

Requesting Section: Operations, China

TITLE: Long-Term Agreement for Harmonized Approach of Cash Transfers (HACT) Assurance Activity Services in China

- Micro assessment
- HACT Audits
- Special Audits
- Capacity Development Activities related to Financial Management Systems of Implementing Partners

1. Background

The UNICEF China Office seeks to establish one or more long term agreements for services to provide a range of financial assessment and assurance activities, and capacity development related to Implementing Partners (IPs). The financial assessment and assurance activities, as well as capacity development activities and services, will be provided under the HACT (Harmonized Approach to Cash Transfers) Framework. The assurance and assessment activities will encompass micro assessments, financial audits, and scheduled audits. The capacity development activities will comprise tailored activities to address specific weaknesses or gaps in financial management and reporting systems of UNICEF's implementing partners in China.

The HACT framework was first adopted in 2005 and updated in 2014. It is applied by UNICEF, UNFPA, and UNDP, pursuant to United Nations General Assembly Resolution 56/201 on the triennial policy review of operational activities for development of the United Nations system. The HACT framework represents a common operational (harmonized) framework for transferring cash to government and non-governmental IPs, irrespective of whether these partners work with one or multiple United Nation agencies. The objective of the HACT framework is to support a closer alignment of development aid with national priorities and to strengthen national capacities for management and accountability, with the ultimate objective of gradually shifting to national systems. It is understood that 'harmonized' in the context of the HACT framework refers to agencies implementing a common operational framework using the same, consistent, standardized approach and tools.

The HACT framework represents a shift from assurance for cash transfers derived from project level controls and audits towards a method of assurance derived from risk/system-based assessments and audits.

A. MICRO ASSESSMENT

The micro assessment assesses the IP's financial management capacity (i.e. accounting, procurement, reporting, internal controls, etc.) to determine the overall risk rating and assurance activities. The risk rating,

along with other available information, is also taken into consideration when selecting the appropriate cash transfer modality for an IP, based on each agency's business model. This assessment applies to both governmental and non-governmental IPs.

The two primary outputs of the micro assessment are:

- a. An overall risk rating related to cash transfers to IPs (low, moderate, significant or high); and

- b. The appropriate type and frequency of assurance activities and cash transfer modality based on each agency's business models.

The micro assessment is viewed as a component of the standard overall assessment of an IP, in addition to other available sources of information (e.g. history of engagement with the agency, previous audit reports, etc.) and results from the macro assessment (or the absence of information regarding the PFM environment and capacity of the SAI if no macro assessment exist).

B. ASSURANCE ACTIVITIES

The purpose of assurance activities is to determine whether the funds transferred to IPs were used for their intended purpose and in accordance with the work plan. Without appropriate completion of the assurance activities, the HACT framework would only serve as a mechanism for risk assessment/ identification, rather than a mechanism for risk management and mitigation. This would expose the United Nations to significant risk and audit findings.

In this terms and reference, the components of financial assurance activities are:

- a. HACT audit: a systematic and independent examination of data, statements, records, operations and performance of an implementing partner carried out by an external service provider.
- b. Special audit: an audit performed when significant issues and concerns are identified during the programme cycle, often the result of findings of programmatic visits and spot checks.

C. CAPACITY DEVELOPMENT

Capacity development is a central part of the HACT vision and is a core component of managing risk, rather than just assessing it. Identification of capacity gaps in IPs and plans to address them must be an element of HACT implementation. In this context it is acknowledged that financial management capacity is a cross-cutting, underlying capacity necessary for any IP to effectively contribute to achievement of the programme result.

Capacity development work in this context will take place at the IP level, and will be provided through activities targeted to improve specific gaps in financial management capacity. Capacity development is key to achieving the HACT objective of promoting national ownership.

D. IMPLEMENTING PARTNER:

The IP is the entity responsible and accountable for ensuring proper use of UNICEF-provided resources and implementation and management of the intended programme as defined in the work plan. Possible IPs include:

- Government institutions.
- Inter-governmental organizations; and
- Eligible civil society organizations, including non-governmental organizations.
Eligible civil society organizations are those that are legally registered (if required) in the country where they operate.

