

# TERMS OF REFERENCE FOR SERVICE CONTRACTING – HACT AUDIT ON LTA

<b>Assignment</b>	<b>HACT AUDIT</b>
<b>Estimated budget</b>	\$1.00
<b>Budget Source</b>	N/A
<b>Location</b>	Abuja and other states in Nigeria
<b>Duration</b>	24+12 months
<b>Delivery time</b>	TBD.
<b>Start date</b>	1 <sup>st</sup> Jan 2024
<b>End date</b>	31 <sup>st</sup> December 2027
<b>Reporting to</b>	Chief Planning & Monitoring
<b>Closing date for proposals</b>	7 <sup>th</sup> November 2023; submitted online to ngrsupply@unicef.org

## 1. JUSTIFICATION/BACKGROUND

UNDP, UNFPA, and UNICEF provide cash transfers to implementing partners (“IP(s)” “Partner(s)”) responsible and accountable for ensuring proper use of agency-provided resources, implementation, and management of the intended programme(s) as defined in the work plan or programme document. Three cash transfer modalities are available:

- a) Direct cash transfers – the agency transfers funds to the IP before the IP incurs obligations and expenditures to support activities agreed in the work plan;
- b) Direct payments – the agency transfers funds directly to vendors and other third parties for obligations and expenditures incurred by the IP to support activities agreed in the work plan and
- c) Reimbursements – the agency transfers funds to the IP for obligations made and expenditures incurred in support of activities agreed in the work plan. <sup>[1]</sup><sub>SEP</sub>

According to the UNDG HACT Framework, audits are performed during the programme cycle on the basis of the IPs risk rating and as per UN agency policy. This terms of reference (ToR) was developed to guide United Nations (UN) agency, third-party service providers (“Auditor”) and implementing partners through the development of objectives, scope, and deliverables of a HACT audit.

## 2. AUDIT OBJECTIVES AND STANDARDS

The overall objective of the audit is to provide the UN agency(ies) with reasonable assurance on the appropriate use of funds provided to the Partner in accordance with the reporting requirements of the UN agency(ies), the IP agreement(s), programme document, work plan(s) and budgets.

The audit is conducted in accordance with International Auditing Standards (ISA) 800 Special Considerations – Audit of Financial Statements Prepared in Accordance with Special Purpose

Frameworks. If the auditor is a supreme audit institution, the audit is conducted in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) International Standards.

The auditor expresses an opinion on whether the statement of expenditure for each programme is presented fairly, in all material respects, in accordance with the UN agency's accounting policy and the eligible expenditures incurred to implement activities in conformity with the terms of the IP agreement, work plan or programme document.

The statement of expenditure contains the transactions for the audit period and reports on the balance of any funds remaining unspent and due to the funding agency at the end of the project period. The transactions of the programme are also checked against the bank account reconciliations. The bank account is the account held by the Partner into which funds were deposited for the programme. The transactions are checked to determine whether they are adequately supported by appropriate documentation that evidences the validity of the transactions reported and whether the goods and services procured have been received and used to implement the activities in line with the work plan or programme document.

The Auditor must also assess whether the amount reported on the statement of expenditure corresponds to the amount recorded in the Partner's accounting system and reconciles to the amounts reported on the FACE forms for the audit period.

The auditor also expresses an opinion whether the funds transferred to the IP were used for the purpose intended in accordance with the work plan or programme document, approved budget, and the requirements of the applicable funding agreement.

The Audit Report must quantify the monetary value of the net financial impact of the audit observations and clearly identify the reasons for qualification if the audit opinion is Qualified, Adverse or Disclaimer.

The auditor also assesses the implementing partner's key internal controls in the areas of programme management, organizational structure and staffing, accounting policies and procedures, fixed assets and inventory, financial reporting and monitoring, and procurement and contract administration and reports on specific control weaknesses, audit observations and recommendations to address them, and indication of the risks associated with the weaknesses/observations. Management comments are expected.

For UNFPA, the auditor also expresses an opinion whether advances reported by the IP on the FACE forms match the advances paid by UNFPA through the Operating Fund Account (OFA) in Atlas (report provided by UNFPA); and whether the closing OFA balance reported by the IP on the FACE form agrees to the OFA balance in Atlas (report provided by UNFPA) and to the cash balances per the IP's accounting records. Where the IP maintains a segregated bank account, then the OFA balance should also agree to the bank statement balance.

