the activities defined in the work plan; and
 - Reviewing a sample of expenditures to confirm that documentation supports the expenditures and that they are in accordance with the work plan and other United Nations regulations.
- 9.19 Spot checks are work plan or project based, meaning that for an IP implementing multiple work plans, a spot check is performed over FACE form(s) for each work plan, unless otherwise documented by the agency. The scope of work plans, and therefore the controls that are being relied on, may vary. For example, some may rely on the IP's procurement controls and others on human resource controls.

Timing

- 9.20 Spot checks are performed during the programme cycle based on the agency assurance plan, IP risk rating and agency guidelines.

Roles and Responsibilities

- 9.21 Roles and responsibilities for performing spot checks are as follows:
- **Country Representative** – Responsible for overall assurance that spot checks are completed as planned and in accordance with agency guidelines.
 - **HACT focal point** – Responsible for overseeing the spot check process, including:
 - Support for procurement of third party service providers (or confirm availability of qualified agency resources);
 - Coordination with the IP;
 - Coordination with appropriate agency staff (programme and financial/operations), as well as other agencies for shared IPs;
 - Documentation of the analysis of results, discussions with the IP and any necessary changes to the agency assurance plan or work plan; and
 - Record maintenance, including sharing spot check results and agency actions for agency HQ focal point review.

- **Third party service provider** – Responsible for performing spot checks if agency lacks sufficient qualified staff. When doing so, the results and items selected for testing during a spot check may potentially be used for subsequent audit(s) within the programme cycle if performed by the same third party service provider and deemed appropriate. This matter must be discussed and agreed upon at the start of the engagement.

Process

9.22 The process for performing a spot check is illustrated in figure 7 and described below:

1

- The frequency of spot checks is based on the risk rating of the IP, determined through the micro assessment, other available factors (e.g. magnitude of cash transfers planned) and agency guidelines.
- The CPAP or equivalent includes an authorization from the IP for on-site access to the financial records related to cash transfers.

2

- Where a third party service provider performs spot checks, they must be procured based on United Nations and agency procurement and contracting requirements. A standard TOR is provided in [Appendix X](#).
- Third party service providers should be briefed on programme activities by agency programme staff before the IP site visit to benefit from the agency's knowledge and experience.
- Where agency staff perform spot checks, the agency must ensure they have appropriate qualifications. A standard TOR for a qualified agency staff to perform a spot check is provided in [Appendix IX](#).

3

- The spot check should be completed within three weeks of initiation, including the site visit to the IP.
- The third party service provider or qualified agency staff performs the procedures agreed upon in the TOR, sufficient to complete the spot check work plan:
- Results of the spot check procedures are documented in the spot check work plan ([Appendix X](#) for third party service provider and [Appendix IX](#) for internal agency staff).
- When spot checks are performed by third party service providers, the provider must prepare a report in accordance with International Standards on Related Services (ISRS) 4400, *Agreed-upon Procedures Regarding Financial Information*.
- Agencies can request a management letter providing details of spot check findings and their impact on internal controls, third party service provider recommendations and IP management responses as a supplemental deliverable to the ISRS 4400 spot check report. Preparation of a management letter is not intended to be a stand-alone engagement; it should be part of an engagement that provides a report (e.g. audit report or agreed-upon procedures). A suggested TOR and template for preparation

of a management letter by a third party service provider is provided in [Appendix XI](#).

- For shared IPs, spot checks are coordinated to reduce the burden on the IP and the costs for the United Nations.

4

- The agency reviews the spot check results and ensures it understands them. The agency must consider the results relative to the micro assessment and other assurance activities, such as programmatic monitoring.
- The agency determines whether the spot check results, in conjunction with other assurance activities, represent any potential change in risk in working with the IP.
- The third party service provider (as applicable), IP staff and agency staff meet to discuss the spot check findings and any planned corrective actions to be taken by the IP. Agencies develop guidance to assist country offices in assessing negative findings and determining appropriate actions necessary in response. (See the decision tree in figure 6 for potential issues and corrective actions.)
- Taking into account any planned corrective or mitigating actions, the agency considers whether the spot check results are satisfactory or whether potential issues, risks or concerns have been identified that may warrant a special audit or other change to planned assurance activities. The agency also considers any impact on future activities in the work plan and agency assurance plan.

5

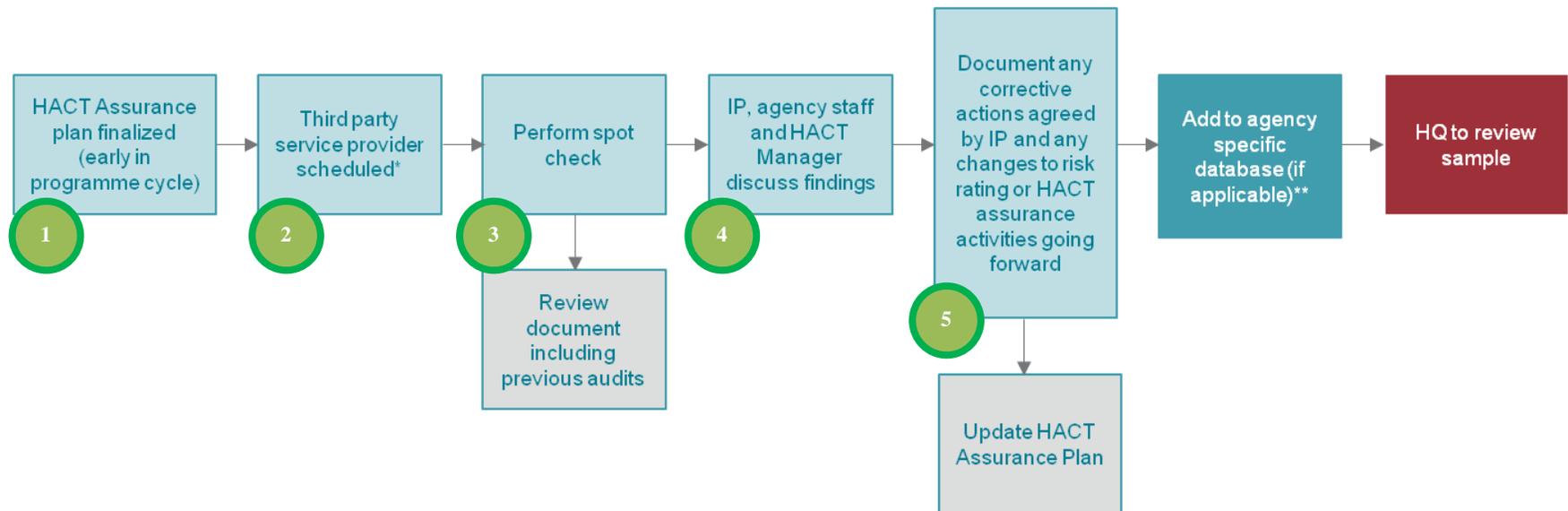
- The agency documents the results of its analysis and the decisions made as a result of the spot check. This documentation is attached to the spot check documentation and provided to the HACT inter-agency coordinator and agency HQ focal point. Agency HQ focal points review a sample of spot checks, based on agency guidelines, to determine whether country offices are:
 - Implementing spot checks on a timely basis, and in accordance with the agency assurance plan; and
 - Appropriately reviewing and understanding the results and refining planned assurance activities as needed.
- The review by the agency HQ focal points is an important step in assuring agency management and other stakeholders, such as United Nations internal and external auditors, that the HACT framework is being implemented appropriately and therefore providing the appropriate level of assurance over cash transfers.

