



A Guide to Financial Management for Implementing Partners



An introduction to the guide

In 2017, UNICEF and UNDP partnered with and transferred resources to more than 10,000 government ministries and agencies, civil society organizations and intergovernmental organizations in 170 countries. These entities, who received cash, supplies and technical support from UN agencies to support the implementation of Country Programmes, are collectively known as implementing partners. Implementing partners are critical to the delivery of programme results for target populations and communities around the world. In order to effectively and efficiently deliver programme results, UN implementing partners must have both programmatic capacity and financial management capacity.

The primary purpose of this guide is to orient UN implementing partners on key financial management standards and best practices. Each chapter of this guide covers a different subject area, and includes an explanation of why it matters (to both the UN Agencies and the implementing partners), as well as a list of additional resources and recommended reading materials. Some of the subject areas and key concepts covered in this guide include programme management, accounting policies and procedures, and financial monitoring and reporting.

The guide is not intended to be a comprehensive “how-to manual” for all aspects of financial management. It is recognized that the 10,000+ organizations that comprise the UNICEF-UNDP implementing partnership portfolio are too diverse in organizational size and structure, and work in too many different programme contexts and macro-financial environments, for a one-size-fits-all “how-to manual” to be practicable. It is also recognized that there is a wealth of already existing, and frequently more detailed, learning resources available on the Internet and other fora. Instead, this guide is intended to be used by implementing partners as a launching pad for organizational conversations about further strengthening financial management practices.

For staff, this guide may be useful as an entry point for discussions with current—or prospective—implementing partners on financial management. Implementing partners who have undergone formal capacity assessments (such as the HACT micro-assessment) or formal assurance activities such as spot checks or audits, may already have tailored recommendations on specific financial management gaps, in which case this guide can be used as a complementary resource. The guide is meant to be a catalyst, not a substitute, for more in-depth and sustained financial management capacity-building approaches.

It is the hope of UNICEF and UNDP that this guide can contribute to the organizational development of UN implementing partners, and support the assurance of UN funds and resources, so that implementing partners and UN agencies can jointly deliver results on the ground.

Contents

1. Getting Started	4
2. Programme Management	8
3. Organizational Structure & Staffing	11
4. Accounting Policies & Procedures	13
5. Fixed Assets & Inventory	17
6. Financial Monitoring & Reporting	19
7. Procurement & Contract Management	22

1. Getting Started

1.1 WHAT WILL THIS CHAPTER COVER?

In this chapter, you will become familiar with the following topics:

- ✓ Obtaining and maintaining the appropriate legal status of your organization
- ✓ Ensuring financial stability and sustaining basic policies and procedures for efficient operations
- ✓ Enforcing organizational ethics and protecting your organization against fraud and corruption

1.2 WHY IS THIS IMPORTANT FOR MY ORGANIZATION?

LEGAL STATUS is the registration of an organization with its country's governing legal body.

Legal status is obtained when an organization is registered in its country of operation and demonstrates that applicable laws established by relevant national government and/or regional authorities related to registration, are respected. In many countries, the legal registration of civil society organizations must undergo regular renewal and is subject to compliance with statutory reporting requirements, such as the annual submission of financial and non-financial information.

Organizations must provide proof of legal status in order to enter into partnership with UN agencies. UN agencies generally do not partner with civil society organizations that are not properly registered with the relevant government authorities.

FINANCIAL STABILITY occurs when an organization receives predictable and sustained funding, covering both direct and indirect operating expenses, thereby allowing it to continue operating both financially and programmatically for a reasonable period of time.

The financial stability of an organization is demonstrated through documented financial reports that show reasonable assets, liabilities, income and expenditure. Presenting these financial reports and having policies and procedures in place for the sound management of funds will help demonstrate to potential partnering agencies that your organization has the capacity to receive and properly manage funds.

ORGANIZATIONAL ETHICS are a set of principles to ensure that members of an organization promote a culture of ethics and integrity as it relates to all aspects of the organization. All implementing partners of UNICEF and UNDP must have organizational ethics aligned to the core values of the UN and the [Universal Declaration of Human Rights](#). Furthermore, commitment to prohibiting and combatting sexual exploitation and abuse; and promoting and protecting the safeguarding of beneficiaries, local communities and children, are prerequisites to partnership with the UN System.

