Terms of Reference

Cash Optimization – verification and validation of in country cash management during implementation

July 2025

**Background information**

These Terms of Reference (ToR) provide a general framework for **Cash Optimization – verification and validation of in country cash management during implementation** assurance assignments but should be tailored to each case’s specific needs and context for maximum relevance and effectiveness. Selecting an appropriate sample size is crucial for meaningful insights—it should reflect risks while considering data availability and internal controls.

**Objective**

The objective of this review is to provide reasonable assurance that the internal controls over cash and bank management are designed appropriately and operating effectively.

This ToR provides information on the nature of risks relevant to cash and bank management, details on the expected assurance and recommended scope of work.

**Scope of work**

Recommended scope of work could include the following:

1. Review to ascertain existence of controls,
2. Test of controls
3. Substantive procedures.

Internal controls over cash and bank management, when designed appropriately and operated effectively, provide many benefits including but not limited to the following:

1. Safeguarding cash and bank assets, protecting the organization's financial resources from theft, fraud, and misappropriation.
2. Ensuring accuracy and reliability of cash balances and transactions, enhancing the integrity of financial reporting and regulatory compliance.
3. Streamlining cash handling processes, optimizing cash flow management, and banking activities, resulting in cost savings and operational efficiency.
4. Help identify, assess, and mitigate risks associated with cash management, including liquidity risks, fraud risks, and operational risks, minimizing potential financial losses.
5. Instilling confidence among stakeholders by demonstrating the organization's commitment to sound financial management practices, enhancing trust and credibility.

**Applicable Corporate Risk**

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| Grant-related Fraud & Fiduciary | **Flow of Funds Arrangement** |
| **Internal Controls** |
| Financial Fraud, Corruption & Theft |
| **Value for Money - Financial Management** |
| Accounting & Financial Reporting by Countries | **Accounting & Financial Reporting** |
| Auditing Arrangements |

1. **Detailed Scope of work**
2. Assess and evaluate cash handling processes, bank account management practices, internal controls, and overall financial management related to cash and bank assets.
3. Identify weaknesses or deficiencies in cash handling and bank management processes, internal controls, and procedures.
4. Check compliance with internal policies, external regulations, and accounting standards governing cash and bank management.
5. Review cash flow management by assessing forecasting accuracy and sufficient liquidity for operational needs.
6. Evaluate the diverse payment platforms used by the organization, including banks, mobile payment providers, and Money Transfer Agencies, to effectively meet the varied needs of the programs."
7. **Recommended procedures - Detailed approach and methodology.**