The format and content of the Audit Report and the list of key internal controls to be tested are described in these Terms of Reference, and templates are included in annexes.

### **3. SCOPE OF THE WORK (WORK ASSIGNMENT) - Audit Procedures**

The audit period is normally 12 months with the specific dates prescribed by the UN agency. The agency can modify the audit period to match the actual period of implementation of the annual programme activities.

The audit is performed based on the total expenses reported during the audit period by the implementing partner on funds provided by the commissioning UN agency. The statement of expenditure can be the sum of CDRs or sum of CDR equivalent downloaded for the IP from UN agency's system or prepared by the IP partner in their reporting format. The audit covers all expenditures incurred under the three modalities.

The auditor must verify that the statement of expenditure reconciles with the total expenditures reported on the FACE forms (and direct payment requests if applicable) submitted by IP during the audit period. Any differences must be explained and documented in the audit report.

The auditor is required to verify that the expenses in the statement of expenditures reconcile with the implementing partner's accounting report and are in accordance with the approved work plan or programme document and budget and supported by approved documentation.

The Auditor will perform the audit to obtain reasonable assurance about whether the statement of expenditure is free from material misstatement. An audit involves performing all procedures necessary to obtain audit evidence about the amounts reported in the statement of expenditure.

The Auditor is required to report the net financial impact of any unsupported and ineligible expenses.

The Auditor is required to confirm that key controls exist and are operating effectively by assessing the key questions from the 2016 HACT micro-assessment questionnaire (included in **Annex III**) and by verifying whether micro-assessment recommendations have been implemented. The key controls assessment is covered within the detailed expenditure testing. Separate control tests are required where the control cannot be covered within detailed expenditure testing.

#### **4. EXPECTED DELIVERABLES (Audit Report)**

The Auditor will submit an audit report in accordance with the ISA by using the suggested audit report template included in **Annex II**. It is the expectation that the Auditor will use the same format for all audits globally.

The audit report must include, at a minimum:

- a) Audit opinion.
- b) Period covered by the audit opinion.
- c) Total amount of expenses audited.
- d) Audit observations and recommendations.
- e) Ineligible expenditures.
- f) Key internal controls weaknesses.
- g) OFA opinion (UNFPA only).
- h) Statement of expenditure or CDR for the audit period.
- i) FACE forms submitted for the audit period.

The Auditor will clearly quantify the net financial impact in the audit opinion and clearly identify the reasons for qualification (if any). If financial findings are below the materiality level, the Auditor is still required to report them, even if the dollar amount is small as an

emphasis of matter, so that the UN Agency can obtain the recoverable amounts from partners. This information will also be collected as part of the reporting process. Non-financial findings that have financial implications might also lead to a modified audit opinion.

Any indication included in the Audit Report restricting its distribution and/or use will be deemed null and void.

### **Types of Audit Opinion**

The audit report must include one of the four types of opinion:

**a) Unqualified opinion**

An unqualified opinion is expressed when the auditor concludes that the financial statements give a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

**b) Qualified opinion**

A qualified opinion is expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management, or limitation on scope is not as material and pervasive as to require an adverse opinion or a disclaimer of opinion. A qualified opinion should be expressed as being 'except for' the effects of the matter to which the qualification relates.

**c) Disclaimer of opinion**

A disclaimer of opinion is expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and, accordingly, is unable to express an opinion on the financial statements.

**d) Adverse**

An adverse opinion is expressed by an auditor when the financial statements are significantly misrepresented, misstated and do not accurately reflect the expenditure incurred and reported in the financial statements (statement of expenses, statement of cash, statement of assets and equipment).

An adverse opinion is expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

## **5. REALISTIC DELIVERY DATES AND DETAILS ON HOW THE WORK MUST BE DELIVERED**

The timeline for the milestone delivery will be stipulated in the Statement of Work. The Auditor will respect the procedures and the timetable for the conduct of the fieldwork and submission of the reports (including the draft and final reports). If the timetables for comments are not respected by other parties (i.e. UN agency) and/or the Partner), the Auditor will document such delays in his/her working papers and report thereon in the audit report.

The audit working papers and related documents shall be available to the UN agency and shall be kept by the Auditor for a minimum period of seven years after the issuance of reports. They must be made available to the UN agency for review upon request at any stage during this period.