2. Objectives, Purpose & Expected results

UNICEF China Office would like to establish one or more Long-Term Agreements for the above-described services. Contracts for specific services would then be enacted at the LTA-specified unit costs and other conditions, for example, travel cost lump sum if travel is required.

3. Description of the assignment

This LTA seeks to identify one or more service providers to provide professional services to UNICEF China as described in Table 1.

Table 1: Scope of professional services

	Service	Terms of reference, including output	Comments
1	Micro assessment	Annex A: Terms of Reference for Micro Assessment	Required for all partners receiving more than \$100,000/year (must be updated at least every 5 years).
2	HACT audit	Annex B Terms of Reference for Financial Audit	The scheduled HACT audit is the common approach taken by UNICEF for audit of partners.
3	Special audits	The specific terms of reference and outputs will be developed in accordance with the issue that triggered the special audit.	Triggered as a result of specific issues and concerns arising during the programme cycle. Examples include operational audits, financial audit and investigative procedures.
4	Financial management capacity development	The specific terms of reference and outputs will be developed according to the specific capacity development activity.	Financial management capacity development will be advisory services to assist partners in the remediation of issues identified by micro assessments and assurance activities.

As at the date of this RFP, it is difficult to provide the volume of services required for year 2024 and beyond. This is due to the fact that the request for services will be driven by the number and transaction volume of implementing partners and their sub-national partners that have met the selection criteria.

4. Deliverables

Please refer to detailed deliverables, timeframes, checklist and report format and template of each service area – see **Annex A, B**.

5. Reporting requirements

The exact report specifications are provided in sub-Annexes to each **Annex A, B**. These report templates are to be used by the service provider for the work undertaken through this LTA.

Final reports are to be issued by the service provider directly to UNICEF China Office. The service provider also needs to enter the reports in UNICEF eTools system. UNICEF will grant access to a designated staff of the service provider. UNICEF China Office will share the final report(s) with the implementing partner and other

UN agencies. The service provider will not share any deliverable to any other party, including donors providing funding for the specific project or programme.

Any indication included in any deliverable restricting its distribution and/or use will be null and void.

Final reports are to be provided in PDF version accompanied by a Word/Excel version with same content but without signature and/or branding (as per service provider's internal policies).

6. Location and Duration

Contract Duration: UNICEF wishes to establish one or more non-exclusive LTAS (Long-Term Agreement for Services) for an initial duration of two years, **starting from 1 January 2024**, with the option of one-year extensions based on satisfactory performance and agreement between the contracting parties (i.e. total maximum duration of 24 + 12 = 36 months). The resulting LTAS are time-bound and do not represent a monetary value or guaranteed offtake.

Location: The LTAS will be raised by UNICEF China Office.

The LTAS will be shared with other UN agencies, who can contract LTAS holders directly when need arises. The work will take place in China, and may be located either in the capital city, or at provincial, district or other sub-national level. Should there be movement restrictions imposed by the Government, then the assurance activities may be conducted remotely after consultation with the relevant UNICEF China Office.

7. Qualification requirements or Specialized skills/Experience Required:

- Professional experience and qualification of each team member are expected to meet or exceed specific requirements listed **in the TOR per service area— see Annex A and B**
- The service provider must be experienced in performing assessments similar to a micro assessment and assessing risks related to organizational financial management capacity (i.e. accounting, reporting, procurement and internal controls). The service provider must also have knowledge of the United Nations system and the development sector.
- Any staff of the service provider providing services to UNICEF is required to review UNDG HACT Framework, UNICEF HACT related policies and procedures (provided upon contact award) and other pertinent background material in order to provide quality services to UNICEF.
- For HACT Audit assignment, 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 – see details on **Annex B – HACT Audit**
- UNICEF reserves the right to request CVs for each service provider staff member that will be carrying out any work under this LTA.
- UNICEF reserves the right to request the service provider to provide replacement staff where UNICEF feels CVs do not meet minimum requirements as per the specific terms of references.