Summary of relevant appendices and templates:

Title	Appendix reference
TOR for spot check performed by qualified internal agency staff	Appendix IX

Title	Appendix reference
Spot check work plan performed by qualified internal agency staff	Appendix IX
TOR for spot check performed by third party service provider	Appendix X
Spot check work plan performed by third party service provider	Appendix X
TOR for third party service provider to prepare a management letter	Appendix XI
Management letter template	Appendix XI

Figure 7. Spot Check Process



* Third party service provider is scheduled if internal Agency staff do not possess the appropriate qualifications to perform spot checks.

** If agency specific database has not been created, provide to Inter-Agency Coordinator for retention.

Programmatic Monitoring

Purpose

9.23 Programme monitoring provides agencies with evidence/assurance regarding the state of programme implementation compared to the work plan. This process is not expected to be undertaken as a shared activity between agencies with shared IPs due to its agency-specific nature. Agencies may coordinate monitoring and field visits, especially for joint programmes or areas and for emergency response where several agencies work.

Timeline

9.24 Programme monitoring is performed by agency programme staff regularly throughout the programme cycle per agency guidelines. A minimum of one programme monitoring visit should be completed per programme year.

Roles and Responsibilities

9.25 Roles and responsibilities for programming monitoring are as follows:

- **Agency programme staff** – Responsible for executing programme monitoring activities per agency guidance. Agency programme staff should notify the HACT focal point and inter-agency coordinator of any issues or risks identified that could have an impact on the IP's risk rating, cash transfer modality or planned assurance activities. Agency programme staff should be consulted during the various components of HACT activities (e.g. micro assessment, spot checks, etc.) for details regarding past experience with the IP and the programme.

Process

9.26 Programme monitoring is performed regularly by agency programme staff. It typically includes a site visit to the IP and programme locations and review of work plan progress reporting. Agency guidelines must be used to determine appropriate corrective actions for identified issues and the potential risk they present to cash transfers.

Scheduled Audits

Purpose

9.27 A scheduled audit is used to determine whether the funds transferred to IPs were used for the appropriate purpose and in accordance with the work plan.

9.28 A scheduled audit can consist of a financial audit or an internal control audit (see table 6):

Table 6. Comparison of Financial Audit and Internal Control Audit

Audit product	Financial audit	Internal control audit
Level of assurance	Audit, positive assurance	Limited to factual findings, no assurance is expressed
Engagement scope	To be determined by the agencies and added to the framework in due course	Limited to the procedures agreed upon by the third party service provider or SAI (the auditor) and engaging party(ies). These procedures relate to the operation of internal controls required to effectively implement the IP's scope of work, such as financial management, procurement, recruitment and asset management. These are the controls that would have been the focus of the micro assessment. The engagement also includes an evaluation of a sample of expenditures.
Report	To be determined by the agencies and added to the framework in due course	An agreed-upon procedures report describing the purpose, agreed-upon procedures performed and factual findings in sufficient detail to enable the reader to understand the nature and the extent of the work performed.
Report restrictions	Limited to the engaging parties	Limited to the engaging parties
Reporting standards	To be determined by the agencies and added to the framework in due course	ISRS 4400

9.29 A management letter is required providing details of audit (financial or internal control) findings, third party service provider recommendations and prioritization, and IP management responses. The letter is not intended to be prepared as a stand-alone engagement; its preparation should be part of an engagement that provided a report (e.g. audit report and agreed-upon procedures). The management letter should be prepared in accordance with the Institute of Internal Auditors' International Professional Practices Framework (IPPF). A suggested TOR for a third party service provider to prepare a management letter and a sample template are provided in [Appendix XI](#).

Timeline

9.30 Scheduled audits (financial and internal control) are performed during the programme cycle as per the agency assurance plan, on the basis of the IP's risk rating and agency guidelines.

Roles and Responsibilities

9.31 Roles and responsibilities for preparing scheduled audits are as follows:

- **Third party service provider** – Responsible for performing the scheduled audit based on the TOR provided by the agency. The service provider discusses the results of the audit with applicable agency staff before finalizing the audit report.
- **Country Representative** – Responsible for overall assurance that scheduled audits are completed as planned and in accordance with agency guidelines.
- **HACT focal point** – Responsible for managing the scheduled audit process including:
 - Support for procurement of the third party service provider;
 - Coordination and audit preparation with the IP;
 - Coordination with appropriate agency staff (programme and finance) and other agencies for shared IPs;
 - Documentation of the analysis of audit results, discussions with the IP and any necessary changes to the agency assurance plan, risk rating, assurance activities and/or work plan; and
 - Record maintenance, including sharing audit report and agency actions with the HACT inter-agency coordinator and agency HQ focal point.

Process

9.32 The process for performing a scheduled audit is illustrated in figure 8 and described below:

1

- The type of scheduled audit to be performed (financial vs. internal control) and the frequency are based on the agency assurance plan, the IP's risk rating and agency guidelines. The scope of the audit should reflect the funds transferred by the agency and the IP's use and oversight of those funds, not the IP as a whole.

2

- The third party service provider is procured based on United Nations and agency procurement requirements. (*Terms of reference for a financial audit will be agreed upon by the participating agencies at headquarters level and added to the framework in due course as [Appendix XIII](#)*).
- The use of a regional or global third party service provider may provide cost efficiencies and more consistent deliverables. Country offices should discuss this matter with agency HQ and regional management to determine the appropriate option.
- Third party service providers speak with agency programme and finance staff before the audit to so they can benefit from the agency's knowledge and experience.
- For shared IPs, agencies determine the most appropriate audit option and whether this assurance activity can be completed as a shared scheduled audit. Refer to agency guidelines for additional guidance.

3

- The audit should be completed within six to eight weeks, including a site visit to the IP, which should last no longer than two working weeks.
- The third party service provider performs the following procedures specific to the type of audit to be performed:

Financial audit

- The third party service provider performs procedures sufficient to issue an audit report in accordance with international standards (to be determined by the agencies and added to the framework in due course).

Internal control

- The third party service provider assesses the design and operating effectiveness of the IP's internal controls of the financial management system against those necessary for execution of the work plan. The service provider also performs substantive procedures regarding a sample of expenditures incurred during the period under audit.
- The procedures to be performed by the third party service provider should be agreed in writing before the start of the engagement through a TOR. The results of the scheduled audit are provided in a report in accordance with ISRS 4400, *Agreed-upon Procedures Regarding Financial Information*.

