

**TERMS OF REFERENCE (Long Term Agreement)**  
**Micro assessment of UNICEF Implementing Partners**  
**Performed by Third Party Service Providers**

<b>Position Title:</b>	Micro assessment Third Party Provider
<b>Location:</b>	Kigali, Rwanda
<b>Duration:</b>	April 2024 – March 2027 (LTA)
<b>Reporting to:</b>	Chief of PME
<b>WBS/Grants:</b>	<p><b><u>Currency:</u></b> Rwanda francs</p> <p><b><u>Source of funds:</u></b> Shared cost by programme sections (based on number of micro assessments)</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) 2018-2023, 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 micro assessments records related to the management of the partnership with UN agencies. Micro assessments are performed in the office of implementing partners.

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 number of micro assessments might be revised based on the significant change in partnership assessments.

## **2. Objectives, Purpose and Expected results**

Micro assessment is a review of an implementing partner's financial management capacity, including accounting, procurement, reporting and internal controls in order to determine the risks related to cash transfers to that specific partner. 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.
- **Moderate<sup>1</sup> 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 high likelihood of potential negative impact on the IP's ability to execute the programme in accordance with the work plan.

Each Micro Assessment concludes with a statement of the overall risk related to cash transfers, rated as low, moderate and high. A "low risk" rating indicates a well-developed financial system and functioning control framework. A "significant risk" or "high risk" rating is given if the system is more nascent and the control framework is inadequate to assure that cash transfers are used and reported as agreed with the Agencies. The findings of the Micro Assessment primarily guide the frequency and coverage of assurance activities

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<sup>1</sup> Throughout agencies' policies and systems, "moderate" and "medium" may be used interchangeably to describe the risk rating between low and significant".

### **3. Description of the assignment**

Each micro assessment should be completed (including the site visit and report issuance) within two weeks of engaging the third-party service provider. The assessments should be done in a transparent manner and the Implementing Partners should participate in the process.

The UN agency/ies' HACT focal point and/or inter-agency coordinator will introduce the service provider to the IP and facilitate the site visit.

The UN agency/ies provide the following documentation to the service provider for review before starting fieldwork:

- UN agency/ies' work plan(s) and programme documents with the IP
- Copies of reports of any micro assessments or other relevant assessment previously performed on the IP e.g. review of the IPs or Country's Public Procurement System to determine its compatibility with the UN's Procurement Rules and Regulations
- Copies of reports of any financial or internal control audits and spot checks previously performed on the IP; and
- IP and Programme information as per Annex 1
- Any other documentation that may help the service provider better understand the context from a United Nations perspective.

### **Scope of the micro assessment Agreed-upon Procedures Engagement**

A number of UNICEF Implementing Partners (IPs) for financial micro assessment 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 third-party service provider receives general information regarding the IP and the programme from the UN agency/ies' HACT focal point and/or the inter-agency coordinator in preparation for the assessment (see Annex 1 and Items to be provided above). 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 2, with instructions) based on the procedures performed during the assessment period. The service provider discusses the results of the questionnaire with relevant IP personnel and the UN agency/ies' 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.

The micro assessment report is to be delivered in the format given in Annex 3.

- a) The third-party service provider prepares a micro assessment plan detailing work performed.

- 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.
- c) The service provider provides the draft micro assessment report and summary of findings and observations to the IP to provide any further clarification and management responses. The micro assessment report is then provided to the UNICEF Office Chief of Operations, Programme Section Chief and HACT Focal Point for review and comment. It is a good practice to organise preliminary findings sharing for UNICEF before the draft report is submitted.
- d) Three (3) hard copies of the final micro assessment reports are to be provided in Word format together with a soft copy. 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.

## **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. The micro assessment should be conducted at the office of the IP. 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 October 2020.

## **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.”

CVs of all members of the assessment team should be provided to the commissioning UN agency/ies 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

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.

## **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:

<b>Technical proposal</b>	<b>Points</b>
<b>Experience of the institution and personnel – match between the institution and the ToR</b>	<b>20</b>
<p>The successful consultancy firm will be able to demonstrate experience in these main areas:</p> <ul style="list-style-type: none"> <li>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);</li> <li>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.</li> <li>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);</li> <li>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.</li> <li>h) Proven experience in conducting micro-assessments as well as providing quality report.</li> <li>i) International exposure to low- and middle-income countries.</li> <li>j) Specific experience working with Multi-National Organizations /NGOs in Audits.</li> </ul>	
<b>Proposed methodology and approach</b>	<b>30</b>
<ul style="list-style-type: none"> <li>• Quality of the proposed methodology</li> </ul>	
<b>Technical Team Capacity</b>	<b>20</b>
<p>Principal Auditor Experience:</p> <ul style="list-style-type: none"> <li>• 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).</li> <li>• Team Members</li> </ul> <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>	
<b>Total Technical</b>	<b>70</b>

<b>Financial Proposal</b>	<b>30</b>
<ul style="list-style-type: none"> <li>Proposed Cost of micro assessment per Implementing Partner Assessed (in Rwf)</li> </ul>	
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><b>N.B</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 micro assessments completed.

## 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>	
<b>Implementing Partner Organizational Chart</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
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H – High risk	4 points
S – Significant risk	3 points
M – Moderate risk	2 points
L – Low risk	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.

- Scenario 1: There are three non-key questions having equal weight
- 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] Commissioned by [Name of the UN Agency/ies] Name of the 3 <sup>rd</sup> Party Service Provider Date
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Annex III. List of persons met

Annex IV. Micro Assessment Questionnaire



Micro Assessment  
2023.xlsx

### 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)
<b>A. Organisation</b>		
<b>B. People and Behaviors</b>		
<b>C. Activities</b>		
<b>D. Reporting and Accountability</b>		
<b>E. Assets and Inventory</b>		
<b>F. Procurement</b>		
<b>G. Sub- Partners</b>		
<b>H. Systems</b>		

Tested subject area	Risk assessment*	Brief justification for rating (main internal control gaps)
<b>Overall Risk Assessment</b>		

\* Moderate, Low

### 3. Detailed Internal Control Findings and Recommendations

No.	Description of Finding	Recommendation and IP Management Response
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><i>Example:</i></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>The IP agrees to conduct an training session on HACT and the FACE form with the assistance of the Agency’s HACT focal point within the next month.</p>
	<b>Etc</b>	