

TERMS OF REFERENCE FOR SPOT CHECKS

This TOR was developed to guide United Nations agencies, 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)

Purpose of Agreed-upon Procedures Engagements

An agreed-upon procedures attest engagement involves engagement of a third party service provider to prepare a report on factual findings based on specific, agreed-upon procedures performed. As the third party 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 SRS 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 following are examples of procedures to be performed during the spot check. The actual procedures to be performed must be confirmed 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 during the XX month period ended (date) 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.¹
 - Verify that the expenditure has been reviewed and approved in accordance with the IP's rules and procedures and agreements with the agency.

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

- 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 supporting documents are stamped 'PAID by 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 (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.

Deliverables

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

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 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 IIP to provide any further clarification and management responses.

The spot check report is then provided to the UNICEF Office 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, 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).

Qualifications of the Service Provider

As noted in SRS 4400 paragraph 7: "The auditor should comply with the Code of Ethics issued by the Institute of Chartered Accountants of India. 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 third 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 should be experienced in applying ISRS standards. If hiring staff, the service provider should employ staff with recognized professional qualifications and suitable experience with ISRS standards, including experience in reviewing similar entities.

United Nations and agency-specific (if any) procurement policies should apply in procurement of third party service providers.

Items to be provided to the Third Party Service Provider before Starting Fieldwork

The agency 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 should review the information received and provide the IP with a list of requested documents in advance of any site visits.

Annex 1. Programme-specific Information

The following information should be completed by the agency country office and be provided to the third party service provider prior to the site visit.

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. SRS 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 programme disbursements related to (insert programme name and number) as at (for the XX month period ended) (date), set forth in the accompanying management letter. 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 during the XX month period ended (date) for the agreed-upon procedures engagement and perform the following:
 - **Select a sample of expenditures amounting to (insert the number of percentage) percent the actual programme expenditures submitted on the FACE form.**
 - 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 and bank statement.
 - Verify that supporting documents are stamped 'PAID from XXX grant', 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:
- 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.

We report our findings below:

- (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 programme disbursements as of (for the XX month period ended) (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.

Signature

Date

Address

Annex 3. Spot Check Work Plan Example

Spot Check Work Plan

This is a minimum required template. It may be modified by agencies.

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	<p>Inquire of IP management whether there have been any changes to internal controls since the prior micro assessment from the current programme cycle.</p> <p>Document any changes identified.</p>	

Sample of Expenditures: Complete the following table for details related to each sample

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)	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 XXX grant', indicating which agency funded the transaction or coded to and recorded in a UNICEF 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	Review mathematical computation of individual payments and total payments against the expenditure	Comment/finding
Total sample expenditures:										
Total expenditures reported on FACE forms during period under spot check:										
Percentage coverage: (Total sample expenditures divided by total expenditures reported on FACE										

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)	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 XXX grant', indicating which agency funded the transaction or coded to and recorded in a UNICEF 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	Review mathematical computation of individual payments and total payments against the expenditure	Comment/ finding
forms during period under spot check)										

Findings and Recommendations

This is a minimum requirements template. It may be modified to include additional sections.

A. Observations relating to overall financial management practices, internal control environment and compliance

	Observation description	Category of observation ¹	Risk rating ²	Management Response	Recommendation	Priority ³	Due date for implementation	Management Response
1								
2								

...									
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Note 1:

Category of observations:

1. Accounting and financial reporting systems and procedures
2. Cash, bank and asset management
3. Internal control deficiency, including approvals and segregation of duties
4. Contracting process and procurement procedures
5. Compliance with agreement and other laws and regulations
6. Other

Note 3:

Priority Ranking:

- 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).
- Medium: Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).
- Low: Action that is considered desirable and should result in enhanced control or better value for money.

Note 2:

Risk ratings:

- High: significant likelihood of negative impact on the IP's ability to execute or report on the programme in accordance with the work plan.
- Medium: likelihood of negative impact on the IP's ability to execute or report on some aspects of the programme in accordance with the work plan.
- Low: low likelihood of potential negative impact on the IP's ability to execute or report on the programme in accordance with the WP

B. Observations relating to specific expenditures selected for testing

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

Note 1:

Category of observations:

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)

Note 2:

Risk ratings:

High: significant likelihood of negative impact on the IP's ability to execute or report on the programme in accordance with the work plan.

Medium: likelihood of negative impact on the IP's ability to execute or report on some aspects of the programme in accordance with the work plan.

Low: low likelihood of potential negative impact on the IP's ability to execute or report on the programme in accordance with the WP

Note 3:

Priority Ranking:

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).

Medium: Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).

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

Follow up on Micro Assessment - Annexure 3.1

Issue	Specific Recommendation	Assessment by External Auditor during Scheduled Audit if applicable	UNICEF recommendation / Assessment during Spot Check	Partner's Comments / Action Response

Follow up on previous Spot Check – Annexure 3.2

Issue	Specific Recommendation of the previous Spot Check	Partner's Comments / Action Response	UNICEF recommendation during the current spot check	Partner's Comments / Action Response

Follow up on Scheduled Audit – Annexure 3.3

Issue	Specific Recommendation	Partner's Comments / Action Response	UNICEF recommendation during the current spot check	