Management letter

4

- As a supplemental deliverable, agencies request a management letter providing details of scheduled audit findings and their impact on the IP's internal controls, along with third party service provider recommendations and IP management's responses.
- The agency must review the results of the scheduled audit and understand the results.
- The agency must determine whether the scheduled audit results, in conjunction with other assurance activities, represent any potential change in risk in working with the IP.
- The third party service provider, IP staff and agency staff meet to discuss the findings of the scheduled audit and any corrective actions planned by the IP as a result of the audit findings. Agencies develop guidance to assist country offices in assessing any negative findings and determining appropriate actions to resolve them.
- Taking into account any planned corrective or mitigating actions, the agency must consider whether any changes are required to:
 - IP risk rating;
 - Cash transfer modality;
 - Future scheduled assurance activities;
 - Work plan design and planned activities; and
 - Planned capacity development activities (if any).
- The HACT focal point is responsible for monitoring any planned corrective or mitigating actions to ensure they are appropriately completed.

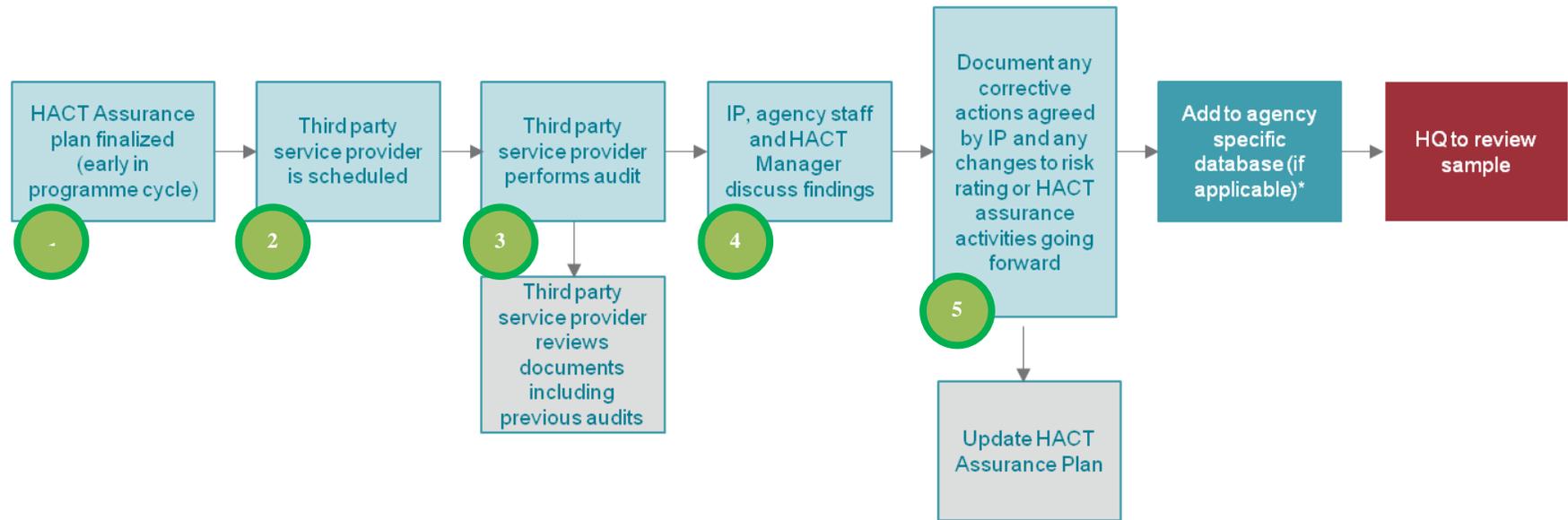
5

- The agency documents the results of its analysis and the decisions made as a result of the scheduled audit. This analysis should be attached to the audit report and provided to the HACT inter-agency coordinator and agency HQ focal point. The agency HQ focal point reviews a sample of scheduled audits, based on agency guidelines, to determine whether country offices are:
 - Implementing scheduled audits on a timely basis, and in accordance with the agency assurance plan; and
 - Appropriately reviewing and understanding results and refining planned assurance activities as needed.
- The review by the agency HQ focal point is an important step in assuring agency management and other stakeholders, such as United Nations internal and external auditors, that the HACT framework is being implemented appropriately and therefore providing the appropriate level of assurance over cash transfers.

Summary of relevant appendices and templates:

Title	Appendix reference
TOR for agreed-upon procedures regarding IP’s internal control and sample of FACE forms (audit of internal controls)	Appendix XII
TOR for financial audit report (financial audit) <i>(to be agreed upon by the agencies and added to the framework in due course)</i>.	Appendix XIII
TOR for third party service provider to prepare a management letter	Appendix XI
Management letter template	Appendix XI

Figure 8. Scheduled Audit Process Flow



** If agency specific database has not been created, provide to Inter-Agency Coordinator for retention.*

Special Audits

Purpose

- 9.33 Special audits are consistent in scope with scheduled audits (described above) but are triggered as a result of specific issues and concerns arising during the programme cycle. The special audit may focus on financial or internal controls, depending on the nature of the potential or identified issues. Figure 6 above illustrates some of the potential triggers for a special audit.

Timeline

- 9.34 Once an agency or country team becomes aware of issues that warrant a special audit, a third party service provider should be engaged to perform it.

Roles and Responsibilities

- 9.35 The roles and responsibilities related to special audits are consistent with those noted above for scheduled audits.

Process

- 9.36 The process for a special audit is consistent with that noted above for scheduled audits.

Appendices

Appendix I. Terms of Reference for Macro Assessment Performed by Third Party Service Provider

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

Objective and Scope of the Macro Assessment

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

The two primary outputs of the macro assessment are:

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

Macro Assessment Procedures

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

Typical sources of PFM assessments are:

World Bank

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

Assessments by other institutions

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

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

Deliverables

The third party service provider summarizes the findings on the risks related to the use of PFM systems for cash transfers within the country in the macro assessment checklist (provided in Annex_I).

Qualifications of the Third Party Service Provider

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

Curriculum vitae (CVs) of all members of the assessment team should be provided. They should include details on engagements carried out by the staff members, including ongoing assignments indicating responsibilities assumed by them, and their qualifications and experience in undertaking similar assessments.

Items to be Provided to the Service Provider before Fieldwork Begins

The agency provides the following documentation before starting fieldwork:

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

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

Annex 1. Macro Assessment Checklist

General Overview of Macro Assessment

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

A risk consideration checklist is provided in Annex 2.

