

## Section 5. Terms of Reference

### **Micro Assessments, Spot Checks, Internal Control Audits”, and Financial Audits” within the context of Harmonized Approach to Cash Transfer (HACT)**

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The Proposers shall submit proposals for all 4 LOTs and the technical evaluation shall be based on the whole technical proposal.

The Proposers are strongly encouraged to review the “HACT FRAMEWORK” accessible at the Link: “<http://undg.org/wp-content/uploads/2016/09/HACT-2014-UNDG-Framework-EN.pdf>”, before preparing their proposals.

#### **Section 3.1 Terms of Reference for LOT 1- “Micro Assessment”**

##### **Objective and scope of the micro assessment**

The micro assessment is performed by a third party service provider and includes a site visit to the IP. The assessment primarily consists of interviews with IP personnel and a review of relevant documentation sufficient to complete the micro assessment questionnaire (Annex 2). The questionnaire provides an overall risk rating based on responses provided:

- **Low risk** – Indicates a well-developed financial management system and functioning control framework with a low likelihood of negative impact on the IP’s ability to execute the programme in accordance with the work plan.
- **Medium Risk** – Indicates a developed financial management system and control framework with moderate likelihood of potential negative impact on the IP’s ability to execute the programme in accordance with the work plan.
- **Significant Risk** – Indicates an underdeveloped financial management system or control framework with a significant likelihood of potential negative impact on the IP’s ability to execute the programme in accordance with the work plan.
- **High Risk** – Indicates an underdeveloped financial management system and control framework with a significant likelihood of potential negative impact on the IP’s ability to execute the programme in accordance with the work plan.

##### **Logistics**

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 (further detailed in section 8).

##### **Timing**

The assessment should be completed (including the site visit) within four weeks of engaging the service provider. The HACT focal point and/or inter-agency coordinator will introduce the service provider and the IP to aid coordination of the site visit.

##### **Micro Assessment Procedures/Deliverables**

The third party service provider receives general information regarding the IP and the programme from the HACT focal point and/or the inter-agency coordinator in preparation for the assessment (see Annex I for details). The service provider reviews this documentation in advance of performing a site visit to the IP. The service provider should also

provide the IP with an advance request of the documents and interviews they would like to have while on site, to ensure efficient use of time while on-site.

The third party service provider also completes the micro assessment questionnaire (Annex II, with instructions) based on the procedures performed during the assessment period. The service provider discusses the results of the questionnaire with relevant agency personnel and the HACT focal point before finalizing it. Upon finalization, the service provider delivers an executive summary, detailing the overall risk rating and specific identified risks, and the completed questionnaire.

### **Qualifications of the Third Party Service Provider**

The third party service provider should 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 should also have knowledge of the United Nations system and the development sector.

CVs of all members of the assessment team should be provided and should include details on engagements carried out by relevant staff, including ongoing assignments indicating responsibilities assumed by them and their qualifications and experience in undertaking similar assessments.

**Items to be Provided to the Third Party Service Provider before Fieldwork Begins** The agency provides the following documentation before starting fieldwork:

- Agency work plan, Common Country Assessment and CPAP, or equivalent;
- Macro assessments previously performed in the country; and
- Any other documentation that may help the service provider better understand the country context from a United Nations perspective.
- The third party service provider should review the information received before performing the assessment.
- Prior to the conclusion of the site visit, the service provider holds an exit meeting with the IP to discuss any initial findings. The Agency Office Focal Point should be invited to attend the closing meeting at their discretion.
- The service provider provides the draft spot check report and summary of findings and observations to the IP to provide any further clarification and management responses.
- The spot check report is then provided to the Agency Office Focal Point for review and comment.
- The final reports are to be provided in Word format. Where service provider's internal policies require the final signed version to be provided only in PDF, The Agency Office Focal Point will accept the PDF version accompanied by a Word version with same content but without signature and/or branding (as per service provider's internal policies).
- The service provider also provides information of spot check under Financial Assurance tag in eTools and will provide the draft spot check report and summary of findings and observations in eTools. The final reports are to be provided in eTools in PDF version. The Agency Office Focal Point will share all the related information under Financial Assurance Tag in eTools.

### Annex 1. Programme-specific Information

The following information should be completed at the start of the micro assessment.

<b>Implementing partner name:</b>	
<b>Programme name:</b>	
<b>Programme number:</b>	
<b>Programme background:</b>	
<b>Programme location:</b>	
<b>Programme contact person(s):</b>	
<b>Location of records:</b>	
<b>Currency of records maintained:</b>	
<b>Period of transactions covered by micro assessment:</b>	
<b>Funds received during the period covered by the attestation engagement:</b>	
<b>Expenditures incurred/reported during the period covered by the attestation engagement:</b>	
<b>Intended start date of micro assessment:</b>	
<b>Estimated number of days required for visit to IP:</b>	
<b>Any special requests to be considered during the micro assessment:</b>	
<b>Cash transfer modality used by the IP:</b>	

## Annex 2. to Terms of Reference for LOT 1 - Micro Assessment Questionnaire

### Micro Assessment Questionnaire

The Service Provider shall use the below Questionnaire for Micro Assessment, as per the instruction provided below.

