Terms of Reference for Financial Audit of Implementing Partners

Background and Scope of Audit

The purpose of the audit is to assess the existence and functioning of an Implementing Partner’s internal controls for the receipt, recording and disbursement of cash transfers and the fairness of a sample of expenditures reported in the Funding Authorization and Certificate of Expenditure (FACE) forms.

The Auditor will be provided with documentation including:

- A broad description of the programme management arrangements (Country Programme Action Plan (CPAP), Annual Work Plans (AWPs), Funding Authorization Certificate Expenditure (FACE) forms) between Agencies, the Implementing Partner and other relevant Government authorities or other partners.
- A summary of activities for which funding was provided by the Agencies under the AWPs, the intended major results, budgets and total amount disbursed. This should enable the auditor to understand the overall purpose for which the funds were intended,
- Any major findings of the macro- and micro-assessments, and previous audits, or any observations from ongoing programme and financial monitoring that help to establish the scope of the audit.
- A statement that the audit will cover (1) a review of the Implementing Partner’s internal controls (2) a review of the implementation of recommendations made in the (Micro-) assessment and previous audits of the Implementing Partner (3) verification of a sample of transactions, drawn from a sample of the FACE forms (4) recommendations to the Implementing Partner to improve its internal controls.
- A list of AWPs and FACE forms signed by the Implementing Partner.

Implementing Partner

The Implementing partner includes Government ministries. Non-Governmental Organizations (NGOs) and Civil Society Organizations (CSOs).

This following information will be provided to the successful institution/individual:

- The physical address, telephone numbers, fax numbers, web sites and relevant e-mail addresses.
- An organization chart of the audited institution and - if appropriate - a chart showing the place of the institution/unit within the larger organization.
- A list of senior officers together with their contact details.
- A list of the contact persons responsible for accounting, financial management and internal audit together with telephone numbers and email addresses.

1 It is not expected that the sample will provide assurance for individual FACE forms.
Consultations with Agencies and Implementing Partner

- Prior to the start of work, the auditor should meet with the Agencies to hear their concerns.
- Prior to the start of work, the auditor should meet with senior officials of the Implementing Partner, to understand how cooperation with the Agencies is managed, and any issues of concern they may have.
- Upon completion of the draft report, the auditor should first hold a debriefing meeting with the Implementing Partner, to discuss findings and recommendations for future improvements, as well as to seek their feedback thereon.
- The auditor will then meet with the Agencies to discuss the draft report prior to its finalization.

Tasks:

1. Review of the Implementing Partner’s programme management system

This section describes the specific tasks that will facilitate an overall review of the management of the AWP implementation by the Implementing Partner. These tasks will include:

- Review CPAP(s), AWP(s), FACE forms and, where applicable, Agency relevant manuals, to determine whether periodicity of FACE form submissions was in accordance with the planned timeline, and whether requests for disbursements and reports on utilization of cash were provided for activities described in AWP(s).
- Through interviews and review of progress reports prepared the implementing Partner, establish whether activities were implemented as planned. Where activities (timeliness, type, quantity) deviated significantly from the original AWP(s), establish whether this was by mutual agreement between the Implementing Partner and the Agency(ies). Determine and comment on the causes for significant delays or changes, if any.
- Review the Implementing Partner’s system of monitoring progress and review of reports, including field monitoring visit reports and progress reports, to assess whether the Implementing Partner met its responsibilities for monitoring as described in the CPAP and AWPs.
- Review whether recommendations recorded in field/project monitoring reports or minutes of meetings between the Implementing Partner and the Agency(ies) have been implemented by the Implementing Partner.
2. Assessment of the Implementing Partner’s internal controls

An overall assessment on the functioning of the implementing Partner’s internal controls, with emphasis on (i) the effectiveness of the system in providing the Implementing Partner’s management with useful and timely information for the proper management of the AWP and (ii) the general effectiveness of the internal control system in protecting the assets and resources provided for implementation of AWP activities.

These tasks will include:

• Conduct a general assessment of internal controls according to established internal control standards. An example of the established internal control standards is available from the Organization of Supreme Audit Institutions (INTOSAI). The INTOSAI standards are intended to be used by government managers as a framework to establish effective internal control structures. For further information, the INTOSAI Guidelines for Internal Control Standards can be found on the INTOSAI Web site www.intosai.org

• Review whether recommendations made in the micro assessment or previous audit(s) were implemented or, if not, determine the implementation status.