Annex 2. Risk consideration checklist

No.	Indicator	Risk Consideration				Indicator risk level	Comment
		High risk	Significant risk	Moderate risk	Low risk		
1	The annual budget contains all significant government expenditures, including relevant donor contributions	No			Yes		
2	Budget and performance	Budget decisions are only nominally debated. Little consideration of previous performance is taken into account when setting future budgets.			Budget decisions are fully debated with assistance from expert committees. Full consideration of previous performance is taken into account when setting future budgets.		
3	Budget execution	Government historically does not execute budgets as planned.	Government historically executes budgets as planned, but there are significant exceptions.	Government historically executes budgets as planned with limited exceptions.	Government historically executes budgets as planned without exceptions.		
4	To what extent are internal controls and financial procedures adhered to?	Procedures are frequently overridden or ignored. Emergency procedures are routinely used.	Procedures are generally followed, but there are significant exceptions. Doubt exists as to whether or not the internal control system can be relied upon.	Procedures are generally followed. While exceptions exist, they are not frequent enough to prevent reliance on the internal control system.	Always.		
5	Bank reconciliations	Many accounts are not reconciled monthly. Reconciliations are	A number of significant accounts are not reconciled	Generally banks are properly reconciled each month.	Performed to a high standard for all bank accounts at least once a month.		

No.	Indicator	Risk Consideration				Indicator risk level	Comment
		High risk	Significant risk	Moderate risk	Low risk		
		often poorly performed.	monthly. Quality is sometimes poor.	Exceptions exist but appropriate follow-up action is taken in all cases.			
6	Transfer of cash resources	Cash transfers from central/regional levels to project level take more than one month.	Cash transfers from central/regional levels to project level take two to four weeks.	Cash transfers from central/regional levels to project level take one to two weeks.	Cash transfers from central/regional levels to project level take a week or less.		
7	Reporting of cash and asset position to government	Analysis of cash and asset position made to government contains significant omissions.			Full analysis of cash and asset position is made to government.		
8	Financial audit / SAI auditor general <i>*For decentralized governments, consider consolidated audit coverage, if available.</i>	External audit covers less than 80% of central government expenditures.	External audit covers 80% to 90% of central government expenditures	External audit covers 90% of central government expenditures.	External audit covers all central government expenditures.		
9	SAI independence	SAI reports to government agency.			SAI reports to legislature (or equivalent justice system).		
10	Audit standards applied by the SAI	SAI applies national audit standards, which are significantly inconsistent with international standards.			SAI applies international audit standard.		

No.	Indicator	Risk Consideration				Indicator risk level	Comment
		High risk	Significant risk	Moderate risk	Low risk		
11	Follow-up action to audit reports	Points raised by external audit are infrequently followed up.	Points raised by external audit are usually but not always followed up. A significant number of points recur in following years.	Points raised by external audit are always followed up. In a few cases points recur in following years.	Points raised by external audit are always properly followed up. Points generally do not recur in following years.		
12	Country has a national procurement framework	No			Yes		
13	Transparency of audit process	Statutory external audit reports are infrequently published. They are rarely debated in the media, even when of public interest.	Most statutory external audit reports are published. They are sometimes debated in the media when of public interest.	All statutory external audit reports are published. They are usually debated in the media when of public interest.	All statutory external audit reports are published. They are debated in the media when of public interest.		
14	Staff qualifications and skills	It is often unclear whether staff have the skills and qualifications necessary to discharge their duties.	In some cases it is unclear whether staff have the skills and qualifications necessary to discharge their duties.	In only some isolated cases is it unclear whether staff have the skills and qualifications necessary to discharge their duties.	It is always clear that all staff have the skills and qualifications necessary to discharge their duties.		
15	Financial systems	Financial systems only capture and report on the most basic financial data, and this is frequently unreliable. System maintenance and	Financial systems only capture and report on the most basic financial data. While there are system maintenance and performance	Financial systems are adequate for most but not all data capture and reporting needs. They are reliable	Financial systems are adequate for data capture and reporting needs. They are reliable and properly maintained.		

No.	Indicator	Risk Consideration				Indicator risk level	Comment
		High risk	Significant risk	Moderate risk	Low risk		
		performance is generally poor.	problems, generally the system is stable.	and properly maintained.			
16	Environmental conditions	Natural disasters or significant events regularly occur that displace citizens and resources.			Natural disasters or significant events that displace citizens and resources rarely or never occur.		
17	Exchange rate volatility	Foreign exchange rates fluctuate significantly on a daily basis.	Foreign exchange rates fluctuate significantly on a weekly or monthly basis.	Foreign exchange rates have remained relatively consistent, with the exception of significant one-off fluctuations.	Foreign exchange rates do not fluctuate significantly.		
18	Existence of a black market	Black market is prevalent and influential in the country.	Black market exists and has significant influence in the country.	Black market exists in the country, but effective actions are being taken to eliminate or limit its influence in the country.	Black market may exist but does not have an influence in the country.		
19	<p><Any other specific items identified by agency></p> <p><i>Examples: Inflation, reliability of statistics bureau, parliamentarian control, unemployment rate, transparency of information collection</i></p>						

Appendix II. Terms of Reference for Micro Assessment Performed by Third Party Service Provider

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.

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

Annex 2. Micro Assessment Questionnaire Template:

<Insert template from [Appendix IV](#) of the HACT framework>

Appendix III. 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	3 Other assessments (e.g., NEX/NIM audit, HACT audit, etc.)	4 Agency capacity assessment	Micro assessment deemed necessary	5 Priority rating	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	3 Other assessments (e.g., NEX/NIM audit, HACT audit, etc.)	4 Agency capacity assessment	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	<p>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.</p>
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:</i> Agency UN1 has five IPs with the following estimated programme cycle funding during this programme cycle:</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. IPs 3 and 4 account for \$1,200,000, or 75%, of the total estimated programme cycle funding.</p>
4	<p>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.</p>
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.

Appendix IV. Micro Assessment Questionnaire

Micro Assessment Questionnaire

Implementing Partner: _____ Date: _____

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

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

- **High** – Response to question/subject matter provides a risk to the overall financial management system that has both a high likelihood of occurring and a potentially negative impact on the IP’s ability to execute the programme in accordance with the work plan⁷ 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.

⁷ Agency work plans can be annual, multi-year, rolling or joint.