| 1. **Assess the design and operating effectiveness of internal controls over cash management** | | |
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|  | **Objective** | **Recommended procedures** |
| **1.** | Verify that comprehensive policies and procedures are in place, based on applicable laws and regulations including donor requirements, to provide guidelines for Treasury Management. | Policies and Procedures Governing Cash and Bank Management:   1. Evaluate the existence and adequacy of policies and procedures governing cash and bank management activities. 2. Review and assess the effectiveness of these policies and procedures in mitigating risks and ensuring compliance. 3. Evaluate the effectiveness of these policies and procedures in achieving the organization's cash management objectives. |
| **2** | Confirm that there is adequate structure and staff in place to perform the treasury management function of an organization. | Segregation of Duties in the Cash and Bank Cycle:   1. Assess the adequacy of segregation of duties in the cash and bank cycle. 2. Verify if bank reconciliations are prepared by individuals other than those who make or approve payments. 3. Verify whether there are clear roles and responsibilities within the cash and bank cycle to ensure proper segregation exists between individuals handling cash, disbursements, authorizations and approvals, reconciliations, record-keeping and custodian of assets. |
| **3** | Assess processes, controls, and receipt recording procedures around cash handling. | Examination of Cash Handling Processes and Controls:   1. Examine cash handling processes and controls. 2. Assess the adequacy of controls to safeguard cash assets and prevent unauthorized access or misappropriation.   Controls Over Collection, Timely Deposit, and Recording of Receipts:   1. Assess controls over the collection, timely deposit, and recording of receipts from different stakeholders (e.g., refund from advances liquidated). 2. Verify compliance with established procedures for handling and recording receipts. |
| **4.** | Review the accuracy and timeliness of maintaining cashbooks or accounting system ledgers, emphasizing the recording of receipts and payments for reliable financial tracking and reporting. | Maintenance of Adequate Cashbooks/Accounting System Ledgers:   1. Ensure the maintenance of adequate, up-to-date cash books or accounting system ledgers. 2. Record receipts and payments accurately in the cashbooks or accounting system ledgers. |
| **5.** | Review and assess monthly bank reconciliation procedures for effectiveness, accuracy, and alignment with organizational controls | Regular/Monthly Performance of Bank Reconciliations:   * + 1. Conduct regular monthly bank reconciliations.     2. Review all unusual items on the bank reconciliations.     3. Ensure that bank reconciliations are verified and approved by a responsible/senior official. |
| **6** | Review and ensure compliance with bank account management procedures, policies, and regulations | Procedures for Opening and Closing Bank Accounts:   * + 1. Assess applicable procedures for the opening and closing of bank accounts at the entity.     2. Ensure compliance with established policies and regulatory requirements for bank account management.   Review of Bank Account Structures and Signatory Arrangements:   * + 1. Review bank account structures and signatory arrangements.     2. Evaluate the appropriateness of bank account setups and signatory authorities in alignment with organizational needs and control requirements.   Assessment of Bank Service Fees, Charges, and Chargebacks:   * + 1. Assess bank service fees and charges.     2. Verify the chargeback to the grant in cases where the PR maintains a commingled account. |
| **7** | Assess the effectiveness of petty cash management controls, segregation of duties, reconciliation procedures, and compliance with expenditure limits and guidelines. | Review of Petty Cash Management:   * + 1. Review the adequacy of controls over the disbursement, replenishment, and reconciliation of petty cash funds.     2. Evaluate the segregation of duties related to petty cash handling and approvals.     3. Review the frequency and process for reconciling petty cash transactions with supporting documentation.     4. Assess compliance with established limits and guidelines for petty cash expenditures. |
| **8** | Evaluate the diverse payment platforms used by the organization, including banks, mobile payment providers, and Money Transfer Agencies, to effectively meet the varied needs of the programs | Review of Mobile Money and Electronic Payments   1. Assess the utilization of mobile money and electronic payment methods within the organization as part of cash management practices. 2. Evaluate the effectiveness and security of mobile money and electronic payment systems in facilitating transactions and managing cash flow. 3. Review the integration of mobile money and electronic payment systems with existing cash management processes to ensure accurate recording of receipts and payments. 4. Review a sample of transactions to confirm accuracy, proper disbursement, and receipt by intended beneficiaries. 5. Evaluate adherence to policies and requirements, and the effectiveness of internal controls over mobile money processes. |
| **9** | Review adequacy of policy and procedures for the management of foreign currency exchange risks | Verification of Foreign Exchange Risk Management:   1. Verify whether the PR has a clear and documented foreign exchange risk management policy. 2. Evaluate the effectiveness of procedures in managing foreign exchange risk associated with cash and bank transactions. |

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| **B. Test of Details** | | |
|  | **Objective** | **Recommended procedures** |
| **1** | Test bank reconciliation | Obtain the monthly bank reconciliations prepared by the PR for the period under review for all bank accounts maintained to manage the Grant Funds.   1. Verify if these bank reconciliations are approved by the appropriate persons according to the PR procedures. 2. Verify the compliance of the bank reconciliation with the monthly accounting records. 3. Verify the compliance of the bank reconciliation with the monthly bank statements. 4. Investigate and obtain supporting documents for any unreconciled items in the bank reconciliations. 5. Obtain an external bank confirmation and check the compliance of the bank reconciliation with the balance confirmed as of year-end. 6. Reconcile the Bank Journals related to the Global Fund Bank Accounts with the GF Banks Statements and identify any transactions not recorded in the accounting records. |
| **2** | Petty Cash reconciliation | Obtain the petty cash certificates/reconciliations prepared by the PR for the period under review:   1. Verify if these petty cash certificates are approved by the appropriate person according to the PR procedures. 2. Physically verify the cash in the petty cash fund at the time of the review and compare it to the authorized amount stated in the petty cash certificate. 3. Test a sample of the documentation supporting petty cash disbursements to ensure they are properly authorized, supported by receipts or other relevant documentation, and accurately recorded. 4. Based on the available supporting documents confirm that the amounts recorded in the petty cash certificates and reconciliations accurately reflect the disbursements made during the period under review. |
| **3** | Perform cash tracing | 1. Confirm and reconcile the amounts disbursed by the Global Fund to the PR account with the Global Fund Disbursements Database and Disbursements notifications. 2. Identify if any of the dedicated bank accounts are being used for funds other than the TGF Funds. |
| **4.** | Bank Account Management | 1. Review bank account documentation, including account agreements, signatory authorization forms, and resolution of authority documents. 2. Verify the authorized signatories for bank transactions by reviewing signature cards or other relevant documentation. |

1. **Required Deliverable/Output**

To document the outcomes of the review, the Assurance provider will prepare and submit a detailed report including:

* Overall objectives of the review as per approved TOR
* Entities covered by the assignment, period and sample under review as applicable
* Main findings against each of the specific areas of the review highlighting any identified gaps in policy, process, and controls – specific to each implementer covered by the review.
* List of recommendations and proposed practical improvements based on the findings from the assignment.

Complete the following table:

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| **Findings** | **Recommendation/Management Action** | **Non-Compliant Expenditure** | **Other proposed adjustments** |
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