UNDP will provide the service provider with the excel format for the questionnaire with calculation formulas included, which has to be used prior to start of work.

**Instructions:** This questionnaire contains various questions related to nine subject areas, summarized further below. Please answer each question by indicating your response as 'Yes', 'No' or 'N/A' (for 'not applicable'). Also, use the 'Comments' section next to each question to provide details of your assessment or to highlight any important matters. This document will be referenced subsequently by the agency when performing additional assurance activities related to the IP. Sufficient details should be provided in this document for the agency to understand the details of each response.

Assign a risk rating (high, significant, moderate or low) for each question based on the response obtained. (For example, if the question addresses an item that should ideally be marked 'Yes' but was marked 'No', it should be assessed for the level of risk it presents to the IP's financial management system). Assigning risk ratings to each question requires judgment by the assessor as to how the response will affect the IP's financial management system. The risk ratings to be used are:

- **High** – Response to question/subject matter provides a risk to the overall financial management system that has both a high likelihood of occurring and a potentially negative impact on the IP's ability to execute the programme in accordance with the work plan<sup>1</sup> and stated objectives. Additionally, this risk has not been mitigated by any other controls/process that have been implemented by the IP;
- **Significant** – Response to question/subject matter provides a risk to the overall financial management system that has either a significant likelihood of occurring or a potentially negative impact on the IP's ability to execute the programme in accordance with the work plan and stated objectives;
- **Medium** – Response to question/subject matter provides a risk to the overall financial management system that has a moderate likelihood of occurring and a potentially negative impact on the IP's ability to execute the programme in accordance with the work plan and stated objectives; or
- **Low** – Response to question/subject matter provides a risk to the overall financial management system that has a low likelihood of occurring and a potentially negative impact on the IP's ability to execute the programme in accordance with the work plan and stated objectives.

To determine the overall risk assessment for a subject matter section (e.g., Section 1. Implementing Partner), points are assigned that correlate with the level of risk. The points assigned to each question should be totaled and averaged based on the number of questions in the subject matter section. Questions that are not applicable to the IP (marked as 'N/A') should not be assigned a risk rating and should be removed from the total number of questions for the calculation. Points should be assigned as follows: □ H – High risk: 4 points

- S – Significant risk: 3 points
- M – Moderate risk: 2 points
- L – Low risk: 1 point

The average number of points calculated should then be compared to the points rating above and assigned a corresponding risk (i.e., an average of 2.0 would indicate a moderate risk rating for the subject matter section). Numbers should be rounded as follows:

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<sup>1</sup> Agency work plans can be annual, multi-year, rolling or joint.

- 0.1 to 0.49: Round down to the closest whole number (i.e., an average of 3.3 would be rounded down to 3.0, indicating a 'significant' risk rating);
- 0.5 to 0.99: Round up to the closest whole number (i.e., an average of 1.99 would be rounded up to a 2.0, indicating a 'moderate' risk rating).

The same process should be followed for determining the overall risk assessment for the IP once the checklist has been completed

**Summary of Risks Related to the Financial Management Capacity of the Implementing Partner**

**Tested subject area** (see subsequent pages for details of each subject area summarized below)

	<b>Total number of risk points</b>	<b>Total number of applicable questions</b>	<b>Overall risk assessment</b>	<b>Comments</b>
<b>1. Implementing partner:</b>				
<b>2. Funds flow:</b>				
<b>3. Organizational structure and staffing:</b>				
<b>4. Accounting policies and procedures:</b>				
<b>5. Internal audit:</b>				
<b>6. Financial audit:</b>				
<b>7. Reporting and monitoring:</b>				
<b>8. Information systems:</b>				
<b>9. Procurement:</b>				

<b>Total:</b>				<p>Divide the total number of risk points by the total number of applicable questions in the subject matter section.</p> <p>This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.</p>

### Micro Assessment Questionnaire

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
<b>1. Implementing partner</b>						
1.1 Is the IP legally registered? If so, is it in compliance with registration requirements? Please note the legal status/registration of the entity.  <i>Retain copies of registration documents if available.</i>				IP is registered in the country where the programme operates and is current with registration/reporting requirements.		
1.2 Has the IP received United Nations resources in the past? If so, provide details of amounts, from which agency and for what purpose.				IP has received United Nations resources in the past and no issues were encountered with utilizing these funds.		
1.3 Does the IP have statutory reporting requirements? If so, are they in compliance with such requirements? Please describe.				The IP is compliant with applicable statutory requirements.		