### **Submission Process**

The submission of final deliverables to the UN Agency will be made through direct submission in paper and electronic format.

### **Follow-up Procedures**

The Auditor is required to submit the draft report to the UN agency(ies) and the Partner for the Partner's comments. The Partner must provide its comments, if any, within seven days of the Auditor's submission.

After finalizing the Audit Report, the Auditor will submit it to the UN agency, and the agency will follow up with the Partner to discuss and agree on the measures and remedial actions to be taken. The Auditor may, where appropriate, be requested to provide clarifications or consider additional information with regard to the audit and reports.

### **Other Observations**

Cases which indicate fraud or presumptive fraud must be brought to the immediate attention of the UN agency as soon as possible, without waiting for the issuance of the audit report.

The Auditor and staff shall maintain confidentiality regarding any information obtained in connection with the audit services undertaken on behalf of the UN agency.

## **6. DESIRED QUALIFICATIONS, SPECIALIZED KNOWLEDGE, OR EXPERIENCE (Qualification and Team Composition)**

### **Qualifications and Experience**

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

- a) The Auditing Firm has to have a professional accountant or a firm of professional accountants that are members 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 recognised 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).

The Auditor is subject to the relevant ethical requirements, including those pertaining to independence and conflict of interest relating to HACT audit engagements. Relevant ethical requirements ordinarily comprise of Parts A and B of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) related to an audit of financial statements together with national requirements that may be more restrictive.

In addition, the agencies will seek feedback from country offices on the performance and the quality of the audit fieldwork and audit results provided by the assigned Auditors in their respective areas and assessments based on Key Performance Indicators (in a format designed by the agencies such as reviews and sample testing, post-audit client satisfaction, etc.).

### **Team Composition**

The composition of the audit team shall be such that the Auditor is able to comply with the International Standards on Auditing. A mixture of audit team members with different categories of Auditors and variable seniority is required for this assignment. This should include a highly qualified team leader(s), expert(s), and assistant(s). The number of members will vary according to the audit subject, volume and size of the Programme(s) being audited.

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), Chartered Certified Accountant (CCA), Certified Public Accountant (CPA), or Certified Auditor (CA). The team should also be experienced in applying the *International Standards on Auditing*. The Auditor must employ an adequate number of staff with appropriate professional qualifications and suitable experience with ISA, including experience in auditing of entities comparable in size and complexity to the entity being audited.

## **7. PERFORMANCE INDICATORS FOR EVALUATION OF RESULTS(Classification of Findings)**

The Auditor will report separately on findings relating to matters identified during the audit.

Findings and observations with financial impact should be classified under one of the following categories:

- a) No supporting documentation.
- b) Insufficient supporting documentation.
- c) Cut-off error.
- d) Expenditure not for project purposes.
- e) No proof of payment.
- f) No proof of goods/services received.
- g) VAT incorrectly claimed.
- h) DSA rates exceeded.
- i) Unreasonable price.
- j) Bank interest not reported.
- k) Support costs incorrectly calculated.
- l) Expenditure claimed but activities not undertaken.
- m) Advance claimed as an expenditure.
- n) Commitments treated as expenditure.
- o) Ineligible salary costs.

- p) Ineligible costs (other).

The Auditor will assess the effectiveness of the key internal controls. The key internal controls not operating effectively must be classified with respect to the following subject areas:

- a) Implementing Partner.
- b) Programme Management.
- c) Organizational Structure and staffing.
- d) Accounting Policies and Procedures
  - General
  - Segregation of duties
  - Budgeting
  - Payments
  - Cash and bank
  - Other offices and entities
- e) Fixed Assets and inventory.
- f) Financial Reporting and Monitoring.
- g) Procurement and Contract Administration.
- h) Other internal control weaknesses.

The audit observations should be categorized according to the priority of the audit recommendations and the possible causes of issues. The categorized audit observation provides a basis on which the management of the UN agency is to address issues as follows:

<b>High (critical)</b>	Internal controls, governance and risk management processes were neither established nor functioning well. The control deficiency can significantly impact the ability of the IP to efficiently manage and report on the use of the agency funding. Prompt action is required to ensure the agency is not exposed to high risks. Failure to take action could result in major negative consequences for the funding agency.
<b>Medium (important)</b>	Internal controls, governance and risk management processes were generally established and functioning but needed improvement. The control deficiency can impact the ability of the IP to efficiently manage and report on the use of the agency funding. Action is required to ensure that the funding agency is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for the agency.
<b>Low</b>	Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the ability of the IP to efficiently manage and report on the use of the agency funding. Action is desirable and should result in enhanced control or better value for money. Low-priority recommendations, if dealt with during the exit meeting, would not be included in the audit report.