Another important element of organizational ethics is anti-fraud/corruption policies, which help mitigate risks by familiarizing staff with the types of fraud that might occur within an area of responsibility and describing the steps to be taken in response to reports of possible fraud. The development and rigorous implementation of anti-fraud/corruption policies helps to ensure that resources are used for their intended purpose towards the achievement of programmatic and organizational results, and provides confidence to and instills trust among staff, beneficiaries and donors.

1.3 CONSIDERATIONS AND BEST PRACTICES

The following section describes key questions and best practices that your organization should consider in order to establish a strong legal, financial and ethical foundation. Keep in mind that the considerations below may not be applicable to all organizations based on their size and operating context.

Does your organization maintain appropriate legal status?

- Your organization should comply with registration requirements
- Your organization should comply with statutory reporting requirements

Does your organization monitor its financial status and financial stability?

- Your organization should be able to provide the amount of total assets, total liabilities, income, and expenditure over the last three years
- Your organization should demonstrate financial stability or have a strategy towards financial stability

Does your organization have strong organizational ethics?

- Your organization should have a clear mission and mandate aligned to the promotion of human rights and human development
- Your organization should have mechanisms to prevent and respond to sexual exploitation and abuse, and safeguarding violations
- Your organization should have mechanisms to prevent and respond to allegations of fraud and corruption

1.4 TOOLS & RESOURCES

The following tools and resources are provided for reference. You may consider the use of these tools in your own office to support financial management. These tools and resources are not mandatory and can be modified as per your organizational needs and operating environment. **Ctrl + Click to access the links below.**

-  [How to Start an NGO](#)
-  [The NGO Handbook](#)
-  [Fundraising and Marketing for CSOs](#)
-  [Fundraising Guide for NGOs](#)
-  [A Guide to Fundraising](#)
-  [United Nations Secretary-General's Bulletin on Special measures for protection from sexual exploitation and sexual abuse](#)
-  [UNICEF Policy on Conduct Promoting the Protection and Safeguarding of Children](#)
-  [UNICEF Policy Prohibiting and Combatting Fraud and Corruption](#)
-  [Prevention of Sexual Harassment and Abuse of Authority \(Online Course\)](#)
-  [Prevention of Sexual Exploitation and Abuse \(PSEA\) \(Online Course\)](#)
-  [How to Report Fraud or Abuse at UNICEF](#)
-  [Internal Control Framework at UNDP](#)
-  [UNDP Anti-Fraud Policy](#)

1.5 GLOSSARY OF TERMS

Child safeguarding violation	Any conduct that undermines international legal requirements enshrined in the Universal Declaration of Human Rights and the Convention on the Rights of the Child with regard to protecting and safeguarding children, including child labour, discriminatory treatment toward, or abuse or exploitation of a child.
Fraud	The actual or attempted use of deceit, falsehood, or dishonest means (including wilful omission) to secure direct or indirect financial or material gain, personal advantage or other benefit, and includes fraudulent conduct, corrupt conduct, collusive conduct, coercive conduct, and obstructionist conduct. It includes attempted fraud (even if unsuccessful).
Legal Status	The status accorded to an organization when it is properly registered with its country of operation's governing legal body, and has complied with all statutory reporting requirements.
Policy	Policies elaborate <i>what</i> the organization aims to achieve by using high-level statements that: <ul style="list-style-type: none">• clearly define the issue being addressed• describe the principles that govern the issue• set the parameters and scope of how the issue will be treated within the organization
Procedure	Procedures establish the context for <i>how</i> a process is implemented – including: <ul style="list-style-type: none">• the elements (e.g., conditions, roles, responsibilities, etc.), for optimal implementation• the risks being mitigated by the procedure• instructions for implementation
Sexual abuse	The actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions
Sexual exploitation	Any actual or attempted abuse of a position of vulnerability, differential power, or trust, for sexual purposes, including, but not limited to, profiting monetarily, socially or politically from the sexual exploitation of another

2. Programme Management

2.1 WHAT WILL THIS CHAPTER COVER?

In this chapter, you will become familiar with the following topics:

- ✓ Understanding Results Based Management
- ✓ Developing workplans
- ✓ Conducting monitoring and evaluation activities

2.2 WHY IS THIS IMPORTANT FOR MY ORGANIZATION?

RESULTS BASED MANAGEMENT (RBM) is a management strategy or approach by which all actors in an organization ensure that their processes, products and services contribute to the achievement of desired results. The actors use information and evidence on actual results to inform decision-making on the design, resourcing and delivery of current and future programmes and activities, as well as for accountability and reporting.