1.4 Is the governing body for the IP independent from management? If so, please describe.				The governing body of the IP is independent from management.		
1.5 Does the IP have any pending legal actions against it? <i>Confirm this with the IP, and possibly through assessment of the general ledger and confirmation with external legal counsel provided by the IP. Provide details and actions taken by the IP to resolve the legal action.</i>				The IP does not have any pending legal actions against it.		
<b>Total number of questions in subject area:</b>	5					
<b>Number of questions marked 'N/A' in subject area:</b>						
<b>Total number of applicable questions in subject area:</b>						
<b>Total number of risk points:</b>						

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
<b>Implementing partner overall risk assessment:</b>						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
<b>2. Funds Flow</b>						

2.1 Can the IP easily receive and transfer funds? If so, please describe the process.				The IP can receive funds directly from the agency.		
2.2 Are the proposed arrangements to transfer the funds to the IP satisfactory to the funding agency?				The proposed arrangements are satisfactory to the funding agency.		
2.3 Have there been major problems in the past in receipt of funds by the IP, particularly where the funds flow from government ministries (if applicable)? If so, please describe.				The IP has not had problems in the past regarding receipt of agency funding.		
2.4 In the past, has the IP had any problems in the management of funds received? If so, please describe.				The IP has not had problems in the management of funds received from the funding agency.		
2.5 Does the IP have capacity to manage foreign exchange risks? (If it is expected to be using funds outside the country.) If so, does the IP have experience managing foreign exchange risk?				The IP has capacity and experience in managing foreign exchange risk.		
2.6 Does the IP have a process in place to access counterpart funds? Please describe.				The IP has capacity and experience in assessing counterpart funds.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
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<p>2.7 If some activities will be implemented by others, such as civil society groups or non-governmental organizations, does the IP have the necessary reporting and monitoring mechanisms to track the use of funds? Does the IP have experience with implementation of activities by external civil society or non-governmental organizations? If so, please describe.</p>				<p>The IP has the necessary reporting and monitoring mechanisms in place to track the use of funds by external organizations. The IP also has experience with this process.</p>		
<p><b>Total number of questions in subject area:</b></p>	<p><b>7</b></p>					
<p><b>Number of questions marked 'N/A' in subject area:</b></p>						
<p><b>Total number of applicable questions in subject area:</b></p>						
<p><b>Total number of risk points:</b></p>						
<p><b>Funds flow overall risk assessment:</b></p>						<p>Divide total number of risk points by total number of applicable questions in subject matter section.</p> <p>This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.</p>
<p><b>3. Organizational Structure and Staffing</b></p>						

<p>3.1 Is the organizational structure of the IP's accounting/finance department appropriate for the level of financial volume? Does the organizational structure provide clear lines of reporting and accountability? If so, please describe.</p> <p><i>Attach an organization chart if available.</i></p>				<p>The organizational structure of the IP's accounting/finance department is appropriate for the level of financial volume (including funding from the agency).</p>		
<p>3.2 Are the level of posts and competency of staff appropriate for the level of financial volume in the accounting/finance</p>				<p>The level of posts and competency of staff are</p>		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
<p>department? Identify the staff, including job titles, responsibilities, educational backgrounds and professional experience.</p> <p><i>Attach job descriptions and CVs of key accounting/ finance staff.</i></p>				<p>appropriate for the level of financial volume in the accounting/finance department.</p>		
<p>3.3 Is the IP's accounting/finance function staffed adequately to ensure sufficient controls are in place to manage agency funds? If so, please describe.</p>				<p>The IP's accounting/finance function is staffed adequately to ensure sufficient controls are in place to manage agency funds.</p>		

3.4 Are accounting/finance staff familiar with United Nations procedures related to cash transfers (specifically the HACT framework)? If so, please provide details.				The accounting/finance staff are familiar with United Nations procedures related to cash transfers (specifically the HACT framework).		
3.5 Are there vacancies in positions considered key? If so, provide the estimated date of appointment.				The IP does not have any vacancies in positions considered key.		
3.6 Are staff frequently transferred to other departments, offices, countries, etc.? If so, what is the estimated frequency?				IP staff are not frequently transferred to other departments, offices, countries, etc.		
3.7 Does the IP have training policies for accounting/finance staff? Are necessary trainings undertaken? If so, please describe.				The IP has training policies for accounting/finance staff, which are undertaken as planned.		
3.8 Has there been significant turnover in the past five years? If so, has the rate improved or worsened? Does it appear to be a problem? If so, what is the IP doing to address this				The IP has not had significant turnover in the past five years.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
issue?"						

