

TERMS OF REFERENCE (Long Term Agreement)
Financial Spot Checks of UNICEF Implementing Partners
Performed by Third Party Service Providers

Position Title:	Spot-check Third Party Provider
Location:	Kigali, Rwanda
Duration:	April 2024 – March 2027 (LTA)
Reporting to:	Chief of PME
WBS/Grants:	<p><u>Currency:</u> Rwanda francs</p> <p><u>Source of funds:</u> Shared cost by programme sections (based on number of spotchecks)</p>

1. Background

Pursuant to the UN General Assembly Resolution 56/201 on the Triennial Policy Review of operational activities for development of the United Nations System, UNDP, UNICEF, UNFPA and WFP (the United Nations Development Group (UNDG) Executive Committee Agencies (Ex-Com Agencies) adopted a common operational framework for transferring cash to government and non-government Implementing Partners. In April 2005, the UNDG formally released a Harmonized Framework for Cash Transfers to Implementing Partners (HACT, hereinafter called as “the Framework”). Its implementation will significantly reduce transaction costs and lessen the burden that the multiplicity of UN procedures and rules creates for its partners. Implementing Partners will use common forms and procedures for requesting cash and reporting on its utilization. Agencies will adopt a risk management approach and will select specific procedures for transferring cash on the basis of the joint assessment of the financial management capacity of Implementing Partners. UN Agencies will also undertake activities to maintain assurance over the utilization of the provided cash and the capacity building on HACT for IPs.

The adoption of the new harmonized approach is a further step in implementing Rome Declaration on Harmonization and Paris Declaration on Aid Effectiveness, which calls for a closer alignment of development aid and with national priorities and needs. The approach allows efforts to focus more on strengthening national capacities for management and accountability, with a view to gradual shift to utilizing national systems. It will also help Agencies shape their capacity development interventions and provide support to new aid modalities.

This framework applies to the UNDG’s Executive Committee Agencies (ExCom Agencies being UNDP, UNICEF, UNFPA and WFP) and other UN Agencies that choose to adopt it. It calls for an upfront assessment of the programme country’s public financial management system (macro assessment) and similar assessments of Implementing Partners’ (IPs) financial management capacity (micro assessment). Capacity assessments are required to assess the risk of transferring cash to implementing partners in a specific country environment. The risk assigned to the implementing partner following the assessment enable UN agencies to determine the scope and frequency of assurance activities. Assurance activities must be

undertaken during programme implementing to determine whether results were achieved as planned and funds transferred have been used for the intended purpose, in accordance with the work plan, to support the management of fiduciary risks associated with transferring cash.

The HACT Framework has been revised in February 2014. Within the framework of the new United Nations Development Assistance Plan (UNDAP) 2024-2029, the relevant UN Agencies in Rwanda (i.e. UNDP, UNICEF, UNFPA, WFP, UN Women) are looking for a third-party service provider to provide consultancy services for conducting spot checks to review financial records related to the management of the partnership with UN agencies. Spot checks are performed in the office of implementing partners. Spot checks are not audits therefore the extent of expense testing is generally lower than what would be undertaken during in audit.

The deliverables of this ToR will be used in the Long-Term Agreement (LTA) to be signed with the selected third-party service providers.

The estimated spot-checks might be revised based on the significant change in partnership assessments.

2. Objectives, Purpose and Expected results of Agreed-upon Procedures Engagements

This TOR was developed to guide UN Agency (UNICEF), 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).

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 the agreed-upon procedures, no assurance is expressed. Instead, users of the report assess for themselves the procedures 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.

The actual procedures to be performed must be confirmed with the UN Agency HACT focal point prior to the start of the spot check as the scope of the spot check, spot check procedures, sample size and other requirements will be different from UNICEF one.

3. Description of the assignment

The attestation engagement should be conducted in accordance with ISRS 4400, *Agreed-upon Procedures Regarding Financial Information*.

The following procedures are to be performed during the spot check. The actual procedures to be performed must be confirmed with the UNICEF Office HACT Focal Point prior to the start of the spot check.

