

## **ANNEX 1. IP and Programme Information**

The following information should be completed at the start of the micro assessment and annexed to the report as per the format in Annex 3.

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

## Annex 2. Micro Assessment Questionnaire

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

### Instructions

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

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

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

6. Use the 'Remarks/ comments' column next to each question to provide details of your assessment or to highlight any important matters. This document will be referenced subsequently by the agency when performing additional assurance activities related to the IP. Sufficient details should be provided in this document for the agency to understand the details and rationale for your assessment.

#### Calculation of risk rating per subject area section

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

#### Calculation of overall risk rating

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

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#### Note 1 – Method of assigning risk ratings to risk scores

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

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

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

| <b>Scenario 1</b>  | <i>Risk Rating</i> | <i>Points</i> |  | <b>Scenario 2</b>     | <i>Risk Rating</i> | <i>Points</i> |
|--------------------|--------------------|---------------|--|-----------------------|--------------------|---------------|
| Question 1         | High               | 4             |  | <b>Key Question 1</b> | <b>High</b>        | <b>8</b>      |
| Question 2         | Low                | 1             |  | Question 2            | Low                | 1             |
| Question 3         | Low                | 1             |  | Question 3            | Low                | 1             |
| Total Risk Points: |                    | 6             |  | Total Risk Points     |                    | 10            |
| Overall Risk       | Moderate           | 2             |  | Overall Risk          | Significant        | 3.3           |

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

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

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

## Annex 3. Micro Assessment Report Format

### Front Page

|                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Micro Assessment of [Name of the IP]<br>Commissioned by [Name of the UN Agency/ies]<br>Name of the 3 <sup>rd</sup> Party Service Provider<br>Date |
|---------------------------------------------------------------------------------------------------------------------------------------------------|

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## 1. Background, Scope and Methodology

### Background

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

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

### Scope

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

- A review of the IP legal status, governance structures and financial viability; programme management, organizational structure and staffing, accounting policies and procedures, fixed assets and inventory, financial reporting and monitoring, and procurement;
- A focus on compliance with policies, procedures, regulations and institutional arrangements that are issued both by the Government and the Implementing Partner.

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

### Methodology

We performed the micro-assessment from [date] to [date] at [describe locations].

Through discussion with management, observation and walk-through tests of transactions, we have assessed the Implementing Partner's and the related internal control system with emphasis on:

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

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

## 2. Summary of Risk Assessment Results

*[Executive summary of the overall risk assessment].*

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

| Tested subject area                      | Risk assessment* | Brief justification for rating (main internal control gaps) |
|------------------------------------------|------------------|-------------------------------------------------------------|
| 1. Implementing partner                  |                  |                                                             |
| 2. Programme Management                  |                  |                                                             |
| 3. Organizational structure and staffing |                  |                                                             |
| 4. Accounting policies and procedures    |                  |                                                             |
| 5. Fixed Assets and Inventory            |                  |                                                             |
| 6. Financial Reporting and Monitoring    |                  |                                                             |
| 7. Procurement                           |                  |                                                             |
| Overall Risk Assessment                  |                  |                                                             |

\*High, Significant, Moderate, Low

### 3. Detailed Internal Control Findings and Recommendations

| No. | Description of Finding                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Recommendation and <b>IP Management Response</b>                                                                                                                                                                                                                                                 |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.  | <p><b>Example: Insufficient staff training</b></p> <p>We noted that staff employed in the accounts department, who were primarily bookkeepers / administrators, had not received training on UN requirements for financial management and reporting, and had received only informal “on the job” training on the GABS accounting system.</p> <p>Lack of sufficient training increases the risk of error and failure to comply with the UN financial reporting requirements.</p> | <p>Example:</p> <p>The organisation should ensure staff are properly trained and aware of UN financial reporting requirements.</p> <p><b>IP Management Response</b></p> <p>A training session with the assistants of the UN Agency HACT Focal Point will be organized within the next month.</p> |
| Etc |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                  |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                  |
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**Annex I. IP and Programme Information**

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

## **Annex II. Implementing Partner Organizational Chart**

**Annex III. List of Persons Met**

| <b>Name</b> | <b>Unit/organization</b> | <b>Position</b> |
|-------------|--------------------------|-----------------|
|             |                          |                 |
|             |                          |                 |
|             |                          |                 |
|             |                          |                 |

#### **Annex IV. Micro Assessment Questionnaire**

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

**TOR is prepared by:**

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**Approved by:**

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