3.9 Does the IP perform background verification/checks on all new accounting/finance and management positions? If alternative practices for processing new hires are in place, please provide a brief description.				The IP performs background verification/checks on all new accounting/finance and management positions.		
3.10 Does the IP have a defined and documented internal control framework? Is this framework consistent with international standards? If so, please describe.						
<b>Total number of questions in subject area:</b>	<b>10</b>					
<b>Number of questions marked 'N/A' in subject area:</b>						
<b>Total number of applicable questions in subject area:</b>						
<b>Total number of risk points:</b>						
<b>Organizational structure and staffing overall risk assessment:</b>						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
<b>4. Accounting Policies and Procedures</b>						
<b>4a. General</b>						

4.1 Does the IP have an accounting system that allows for proper recording of financial transactions from United Nations agencies, including allocation of expenditures in accordance with the respective components, disbursement categories and sources of funds?				The IP has an accounting system that allows for proper recording of financial transactions from United Nations agencies, including		
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Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
				allocation of expenditures in accordance with the respective components, disbursement categories and sources of funds.		
4.2 Are controls in place concerning preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?				Controls are in place concerning preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained.		
4.3 Is the chart of accounts adequate to properly account for and report on activities and disbursement categories?				The chart of accounts is adequate to properly account for and report on activities and disbursement categories in accordance with the established agreements.		

4.4 Are controls in place for accurate cost allocations to the various funding sources in accordance with established agreements?				Controls are in place for accurate cost allocations to the various funding sources in accordance with established agreements.		
4.5 Are the general ledger and subsidiary ledgers reconciled at least monthly? Are explanations provided for significant reconciling items?				The general ledger and subsidiary ledgers are reconciled at least monthly, and explanations are provided for significant reconciling items.		
4.6 Are all accounting and supporting documents retained permanently in a defined system that allows authorized				Accounting and supporting documents are retained		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
users easy access? If so, please describe.				permanently in a defined system that allows authorized users easy access.		
4.7 Does the IP have policies and procedures for tracking and reporting United Nations resources as required in the HACT framework? If so, please describe.				The IP has policies and procedures for tracking and reporting United Nations resources as required in the HACT framework.		
<b>4b. Segregation of duties</b>						

4.8 Are the following functional responsibilities performed by different units or individuals: (a) authorization to execute a transaction; (b) recording of the transaction; and (c) custody of assets involved in the transaction?				The following functional responsibilities are performed by different units/individuals: (a) authorization to execute a transaction; (b) recording of the transaction; and (c) custody of assets involved in the transaction.		
4.9 Are the functions of ordering, receiving, accounting for and paying for goods and services appropriately segregated?				The functions of ordering, receiving, accounting for and paying for goods and services are appropriately segregated.		
4.10 Are bank reconciliations prepared by individuals other than those who make or approve payments?				Bank reconciliations are prepared by individuals other than those who make or approve payments.		
<b>4c. Budgeting system</b>						
4.11 Do the IP's budgets lay down physical and financial targets?				The IP's budgets lay down physical and financial targets.		
<b>Subject area</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Low risk consideration</b>	<b>Risk points</b>	<b>Remarks/comments</b>

4.12 Are IP budgets prepared for all significant activities in sufficient detail to provide a meaningful tool for monitoring subsequent performance?				IP budgets are prepared for all significant activities in sufficient detail to provide a meaningful tool for monitoring subsequent performance		
4.13 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations from the budget?				Actual expenditures are compared to the budget with reasonable frequency, and explanations are required for significant variations from the budget.		
4.14 Are approvals required prior to significant variations from the budget?				Approvals are required prior to significant variations from the budget.		
4.15 Does the IP have a designated individual(s) responsible for preparation and approval of budgets related to agency funding?				The IP has a designated individual(s) responsible for preparation and approval of budgets related to agency funding.		
4.16 Are procedures in place to plan activities, collect information from the units in charge of the different components and prepare the budgets? If so, please describe.				Procedures are in place to plan activities, collect information from the units in charge of the different components and prepare the budgets.		

4.17 Are the plans and budgets of activities realistic, based on valid assumptions and developed by knowledgeable individuals?				The plans and budgets of activities appear to be realistic, based on valid assumptions, and developed by knowledgeable individuals.		
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Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
<b>4d. Payments</b>						
4.18 Do invoice processing procedures provide for: <ul style="list-style-type: none"> <li>• Copies of purchase orders and receiving reports to be obtained directly from issuing departments?</li> <li>• Comparison of invoice quantities, prices and terms with those indicated on the purchase order and with records of goods actually received?</li> <li>• Checking the accuracy of calculations, if any?</li> </ul>				Invoice processing procedures are sufficient, including: receiving copies of purchase orders and receiving reports directly from issuing departments; comparing invoice quantities, prices and terms with those indicated on the purchase order and with records of goods actually received; and checking the accuracy of calculations (if any).		
4.19 Can the IP identify tax-exempt activities to ensure tax is not paid?				The IP has the ability and experience to indentify taxexempt activities and ensure tax is not paid.		

4.20 Are all invoices stamped 'PAID', dated, reviewed and approved, and clearly marked for account code assignment?				Invoices are stamped 'PAID', dated, reviewed and approved, and clearly marked for account code assignment.		
4.21 Do controls exist for preparation and approval of payroll expenditures? Are changes properly authorized? If so, please describe.				Controls exist for the preparation and approval of payroll expenditures and changes are properly authorized.		
4.22 Do controls exist for expense categories that do not originate from invoice payments, such as DSA, travel, consultancies?				Controls exist for expense categories that do not originate from invoice payments, such as		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
				DSA, travel, consultancies.		
<b>4e. Policies and procedures</b>						
4.23 Does the IP have a single stated basis of accounting (e.g., cash or accrual)? If so, please describe.				The IP has a single basis of accounting.		

