

Audit Terms of Reference (ToR)
UNICEF /COUNTRY OFFICE
MO/YEAR

SCOPE OF WORK

This Terms of Reference is for the audit of XX UNICEF partner in the State of Palestine for the period DD/MM/YYYY to DD/MM/YYYY

i. LIST NAMES OF PARTNERS TO BE AUDITED

1. Introduction

1.1 UNICEF provides 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 work plan.

1.2 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. If more than one of the adopting agencies transfer funds to the same implementing partner (shared IP), HACT audit is performed on all expenditures reported by the shared IP.

1.3 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 :

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

2.2 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

2.3 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.

2.4 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.

2.5 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. Statement of Expenditure can include Statements of Cash Balance, Assets and Equipment, and List of Inventory, as required by the funding agency(ies). These are 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.

2.6 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.

2.7 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.

2.8 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.

2.9 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. The auditor 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.

2.10 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. Engagement Context:

3.1. The selection of Auditor is 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.

3.2 The audit will be performed in the country of operation, at location(s) where the Partner maintains programme documentation, typically at the programme implementation sites. Each country office or the agencies' headquarters will identify a focal person responsible for assigning the Auditor and liaising with the Partner(s) in order to ensure efficient coordination and establish deadlines. Should the location and/or scope of work change, the focal person and the Auditor will determine the 5 requirements, mutually agree on the cost implications, and adjust the payment accordingly.

3.3 The Auditor will obtain an understanding of the engagement context of the programme subject to this audit, on the basis of the agreement, work plan or programme document signed by the agency and the Partner and the additional supplementary information to be provided as per section 5.

4. Qualification and Team Composition:

4.1 Qualifications and Experience :

4.1.1 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).2 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).

4.1.2 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.

4.1.3 In addition, the agencies will seek feedback from country offices on the performance and the quality of the audit field work 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.).

4.2 Team Composition :

4.2.1 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 list of IFAC members and associates is available at <http://www.ifac.org/about-ifac/membership/members>. The number of members will vary according to the audit subject, volume and size of the Programme(s) being audited.

4.2.2 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.

5. Documents to be provided to the Auditor:

5.1 In connection with the audit assignment, the UN agency and the Implementing Partner will provide to 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 (see Annex I)
- 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) Any other relevant reports.
- m) Additional information that the Auditor may request from the UN agency and the Partner for the purpose of the audit;
- n) Unrestricted access to persons engaged by the Partner from whom the Auditor determines it is necessary to obtain audit evidence.

6. Limitations:

6.1 The Auditor 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 Auditor 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 Auditor will notify 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 Auditor will consult 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.

7. Audit Procedures:

7.1 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.

7.2 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.

7.3 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.

7.4 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.

7.5 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.

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

7.7 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.

8. Audit Report:

8.1 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.

8.2 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) Statement of expenditure or CDR for the audit period; h) FACE forms submitted for the audit period.

8.3 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.

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

9. Types of Audit Opinion:

9.1 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.

10. Classification of Findings:

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

10.2 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 expenditure;
- n) Commitments treated as expenditure;
- o) Ineligible salary costs;
- p) Ineligible costs (other).

10.3 The Auditor will assess the effectiveness of the key internal controls listed in Annex III. 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.

10.4 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: High (critical) 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 act could result in major negative consequences for the funding agency. Medium (important) 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. Low 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.

11. Other Requirements:

11.1 Reporting Language:

11.1.1 The Audit Report must be presented in English, 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.

11.2 Timetable for Submission of Draft and Final Audit Reports:

11.2.1 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 field work 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.

11.2.2 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.

11.3 Submission Process:

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

11.4 Follow-up Procedures:

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

11.4.2 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.

11.5 Other Observations:

11.5.1 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.

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

Annex I: Programme specific Information (1 partner)

Implementing Partner Name:

The following information should be completed by the lead agency and provided to the Auditor at the start of the engagement.

