# Terms of Reference for Spot Checks Performed by Third Party Service Providers

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 ISRS 4400 (Revised), *‑Agreed upon Procedures Engagements.*.

**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, status of the programme 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. Compare documentation obtained describing the IP’s financial management internal controls against the most recent micro assessment from the corresponding programme cycle. Document any changes or inconsistencies.
2. 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.
3. 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:

* Randomly select a sample of expenditures amounting to a certain percentage of total expenditures. (The percentage is to be determined by each agency relative to its needs and requirements.) Provide a detailed listing of expenditures selected as samples.
* For each sample selection perform the following procedures:

1. Confirm that documentation exists to support the expenditure in accordance with the IP’s rules and procedures and agreements with the agency.
2. Agree that the activity related to the expenditure is in accordance with the work plan.[[1]](#footnote-2)
3. Confirm that the expenditure has been reviewed and approved in accordance with the IP’s rules and procedures and agreements with the agency.
4. Confirm that the expenditure was reflected on a certified FACE form submitted to the agency.
5. Agree the expenditure to the IP’s accounting records (official book of accounts) and bank statement.

* Confirm that supporting documents are stamped ‘PAID from XXX grant’, indicating which agency funded the transaction.

1. Confirm that the FACE form was submitted consistent with the periodicity-of-disbursement requirement in the HACT framework
2. Compare the price paid for goods or services against United Nations agreed standard rates (if readily available).
3. For bank accounts used for agency-granted funds, perform the following procedures:

* Agree the transactions details as per the bank statements to those reflected in the accounting records. Document any variances noted; and
* If separate bank accounts are maintained for agency-granted funds confirm that a bank reconciliation was completed and the balance has been reconciled to the accounting records. Document any variances noted.

**Deliverables**

1. The third-party service provider prepares a standard agreed ‑upon procedures report in accordance with the applicable standards, which includes:

* A description of the procedures performed detailing the nature and extent and if applicable timing of each procedure as agreed in the terms of the engagement;
* The findings from each procedure performed, including details on exceptions found;
* Identification of the corresponding FACE form and expenditures on which the agreed-upon procedures are performed;
* A statement that the engagement was performed in accordance with ISRS 4400 (Revised);
* A statement that the practitioner makes no representation regarding the appropriateness of the agreed-upon procedures;
* A statement indicating that the report is intended solely for the information and use of the specified parties;
* Identification of the specific parties to whom use is restricted;
* A statement that the report is not intended to be and should not be used by anyone other than the specified parties;
* A statement that the agreed‑upon procedures engagement is not an assurance engagement and accordingly the practitioner does not express an opinion or an assurance conclusion; and
* A statement that the practitioner complies with the ethical requirements of the International Ethics Standards Board for Accountants (IESBA) Code or other professional requirements or requirements imposed by law or regulation, that are at least as demanding;

A report template following ISRS 4400 (Revised) is included in Annex 2.

1. The third party service provider prepares details of spot check work performed . A template is provided in Annex 3.

**Qualifications of the Third Party Service Provider**

As noted in ISRS 4400 (Revised) paragraph 17: “The practitioner shall comply with relevant ethical requirements.” Relevant ethical requirements ordinarily comprise the IESBA Code(including integrity, Objectivity, Professional Competenee and due care, confidentiality, professional behavior and technical standards), together with national requirements that are more restrictive. The IESBA Code requires practitioners to comply with fundamental principles including objectivity, which requires practitioners not to compromise their professional or business judgement because of bias, conflict of interest or the undue influence of others. Accordingly, relevant ethical requirements to which the practitioner is subject would, at a minimum, require the practitioner to be objective when performing an agreed-upon procedures engagement.