<p>4.24 Does the IP have an established accounting manual sufficient to ensure control of assets and proper use of agency funds? Are internationally accepted accounting standards followed? If so, which standard?</p>			<p>The IP has an established accounting manual sufficient to ensure control of assets and proper use of agency funds. This manual follows an internationally accepted accounting standard.</p>		
<p>4.25 Does the IP have an adequate policies and procedures manual to guide activities and ensure staff accountability? If so, please describe.</p>			<p>The IP has an adequate policies and procedures manual to guide activities and ensure staff accountability.</p>		
<p>4.26 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the IP?</p>			<p>The IP has procedures in place to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure.</p>		
<p>4.27 Are there written policies and procedures covering all routine financial management and related administrative activities? Are these accessible? Please describe.</p>			<p>There are accessible written policies and procedures covering all routine financial management and related administrative activities.</p>		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
4.28 Do policies and procedures clearly define 'conflict of interest' and 'related party transactions' (real and apparent) and provide safeguards to protect the organization from them? If so, please describe.				The IP has well-defined policies and procedures for 'conflict of interest' and 'related party transactions' (real and apparent) that provide adequate safeguards to protect the organization from them.		
4.29 Are manuals distributed to appropriate personnel? If so, please describe the manuals and the personnel who receive them.				Manuals are distributed to appropriate personnel.		
<b>4f. Cash and banks</b>						
4.30 Are there authorized signatories on the bank accounts that will be used for United Nations resources? How many signatories are on the bank account and how many are required to execute transactions? If so, provide names.				The IP has signatories on the bank accounts that will be used for United Nations resources and more than one signatory is required for each transaction.		
4.31 Does the IP maintain an adequate, up-to-date cashbook, recording receipts and payments?				The IP maintains an adequate, up-to-date cashbook, recording receipts and payments.		
4.32 Do controls exist for the collection, timely deposit and recording of receipts at each collection location? If so, please describe.				Controls exist for the collection, timely deposit and recording of receipts at each collection location.		

4.33 Are bank balances and cash ledger reconciled monthly and properly approved? Are explanations provided for significant and unusual reconciling items?				Bank balances and cash ledgers are reconciled monthly and properly approved. Significant and unusual reconciling items are explained.		
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Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
4.34 Are agency resources be placed in a separate bank account?				Agency resources are placed in a separate bank account.		
4.35 Are cash and checks maintained in a secure location? Has access been properly designated and maintained?				Cash and checks are maintained in a secure location and access has been properly designated and maintained.		
<b>4g. Safeguards for assets</b>						
4.36 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse? If so, tour the facility to ensure the system has been implemented and followed.				The IP has a system of adequate safeguards to protect assets from fraud, waste and abuse.		
4.37 Are subsidiary records of fixed assets and inventory kept up to date and reconciled with control accounts? If so, please describe.				Subsidiary records of fixed assets and inventory are kept up to date and reconciled with control accounts.		

4.38 Are there periodic physical inventories of fixed assets and stocks? If so, please describe.				The IP performs periodic physical inventories of fixed assets and inventory.		
4.39 Are fixed assets and inventory adequately covered by insurance policies?				The IP's fixed assets and inventory are adequately covered by insurance policies.		
<b>4h. Other offices or entities<sup>2</sup></b>						
4.40 Do any other offices/entities participate in implementation? If so, does the IP have policies and				If the IP has other offices/entities participating in		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
process to ensure appropriate oversight and monitoring of implementation?				implementation, there are adequate policies and procedures to ensure appropriate oversight and monitoring of implementation. The IP also has experience with this process.		
4.41 Does information flow among the different offices/entities in an accurate and timely fashion? If so, please describe.				Information flows among the different offices/entities in an accurate and timely fashion.		

<sup>2</sup> This refers to sub-offices of the IPs or other parties.