Implementing partner name	
Implementing partner code or ID in UNICEF records	
Implementing partner contact details (contact name, email address and telephone number)	
Programme name	
Programme number/Project Code/ID as per UNICEF	
Programme location(s)	
Location of records	
Currency of records maintained	
Period covered by the audit	
Funds received from UNICEF during the period covered by the audit	
Expenditure incurred/reported to UNICEF during the period covered by the audit	
Intended start date of fieldwork	
Submission deadline (including draft and final reports to local agency management)	
Submission logistics	
Any special requests to be considered during engagement	
Cash transfer modality/ies used by UNICEF to the IP	

Annex II: Suggested Audit Report Template

UNICEF

AUDIT REPORT

Audit of the implementing partner: Implementing Partner Name

Country:	Country Name
Auditor:	Audit firm name
Period subject to audit:	DD MONTH 20YY to DD MONTH 20YY

Contents

1. Executive summary
2. Audit opinion
3. Financial findings
4. Assessment of key internal controls

Annex I – Statement of Expenditure or CDRs for the audit period

Annex II – FACE forms for the audit period

1. Executive summary

[UN Agency] engaged [Audit firm name] on [date] to conduct an audit on the expenditures reported by the implementing partner for the period [Beginning Date] to [End Date] 20XX. The audit has been conducted as per the terms of reference for a HACT audit under the Harmonized Approach to Cash Transfer (HACT) Framework.

A summary of the audit findings that have been raised is presented in the table below:

Table 1.1 – Summary of audit findings

Implementing Partner	Audited Expenditure US\$	Financial Findings US\$	% of audited expenditure	Audit opinion	No. of financial findings	No. of control weaknesses		
						High Risk	Medium Risk	Low Risk
Implementing Partner Name								
TOTAL								

2. Audit opinion

We have audited the accompanying statement of expenditure (“the statement”) of [insert name of implementing partner] (the “implementing partner” or “IP”), under the agreement dated [insert date of agreement] (the “Agreement”), in connection with the [insert official title of the programme] for the period [insert period covered]. The statement has been prepared by management of [insert name of implementing partner] in accordance with the terms and condition of the Agreement.

Management’s Responsibility for the Statement

Management of the implementing partner is responsible for the preparation of the statement in accordance with the agreement terms and conditions and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the

statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

[Insert one of the four types of opinion as defined in section 9 of the audit terms of reference]

Name and Signature of Partner

Date of the report

Audit firm name

Audit firm address

3. Financial Findings

Financial Finding 1	
Title (Category)	
Amount (local)	
Amount (US\$)	

Description

Recommendation

IP Comment

Financial Finding 2	
Title (Category)	
Amount (local)	
Amount (US\$)	

Description
Recommendation
IP Comment

Financial Finding 3	
Title (Category)	
Amount (local)	
Amount (US\$)	

Description
Recommendation
IP Comment

4. Assessment of Key Internal Controls

4.1 We found that the implementing partner *[had]* / *[had not]* implemented all the recommendations from the micro assessment conducted on *[insert date of latest micro assessment]*. The recommendations that have not been implemented are presented in the table below:

Recommendation	Audit Observation	IP Response

4.2 We have reviewed the implementation of applicable key internal controls and noted the following key internal control weaknesses:

Subject Areas	Key Control Observation	Risk Rating	Recommendation	IP Response
Implementing Partner				

Programme Management				
Organisational Structure and Staffing				
Accounting Policies and Procedures				
General				
Segregation of Duties				
Budgeting				
Payments				
Cash and bank				
Other offices and entities				
Fixed assets and inventory				
Financial reporting and monitoring				
Procurement and contract administration				
Other internal control weaknesses				

Annex I – Statement of Expenditure or CDRs for the Audit Period

Annex II – FACE Forms for the Audit Period

Annex III – HACT Micro-Assessment Key Internal Control Questions

Subject area and key questions	Yes	No	N/A	Remarks/ Comments
1. Implementing Partner				
1.1 Is the IP legally registered? If so, is it in compliance with registration requirements? Please note the legal status and date of registration of the entity.				
1.2 If the IP received United Nations resources in the past, were significant issues reported in managing the resources, including from previous assurance activities.				
1.3 Does the IP have statutory reporting requirements? If so, are they in compliance with such requirements in the prior three fiscal years?				
1.4 If any other offices/ external entities participate in implementation, does the IP have policies and process to ensure appropriate oversight and monitoring of implementation?				
1.5 Does the IP show basic financial stability in-country (core resources; funding trend) <i>Provide the amount of total assets, total liabilities, income and expenditure for the current and prior three fiscal years.</i>				

Subject area and key questions	Yes	No	N/A	Remarks/ Comments
2. Programme Management				
2.1. Do work plans specify expected results and the activities to be carried out to achieve results, with a time frame and budget for the activities?				
2.2 Does the IP carry out and document regular monitoring activities such as review meetings, on-site project visits, etc.				

