**ANNEX 2: FIDUCIARY RISK MANAGEMENT STANDARDS TO BE MET BY IMPLEMENTING ENTITIES**

Competencies and Specific Capabilities

| Required competency | Specific capability required | Illustrative means of verification |
|---|---|---|
| **I. Financial Management and Integrity** | Accurately and regularly record transactions and balances in a manner that adheres to broadly accepted good practices, and are audited periodically by an independent firm or organization | • Production of reliable financial statements prepared in accordance with internationally recognized accounting standards.<br>• Annual external audited accounts that are consistent with recognized international auditing standards.<br>• Production of detailed departmental accounts<br>• Use of accounting packages that are recognised and familiar to accounting procedure in developing countries<br>• Demonstrate capability for functionally independent internal auditing in accordance with internationally recognized standards.[18] |
| | Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis; | • A control framework that is documented with clearly defined roles for management, internal auditors, the governing body, and other personnel.<br>• Financial projections demonstrating financial solvency<br>• Demonstration of proven payment / disbursement systems |

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[18] Such as International Standards on Auditing (ISA)

| Required competency | Specific capability required | Illustrative means of verification |
|---|---|---|
| | Produce forward-looking financial plans and budgets | • Evidence of preparation of corporate , project or departmental / ministry budgets<br>• Demonstration of ability to spend against budgets |
| | Legal status to contract with the Adaptation Fund and third parties | • Demonstration of necessary legal personality in case it is not government department/institution.<br>• Demonstrated legal capacity/authority and the ability to directly receive funds |
| **II. Requisite Institutional Capacity** | Procurement procedures which provide for transparent practices, including competition | • Evidence of procurement policies and procedures at national levels consistent with recognized international practice (including dispute resolution procedures) |
| | Capacity to undertake monitoring and evaluation | • Demonstration of existing capacities for monitoring and independent evaluation consistent with the requirements of the Adaptation Fund.<br>• Evidence that a process or system, such as project-at-risk system, is in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond accordingly to redress the problems. |
| | Ability to identify, develop and appraise project | • Availability of/ Access to resources and track records of conducting appraisal activities<br>• Evidence of institutional system for balanced review of projects, particularly for quality-at-entry during design phase. |

| Required competency | Specific capability required | Illustrative means of verification |
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| | | • Risk assessment procedures are in place. |
| | Competency to manage or oversee the execution of the project/programme including ability to manage sub-recipients and to support project /programme delivery and implementation | • Understanding of and capacity to oversee the technical, financial, economic, social, environmental and legal aspects of the project and their implications<br>• Demonstrated competence to execute or oversee execution of projects / programmes of the same nature as intended project or programme |
| **III. Transparency, self - investigative powers, and anti-corruption measures** | Competence to deal with financial mis-management and other forms of malpractice | • Demonstration of capacity and procedures to deal with financial mismanagement and other forms of malpractice.<br>• Evidence of an objective investigation function for allegations of fraud and corruption. |