4.42 Does the IP have a process in place to evaluate the impact of any deficiencies or negative findings identified through reporting or discussions with the other offices/entities? If so, describe the process.				The IP has a process in place to evaluate the impact of any deficiencies or negative findings identified through reporting or discussions with the other offices/entities. The IP also has experience with this process.		
4.43 Does the IP maintain contractual agreements with other offices/entities?				The IP maintains current contractual agreements with other offices/entities.		
4.44 Does the IP have a process to ensure expenditures of other offices/entities are in compliance with the work plan and/or contractual agreement noted in item 4.43?				The IP has a process to ensure expenditures of other offices/entities are in compliance with the work plan and/or contractual agreements.		
<b>4i. Other</b>						
4.45 Has the IP advised employees, beneficiaries and other recipients to whom they should report if they suspect				The IP has advised employees, beneficiaries and other		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
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fraud, waste or misuse of agency resources or property?				recipients to whom they should report if they suspect fraud, waste or misuse of agency resources or property.		
4.46 If yes to item 4.45, does the IP have a policy against retaliation for those who report fraud, waste or misuse of agency resources or property?				The IP has a policy against retaliation for those who report fraud, waste, or misuse of agency resources or property.		
<b>Total number of questions in subject area:</b>	<b>46</b>					
<b>Number of questions marked 'N/A' in subject area:</b>						
<b>Total number of applicable questions in subject area:</b>						
<b>Total number of risk points:</b>						
<b>Accounting policies and procedures overall risk assessment:</b>						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
<b>5. Internal Audit</b>						
5.1 Is the internal auditor sufficiently independent to make critical assessments? To whom does the internal auditor report?				The internal auditor is sufficiently independent to make critical assessments.		

5.2 Does the IP have stated qualifications and experience requirements for internal audit department staff? If so, please describe.				The IP has stated qualifications and experience requirements for internal audit department staff.		
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Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
5.3 Will the activities financed by the agencies be included in the internal audit department's work programme?				The activities financed by agency funds will be included in the internal audit department's work programme.		
5.4 Does the internal auditor have policies and procedures to take action on findings identified?				The internal auditor has policies and procedures to take action on findings identified, if any.		
5.5 Does the IP appear to have strong internal controls to ensure funds are expended for their intended purpose, to discourage and prevent improper use of funds, and to safeguard assets? If so, please describe.				The IP appears to have strong internal controls to ensure funds are expended for the intended purpose, discourage and prevent improper use of funds, and safeguard assets.		
<b>Total number of questions in subject area:</b>	<b>5</b>					
<b>Number of questions marked 'N/A' in subject area:</b>						

<b>Total number of applicable questions in subject area:</b>						
<b>Total number of risk points:</b>						
<b>Internal audit overall risk assessment:</b>						<p>Divide total number of risk points by total number of applicable questions in subject matter section.</p> <p>This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.</p>
<b>6. Financial Audit</b>						
6.1 Are the IP's specific financial statements audited regularly				The IP's specific financial		

<b>Subject area</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Low risk consideration</b>	<b>Risk points</b>	<b>Remarks/comments</b>
by an independent auditor? If so, please describe the auditor.				statements are audited regularly by an independent auditor.		
6.2 Are there any delays in audit of the IP? When are the audit reports issued?				There are no delays in audits of the IP's financial statements, and the financial statements are issued within a reasonable amount of time.		

6.3 Is the audit of the IP's financial statements conducted according to the International Standards on Auditing?				The audit of the IP's financial statements are conducted according to the International Standards on Auditing.		
6.4 Were there any major accountability issues brought out in audit reports of the IP over the past three years?				No major accountability issues were brought out in audit reports of the IP over the past three years.		
6.5 Will the auditor audit the accounts related to the work plan or other contractual agreements with the agency? If not, will a separate auditor be appointed to audit the work plan financial statements?				The auditor will audit the accounts related to the work plan or other contractual agreements with the agency.		
6.6 Have any recommendations made by auditors in the prior three audit reports and/or management letters not yet been implemented?				All recommendations made by the auditor in the prior three audit reports and/or management letters have been implemented.		
6.7 Historically, has the IP prepared audit plans?				The IP has historically prepared audit plans.		
<b>Total number of questions in subject area:</b>	<b>7</b>					

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
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<b>Number of questions marked 'N/A' in subject area:</b>						
<b>Total number of applicable questions in subject area:</b>						
<b>Total number of risk points:</b>						
<b>Financial audit overall risk assessment:</b>						<p>Divide total number of risk points by total number of applicable questions in subject matter section.</p> <p>This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.</p>
<b>7. Reporting and Monitoring</b>						
7.1 Are financial statements prepared specifically for the IP?				Financial statements are prepared specifically for the IP.		
7.2 What is the frequency of preparation of the financial statements mentioned in 7.1? Are the reports prepared in a timely fashion so they are useful to management for decision-making?				Financial statements of the IP are prepared on a frequent basis so they are useful to management for decisionmaking.		

7.3 Does the reporting system have the capacity to link the financial information with the work plan's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?				The reporting system has the capacity to link the financial information with the work plan's physical progress.		
7.4 Does the IP have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain and how they are to				The IP has established financial management reporting responsibilities that		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
be used? If so, please describe.				specify what reports are to be prepared, what they are to contain and how they are to be used.		
7.5 Does the IP have financial reports that compare actual expenditures with budgeted and programmed allocations?				The IP has financial reports that compare actual expenditures with budgeted and programmed allocations.		
7.6 Are financial reports prepared directly by the automated accounting system or are they prepared using spreadsheets or some other means?				Financial reports are prepared directly by the automated accounting system or using spreadsheets (or some other means) that are properly reviewed and approved.		