RBM is a widely-adopted approach among the international development and humanitarian community to strengthen the achievement of results. RBM helps organizations to support the development and realization of the complete programming process including: planning and tracking the achievement of results to support more effective programming, more efficient use of resources, greater accountability and more compelling reporting.

WORK PLANNING is the development of a detailed roadmap to help guide the implementation and management of the activities required to achieve programme results. The workplan defines the target results, outlines the activities required, estimates the cost and time required to conduct each activity, and identifies who is responsible for implementation.

Developing a comprehensive workplan is key to successfully coordinating activities, managing programme implementation and achieving results.

MONITORING AND EVALUATION (M&E) are distinct but complementary functions under the RBM framework. Monitoring is a day-to-day process, during programme implementation, to determine whether the programme is being implemented as planned, ensure that the planned results are being achieved, and determine if any adjustments are required. Evaluation is an assessment of a project or programme that aims to determine the impact, effectiveness, efficiency and sustainability of the interventions and contributions of an organization.

Both monitoring and evaluation help provide reliable evidence-based information, recommendations and lessons learned to improve future programming and decision-making.

2.3 CONSIDERATIONS AND BEST PRACTICES

The following section describes key questions and best practices that your organization should consider to develop a programme management structure, including RBM-based policies and

procedures, work plans, and M&E systems. Keep in mind that the considerations below may not be applicable to all organizations based on their size and operating context.

Does your organization use sufficiently detailed programme policies, tools and procedures?

- Your organization should use tools such as operating manuals, project development checklists, work planning templates and work planning schedules

Do your work plans outline anticipated programme results and the activities required to deliver them?

- Your organization should develop work plans that include responsible parties, time frames, indicators and budgets for each activity
- Your organization should identify potential risks for programme delivery and develop mechanisms to minimize risks

Does your organization have specific policies, procedures and tools to support monitoring and evaluation functions?

- Your organization should have monitoring and evaluation frameworks for its programmes, with indicators, baselines, and targets to monitor achievement of programme results
- Your organization should systematically collect data and carry out and document regular monitoring activities (e.g. on-site project visits, review meetings, etc.)
- Your organization should evaluate programmes and their results

2.4 TOOLS & RESOURCES

The following tools and resources are provided for reference. You may consider the use of these tools in your own office to support financial management. These tools and resources are not mandatory and can be modified as per your organizational needs and operating environment. **Ctrl + Click to access the links below.**

 [Results Based Management \(RBM\) \(Online Course\)](#)

 [RBM Handbook Working Together for Children](#)

 [Project Cycle](#)

 [Work Plan Template](#)

 [Programme and Project Management at UNDP](#)

 [UNDP Handbook on Planning, Monitoring and Evaluating for Development Results](#)

2.5 GLOSSARY OF TERMS

Baseline	Baselines are the starting point from where the result achieved is to be measured.
Evaluation	Evaluations are assessments of a project or programme that aim to determine the impact, effectiveness, efficiency and sustainability of the interventions and contributions of an organization.
Indicator	Indicators are the measures used to detect changes in a situation, the progress in an activity, or the results (process, output, outcome, impact) of a project or programme. Indicators should be (SMART) i.e. Specific, Measurable, Attainable, Realistic (and Relevant), and Time-bound (and Track-able).
Monitoring	Monitoring is a day-to-day process during programme implementation to determine whether the programme is being implemented as planned, ensure that the planned results are being achieved, and to determine if any adjustments are required.
Results Based Management	A management strategy or approach by which all actors, contributing directly or indirectly to achieving a set of results, ensure that their processes, products and services contribute to the achievement of desired results.
Target	Targets are the achievement goals for the result. Typical performance measurements address matters of timeliness, cost-effectiveness, and compliance with standards.
Work Plan	Defines the result targets, outlines the activities required, estimates the cost and time required to conduct each activity, and identifies who is responsible for implementation.