1. UNICEF Issues an official request letter which specifies objectives, duration and documents and IP personnel required for the spot check.
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 that support the actual programme expenditures submitted by (insert IP name) on FACE form (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 at least 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.
 - 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 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.

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.

A number of UNICEF Implementing Partners (IPs) for financial spot checks to be undertaken by third party service provider on behalf of UNICEF Rwanda will be mentioned in the Long-Term Agreement.

4. Deliverables and Reporting requirements

The service provider prepares a report in accordance with ISRS 4400. The report template is provided in **Annex 2**.

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

- b) Prior to the conclusion of the site visit, the service provider holds an exit meeting with the IP to discuss any initial findings. The UNICEF Office HACT Focal Point and concerned Programme Officer should be invited to attend the closing meeting at their discretion.
- c) 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 UNICEF Office Chief of Operations (or represented by Finance Specialist), Programme focal person and HACT Officer for review and comment.

It is a good practice to organise preliminary findings sharing for UNICEF before the draft report is submitted. It is also recommended the spot-check process is updated in eTools-Financial Management Portal as soon as each step is completed (Example: IP visit, Draft reports issue to IP or submitted to UNICEF for review...)

- d) The final report is uploaded in eTools-Financial Management Portal and One (1) hard copy of the final spot check report may be required by UNICEF Office. By using the designated template. Where service provider's internal policies require the final signed version to be provided only in PDF, UNICEF 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).

Once the report is shared with concerned IPs, UNICEF organise a meeting with the service providers and concerned IPs to discuss and agree the time-bound follow-up actions by using the standard template.

Ranking for HACT findings/recommendations

UNICEF has established new guidance on ranking HACT findings/ recommendations (spot checks) which will be based on 3 criteria: financial materiality, risk of fraud, violation of ethical principles):

1) For financial materiality, risk categories will be only 3 (High, Medium and Low). HACT committee members agreed to apply the below criteria on a pilot basis at least one round and committee will report the results)

- ☐ **High:** 5% or more of total value of the sample for which the spot check/ audit has been performed
- ☐ **Medium:** 2%-5% of total value of the sample for which the spot check/ audit has been performed;
- ☐ **Low:** 2% or less of total value of the sample for which the spot check/ audit has been performed;

All non-financial findings/recommendations which impact on UNICEF funded activities do not have (e.g Unqualified Accountant, tagging assets ...) should be ranked "Low" risk

3) Taking into account the organization's zero tolerance for fraud, all observations that involve a risk of fraud should automatically be classified as "high" risk.

4) Violations of **ethical principles** or findings that expose the organization to reputational risk should also be automatically classified as “high” risk.

5. Location and Duration

The successful service provider will commence the assignment as soon as the procurement process is completed, and the contract is signed. Submissions will be accepted from both National and International service providers.

The Terms of reference will be valid for two (2) years. Foreseen finishing period of long-term agreement will be December 2026.

6. Qualifications of the Third-Party Service Provider

By agreeing to these ToR, the Auditor confirms that he/she meets at least one of the following terms:

- a) The Auditor is a professional accountant (or a firm of professional accountants) that is a member of a national accounting or auditing body or institution, which in turn is a member or associate of the International Federation of Accountants (IFAC).
- b) The Auditor is a member of a national accounting or auditing body or institution that is a recognized regulatory body of professional accountants and Auditors. The Auditor commits him/herself to undertake this engagement in accordance with the IFAC Handbook on International Standards on Auditing and Quality Control, including the Code of Ethics therein.
- c) The Auditor is registered as a statutory Auditor in the public register of a public oversight body in a third country, and this register is subject to principles of public oversight as set out in the legislation of the country concerned (this applies to Auditors and audit firms based in a third country).

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

UNICEF County Office Programme Officer of concerned section 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, 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 service provider reviews the information received and provides the IP with a list of requested documents in advance of any site visits.

7. Evaluation process and methods

Evaluation will be a two-staged process with the technical evaluation being done first then the financial evaluation thereafter based on a cumulative average method.

The institutional consultancy will be evaluated based on a 70/30 model with 70 representing the technical proposal and 30 representing the financial proposal.

Evaluation shall be based on TOR evaluation criteria stipulated above. Minimum points for technical qualification shall be 70/100. Firms that don't meet this minimum threshold shall not be financially evaluated.