7.7 Does the IP appear to have been solvent (i.e. total assets greater than total liabilities) for the past three fiscal years? Are there any unexplained or ongoing inconsistencies? <i>Provide the amount of total assets and total liabilities for the current and prior fiscal year.</i>				The IP appears to have been solvent (i.e. total assets greater than total liabilities) for the past three fiscal years.		
7.8 Do the IP's total revenues/contributions exceed its total expenditures over the past three fiscal years? Have the IP's contributions been contracting (i.e. dwindling) over the past three years? If so, why and how will the organization address this issue? <i>Provide the amount of total revenues/contributions and total expenditures for the current and prior fiscal year.</i>				The IP's total revenues/contributions exceed its total expenditures in the past three fiscal years, and its contributions have not been contracting in the past three fiscal years.		
<b>Total number of questions in subject area:</b>	8					
<b>Number of questions marked 'N/A' in subject area:</b>						

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
<b>Total number of applicable questions in subject area:</b>						
<b>Total number of risk points:</b>						

<b>Reporting and monitoring overall risk assessment:</b>					<p>Divide total number of risk points by total number of applicable questions in subject matter section.</p> <p>This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.</p>
<b>8. Information Systems</b>					
8.1 Is the financial management system computerized? If so, does the IP have policies and procedures to maintain this system?				The financial management system is computerized and properly maintained.	
8.2 Does the IP have policies and procedures to restrict access to the computerized financial management system to appropriate personnel? If so, please describe them.				The IP has policies and procedures to restrict accesses to the computerized financial management system to the appropriate personnel.	
8.3 Can the computerized financial management system produce the necessary financial reports?				The computerized financial management system can produce the necessary financial reports.	
8.4 Are IP staff adequately trained to maintain the computerized financial management system?				IP staff are adequately trained to maintain the computerized financial management system.	
8.5 Does the IP have appropriate safeguards to ensure the confidentiality, integrity and availability of the data? If so,				The IP has appropriate safeguards to ensure the	

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
please describe them.				confidentiality, integrity and availability of the data.		
<b>Total number of questions in subject area:</b>	5					
<b>Number of questions marked 'N/A' in subject area:</b>						
<b>Total number of applicable questions in subject area:</b>						
<b>Total number of risk points:</b>						
<b>Information systems overall risk assessment:</b>						<p>Divide total number of risk points by total number of applicable questions in subject matter section.</p> <p>This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.</p>
<b>9. Procurement</b>						
<b>9a. General</b>						

9.1 Has the IP undertaken a procurement exercise with United Nations / World Bank / European Union resources in the past? If so, please describe it.				The IP has undertaken a procurement exercise with UN/WB/EU resources in the past.		
9.2 Has the IP been audited by ECHO and selected as a Framework Partnership Agreement partner as per: <a href="http://ec.europa.eu/echo/files/partners/humanitarian_aid/fpa_partners.pdf">http://ec.europa.eu/echo/files/partners/humanitarian_aid/fpa_partners.pdf</a>				The IP has been audited by ECHO and selected as a Framework Partnership Agreement partner.		
9.3 Has the IP been audited by ECHO and selected as a Humanitarian Procurement Centre partner as per:				The IP has been audited by ECHO and selected as a		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
<a href="http://ec.europa.eu/echo/files/partners/humanitarian_aid/H_PC-register_en.pdf">http://ec.europa.eu/echo/files/partners/humanitarian_aid/H_PC-register_en.pdf</a>				Humanitarian Procurement Centre partner.		
<b>9b. Procurement principles, policies and procedures</b>						
9.4 Does the IP follow acceptable United Nations procurement principles? Do these principles promote broad participation from potential bidders? If so, please describe them.				The IP follows acceptable United Nations procurement principles.		

9.5 Does the IP have written procurement policies and procedures?  <i>If yes, please provide a copy. If no, please attach an outline of the tender procedures specifying the different procurement procedures, related thresholds and methodology for the assessment of tenders.</i>				The IP has written procurement policies and procedures.		
9.6 Does the IP have a specific code of procurement ethics?  <i>Please attach copy of the code.</i>				The IP has a specific code of procurement ethics.		
9.7 Does the IP have a specific anti-fraud and corruption policy? If so, please describe it.				The IP has a specific anti-fraud and corruption policy.		
9.8 Do the IP's procurement rules and regulations contemplate a fair and impartial mechanism for revision of procurement protests?				The IP's procurement rules and regulations contemplate a fair and impartial mechanism for revision of procurement protests.		
9.9 Does the IP frequently override purchasing procedures without proper authorization?				The IP does not frequently override the purchasing procedures without proper authorization.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
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<p>9.10 Are exceptions to procedures documented and sent to management for approval? Are the exceptions periodically analysed and corrective actions taken?</p>				<p>Exceptions to procedures are documented and sent to management for approval. Exceptions are periodically analysed and corrective actions are taken.</p>		
<p><b>9c. Internal control system</b></p>						
<p>9.11 Does the IP have a procurement committee for review and approval of contracts? If so, please specify composition of committee.</p>				<p>The IP has a procurement committee that reviews and approves contracts.</p>		
<p>9.12 Does the IP identify the requested authorizations for each value level of purchases? At what value does the IP require written authorization of senior management for a purchase (value in US dollars)?</p>				<p>The IP has defined authorization guidance and policies and procedures to ensure they are properly applied.</p>		
<p>9.13 Does the IP use standard bidding documents and contracts?</p>				<p>The IP utilizes standard bidding documents and contracts.</p>		
<p>9.14 Do the procurement procedures and templates of contracts integrate references to ethical procurement principles and exclusion and ineligibility criteria?</p>				<p>The procurement procedures and templates of contracts integrate references to ethical procurement principles and exclusion and ineligibility criteria.</p>		