3. Organizational Structure & Staffing

3.1 WHAT WILL THIS CHAPTER COVER?

In this chapter, you will become familiar with the following topics:

- ✓ Managing human resources including staffing structure, staffing budgets, and job descriptions
- ✓ Ensuring staff have the skills to appropriately manage funds and meet your organization's objectives and programming needs

3.2 WHY IS THIS IMPORTANT FOR MY ORGANIZATION?

HUMAN RESOURCES MANAGEMENT is the practice of recruiting, hiring, deploying and managing an organization's employees.

An organization's Human Resources function typically plays an administrative role in hiring, supporting and developing staff. A strong Human Resources function will help ensure that the right staff and structure are in place to achieve the organization's goals.

PROGRAMME AND FINANCIAL MANAGEMENT CAPACITY is the ability of an organization and its staff to responsibly execute programmatic and financial processes to best achieve its goals. Key elements of programme management include Results Based Management, work planning and monitoring and evaluation, covered in Chapter 2. Key elements of financial management include accounting, fixed assets and inventory, financial monitoring and reporting, and procurement and contracting, covered in Chapters 5 to 7.

Building capacity in all areas of programme and financial management will help to reduce the organization's risk of programmatic results not being achieved or funds not being spent for their intended purpose, and will increase the likelihood of partnership with UN agencies.

3.3 CONSIDERATIONS AND BEST PRACTICES

The following section describes key questions and best practices that your organization should consider when determining organizational structure and staffing arrangements.

Does your organization properly manage its human resources?

- Your organization should clearly define the different roles and responsibilities of key staff (e.g., using job descriptions)
- Your organization should have a clear, competitive and transparent hiring policy to identify the most qualified and suitable candidates who uphold ethical standards
- Your organization should comply with relevant labour law and regulations governing employment, personnel affairs, working conditions, wages and other employment terms

Does your organization's team have the capacity to manage programmes and funds responsibly?

- ❑ Your organization should hire staff that have the appropriate educational backgrounds, professional experiences and skills and competencies to complete key finance and programme management activities
- ❑ Your organization should implement an organizational structure appropriate for the scale and complexity of the organization's activities
- ❑ Your organization should train staff in finance and programme management when hired

3.4 TOOLS & RESOURCES

The following tools and resources are provided for reference. You may consider the use of these tools in your own office to support financial management. These tools and resources are not mandatory and can be modified as per your organizational needs and operating environment. **Ctrl + Click to access the links below.**

 [HR Manual: A Manual for Managing Human Resources](#)

 [UNICEF Competency Definitions](#)

 [Human Resources Management at UNDP](#)

 [Core Competency Framework](#)

3.5 GLOSSARY OF TERMS

Capacity	The capability to carry out expected tasks successfully.
Programme Management	The management of aspects of an implementing partner's deliverables and results corresponding to key programme areas, themes or sectors (e.g. sanitation, education, health).
Operations Management	The management of core functions that allow an organization to carry out its programmatic objectives. Key operational elements may include: Human Resources, Finance and Administration, Information and Communication Technology and Supply and Logistics.

4. Accounting Policies & Procedures

4.1 WHAT WILL THIS CHAPTER COVER?

In this chapter, you will become familiar with the following topics:

- ✓ Establishing an accounting system
- ✓ Preparing a budget
- ✓ Segregating roles and responsibilities appropriately for financial management
- ✓ Executing payments
- ✓ Conducting cash and bank transactions

4.2 WHY IS THIS IMPORTANT FOR MY ORGANIZATION?

ACCOUNTING SYSTEM is a computer software or application (e.g., Microsoft Excel, Quickbooks, etc.) that is used to record financial transactions, such as money received, bills, purchases and payments. It allows an organization to generate financial reports and provide financial data to aid in decision-making process.