## 8. CALL FOR PROPOSALS (Engagement Context)

The selection criteria are established based on a thorough assessment of qualifications and the ToR, as well as a competitive bidding process in accordance with the UN agencies' procurement and contracting rules and regulations for commercial service providers.

The audit will be performed in Nigeria, where the Partner maintains programme documentation, typically at the programme implementation sites.

## **9. REQUEST FOR PROPOSAL EVALUATION AND WEIGHTING CRITERIA**

**\_\_70\_\_% technical**

**\_\_30\_\_% financial**

**100% total**

### **A, Technical proposal should include the following:**

#### **1) Overall Response (15 points)**

- Completeness of response
- Overall accord between TOR/needs and proposal

#### **2) Company and Key Personnel (30 points)**

- range and depth of organizational experience with similar projects
- samples of previous work- this includes at least one assignment done previously.
- number of customers, size of projects, number of staff per project
- key personnel: relevant experience and qualifications of the proposed team for the assignment
- company policy on child labour, safeguarding and prevention of sexual exploitation and abuse (articulate policies for the protection & and safeguarding of children and prevention of PSEA) - mandatory

#### **3) Proposed methodology and approach (25 points)**

- A workflow template showing the sequence, detailed sampling methods and timeline for a sample activity
- Quality assurance mechanism and risk mitigation measures in place
- Ethical considerations and how the firm will address them

Minimum technical score: 70% of 70 points = 49 points

Technical Proposals receiving 70% of the obtainable points (70) or higher will be considered technically responsive, and the financial proposal will be opened. Proposals considered not technically compliant and non-responsive will not be considered further.

### **B. Financial Proposal: 30 points**

- The total all-inclusive fee for conducting one micro-assessment. Please note that the IPs offices are spread across all the states/geographical zones of Nigeria. Most of the micro-assessment will be conducted in the state capitals.



- The all-inclusive fee should cover any relevant costs that may be incurred during the service provision, such as transportation and subsistence costs. No additional direct or indirect costs will be reimbursed by the Order Placing Agency.
- The e-Tools insertion fee – applicable for UNICEF assignments only. This is the fee charged for entering the micro-assessment-related information and uploading the reports to the online platform.

## **10. CONTRACTS CREATED AGAINST THE LTA**

Whenever the services are required, details of the requirement/deliverables, including quantities and deadlines, will be presented to the LTA Holder.

Upon receipt of confirmation of availability and interest in the assignment, a contract will be issued with the agreed fees in the LTA. The firm must sign the contract prior to the commencement of work.

Payment will be made after the completion of deliverables and submission of invoices for the actual work completed, subject to satisfactory performance.

## **11. DOCUMENTS TO BE PROVIDED TO THE AUDITOR**

In connection with the audit assignment, the UN agency(ies) and the Implementing Partner will provide the Auditor access to all information of the UN agency(ies) and the Partner that is relevant to the audit in advance of the engagement, such as:

- a) Programme-specific information
- b) The Implementing Partner Agreement(s) and respective Work Plan(s) or Programme Document(s) for the audited period.
- c) Statement of expenditures, CDR, or its equivalent, as defined by the UN agency-specific guidelines.
- d) Financial Authorization and Certificate of Expenditures (FACE) forms included in the statement of expenses, CDR, or its equivalent, duly certified as to their accuracy and completeness.
- e) The HACT micro assessment for the audited implementing partner.
- f) Previous audit and spot-check reports.
- g) Statement of assets and equipment (if necessary and as defined by UN agency-specific guidelines);
- h) Statement of cash position / operating fund account (if necessary and as defined by UN agency-specific guidelines);
- i) Statement of inventory (if necessary and as defined by UN agency-specific guidelines);
- j) Direct payment requests authorized by the implementing partner and included in the statement of expenses (i.e., CDR or its equivalent) if applicable.
- k) List of disbursements made by the UN agency (if applicable) as part of support services provided to the implementing partners.
- l) For UNFPA, the advances paid by UNFPA through the OFA and the closing OFA balance in Atlas.
- m) Any other relevant reports.

