

Terms Of Reference For Spot Checks

This TOR was developed to guide United Nations agencies, 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 the service provider to prepare a report on factual findings based on specific, agreed-upon procedures performed. As the 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 and whether there have been any significant changes to applicable internal controls. The spot check is not an audit.

Spot Check Procedures

The procedure for spot checks should be in line with the UN Agencies' Spot Check Guidance. The following are examples of procedures to be performed during the spot check. The actual procedures to be performed must be confirmed with the UN Agency HACT Focal Point prior to the start of the spot check.

1. 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.
2. Obtain a listing of all programme-related expenditures that support the actual programme expenditures submitted by (insert IP name) on FACE form/s (insert date and number) for the agreed-upon procedures engagement and perform the following:
 - Select a sample of expenditures using a statistical (i.e. random sampling) or non-statistical (e.g. high value or high risk items) approach amounting to approximately 50% of total expenditures for the period. At least one item should be selected from each expense category which is greater than 5% of the total expenditure for the period. 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.¹
 - 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.

¹ Agency work plans can be annual, multi-year, rolling or joint.

- 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 by UN Agency resources' (or coded to and recorded in a separate fund to ensure there is no duplicate claiming of expenditure to UN Agencies and/or another funding agency), 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).
3. 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.

Note: some IPs submit multiple FACE forms per quarter. In such cases, the UN Agency office may select multiple FACE forms to be checked during a spot check.

Deliverables

The service provider prepares a report in accordance with ISRS 4400. The report template is provided in Annex C.

Prior to the conclusion of the site visit, the service provider holds an exit meeting with the IP to discuss any initial findings. The Un Agency Focal Point should be invited to attend the closing meeting at their discretion.

The service provider provides the draft spot check report and summary of findings and observations to the IP to provide any further clarification and management responses.

The spot check report is then provided to the Un Agency Focal Point for review and comment.

The final reports are to be provided in Word format. Where service provider's internal policies require the final signed version to be provided only in PDF, Un Agency will accept the PDF version accompanied by a Word version with same content but without signature and/or branding (as per service provider's internal policies).

Timeframe for Deliverables and Liquidated Damages

Spot check is to be completed and draft report delivered within four weeks of contract signature. Final report is to be provided within one week of receipt of feedback from the respective UN Agency on the draft report.

Liquidated damages for delayed delivery will be levied as follows: the respective UN Agency may claim liquidated damages from the Contractor and deduct 0.5% of the value of the goods/services per day of delay, up to a maximum of 10% of the value as stated in the clause.

Qualifications of the 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 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 service provider staff must be experienced in applying ISRS standards. The service provider should employ staff with recognized professional qualifications and suitable experience with ISRS standards, including experience in reviewing similar entities.

Items to be Provided to the Service Provider

UN Agency County Office HACT Focal Point provides the following documentation in advance of starting fieldwork:

- Work plan and any progress reports submitted during the year;
- Micro assessment report and any related agreed actions, reports of relevant field monitoring visits, reports of previous spot checks, available audits reports and other documentation that may help to understand the IP’s internal controls and supported activities.
- UN Agency Spot Check Guidance

To ensure efficient use of time, the service provider reviews the information received and provides the IP with a list of requested documents in advance of any site visits.

[Annex A. Spot Check: Programme-specific Information](#)

The following information is to be provided to the service provider by the UN Agency County Office HACT Focal Point at the start of the engagement.