SEGREGATION OF DUTIES is an important internal control which involves the distribution of tasks and responsibilities for specific business processes across multiple staff. Segregation (or division) of duties means that no single individual should have control over two or more phases of a transaction or operation. For example, the individual responsible for approving a procurement transaction should not be the same individual responsible for making the payment.

A proper segregation of duties ensures a crosscheck of duties, which helps to detect and minimise the risk of fraud or error.

BUDGET MANAGEMENT is the planning and monitoring of the use of financial resources.

Effective budget management mitigates the risks associated with poor planning and the misalignment of resources to programme results.

PAYMENT PROCESSING covers all invoices received for payment, including programme supplies, procurement services, warehouse restocking, internal administrative requirements and requests for payments not supported by vendor invoice.

There are many risks associated with payment processing. For example, payments could be erroneously made for unauthorized purposes, for undelivered supplies and services or in excess of amount due, or duplicate for the same supply or services. As a result, ensuring proper procedures can help mitigate the risks associated with payment processing.

CASH MANAGEMENT encompasses forecasting, disbursing, replenishing and safekeeping of cash and is often critical for the timely and effective implementation of programmes. It is also an area that is susceptible to risks of mismanagement, misuse, loss and fraud.

Effective cash management helps to ensure the availability of cash when and where it is needed for implementation of programmes and puts in place adequate measures to manage risks.

4.3 CONSIDERATIONS AND BEST PRACTICES

The following section describes key questions and best practices that your organization should consider to enhance financial management capacity and mitigate potential risks. Keep in mind that the considerations below may not be applicable to all organizations based on their size and operating context.

Do you have an accounting system in place?

- Your organization should have an accounting system that allows recording of financial transactions (for example cash receipts and payments). A computerized financial management system is recommended, unless your organization manages a very small number or volume of financial transactions
- If your organization receives funding from more than one donor (funding source), the accounting system should be able to link expenditure to the appropriate funding source
- Your organization should keep all accounting documents in an organized manner for easy access by authorized staff and for review during spot check or audit

Are financial duties segregated?

- If the size of your organization allows it, different staff should:
 - Approve financial transactions (for example invoices and payment)
 - Record the transaction in the accounting system
 - Prepare expense reports and review the reports
- If your organization is purchasing goods or services, different staff should:
 - Approve the purchase
 - Order the goods or service
 - Record them in the accounting system
 - Verify that the goods or services were received
 - Pay the invoice
- Your organization should prepare periodic reports (expense reports and bank reconciliations), which should be reviewed by management

Do you prepare and monitor budgets?

- Your organization should prepare budgets for all activities
- Your organization should compare actual expenditures to the budget regularly (at least quarterly), and record explanations for any variation
- Your organization should ensure that budgets and budget changes are approved by management

Do you have proper controls in place to manage payments?

- All invoices should be reviewed and approved before payment by authorized individuals
- The review of invoices should ensure that the invoice indicates goods and services that have been ordered and received, and that it is mathematically correct
- Your organization should ensure that payments are authorized by staff at the appropriate authority level

- Your organization should ensure that all invoices are stamped or signed as “paid,” approved and marked with the relevant project code and funding source
- Your organization should ensure that all payroll expenditures (salaries and wages) are approved by management prior to payment
- Your organization should have controls for expense categories that are not linked to invoice payments, such as per diem, travel, and internal cost allocations

Do you have proper controls in place to manage cash and bank transactions?

- Your organization should minimize expenditures paid in cash
- Your organization should require at least two signatories/authorized individuals for bank transactions
- Your organization should maintain an up-to-date cashbook that records receipts and payments in cash
- Your organization should reconcile bank balances and cash ledgers monthly and ensure they are properly approved

4.4 TOOLS & RESOURCES

The following tools and resources are provided for reference. You may consider the use of these tools in your own office to support financial management. These tools and resources are not mandatory and can be modified as per your organizational needs and operating environment. **Ctrl + Click to access the links below.**

-  [Internal Control & Corporate Governance Manual](#)
-  [Mango Guide to Financial Management](#)
-  [IPSAS UN Training Series \(Online Course\)](#)
-  [2018 Handbook of International Public Sector Accounting Pronouncements \(Vol. I, Vol. II, Volume III\)](#)

