**Terms of Reference for Conducting an Assessment of an Implementing**

**Partner’s Financial Management Capacity**

**Background**

The purposes of the assessment undertaken by the United Nations Agencies utilizing harmonized procedures for cash transfers are:

* *Capacity development objective:* The review supports the Agencies and government to identify strengths and weaknesses in the Implementing Partner’s capacity for financial management and areas for capacity development by government and others.
* *Financial management objective:* The review assists in the establishment of appropriate cash transfer modalities, procedures, and assurance activities to be applied by the Agencies.

**Scope**

The assessment would provide an overall assessment of the Implementing Partner’s financial management capacity and review funds flow, staffing, accounting policies and procedures, internal audit, external audit, reporting and monitoring and information systems.

**Methodology**

The consultant should utilize “Checklist B: Financial Management Questionnaire.” In completing the questionnaire, she/he should also assess the partner’s control system with equal emphasis on: (1) the effectiveness of the system in providing the partner’s management with useful and timely information for the proper management of the partner; (2) the general effectiveness of the internal control system in protecting the assets and resources of the partner.

The consultant should have full and complete access at any time to all records and documents (books of account, legal agreements, minutes of committee meetings, bank records, invoices and contracts, etc.) and all employees of the Implementing Partner. The consultant should be advised that he/she has a right of access to banks and depositories, consultants, contractors and other persons or firms engaged by the partner. If the consultant may have restricted access to any records, person or location during the course of the assessment, this restriction should be clearly defined, with reasons, in the report.

**Deliverables**

The consultant should submit a report with the following:

* An overall risk rating (H-high risk; S-significant risk; M-moderate risk; L- low risk) of the Implementing Partner’s financial management capacity
* Risk ratings for funds flow, staffing, accounting policies and procedures, internal audit, external audit, reporting and monitoring and information systems.
* A summary of the financial management assessment of the Implementing Partner.
* A description of the Implementing Partner including the physical address, phone numbers, fax numbers, web sites and general e-mail addresses.
* A description of the standards applied such as International Accounting Standards (IAS) published by the International Accounting Standards Board or the draft International Public Sector Accounting Standards (IPSAS) on Cash Accounting published by the Public Sector Committee (PSC) of the International Federation of Accountants may also be described.
* A description of any specific internal control weaknesses noted in financial management
* Recommendations for monitoring and assurance activities to address or compensate for the weaknesses in the short term.
* Recommendations to resolve/eliminate the internal control weaknesses noted, including short and medium-term capacity development measures.
* Completed Checklist B: *Financial Management Questionnaire*.

A briefing on the results of the assessment should be given to the Agencies as well as Implementing Partner officials and the government coordinating authority. How this will be done should be at the discretion of the UNCT. It may be desirable to summarize all proposed Implementing Partners at the signature of the Country Programme Action Plan (CPAP), or separately when Annual Work Plans (AWP) are initiated.

**Duration of Assignment**

The duration of the assessment should be two to four weeks, depending on the complexity of the assignment.

**Qualifications of Firm *(also refer to Technical Note 1)***

Generally, a reputable public accounting firm should be competent to conduct such an assessment. To allow for economies of scale, a single firm may be engaged to assess a number of Implementing Partners. A firm who has conducted a prior audit may be most suitable to assess financial management since it would have knowledge of the Implementing Partner’s systems and procedures.

The firm must be completely impartial and independent from all aspects of management or financial interests in the entity being reviewed or those of its implementing/supervising agency or directly related entities. The firm should not, during the period covered by the assessment nor during the undertaking of the assessment, be employed by, or have any financial or close business relationships with any senior participant in the management of the entity. It may be appropriate to remind the firm of any existing statutory requirements relating to independence and to require it to disclose any relationship that might possibly compromise its independence.

The firm should be experienced in applying international standards for audit, using either ISA or INTOSAI audit standards. The firm must employ adequate staff with appropriate professional qualifications and suitable experience with ISA or INTOSAI standards, including experience in reviewing entities comparable in size and complexity.

The firm should provide Curriculum vitae (CV) of the staff who would be responsible for drafting the report, together with the CVs of members of the assessment team. The CVs should include details on audits carried out by the applicable staff, including ongoing assignments indicating capability and capacity to undertake the audit.