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

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

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

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

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

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

Micro Assessment Questionnaire

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
1. Implementing partner						
1.1 Is the IP legally registered? If so, is it in compliance with registration requirements? Please note the legal status/registration of the entity. <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.		
Total number of questions in subject area:	5					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
Implementing partner overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
2. Funds Flow						
2.1 Can the IP easily receive and transfer funds? If so, please describe the process.				The IP can receive funds directly from the agency.		
2.2 Are the proposed arrangements to transfer the funds to the IP satisfactory to the funding agency?				The proposed arrangements are satisfactory to the funding agency.		
2.3 Have there been major problems in the past in receipt of funds by the IP, particularly where the funds flow from government ministries (if applicable)? If so, please describe.				The IP has not had problems in the past regarding receipt of agency funding.		
2.4 In the past, has the IP had any problems in the management of funds received? If so, please describe.				The IP has not had problems in the management of funds received from the funding agency.		
2.5 Does the IP have capacity to manage foreign exchange risks? (If it is expected to be using funds outside the 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.		
Total number of questions in subject area:	7					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						
Funds flow overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
3. Organizational Structure and Staffing						
3.1 Is the organizational structure of the IP's accounting/finance department appropriate for the level of financial volume? Does the organizational structure provide clear lines of reporting and accountability? If so, please describe. <i>Attach an organization chart if available.</i>				The organizational structure of the IP's accounting/finance department is appropriate for the level of financial volume (including funding from the agency).		
3.2 Are the level of posts and competency of staff appropriate for the level of financial volume in the accounting/finance				The level of posts and competency of staff are		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
<p>department? Identify the staff, including job titles, responsibilities, educational backgrounds and professional experience.</p> <p><i>Attach job descriptions and CVs of key accounting/ finance staff.</i></p>				appropriate for the level of financial volume in the accounting/finance department.		
<p>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.</p>				The IP’s accounting/finance function is staffed adequately to ensure sufficient controls are in place to manage agency funds.		
<p>3.4 Are accounting/finance staff familiar with United Nations procedures related to cash transfers (specifically the HACT framework)? If so, please provide details.</p>				The accounting/finance staff are familiar with United Nations procedures related to cash transfers (specifically the HACT framework).		
<p>3.5 Are there vacancies in positions considered key? If so, provide the estimated date of appointment.</p>				The IP does not have any vacancies in positions considered key.		
<p>3.6 Are staff frequently transferred to other departments, offices, countries, etc.? If so, what is the estimated frequency?</p>				IP staff are not frequently transferred to other departments, offices, countries, etc.		
<p>3.7 Does the IP have training policies for accounting/finance staff? Are necessary trainings undertaken? If so, please describe.</p>				The IP has training policies for accounting/finance staff, which are undertaken as planned.		
<p>3.8 Has there been significant turnover in the past five years? If so, has the rate improved or worsened? Does it appear to</p>				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 accounting/finance and management positions? If alternative practices for processing new hires are in place, please provide a brief description.				The IP performs background verification/checks on all new accounting/finance and management positions.		
3.10 Does the IP have a defined and documented internal control framework? Is this framework consistent with international standards? If so, please describe.						
Total number of questions in subject area:	10					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						
Organizational structure and staffing overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
4. Accounting Policies and Procedures						
4a. General						
4.1 Does the IP have an accounting system that allows for proper recording of financial transactions from United Nations agencies, including allocation of expenditures in				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
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.		
4d. Payments						
4.18 Do invoice processing procedures provide for: <ul style="list-style-type: none"> • Copies of purchase orders and receiving reports to be obtained directly from issuing departments? • Comparison of invoice quantities, prices and terms with those indicated on the purchase order and with records of goods actually received? • Checking the accuracy of calculations, if any? 				Invoice processing procedures are sufficient, including: receiving copies of purchase orders and receiving reports directly from issuing departments; comparing invoice quantities, prices and terms with those indicated on the purchase order and with records of goods actually received; and checking the accuracy of calculations (if any).		
4.19 Can the IP identify tax-exempt activities to ensure tax is not paid?				The IP has the ability and experience to identify tax-exempt activities and ensure tax is not paid.		
4.20 Are all invoices stamped 'PAID', dated, reviewed and approved, and clearly marked for account code assignment?				Invoices are stamped 'PAID', dated, reviewed and approved, and clearly marked for account code assignment.		
4.21 Do controls exist for preparation and approval of payroll expenditures? Are changes properly authorized? If so, please describe.				Controls exist for the preparation and approval of payroll expenditures and changes are properly authorized.		

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.		
4e. Policies and procedures						
4.23 Does the IP have a single stated basis of accounting (e.g., cash or accrual)? If so, please describe.				The IP has a single basis of accounting.		
4.24 Does the IP have an established accounting manual sufficient to ensure control of assets and proper use of agency funds? Are internationally accepted accounting standards followed? If so, which standard?				The IP has an established accounting manual sufficient to ensure control of assets and proper use of agency funds. This manual follows an internationally accepted accounting standard.		
4.25 Does the IP have an adequate policies and procedures manual to guide activities and ensure staff accountability? If so, please describe.				The IP has an adequate policies and procedures manual to guide activities and ensure staff accountability.		
4.26 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the IP?				The IP has procedures in place to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure.		
4.27 Are there written policies and procedures covering all routine financial management and related administrative activities? Are these accessible? Please describe.				There are accessible written policies and procedures covering all routine financial management and related administrative activities.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
4.28 Do policies and procedures clearly define ‘conflict of interest’ and ‘related party transactions’ (real and apparent) and provide safeguards to protect the organization from them? If so, please describe.				The IP has well-defined policies and procedures for ‘conflict of interest’ and ‘related party transactions’ (real and apparent) that provide adequate safeguards to protect the organization from them.		
4.29 Are manuals distributed to appropriate personnel? If so, please describe the manuals and the personnel who receive them.				Manuals are distributed to appropriate personnel.		
4f. Cash and banks						
4.30 Are there authorized signatories on the bank accounts that will be used for United Nations resources? How many signatories are on the bank account and how many are required to execute transactions? If so, provide names.				The IP has signatories on the bank accounts that will be used for United Nations resources and more than one signatory is required for each transaction.		
4.31 Does the IP maintain an adequate, up-to-date cashbook, recording receipts and payments?				The IP maintains an adequate, up-to-date cashbook, recording receipts and payments.		
4.32 Do controls exist for the collection, timely deposit and recording of receipts at each collection location? If so, please describe.				Controls exist for the collection, timely deposit and recording of receipts at each collection location.		
4.33 Are bank balances and cash ledger reconciled monthly and properly approved? Are explanations provided for 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.		
4g. Safeguards for assets						
4.36 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse? If so, tour the facility to ensure the system has been implemented and followed.				The IP has a system of adequate safeguards to protect assets from fraud, waste and abuse.		
4.37 Are subsidiary records of fixed assets and inventory kept up to date and reconciled with control accounts? If so, please describe.				Subsidiary records of fixed assets and inventory are kept up to date and reconciled with control accounts.		
4.38 Are there periodic physical inventories of fixed assets and stocks? If so, please describe.				The IP performs periodic physical inventories of fixed assets and inventory.		
4.39 Are fixed assets and inventory adequately covered by insurance policies?				The IP's fixed assets and inventory are adequately covered by insurance policies.		
4h. Other offices or entities²						
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		

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

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
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.		
4.44 Does the IP have a process to ensure expenditures of other offices/entities are in compliance with the work plan and/or contractual agreement noted in item 4.43?				The IP has a process to ensure expenditures of other offices/entities are in compliance with the work plan and/or contractual agreements.		
4i. Other						
4.45 Has the IP advised employees, beneficiaries and other recipients to whom they should report if they suspect fraud, waste or misuse of agency resources or property?				The IP has advised employees, beneficiaries and other recipients to whom they should		

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.		
Total number of questions in subject area:	46					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						
Accounting policies and procedures overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
5. Internal Audit						
5.1 Is the internal auditor sufficiently independent to make critical assessments? To whom does the internal auditor report?				The internal auditor is sufficiently independent to make critical assessments.		
5.2 Does the IP have stated qualifications and experience requirements for internal audit department staff? If so, please describe.				The IP has stated qualifications and experience requirements for internal audit department staff.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
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.		
Total number of questions in subject area:	5					
Number of questions marked ‘N/A’ in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						
Internal audit overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
6. Financial Audit						

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.
7. Reporting and Monitoring						
7.1 Are financial statements prepared specifically for the IP?				Financial statements are prepared specifically for the IP.		
7.2 What is the frequency of preparation of the financial statements mentioned in 7.1? Are the reports prepared in a timely fashion so they are useful to management for decision-making?				Financial statements of the IP are prepared on a frequent basis so they are useful to management for decision-making.		
7.3 Does the reporting system have the capacity to link the financial information with the work plan's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?				The reporting system has the capacity to link the financial information with the work plan's physical progress.		