8. Evaluation process and methods

The evaluation panel will first review each response for compliance with the mandatory requirements of this RFPS. Failure to comply with any of the terms and conditions contained in this RFPS, including provision of

all required information, may result in a response or proposal being disqualified from further consideration. Kindly also refer to the detailed instructions in the main LRPS document.

Each valid proposal will be assessed by an evaluation panel first on its technical merits and subsequently on its price. For this RFPS, the weight allocated to the technical proposal is 70 % (i.e. 70 out of 100 points). To be further considered for the financial evaluation a minimum score of 49 points is required. Only proposals with a score of 49 or more points in the technical evaluation will be financially evaluated (i.e. the financial proposal will be opened). For further details and the distribution of points kindly refer to **Annex C** below.

The weight allocated to the financial proposal is 30 % as per the following: the maximum number of 30 points will be allotted to the lowest technically compliant proposal. All other price proposals will receive points in inverse proportion to the lowest price. Commercial proposals should be submitted on an all-inclusive basis for providing the contracted deliverables as described in the TOR.

The proposal(s) obtaining the overall highest score after adding the scores for the technical and financial proposals is the proposal that offers best value for money and will be recommended for award of the contract.

9. Administrative issues and response to this tender

- Bidders are requested to provide a detailed technical proposal in **Annex C** – Technical response form. The technical proposal must include all information needed to fully evaluate the proposal against the requirements and evaluation criteria outlined in section 7 and 8 of this TOR.
- Bidders are requested to provide an all-inclusive cost in the financial proposal and more detailed instructions are provided on each section of the Format for Financial Proposal in this regard - **Annex D**.
- The bidder is required to include the estimate cost of travel in the financial proposal noting that i) travel cost shall be calculated based on the most direct route and economy class travel, regardless of the length of travel and ii) costs for accommodation, meal and incidentals shall not exceed applicable daily subsistence allowance (DSA) rates, depending on the location, as promulgated by the International Civil Service Commission (<https://icsc.un.org/>).
- Unexpected travels shall be treated as above.
- UNICEF will not provide resources and facilities to the contractor such as access to printer, office space etc.

10. Payment Schedule

Payment for each activity will be made in full upon completion of the work and presentation and acceptance of a final report and invoice

No.	Payment	Schedule	Remarks
1.	100%	Within 30 days upon receipt of approved invoice	Performance evaluation of the contractor will be done by the contract supervisor, as part of a mandatory document for the payment process

11. Other Pertinent Matters:

In the delivery of any services under this LTA, cases which indicate fraud or presumptive fraud will be brought to the immediate attention of the designated person in each UNICEF office without waiting for the issuance of the audit report.

The service provider is to maintain working papers supporting audit work at its premises for five years. UNICEF shall on request have access to the working paper documentation. At the request of UNICEF, the service provider is to brief subsequent service providers on the details of the results of any work carried out under this LTA.

Professional experience and qualification of each service provider staff member are expected to meet or exceed specific requirements listed in each individual terms of reference contained in the LTA. UNICEF reserves the right to request CVs for each service provider staff member that will be carrying out any work under this LTA. UNICEF reserves the right to request the service provider to provide replacement staff where UNICEF feels CVs do not meet minimum requirements as per the specific terms of references.

Any staff of the service provider providing services to UNICEF is required to review UNDG HACT Framework, UNICEF HACT related policies and procedures (provided upon contact award) and other pertinent background material in order to provide quality services to UNICEF.

The service providers agrees that UNICEF shares the LTAs with other UN agencies in China. A service contract can be issued directly by other UN agencies to the service provider with reference to the respective LTA through their own contracting processes.

Annex C: Terms of Reference for Micro Assessment



ToR for Micro
Assessment 2023

Annex D: Terms of Reference for Financial Audit



Terms of
Reference for HA

Annex E: Technical Response Form



Format of
Technical Proposa

Annex F: Format for Financial Proposal



Format For
Financial Proposa