Financial Evaluation will be as per formula below:

- Score for price proposal A = (Maximum score for price proposal (e.g. 30) * Price of lowest priced proposal)/Price of proposal A.

Technical Criteria will be weighted as follows:

Technical proposal	Points
Experience of the institution and personnel – match between the institution and the ToR	20
<p>The successful consultancy firm will be able to demonstrate experience in these main areas:</p> <ul style="list-style-type: none"> d) The Audit firm is a professional accounting firm that is a member of a national accounting or auditing body or institution, which in turn is a member or associate of the International Federation of Accountants (IFAC); e) The Audit firm is a member of a national accounting or auditing body or institution that is a recognized regulatory body of professional accountants and Auditors. The Audit firm commits itself to undertake this engagement in accordance with the IFAC Handbook on International Standards on Auditing and Quality Control, including the Code of Ethics therein. f) The Audit firm is registered as a statutory Auditor in the public register of a public oversight body in a third country, and this register is subject to principles of public oversight as set out in the legislation of the country concerned (this applies to Auditors and audit firms based in a third country); g) The Audit firm is subject to the relevant ethical requirements, including those pertaining to independence and conflict of interest relating to HACT audit engagements. h) Proven experience in conducting spotchecks as well as providing quality report. i) International exposure to low- and middle-income countries. j) Specific experience working with Multi-National Organizations /NGOs in Audits. 	
Proposed methodology and approach	30
<ul style="list-style-type: none"> • Quality of the proposed methodology 	
Technical Team Capacity	20
<p>Principal Auditor Experience:</p> <ul style="list-style-type: none"> • The principal Auditor should have at least 10 years of post-qualification audit experience. The team will be led by a duly certified professional auditor, such as a Chartered Accountant (CA), Association of Chartered Certified Accountant (ACCA), Certified Public Accountant (CPA), or Certified Auditor (CA). • Team Members <p>The team members should also have 3-5 years' experience in applying the International Standards on Auditing. The Audit team should be pursuing the certified professional audit career (CA, ACCA, CPA or CA)</p>	
Total Technical	70
Financial Proposal	30
<ul style="list-style-type: none"> • Proposed Cost of spotcheck per Implementing Partner Assessed (in Rwf) 	

<p>The maximum number of points shall be allotted to the lowest financial proposal that is opened/evaluated and compared among those technical qualified candidates who have attained a minimum of 50 points score in the technical proposal. Other financial proposals will receive points in inverse proportion to the lowest price.</p>	
<p>N.B</p> <p>The contract will be awarded to the candidate obtaining the highest combined technical and financial scores, subject to the satisfactory result of the verification interview.</p> <p>The proposals that do not comply with any terms and conditions contained in this ToR, including the provision of all required information, may results in the proposal being considered non-responsive and not further considered.</p>	

8. Payment schedule

The payment will be done after the evaluation has been done. The specific progressive payment scheme will be done based on the completed number of spot-checks.

Annex 1. Programme-specific Information

The following information is to be provided to the service provider by the UNICEF 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 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 actual programme expenditures related to (insert programme name and number) as at (for the XX month period ended) (date), submitted by (insert IP partner name) on FACE form (insert date and number). 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. 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.
2. Obtain a listing of all programme related expenditures that support the actual programme expenditures submitted by (insert IP name) on FACE form (insert date and number) for the agreed-upon procedures engagement and perform the following:
 1. Select a sample of expenditures amounting to (insert the number of percentage) percent the actual programme expenditures submitted on the FACE form.
 2. For each sample selection performed 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' or coded to and recorded in a separate UNICEF fund, 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).

3. If separate bank accounts are maintained for agency-granted funds, perform the following procedures:
 3. Verify that the activity per the bank statements agrees with that reflected in the accounting records. Document any variances noted; and
 4. 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 in the attached schedules specified by UNICEF:

- (a) Spot Check Work plan;
- (b) Sample of Expenditures; and
- (c) Findings and Recommendations.

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 actual programme expenditures submitted by (insert IP name) on FACE form (insert number and 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.

Annex 3. Spot Check Work Plan

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	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.	