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
<i>Total number of questions in subject area:</i>	8					
<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>Reporting and monitoring 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.
8. Information Systems						
8.1 Is the financial management system computerized? If so, does the IP have policies and procedures to maintain this system?				The financial management system is computerized and properly maintained.		
8.2 Does the IP have policies and procedures to restrict access to the computerized financial management system to appropriate personnel? If so, please describe them.				The IP has policies and procedures to restrict accesses to the computerized financial management system to the appropriate personnel.		
8.3 Can the computerized financial management system produce the necessary financial reports?				The computerized financial management system can produce the necessary financial reports.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
8.4 Are IP staff adequately trained to maintain the computerized financial management system?				IP staff are adequately trained to maintain the computerized financial management system.		
8.5 Does the IP have appropriate safeguards to ensure the confidentiality, integrity and availability of the data? If so, please describe them.				The IP has appropriate safeguards to ensure the confidentiality, integrity and availability of the data.		
Total number of questions in subject area:	5					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						
Information systems overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
9. Procurement						
9a. General						
9.1 Has the IP undertaken a procurement exercise with United Nations / World Bank / European Union resources in the 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: http://ec.europa.eu/echo/files/partners/humanitarian_aid/fpa_partners.pdf				The IP has been audited by ECHO and selected as a Framework Partnership Agreement partner.		
9.3 Has the IP been audited by ECHO and selected as a Humanitarian Procurement Centre partner as per: http://ec.europa.eu/echo/files/partners/humanitarian_aid/HPC-register_en.pdf				The IP has been audited by ECHO and selected as a Humanitarian Procurement Centre partner.		
9b. Procurement principles, policies and procedures						
9.4 Does the IP follow acceptable United Nations procurement principles? Do these principles promote broad participation from potential bidders? If so, please describe them.				The IP follows acceptable United Nations procurement principles.		
9.5 Does the IP have written procurement policies and procedures? <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 and sent to management for approval? Are the exceptions periodically analysed and corrective actions taken?				Exceptions to procedures are documented and sent to management for approval. Exceptions are periodically analysed and corrective actions are taken.		
9c. Internal control system						
9.11 Does the IP have a procurement committee for review and approval of contracts? If so, please specify composition of committee.				The IP has a procurement committee that reviews and approves contracts.		
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.		
9e. Procurement process						
9.18 Does the IP have a well-defined process for sourcing/pre-qualification of suppliers? Do formal procurement methods include broadly broadcasting procurement opportunities? <i>Please attach methodology for the assessment of suppliers.</i>				The IP has a well-defined process for sourcing/pre-qualifying suppliers.		
9.19 Does the IP undertake regular market surveys? If so, describe the process.				The IP undertakes regular market surveys.		
9.20 Does the IP have a database of active suppliers? If so, please describe the process for maintaining this database.				The IP has a database of active suppliers.		

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.		
9f. Awarding of contracts						
9.27 When a formal invitation to bid has been issued, does the IP award the procurement contract to the qualified bidder whose bid substantially conforms to requirements set forth in the solicitation documentation and offers the lowest cost?				The IP awards procurement contracts to qualified bidders whose bids substantially conform to requirements set forth in the solicitation documentation and offer the lowest cost.		
9.28 When a formal request for proposal has been issued, does the IP award the procurement contract to the qualified				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.		
9g. Reporting and monitoring						
9.29 Are procurement reports prepared for the IP? If so, describe the preparation and frequency of these reports.				Procurement reports are prepared frequently for the IP.		
9h. Information system						
9.30 Is the procurement system computerized? If so, is the system adequately maintained?				The procurement system is computerized and adequately maintained.		
9.31 Can the procurement system produce the necessary reports?				The procurement system is capable of preparing the necessary reports.		
9i. Verification of procurement capacity						
9.32 Is the IP's procurement unit properly resourced in terms of number of staff and their qualifications?				The IP's procurement unit is properly resourced in terms of number of staff and their qualifications.		
9.33 Is the structure of the IP's procurement unit clear, with defined reporting lines that foster efficiency and accountability?				The structure of the IP's procurement unit is clear, with defined reporting lines that foster efficiency and accountability.		

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

Appendix V. 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;⁸
 - 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;

⁸ 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.

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.
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.⁹
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.).

⁹ Agency work plans can be annual, multi-year, rolling or joint.

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:
 - 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.

Appendix VI. 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 plan¹⁰ 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.

¹⁰ Agency work plans can be annual, multi-year, rolling or joint.

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 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.

An example of the FACE form template is included in [Appendix VII](#).

Appendix VII. FACE Form Template

Funding Authorization and Certificate of Expenditures		UN Agency: <u>XXXXXXXXXX</u>				Date: <u>DD/MM/YYYY</u>			
Country:	<u>XXXXXXXXXXXXXXXXXXXXXXXXXXXX</u>							Type of Request:	
Programme Code & Title:	<u>XXXXXXXXXXXXXXXXXXXXXXXXXXXX</u>							<input type="checkbox"/> Direct Cash Transfer (DCT)	
Project Code & Title:	<u>XXXXXXXXXXXXXXXXXXXXXXXXXXXX</u>							<input type="checkbox"/> Reimbursement	
Responsible Officer(s):	<u>XXXXXXXXXXXXXXXXXXXXXXXXXXXX</u>							<input type="checkbox"/> Direct Payment	
Workplan Code & Title:	<u>XXXXXXXXXXXXXXXXXXXXXXXXXXXX</u>								
Implementing Partner Name & Code:	<u>XXXXXXXXXXXXXXXXXXXXXXXXXXXX</u>								
Currency: _____		REPORTING				REQUESTS / AUTHORIZATIONS			
Activity Description from AWP with Duration <u>XXXXXXXXXXXXXXXXXXXXXXXXXXXX (MM/YYYY - MM/YYYY)</u> <u>XXXXXXXXXXXXXXXXXXXXXXXXXXXX (MM/YYYY - MM/YYYY)</u> <u>XXXXXXXXXXXXXXXXXXXXXXXXXXXX (MM/YYYY - MM/YYYY)</u> Total	Coding for UNDP, UNFPA and WFP	Authorised Amount <u>MM-MM YYYY</u> A	Actual Project Expenditure B	Expenditures accepted by Agency C	Balance D = A - C	New Request Period & Amount <u>MM-MM YYYY</u> E	Authorised Amount F	Outstanding Authorised Amount G = D + F	
		0	0	0	0	0	0	0	
CERTIFICATION									
The undersigned authorized officer of the above-mentioned implementing institution hereby certifies that									
<input type="checkbox"/> The funding request shown above represents estimated expenditures as per AWP and itemized cost estimates attached.									
<input type="checkbox"/> 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 AGENCY USE ONLY:			FOR UNICEF USE ONLY				FOR UNFPA USE ONLY		
Approved by:			Account Charges		Liquidation Information		New Funding Release		
Name:			Cash Transfer Reference: <u>FC ref. no., FI document ref. no.</u>		DCT Reference: <u>FC ref. no., Liquidation ref. no.</u>		Activity 1 0		
Title:			GL codes:		DCT Amount 0		Activity 2 0		
Date:			Training 0		Less: 0		Total 0		
			Travel 0		Liquidation Amount 0				
			Meetings & Conferences 0		Other Cash Transfers 0				
			Other Cash Transfers 0		Total 0				
			Total 0		Balance 0				