- n) Additional information that the Auditor may request from the UN agency and the Partner for the purpose of the audit.
- o) Unrestricted access to persons engaged by the Partner from whom the Auditor determines it is necessary to obtain audit evidence.

## **12. LIMITATIONS**

The firm will notify the UN Agency of any attempt by the Partner to restrict the scope of the audit or any lack of co-operation on the part of the Partner. If, after accepting the engagement, the firm becomes aware that the management of the Partner subject to audit has imposed a limitation on the scope of the audit that the Auditor considers likely to result in the need to express a qualified opinion or to disclaim an opinion, the Auditor shall request that management remove the limitation. The firm will notify the UN Agency concerned as soon as possible of any limitations in the scope of work he/she may find prior to or during the audit. The firm will consult the UN Agency on what action may be required, whether or how the audit can be continued, and whether changes in the audit scope or the timetable are acceptable.

## **13. OTHER REQUIREMENTS**

### **Reporting – Language**

The Audit Report must be presented in either English, French, or Spanish, as agreed between the UN Agency and the Auditor, prior to the audit engagement. Reports prepared in any other language will need to be translated by the Auditor into one of these two languages. Translation should not delay the delivery of the documents within the timeframe agreed.

## **14. AUDIT OF SHARED PARTNER**

If the IP is receiving funding from two or more UN agencies, the Auditor must perform the audit procedures on each statement of expenditures or equivalent in order to be able to express a separate opinion on whether the funds transferred to the IP from each agency were used for the appropriate purpose and in accordance with each agency's work plan and agreement. The materiality level must be determined individually for each funding agency based on the amount of expenditures reported to each agency.

The Auditor must include in the audit report separately for each funding agency:

- a) Audit Opinion.
- b) Period covered by the audit opinion.
- c) Total amount of expenses audited.
- d) Audit Observations and Recommendations.
- e) Ineligible expenditures.
- f) Statement of Expenditure or CDR for the audit period.
- g) FACE forms submitted for the audit period.

The assessment of key internal controls and report on key internal control weaknesses is performed at the implementing partner level and is not agency specific.

The UN agency requiring the HACT audit, as per its guidance, is considered the lead agency and will commission the audit. The lead agency is responsible for informing the other funding UN agencies of the upcoming audit and requesting them to submit the documents to be provided to the auditor in advance.

## 15. OTHER CLAUSES: PSEA LANGUAGE

Consistent with the UN Secretary General's Bulletin related to "Special measures for protection from sexual exploitation and sexual abuse" (ST/SGB/2003/13), entities and individuals entering into cooperative agreements with an agency of the United Nations are obligated to "take preventative measures against sexual exploitation or abuse, to investigate allegations thereof, or to take corrective action when sexual exploitation or sexual abuse has occurred." Failure to do so "shall constitute grounds for termination of any cooperative arrangement with the United Nations." The third-party contractor is expected to have in place explicit policies related to the prevention of sexual exploitation and abuse of beneficiaries, including a commitment to the IASC 6 Core Standards (IASC/2002), and the investigation of such cases. Where the third-party contractor does not have enough capacity for the investigation of such cases, it should request the support of UNICEF. Reasonable suspicion of sexual exploitation or abuse of beneficiaries may be reported by any individual to UNICEF if the complainant so prefers.

## 16. CONDITIONS

- The third-party contractor will work on its computer(s) and use its office resources and materials in the execution of this assignment. **The contractor's fee shall be inclusive of all office administrative and travel costs.**
- Local travel and airport transfers (where applicable) will be covered in accordance with UNICEF's rules and tariffs. (Flight costs will be covered at economy class rate as per UNICEF policies).
- Please also see UNICEF's Standard Terms and Conditions attached.

### Instructions to bidders:

1. Proposals should be made separately: Technical and Financial. Technical should not have financial information as such technical proposal will be disqualified.
2. All completed proposals should be submitted to this email address: [ngrsupply@unicef.org](mailto:ngrsupply@unicef.org) with the RFP reference number: 9186258. Your proposals will not be considered nor opened failure to quote the RFP number on your forwarding email.
3. Deadline for submission is 7<sup>th</sup> November 2023
4. Financial proposal that includes cost per states in accordance to the brief in the ToR above.
5. Financial proposal should be valid for at least 36 months. Cost should be inclusive of travels

