

## **UNOPS TERM OF REFERENCE (“TOR”) FOR AUDIT**

### **Objective of audit**

The overall objective of the audit is to evaluate the performance of UNOPS Grantees in terms of their financial operations and reporting. Thus, the audit is:

- a) To review the systems and procedures surrounding a Grant project;
- b) To review the appropriateness of the accounting policies and procedures used in the preparation of financial reports by the Grantee and ensure compliance thereof;
- c) To assess the adequacy and effectiveness of internal controls;
- d) To review budgets and examine the allocation of funds as budgeted, including the Grantee’s allocation of expenditures as direct or indirect costs; and
- e) Report underspent or overspent funds.

The audit should thus provide reasonable assurance that the financial report(s) provided by the Grantee give a true and fair view of the reality, and has been prepared in accordance with relevant accounting, reporting and other requirements, as outlined in the Grant Support Agreement signed between the Grantee and UNOPS.

### **Responsibilities of Grantee**

The Grantee’s designated management is responsible for ensuring that proper accounting records are maintained for preparing the financial report(s), and for making available to the auditors, as and when required, all accounting records and other relevant records and information. The responsibility for safeguarding the assets of the Grant and for the prevention and detection of fraud, error and non-compliance with the Grant rests with the Grantee.

### **Responsibilities of Auditors**

The auditors must plan their audit so that they have a reasonable expectation of detecting material misstatement in the financial reports and accounting records (including those resulting from fraud, error or non-compliance with the Grant). The auditors are to provide UNOPS with a general outline of its methodology prior to conducting their analysis. This may include the proposed analysis and review of internal controls and the extent to which these controls lead to reliance on the Grantee’s administration and financial systems to produce accurate reports.

Thus, the auditors will have the responsibility to report on whether, in their opinion, the financial report(s) give a true and fair view of reality, and whether the financial report(s) have been properly prepared in accordance with the accounting policies and other requirements of the activities carried out by the Grantee. In arriving at their opinion, the auditors are required to consider the following issues, and to report on any aspects with which they are not satisfied:

1. Whether all the information and explanations which the auditors consider necessary for the purpose of the audit have been obtained.

2. Whether proper accounting and financial records have been kept and adequate information has been received from field, and Headquarter office (in case of an international Grantee), relating to international procurement, DSA for expats etc) not visited by the auditors.
3. Whether the financial report(s) presented are in agreement with the accounting records and other relevant data.

### **Scope of the Audit Activities**

The audit should be conducted in accordance with Generally Accepted Auditing Standards (GAAS) or International Standards on Audit (ISA) and will include, as the auditors consider necessary, tests of transactions and of the existence, ownership, and valuation of assets and liabilities.

#### *Finance*

1. The auditor will provide an opinion as to the overall financial situation of the project for the period and will certify:
  - a) The signed financial report(s) for the period of the Grant project; and
  - b) The cash position (under-spent or overspent) reported by the projects as at the end of the Grant;
2. The auditors will expect to obtain sufficient and appropriate evidence to enable them to draw reasonable conclusion therefrom. This would involve an assessment of:
  - a) The accounting records maintained, which normally includes: a general ledger accounting system; bank statements and reconciliations; cash book; and, petty cash book.
  - b) The budgetary control system: to ascertain the adequacy of the budgetary control system to monitor actual expenditure against budget on a regular basis; to determine that disbursements are in accordance with budgetary provisions, and that overspent of budget lines above 10% have been properly authorized.
  - c) The internal control system, including approval and control of documents in the expenditure cycle: adequate segregation of duties; maintaining and reviewing of control accounts and trial balances; the performance of reconciliations.
  - d) The cut-off procedures in Project periods to ensure that only actual disbursements are recorded in the financial report and that no advances were charged as expenditure, that any receivables and payables are disclosed.
  - e) Acceptable accounting practices.
  - f) The audit work shall cover all cash funds held by the project and review procedures for safeguarding of cash.

#### *Human resources*

The audit work shall cover the competitiveness, transparency and effectiveness of the recruitment and hiring of senior personnel of project and include performance appraisal, attendance control, calculation of salaries and entitlements, payroll preparation and payment, and management of personnel records.

### *Procurement*

The audit work shall cover the competitiveness, transparency and effectiveness of the procurement activities of the project in order to ensure that the equipment and services purchased meet the requirement of UNOPS (as set out in the General Conditions of the Grant Support Agreement) and include assessment of the following:

- a) As applicable, delegations of authorities, procurement thresholds, call for bids and proposals, evaluation of bids and proposals and approval and purchase orders;
- b) Receiving and inspection procedures to determine the conformity of equipment with the agreed specifications,
- c) Management and control over the variation orders.

### *Asset Management*

The audit work shall cover equipment (vehicles, and demining and office equipment) purchased or held for use of the project. The procedures for receipt, storage, and disposal shall also be reviewed.

A review of the use of assets acquired or made available (loaned) under the Project is required in order to assess that their use is in compliance with the Grant Agreement. This would involve an assessment that:

- a) Controls are in place to safeguard assets, including: an inventory of the UNOPS Project assets; assets are properly maintained; regular physical verification is carried out; assets are used for the intended purposes of the Project under which they have been acquired; and, logbooks are kept which record dates of travel, distance and purpose of the trip.
- b) Assets that are lost or damaged are reported to UNMAS within the stipulated period. Further disposal of assets only takes place after prior authorization by UNMAS.

If there are particular areas of concern which are not within the scope stated above, the auditors can be requested to carry out this additional service.

### **Fees**

The auditor is to provide an estimate of the hours to be spent on the audit, and fees for completing the audit in accordance with this specification.

### **Other requirements**

- a) It is in the interest of both the Grantee and auditor that the auditor sends an engagement letter, preferably before the commencement of the engagement, to help in avoiding misunderstandings with respect to the engagement.
- b) The auditors should document matters which are important in providing evidence to support the audit opinion and evidence that the audit was carried out in accordance with ISA/GAASs. Thus, the auditor should prepare working papers which are sufficiently complete and detailed to provide an overall understanding of the audit and shared the document with UNOPS. The auditor is also expected to share audit observation, recommendation and management action plan with UNOPS in order to carry out/supervise audit reconciliation and implementation.
- c) At the very least, the Team Leader of the auditors should be a licensed CA/ACCA/CPA to carry out the audit function.