Appendix VIII. Assurance Monitoring Dashboard

Assurance Monitoring Dashboard

Prepared as of the month ending: _____

Agency name: _____

Country: _____

Prepared by: _____

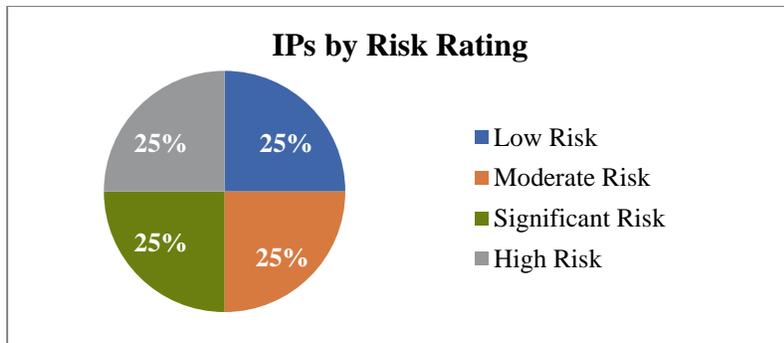
Implementation year: _____

Programme cycle: _____

Total number of IPs: _____

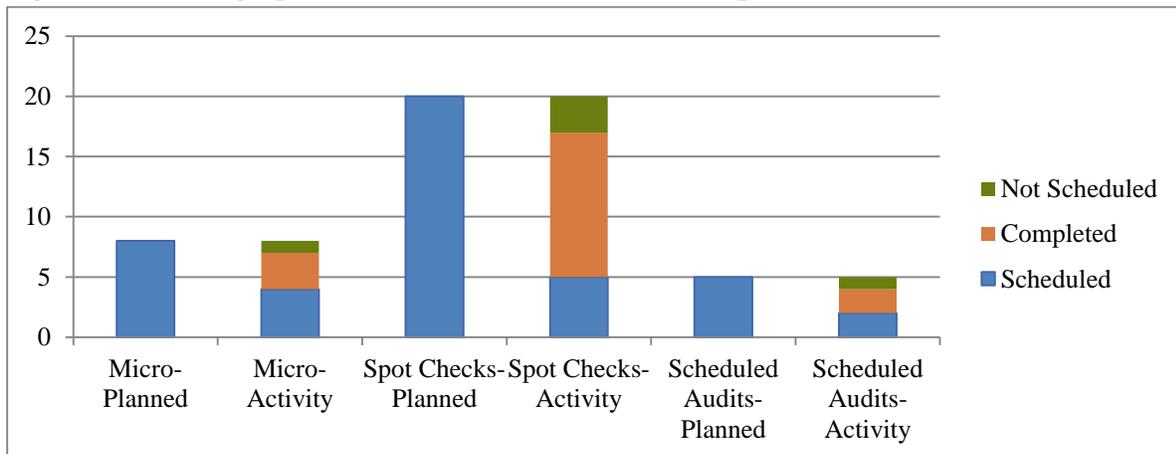
Concentration of IP by risk rating:

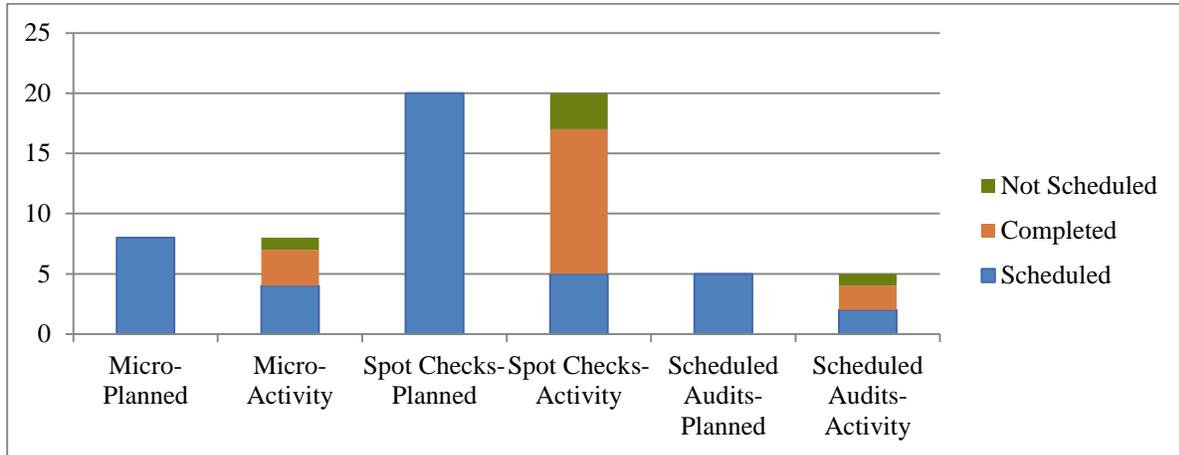
Right click on the graph below and select 'Edit Data' to update



Year-to-date assurance activities status:

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





Comments:

Appendix IX. Terms of Reference for Spot Checks Performed by Internal Agency Staff

This TOR has been developed to guide United Nations agencies and IPs through the objectives, scope, timeline and deliverables of the spot check. (See Annex 1 for programme-specific information)

Scope of the Spot Check

Spot checks are performed to assess the accuracy of the 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

These are suggested procedures to be performed during the spot check. The actual procedures to be performed must be confirmed prior to starting 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.
3. Obtain a listing of all programme related expenditures during the **XX** month/period ended **(date)** and perform the following:
 - Randomly select a significant sample of expenditures of the selected FACE form for testing. The specific amount is set by each agency and should be sufficient to allow formation of an opinion. 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.¹¹
 - 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.