4.5 GLOSSARY OF TERMS

Accounting	The system of recording and summarizing business and financial transactions, as well as analysing, verifying, and reporting the results.
Budget	A plan and an authority to enter commitments and make disbursements for specified purposes and period.
Commitment of Funds	A process that sets aside an estimated amount from the budget when a party enters or plans to enter into a legal obligation to deliver goods or provide services, such as a contract or formal agreement.
Disbursement	The process and the result of a payment.
Invoice	An invoice is the document through which a vendor requests payment after delivery of the goods and/or services specified in the contract.
Segregation of Duties	Segregation of duties is the distribution of tasks and responsibilities for specific business processes across multiple staff.

5. Fixed Assets & Inventory

5.1 WHAT WILL THIS CHAPTER COVER?

In this chapter, you will become familiar with the following topics:

- ✓ Tracking and securing your organization's assets
- ✓ Maintaining a warehouse and tracking supplies that your organization has received and distributed

5.2 WHY IS THIS IMPORTANT FOR MY ORGANIZATION?

FIXED ASSET MANAGEMENT is the accounting of goods that are held for long-term use (e.g. land, buildings, furniture & fixtures, equipment, etc.) by an organization. These goods can be owned fully, partially, or leased.

Fixed assets often comprise a significant part of an organization's assets and play an important role in the achievement of programme results. Poor fixed asset management could lead to misuse or loss, and impact programme implementation and financial reporting. It is essential to manage these risks by clearly identifying the types of assets used by your organization and defining the way they are managed and tracked.

INVENTORY MANAGEMENT is the accounting of organizational inventory, including both items for internal operations and office use, and programme supplies and products intended for beneficiaries.

An organization's inventory can make up a large part of the resources used for internal operations and / or to support programme implementation. Therefore, appropriate inventory management is important to the achievement of results for children.

5.3 CONSIDERATIONS AND BEST PRACTICES

The following section describes key questions and best practices that your organization should consider to enhance asset and inventory management practices. Keep in mind that the considerations below may not be applicable to all organizations based on their size and operating context.

Are your assets accounted for and secure?

- Your organization should have an up-to-date register of all your fixed assets
- Your organization should verify or count your fixed assets regularly
- Your organization should have appropriate insurance for your fixed assets

Is your inventory/warehouse secure?

- Your organization should label or tag inventory appropriately
- Your organization should verify or count inventory regularly
- Your organization should ensure inventory is protected from possible damage
- Your organization should have insurance for the warehouse and inventory
- Your organization should have physical security to protect the warehouse (e.g., a guard, security cameras, fencing)

Do you adequately manage and monitor the distribution of supplies?

- Your organization should conduct regular counts of supply inventory
- Your organization should maintain a system that allows you to track the supply planning, purchasing, and delivery/distribution process
- Your organization should segregate responsibility for receiving/issuing inventory from that for updating inventory cards

5.4 TOOLS & RESOURCES

The following tools and resources are provided for reference. You may consider the use of these tools in your own office to support financial management. These tools and resources are not mandatory and can be modified as per your organizational needs and operating environment. **Ctrl + Click to access the links below.**

-  [Warehouse and Inventory Management Guide](#)
-  [Fixed Asset Register](#)
-  [Inventory List](#)
-  [Inventory Card](#)
-  [Inventory Management at UNDP](#)

5.5 GLOSSARY OF TERMS

Inventory	A complete listing of the merchandise, stock, supplies, work in progress, raw materials and finished goods on hand.
Inventory Card	Records the acquisition or distribution of inventory.
Fixed Asset	An item of high value owned by an organization for use over a long period, e.g., office equipment, vehicles and buildings.
Fixed Asset Register	A schedule of an organization's equipment and property that is used to record the details of an asset's purchase date, value, location, etc.