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 B: Spot Check: Checklist](#)

#	Activity	Performed by	Date
	Preparation (to be done at least one week before the visit to the IP)		

1	Review the findings and recommendation included in the micro assessment		
2	Review the programme document or work plan		
3	Review the latest programme visit and progress reports		
4	Select the FACE form for which the spot check will be performed		
5	Contact the IP Management to inform them of the spot check and agree on the date		
6	Obtain from the IP the detailed transaction listing of actual programme expenditure supporting the FACE form		
7	Reconcile the total amount in the report to the amounts reported on the FACE form		
8	Select and document a sample and provide it to the IP		
9	Complete the spot check Background information in section B.		
Fieldwork (to be completed at the location where the IP maintains its records)			
10	Conduct an interview with the IP management on changes to the internal controls and the implementation of the recommendations from the micro assessment and previous assurance activities.		
11	Document the results of the interview in the Internal Controls section		
12	Test the selected sample and document the test in the Test of Expenditures in section C		
13	Document any findings in Appendix D: Findings and recommendations		
14	Discuss the findings with the IP management and document their response		

15	Agree on corrective or remedial actions with the IP management and document them in Appendix D: Findings and Recommendations		
Discussion and follow-up (to be conducted immediately after the spot check visit is completed)			
15	Follow-up on any outstanding items		
16	Discuss the findings with the UN Agency Programme officer responsible for the programme implementation and the HACT focal point		
17	Determine the priority of the recommendations and document them in Appendix D: Findings and Recommendations		
18	Complete the spot check documentation		
19	Determine on follow-up actions		
20	Determine if escalation is needed		
21	Adjust the HACT plan		

[Annex C: Spot Check: Report](#)

BACKGROUND INFORMATION	
Name of IP Organization:	
Programme Title (section)	
AWP/PCA Reference:	
Location where spot check took place	
IP Contact person and position:	
Date(s) of Spot check:	
Period covered by FACE form(s) selected for spot check	
Total value of selected FACE form(s)	
IP staff whom the spot check team met and worked with during the spot check (names & titles)	

Date of report	
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INTERNAL CONTROLS

Inquire of IP management whether there have been any changes to internal controls since the prior micro assessment from the current programme cycle.
 Inquire whether the high priority recommendations from the micro assessment and previous assurance activities have been implemented.
Document any changes identified

SUMMARY OF HIGH PRIORITY FINDINGS AND RECOMMENDATIONS

No	Finding	Recommendation	Agreed Action by IP and deadline
1			
2			

UN Agency FOLLOW-UP ACTIONS

No	Follow up action	Responsible UN Agency officer	Expected completion date
1			
2			

ANNEXES

1	Expense Testing Worksheet
2	Detailed findings and recommendations

SIGNATURES OF SPOT CHECK TEAM MEMBERS

Name and title	Signature	Date

Annex D Spot Check: Test of Expenditures Worksheet

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) – document the evidence reviewed	Activity is related to expenditure in accordance with work plan? (Y/N) – document the line item in the budget or work plan	Expenditure has been reviewed and approved in accordance with IP's applicable rules and procedures and agreements with the agency? (Y/N) – document the level of review and approval	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 UN Agency grant', indicating which agency funded the transaction or coded to and recorded in a UN Agency specific fund? (Y/N)	Expenditure was recorded in the IP's accounting records and reflected in a certified FACE form in the period in which it was incurred (Y/N)	Price paid for goods or services against United Nations agreed standard rates (if readily available) and according to budget	Comment/finding
Total sample expenditures:									
Total expenditures reported on FACE form:									

Percentage coverage: (Total sample expenditures divided by total expenditures reported on FACE forms)		
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[Annex E Spot Check: Detailed Findings and Recommendations](#)

	Sample expenditure description and voucher number	Sample expenditure amount reported and currency	Observation description	Category of observation	Management Response	Recommendation	Priority	Due date for implementation	Management Response
1									
2									
...									

Category of observation:

1. Missing or inadequate documentation
2. Error in calculating or recording the expenditure
3. Expenditure not related to the programme or activity
4. Expenditure exceeds the approved budget rate or amount
5. Expenditure incurred outside the agreement period
6. Expenditure not recorded in the correct period or FACE form
7. Expenditure not approved as per IP policy

8. Expenditure not compliant with tax, legal or other regulations
9. Lack of proof that the expenditure was incurred or no proof of payment
10. Potential fraud or other irregularity
11. Other (specify)

Priority Ranking:

1. 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).
2. Low: Action that is considered desirable and should result in enhanced control or better value for money.