¹¹ Agency work plans can be annual, multi-year, rolling or joint.

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

Deliverables

The spot check must be documented in the spot check work plan, detailing procedures performed and corresponding results. (See Annex 2 for spot check work plan template.)

Qualifications of Agency Staff to Perform Spot Checks

Agency staff performing spot checks should have the following qualifications:

- At least five years of experience in finance/accounting and programme; and
- An understanding of the IP, the HACT framework and the objective of the spot check.

Items to be Acquired before Starting Fieldwork:

The following items will be acquired in advance of starting fieldwork:

- Work plan and any progress reports submitted during the year; and
- A list of the IP's individual transactions (i.e., accounting records) that summarizes the disbursements and FACE forms submitted during the period selected for assessment.

Annex 1. Programme-specific Information

The following information should be completed at the start of the spot check.

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

Annex 2. Spot Check Work Plan Example

Spot Check Work Plan

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

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

Internal Controls: Complete the following table regarding 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 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)									

Appendix X. Terms of Reference for Spot Checks Performed by Third Party Service Providers

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.¹²
 - 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.

¹² 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.

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

Annex 2. ISRS 4400 Agreed-upon Procedures Report Template

Report of factual findings

To (those who engaged the auditor)

We have performed the procedures agreed with you and enumerated below with respect to the 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.

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

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

	Procedure	Findings
1	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)									

Appendix XI. 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.

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

Annex 2. Management Letter Template in Accordance with IPPF

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.

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Glossary

Acronym	Definition
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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 XXXX until XXXX 20XX (insert month and year).

Overall Assessment

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

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

- Xx
- xx

Highlights

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

Good Practices Observed

XXX

2. Audit Objectives, Scope and Operational Overview

Objectives

[insert objectives]

Scope

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

Standards

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

Operational Overview

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

Office Management

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

- XXX
- XXX

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

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

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

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

The following categories of priorities are used:

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

The following categories of possible causes are used:

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

The following categories of functional areas are used:

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

Annex 2.2 Summary of Audit Recommendations

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

This summary excel sheet should contain the following columns:

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									

Appendix XII. 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;¹³ 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:

¹³ 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.

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

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

REPORT OF FACTUAL FINDINGS

To (those who engaged the auditor)

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

1. Obtain documentation describing the IP’s financial management internal controls and report on whether the documentation includes controls related to the following areas of financial management:
 - (a) Authorization of expenditures, including FACE forms and requests for direct payment:
 - Expenditures authorized in accordance with IP policies and procedures;
 - Expenditure included in activity detailed in the work plan;¹⁴
 - Expenditures supported by documentation consistent with IP policies and procedures and the HACT framework.
 - (b) Procurement/contracting of supplies and services, in terms of ensuring that:
 - Competitive bids are obtained for expenditures described in the work plan;
 - Vendors are consistent with the IP’s rules and procedures and agreements with the agency;
 - Procurement of supplies and services is consistent with the IP’s rules and procedures and agreements with the agency, including requirements for competitive procurement; and
 - Supplies and services agree with those required by the work plan.
 - (c) Adequacy of the accounting and financial operations and reporting systems, in terms of ensuring that:
 - The IP has an accounting manual or guidelines;
 - The IP’s accounting methodology complies with applicable standards in the IP country of operation;
 - Duties are segregated between the components of the accounting and management departments;
 - The IP maintains a separate official accounting record/sub-ledger to record transactions against the cash transfers for the agency; and
 - The IP prepares a monthly bank reconciliation if it maintains a separate bank account for the agency’s funds.

¹⁴ Agency work Plan (WP) can be annual, multi-year, rolling or joint.

- (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-of-disbursement requirement in the HACT framework (two weeks).

- Compare the price paid for goods or services against agreed standard rates (if readily available).

We report our findings below:

- (a) With respect to item 1 we found [provide details of findings].
- (b) With respect to item 2 we found [provide details of findings].
- (c) With respect to item 3 we found [provide details of findings].

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

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

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

Auditor Signature

Date

Address

Appendix XIII. 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 statements¹⁵ 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".

¹⁵ As per UN agency specific requirements listed in section Deliverables. In this case, financial statements refer to the Statement of Expenses, and Statements of Cash Balance, Assets and Equipment, and List of Inventory, as applicable.

Scope of the Audit

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

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

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

- a. Auditor is required to express an opinion on financial statements related to the funds provided to the project or the implementing partner by the UN agency:
 - i. **If “project” based audit** – The Combined Delivery Report (CDR), or its UN agency equivalent prepared by the agency, serves as the official statement of expenses that will be subject to audit. The statement of assets and equipment, statement of cash position, and list of inventory as at 31 December XXXX (or on the date prescribed by the UN agency), as appropriate, may also be subject to audit based on UN agency specific requirements.
 - ii. **If “IP” based audit** - Total expenses incurred by the implementing partner from funds provided by UN agencies (this can be the sum of CDRs or sum of CDR equivalent) that will be subject to audit. Also, based on UN agency specific requirements and as appropriate, the total assets and equipment for all projects implemented by the implementing partner through funds provided by the UN agencies, list of inventory and the cash position of funds provided by the UN agencies. The sample of expenses tested should be representative of resources provided by all the UN agencies.
 - iii. **If the IP is shared by two or more UN agencies** - The audit report must include a separate opinion for each UN agency on the CDRs/ financial statements related to the funds provided by each UN agency to the IP(s) or project(s).
- b. Audit period is 1 January to 31 December of the year XXXX, or as prescribed by the UN agency.
- c. The audit will be carried out in accordance with International Auditing Standards (ISA) 800 *Special Considerations – Audit of Financial Statements Prepared in Accordance with Special Purpose Frameworks*
- d. Scope is limited to the implementing partner expenses incurred from funds provided by the UN agencies, which includes: (1) all expenses listed in the statement of expenses submitted by the implementing partner, and (2) the direct payments processed by the UN agencies at the request of the implementing partner (if any).
- e. Auditor is required to verify that the expenses in the statement of expenses are in accordance with the approved budget (and work plan) and reconciled to appropriate supporting documentation.

- f. Auditor is required to state in the audit report the amount of expenses excluded from the scope of the audit because they were made by UN agencies as part of direct services (if any) and the amount of total expenses excluded because they were made by UN agencies¹⁶.
- g. Auditor is required to report the net financial impact of any modified opinion on the CDR (or its UN agency equivalent) to include prior year un-resolved net financial impact amount(s). The net financial impact is defined as any material misstatement that affects the financial statements as defined by the International Standards of Audit (710).
- h. In case of auditing shared IP(s), the auditor is required to define the financial impact of any modified opinion for each UN agency separately.
- i. Auditor is required to produce a management letter as further defined in the Deliverables section below.

Deliverables

The audit report must clearly indicate the auditor’s opinion on the financial statement (s) of the project(s). The audit report must also state, at a minimum:

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

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

Management Letter

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

¹⁶ 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 date¹⁷;
- 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

¹⁷ 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