• Review FACE forms, including the records of requests for direct payments, to assess whether they were signed by designated officials of the Implementing Partner.

• Review the processes used by the Implementing Partner for authorizing expenditures and assess whether they are in accordance with the CPAP and AWP.

• Review the process for procurement/contracting of supplies and services and assess whether it is transparent and competitive.

• Review the use, control and disposal of non-expendable equipment and assess whether it is in compliance with government policies (or the Agency relevant manuals, where so specified in the CPAP/AWP); and also, whether the equipment procured met the identified needs and whether it is used in accordance with intended purposes.

• Review relevant IT systems.

• Where Agency’s funds pay for the personnel or consultants, review the process followed for recruiting the Implementing Partner’s personnel and consultants and assess whether it is transparent and competitive.

• Review the Implementing Partner’s accounting records and assess their adequacy for maintaining accurate and complete records of receipt of funds provided by the Agency(ies) and disbursements of cash.

• Interview officials of the Implementing Partner, as necessary, to ensure full understanding of the functioning of the internal control system.
3. Review of a sample of FACE forms and transaction testing

Overall Testing of compliance of the Implementing Partner’s internal controls. These tasks will include:

• Assess whether the funds received from the Agency were deposited into the Implementing Partner’s bank account by verifying the bank statement.

• Reconcile the expenditure totals, per activity, on the FACEs to the list of individual transactions (i.e. the Implementing Partner’s accounting records).

• For each activity, review the nature of expenditure and assess the reasonableness. Discuss any concerns with management.

• Select a sample for testing considering the UNCT’s assessment of risks. This pre-audit risk assessment will be provided by the Agency(ies) during the initial consultation, and may depend on the ratings from the Micro-assessments of the Implementing Partner, previous audits, spot-checks, and any concerns that have arisen during the period under review, materiality, and required confidence level. The use of statistical sampling should be considered as a tool for the audit. Samples should be drawn from sets of transactions stratified by transaction type with emphasis on materiality/high value items. Alternatively, the Agency(ies) may consider to allow for random sampling techniques.

• For this sample of transactions, carry out a verification of the accuracy and completeness of supporting documentation (e.g vouchers, invoices, purchase orders, receipt of goods, bank transfers/checks, bank statements) to assess whether they are properly authorized, documented, certified and accounted for; and are consistent with the description of the transaction (per the accounting records) and per the AWP.

• (Optional) Compare the price paid for goods or services against market benchmarks. Include other appropriate measures of value for money.

**Deliverables**

The output should be an audit report containing at a minimum:

• An Opinion on the functioning of internal controls.

• An Executive Summary with the key findings, risks and recommendations.

• A summary of the main identified risks to the management of agreed activities and the use of funds provided by the Agencies, arising from weak internal controls.

• Any identified specific internal control weaknesses in the financial management of the Implementing Partner.

• Recommendations on how the identified risks may be better managed, and how the Implementing Partner’s internal controls can be strengthened. Recommendations should clearly identify those responsible for their implementation within the Implementing Partner. The comments of the Implementing Partner should be included in report, under the recommendation.

• Comments on the follow-up to the recommendations from previous audits or assessments and the management response to those.
• A list of transactions tested. For any exceptions identified, the report should list the transaction details and the nature of the exception.
• If applicable, any “good practices” that were developed by the implementing Partner and could be shared with other Implementing Partners.

The draft audit report should be submitted within two weeks of the completion of the assignment.

**Available Facilities and Right of Access**

The Auditor(s) will have full and complete access at any time to all records and documents (including books of account, legal agreements, minutes of committee meetings, bank records, invoices and contracts, etc.) and all employees of the entity. The auditor will have right of access to banks, consultants, contractors and other persons or firms engaged by the implementing Partner’s management.

**Qualifications and Experience**

1. Holds a recognized professional audit qualification/designation
2. Minimum of five (5) years experience in auditing

Detailed proposals should be submitted to:

The Operations Manager  
United Nations Children’s Fund  
P.O. Box 1232  
Bridgetown  
Barbados  
Telephone: (246) 467-6000/6156  
Fax: (246) 436-2812 or  
E-mail: bridgetown@unicef.org

**no later than Sunday 06 April 2014**

**UNSUITABLE PROPOSALS WILL NOT BE ACKNOWLEDGED**