6. Financial Monitoring & Reporting

6.1 WHAT WILL THIS CHAPTER COVER?

In this chapter, you will become familiar with the following topics:

- ✓ Monitoring and reporting the financial status of your organization
- ✓ Understanding the Harmonized Approach to Cash Transfers (HACT)

6.2 WHY IS THIS IMPORTANT FOR MY ORGANIZATION?

FINANCIAL MONITORING AND REPORTING is the process of producing and tracking formal statements of the financial activities and financial position of an organization for management and/or other stakeholders.

Financial monitoring and reporting is important as it helps an organization to assess the reach and impact of financial resources and is key to sound programming. Financial reporting and monitoring also ensures that financial resources are managed in accordance with organizational and donor/partner requirements, in a risk-responsive manner.

HARMONIZED APPROACH TO CASH TRANSFERS (HACT) is a common operational framework for transferring cash to government and non-government implementing partners adopted by UNICEF, UNDP, UNFPA and WFP.

The objective of HACT is to reduce the transaction costs of managing cash transfers and strengthen implementing partner capacity to effectively manage cash resources. HACT is based on an assessment of the risks associated with transferring cash to implementing partners, including the risk that cash may not be used or reported in accordance with signed agreements. For organizations working with UN agencies, it is important to understand the HACT framework and reporting requirements.

6.3 CONSIDERATIONS AND BEST PRACTICES

The following section describes key questions and best practices that your organization should consider to develop best practices in financial monitoring and reporting. Keep in mind that the considerations below may not be applicable to all organizations based on their size and operating context.

Do you monitor and report your organization's financial status?

- Your organization should periodically review the status of budget utilization and compare this to project workplans to ensure that implementation and spending is on track, and fund availability is sufficient
- Your organization should have financial statements prepared and audited or reviewed regularly by an independent auditor

- Your organization should take action on any major issues related to ineligible expenditure involving donor funds, and prevent their future recurrence
- Your organization should review and implement any significant recommendations made by auditors and donors

Are you familiar with the UNDG Harmonized Approach to Cash Transfers (HACT) framework?

- Your organization should know about the principles and key components of the HACT framework. Partnership with UNICEF and UNDP is conditional upon acceptance of the assessment and assurance components of the HACT framework
- Your organization should know how to complete and submit a Funding Authorization and Certificate of Expenditure (FACE) form

Does your organization work with other partners, offices or external entities that contribute to programme implementation?

- Your organization should have processes in place to ensure appropriate oversight and monitoring of implementation by sub-contractors

6.4 TOOLS & RESOURCES

The following tools and resources are provided for reference. You may consider the use of these tools in your own office to support financial management. These tools and resources are not mandatory and can be modified as per your organizational needs and operating environment. **Ctrl + Click to access the links below.**

-  [Internal Control & Corporate Governance Manual](#)
-  [2014 UNDG HACT Framework](#)
-  [Harmonized Approach to Cash Transfers \(HACT\) \(Online Course\)](#)
-  [HACT Audit Terms of Reference \(UNICEF\)](#)
-  [Funding Authorization and Certificate of Expenditure \(FACE\) Form \(Online Course\)](#)

6.5 GLOSSARY OF TERMS

Audit	A systematic and independent examination of data, statements, records, operations carried out by an external service provider.
FACE Form	A form to request funding authorization prior to the implementation of activities, and to report on and certify expenditure after the implementation of activities. The FACE form is used by the implementing partners of UNICEF, UNDP and other UN agencies implementing HACT.
Financial Statement	A formal record of the financial activities and financial position of an organization.
Harmonized Approach to Cash Transfers (HACT)	A framework of common principles and processes for managing cash transfers to implementing partners, adopted by UNICEF, UNDP and other UN agencies.

7. Procurement & Contract Management

7.1 WHAT WILL THIS CHAPTER COVER?

In this chapter, you will become familiar with the following topics:

- ✓ Procuring goods and services
- ✓ Administering and managing procurement contracts

7.2 WHY IS THIS IMPORTANT FOR MY ORGANIZATION?

PROCUREMENT is the organizational purchase of goods or services. Defining robust procurement processes (i) supports the timely acquisition of the right goods, works and services, (ii) ensures the clear delegation of financial authority and (iii) helps to mitigate and manage procurement risks such as inappropriate transactions or misuse of funds. Defining a structured and robust procurement process can also help address:

- the organization's goals/mandate
- fairness, integrity and transparency
- economy and effectiveness; and
- best value for money

CONTRACT MANAGEMENT is the management of the contract lifecycle from procurement to contract development, signature, payment and completion. It involves planning, budgeting, scheduling and monitoring the progress of work and taking corrective actions to safeguard the interests of your organization and of the contractor.