Subject area and key questions	Yes	No	N/A	Remarks/ Comments
3. Organizational Structure and Staffing				
3.1 Are the IP's recruitment, employment and personnel practices clearly defined and followed, and do they embrace transparency and competition?				
3.2 Is the organizational structure of the finance and programme management departments, and competency of staff, appropriate for the complexity of the IP and the scale of activities? Identify the key staff, including job titles, responsibilities, educational backgrounds and professional experience.				
3.3 Is the IP's accounting/finance function staffed adequately to ensure sufficient controls are in place to manage agency funds?				

Subject area and key questions	Yes	No	N/A	Remarks/ Comments
4. Accounting Policies and Procedures				
4a. General				
4.1 Does the IP have an accounting system that allows for proper recording of financial transactions from United Nations agencies, including allocation of expenditures in accordance with the respective components, disbursement categories and sources of funds?				
4.2 Does the IP have an appropriate cost allocation methodology that ensures accurate cost allocations to the various funding sources in accordance with established agreements?				
4.3 Are all accounting and supporting documents retained in an organized system that allows authorized users easy access?				
4b. Segregation of Duties				
4.4 Are the following functional responsibilities performed by different units or individuals: (a) authorization to execute a				

transaction; (b) recording of the transaction; and (c) custody of assets involved in the transaction?				
4.5 Are the functions of ordering, receiving, accounting for and paying for goods and services appropriately segregated?				
4.6 Are bank reconciliations prepared by individuals other than those who make or approve payments?				
4c. Budgeting System				
4.7 Are budgets prepared for all activities in sufficient detail to provide a meaningful tool for monitoring subsequent performance?				
4.8 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations from the budget?				
4d. Payments				
4.9 Do invoice processing procedures provide for: · Copies of purchase orders and receiving reports to be obtained directly from issuing departments? · Comparison of invoice quantities, prices and terms with those indicated on the purchase order and with records of goods/services actually received? · Checking the accuracy of calculations?				
4.10 Are payments authorized at an appropriate level? Does the IP have a table of payment approval thresholds?				
4.11 Are all invoices stamped 'PAID', approved, and marked with the project code and account code?				
4.12 Do controls exist for preparation and approval of payroll expenditures? Are payroll changes properly authorized?				
4.13 Do controls exist to ensure that direct staff salary costs reflects the actual amount of staff time spent on a project?				
4.14 Do controls exist for expense categories that do not originate from invoice payments, such as DSAs, travel, and internal cost allocations?				
4e. Cash and bank				
4.15 Does the IP require dual signatories / authorization for bank transactions? Are new signatories approved at an				

appropriate level and timely updates made when signatories depart?				
4.16 Does the IP maintain an adequate, up-to-date cashbook, recording receipts and payments?				
4.17 Are bank balances and cash ledger reconciled monthly and properly approved? Are explanations provided for significant, unusual and aged reconciling items?				
4.18 Is substantial expenditure paid in cash? If so, does the IP have adequate controls over cash payments?				
4f. Other offices or entities				
4.19 Does the IP have a process to ensure expenditures of subsidiary offices/ external entities are in compliance with the work plan and/or contractual agreement?				

Subject area and key questions	Yes	No	N/A	Remarks/ Comments
5. Fixed Assets and Inventory				
5.1 Do warehouse facilities have adequate physical security?				
5.2 Does the IP have an inventory management system that enables monitoring of supply distribution?				

Subject area and key questions	Yes	No	N/A	Remarks/ Comments
6. Financial Reporting and Monitoring				
6.1 Are the IP's overall financial statements audited regularly by an independent auditor in accordance with appropriate national or international auditing standards? If so, please describe the auditor.				
6.2 Were there any major issues related to ineligible expenditure involving donor funds reported in the audit reports of the IP over the past five years?				
6.3 Is the financial management system computerized?				

Subject area and key questions	Yes	No	N/A	Remarks/ Comments
7. Procurement and Contract Administration				
7.1 Does the IP require written or system authorizations for purchases? If so, evaluate if the authorization thresholds are appropriate?				
7.2 Does the IP obtain sufficient approvals before signing a contract?				
7.3 Does the IP follow a well-defined process for sourcing suppliers? Do formal procurement methods include wide broadcasting of procurement opportunities?				
7.4 Does the IP follow a well-defined process to ensure a secure and transparent bid and evaluation process? If so, describe the process.				
7.5 When a formal invitation to bid has been issued, does the IP award the contract on a pre-defined basis set out in the solicitation documentation taking into account technical responsiveness and price?				