Assurance

All United Nations Agencies conduct some form of assurance activities. Assurance is the term that is used to describe the process of determining whether expenditures that took place were for the purpose intended. Assurance requires that you are familiar with the internal controls and financial management practices of your implementing partners as they relate to cash transfers. Practically, assurance involves checking the accuracy of a partner's reporting on the use of funds to ensure that expenditure has been true and fair.

Key principles of assurance under the new cash transfer framework

The key characteristic of the new approach to assurance is **coordination**. The aim is that assurance activities are carried out **jointly** – this reduces the burden considerably on an implementing partner that is working with multiple United Nations agencies.

The assurance activities that take place are based on the **level of risk** and the **value** of the cash transfers in question. So the strongest assurance activities will be used with implementing partners that have the weakest financial management practices. This is where the information from the Micro Assessment (the review of the strengths and weaknesses of the implementing partner's financial management) feeds in. In terms of the value, audits are recommended only for implementing partners who will receive more than US$500,000 collectively from the UNDG ExCom agencies in a programme cycle.

What are the assurance mechanisms ?

There are three main methods of maintaining assurance in the new approach: scheduled audits; on-site reviews (spot checks and special audits); and programmatic assurance.

Scheduled audits

These types of audit are, as the name suggests, routine and planned and are part of the annual audit and assurance plan that country offices put together. At least one scheduled audit should take place over the period of the Country Programme Action Plan (CPAP) if your implementing partner will receive more than US$500,000 threshold. Again, the guidelines are flexible, and if the partner receives less than this amount during the CPAP period, but one or more agencies think that an audit would be helpful, then they can go ahead and organise one.

On-site reviews

These reviews include **spot checks** and **special audits**. A **spot check** is a visit to the implementing partner accompanied by a review of financial management procedures that takes place either routinely or is triggered by special circumstances. **Special audits** are optional. The main difference between a scheduled audit and a special audit is that a special audit is commissioned to look at very specific potential weaknesses that has arisen or been noted and is not a routine event.

Programmatic assurance

Programmatic assurance is a term that encompasses a variety of checks. Agencies have developed their own specific guidance as to the types of checks, when they take place, and how often. Examples of the types of assurance that fall within this category include site visits by staff, annual reviews, evaluations, and implementation reports from partners.

United Nations
Development Group

Assurance (continued)

Assurance: what's new, what's not?

Overall, agencies will work together much more than has been the case in the past. The new approach will mean that Government spends less time dealing with duplicate requests from United Nations agencies and juggling different control systems for assurance. The new approach to assurance will also be less costly for both Agencies and government in terms of human resources, time, and funds allocated to support the process. As agencies – and partners – become more familiar with the new system, the lessons learned from assurance will be used fine-tune procedures and improve future assurance.

- **Spot checks:** these will be new for UNDP and UNFPA. For UNICEF the concept is not new, but the new approach will mean that visits to partners' locations will become more systematic, formalised, and the scope wider. WFP has some experience of spot checks.
- **Special audits:** this part of the assurance framework will be new for UNICEF and WFP. Special audits already take place in UNDP and UNFPA but there will be some changes. Annual audits of specific projects will no longer take place and instead there will be periodic audits of partners' controls throughout the year.
- **Field monitoring and annual reviews:** All ExCom agencies, i.e. UNDP, UNFPA, UNICEF and WFP, have some existing polices and experience with field monitoring and annual reviews in some form or another so this aspect is not entirely new.

Who is audited ?

The partner who signs the **Funds Advance and Certification of Expenditure** (FACE report) is the party who is audited. This partner will be the same one who will sign the Annual Work Plan or who is designated to sign in the **Annual Work Plan**. This partner will also be subject to the Micro Assessment – the assessment of the organisational financial management capacity. It doesn't matter if the partner is a national, regional or local entity – so long as they meet the requirements outlined, they are the partner that is audited to determine whether the transfers made to them have been used for the purpose intended. The main thing to remember is that the approach to risk management throughout should be **consistent**.

Money matters

The new approach to cash transfer is intended to reduce the administrative burden. One of the key principles is that the assiduousness of the assurance should be proportional to the risk and the value of the cash transfer. The approach should not therefore impose a financial burden. Audit costs incurred will be charged to **programme budgets** and so estimated costs will need to be included when putting together draft budgets.

Supreme Audit Institution

The Macro Assessment is used to find out whether the level of risk in the country's financial environment is low or high. This assessment also looks at the capacity of the Government's Supreme Audit Institution, or SAI. If the risk is low and the capacity of the SAI is high, then it is suggested that the agencies use the SAI to carry out their audits. If this happens, then the costs that are incurred by the SAI are part of their budget and the programme does not have to bear them.