The IESBA Code does not contain independence requirements for agreed-upon procedures engagements. However national ethical codes, laws or regulations, other professional requirements, or conditions of a contract, program or arrangement relating to the subject matter for the agreed-upon procedures engagement may specify requirements pertaining to independence. If the practitioner is required to be independent or has agreed in the terms of engagement to comply with independence requirements, a statement shall be included in the report that the practitioner has complied with the relevant independence requirements. The statement shall identify the relevant independence requirements. Where the practitioner is not required to be independent and has not otherwise agreed in the terms of engagement to comply with independence requirements, a statement shall be included in the report that for the purpose of the engagement, there are no independence requirements with which the practitioner is required to comply.

The third party 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.

CVs of all members of the assessment team should be provided. They should include details on agreed-upon procedures carried out by the relevant staff, including ongoing assignments indicating responsibilities assumed by them, and their qualifications and experience in undertaking agreed-upon procedures.

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;
* A list of the IP’s individual transactions (i.e., accounting records), including a summary of the disbursements and FACE forms submitted during the period selected for assessment; and
* A list of findings of the IP’s micro assessment, 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 third party 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. ISRS 4400 (Revised) Agreedupon Procedures Spot check Report Template

To (those who engaged the auditor)

**Purpose of this Spot check and restriction on use and distribution**

Our report is solely for the purpose of assisting(UN agency) to assess the accuracy of financial records for cash transfers to (IP name), status of the programme and whether there have been any significant changes to applicable internal controls and may not be suitable for any other purpose. The report is intended solely for (UN agency) and (IP name) and should not be used by, or distributed to, any other parties.

**Responsibilities of UN Agency/IP**

(UN agency) has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

(IP name) is responsible for the financial records on which the agreed-upon procedures are performed.

**Service provider responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with the ISRS 4400 (Revised) Agreed-Upon Procedures Engagements with respect to the programme disbursements related to (insert programme name and number) as at (for the XX month period ended) (date),. Our procedures have been agreed upon with (UN agency) and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

The agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported/

**Professional Ethics and Quality Control**

We have complied with the ethical and independence requirements of the International Ethics Standards Board for Accountants (IESBA) Code.

Our firm applies International Standard on Quality Control(ISQC) 1, Quality Control for Firms that Perform Audits and Review of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements. Professional standards and applicable legal and regulatory requirements.

**Procedures and Findings**

We have performed the procedures described below, which were agreed upon with (UN agency) in the spot check terms of engagement dated(Date)

1. Compare documentation obtained describing the IP’s financial management internal controls against the most recent micro assessment from the corresponding programme cycle. Document any changes or inconsistencies.
2. 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.
3. 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:

* Randomly select a sample of expenditures amounting to a certain percentage of total expenditures. The percentage to be determined by each agency in relation to their needs and requirements. Provide a detailed listing of expenditures selected as samples.
* For each sample selection perform the following procedures:

1. Confirm that documentation exists to support the expenditure in accordance with the IP’s rules and procedures and agreements with the agency.
2. Agree that the activity related to the expenditure is in accordance with the work plan.
3. Confirm that the expenditure has been reviewed and approved in accordance with the IP’s rules and procedures and agreements with the agency.
4. Confirm that the expenditure was reflected on a certified FACE form submitted to the agency.
5. Agree the expenditure to the IP’s accounting records and bank statement.

* Confirm that supporting documents are stamped ‘PAID from XXX grant’, indicating which agency funded the transaction.

1. Confirm that the FACE form was submitted consistent with the periodicity-of-disbursement requirement in the HACT framework (within two weeks).
2. Compare the price paid for goods or services against United Nations agreed standard rates (if readily available).
3. For bank accounts maintained for agency-granted funds, perform the following procedures:

* Agree transaction details as per the bank statements to those reflected in the accounting records. Document any variances noted; and
* If separate bank accounts are maintained for agency-granted funds 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:

* 1. With respect to item 1 we found (provide details of findings).
  2. With respect to item 2 we found (provide details of findings).
  3. With respect to item 3 we found (provide details of findings).
  4. With respect to item 4 we found (provide details of findings).

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

1. Agency work plans can be annual, multi-year, rolling or joint. [↑](#footnote-ref-2)