Contract management helps to manage risks, prevent increased costs, ensure compliance with contractual terms and conditions, prevent delays in delivery and exposure to legal complications with unpredictable results. Key elements of contract administration include: compliance with contract requirements, measurement of performance and reporting, management of contract changes and resolution of claims and disputes.

7.3 CONSIDERATIONS AND BEST PRACTICES

The following section describes key questions and best practices that your organization should consider to develop best practices around procurement and contract administration. Keep in mind that the considerations below may not be applicable to all organizations based on their size and operating context.

Do you have a procurement function in place and do you follow written procurement policies and procedures?

- Your organization should maintain a structured procurement capacity with qualified staff
- Your organization should regularly generate and review procurement and contract management reports, including performance of current and past suppliers
- Your organization should ensure that appropriate written policies and procedures, governance and system-generated authorizations are in place for procurement activities
- Your organization should uphold the highest level of ethical behaviour in its procurement activities and avoid any actual, potential or perceived conflicts of interests. This should also be requested from all your suppliers (e.g., by establishing a Supplier Code of Conduct)
- Your organization should develop procurement strategies for any strategic spend categories for goods and services, according to their criticality, complexity or high value

Do you follow a competitive, ethical and transparent process for selecting suppliers?

- Your organization should conduct a secure, competitive, fair and transparent bidding and evaluation process, ensuring all potential suppliers are subject to the same conditions
- Your organization should award contracts based on a pre-defined set of criteria, taking into account technical ability, quality, as well as price
- Your organization should procure products that comply with recognized quality and technical standards
- Your organization should not procure from companies found to have undertaken unethical, unprofessional or fraudulent activities

Do you have a sound control and monitoring environment in place?

- Your organization should ensure checks and balances and audits are built in throughout the procurement process
- Your organization should ensure that sufficient approval is obtained prior to signing contracts, and keep appropriate filing of the procurement process
- Your organization should develop key performance indicators (KPIs) to systematically review and measure the results of procurement activities
- Your organization should ensure contracts are managed by staff with the requisite technical expertise and experience
- Your organization should properly onboard contractors before implementation, especially for strategic goods/services
- Your organization should conduct performance evaluation and ethical review of suppliers

7.4 TOOLS & RESOURCES

The following tools and resources are provided for reference. You may consider the use of these tools in your own office to support financial management. These tools and resources are not mandatory and can be modified as per your organizational needs and operating environment. **Ctrl + Click to access the links below.**

 [UN Procurement Practitioners Handbook](#)

 [United Nations Global Marketplace \(UNGM\) - Knowledge Centre](#)

- [!\[\]\(598596f6c4473ad131014a5892d7b45b_img.jpg\) UN Supplier Code of Conduct](#)
- [!\[\]\(3511ba10bdf41686645b1e97b961fc7a_img.jpg\) UNICEF Procurement Policies](#)
- [!\[\]\(a8588b8c6e453a654c023bf6a7d9e273_img.jpg\) The World Bank – Procurement Framework](#)
- [!\[\]\(dce692d7fb2c9a9d4f2c18e96d348731_img.jpg\) UNDP Public Procurement Capacity Development Guide](#)
- [!\[\]\(e5a28b073a38ec50e0dc5cdb855da66f_img.jpg\) Procurement and Supply Management \(PSM\) Toolbox](#)
- [!\[\]\(c6affa0185534e4dc278f945d5dae7bf_img.jpg\) Procurement at UNDP](#)

7.5 GLOSSARY OF TERMS

Procurement	The timely acquisition of the right goods and services.
Contract Management	The management of the contract lifecycle from contract development, signature, to payment and completion. It involves: <ul style="list-style-type: none">• planning, budgeting and scheduling• monitoring the progress of work• taking corrective actions to safeguard the interests of your organization and the contractor