9.15 Does the IP obtain sufficient approvals before signing a contract, executing a purchase, or a payment? How many people give their approval before signing a contract or executing a purchase or a payment?				The IP obtains sufficient approvals before signing a contract executing a purchase or a payment.		
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Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
9.16 Does the IP rotate staff positions for internal control purposes? If yes, how often?				The IP has procedures to rotate staff positions for internal control purposes.		
9.17 Does the IP have formal guidelines and procedures in place to assist in identifying, monitoring and dealing with potential conflicts of interest with potential suppliers/procurement agents? If so, how does the IP proceed in cases of conflict of interest?				The IP has formal guidelines and procedures in place to assist in identifying, monitoring and dealing with potential conflict of interests with potential suppliers/procurement agents.		
<b>9e. Procurement process</b>						
9.18 Does the IP have a well-defined process for sourcing/prequalification of suppliers? Do formal procurement methods include broadly broadcasting procurement opportunities?  <i>Please attach methodology for the assessment of suppliers.</i>				The IP has a well-defined process for sourcing/prequalifying suppliers.		
9.19 Does the IP undertake regular market surveys? If so, describe the process.				The IP undertakes regular market surveys.		

9.20 Does the IP have a database of active suppliers? If so, please describe the process for maintaining this database.				The IP has a database of active suppliers.		
9.21 Does the IP keep track of past performance of suppliers? If so, describe the process.				The IP keeps track of past performance of suppliers.		
9.22 Does the IP regularly check 'market' prices for goods and services purchased? If so, describe the frequency and process.				The IP regularly checks 'market' prices of goods and services purchased.		
9.23 Does the IP conduct public bid opening for formal procurement methods (invitation to bid and request for				The IP conducts public bid		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
proposal)? What is the composition of public bid opening committees?				opening for formal procurement methods.		
9.24 Does the IP have a well-defined process in place to ensure a secure and transparent bid and evaluation process? If so, describe the process.				The IP has a well-defined process in place to ensure a secure and transparent bid and evaluation process.		
9.25 Does the IP establish long-term agreements with suppliers based on a tender process?				The IP establishes long-term agreements with suppliers based on a tender process.		
9.26 Are long-term agreements reviewed/retendered? If so, how frequently? Please describe.				Long-term agreements are reviewed and retendered.		

<b>9f. Awarding of contracts</b>						
9.27 When a formal invitation to bid has been issued, does the IP award the procurement contract to the qualified bidder whose bid substantially conforms to requirements set forth in the solicitation documentation and offers the lowest cost?				The IP awards procurement contracts to qualified bidders whose bids substantially conform to requirements set forth in the solicitation documentation and offer the lowest cost.		
9.28 When a formal request for proposal has been issued, does the IP award the procurement contract to the qualified proposer whose proposal, all factors considered, is the most responsive to the requirements set forth in the solicitation documentation?				The IP awards procurement contracts to qualified proposers whose proposals, all factors considered, are the most responsive to the requirements set forth in the solicitation process.		
<b>9g. Reporting and monitoring</b>						

<b>Subject area</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Low risk consideration</b>	<b>Risk points</b>	<b>Remarks/comments</b>
9.29 Are procurement reports prepared for the IP? If so, describe the preparation and frequency of these reports.				Procurement reports are prepared frequently for the IP.		
<b>9h. Information system</b>						

9.30 Is the procurement system computerized? If so, is the system adequately maintained?				The procurement system is computerized and adequately maintained.		
9.31 Can the procurement system produce the necessary reports?				The procurement system is capable of preparing the necessary reports.		
<b>9i. Verification of procurement capacity</b>						
9.32 Is the IP's procurement unit properly resourced in terms of number of staff and their qualifications?				The IP's procurement unit is properly resourced in terms of number of staff and their qualifications.		
9.33 Is the structure of the IP's procurement unit clear, with defined reporting lines that foster efficiency and accountability?				The structure of the IP's procurement unit is clear, with defined reporting lines that foster efficiency and accountability.		
9.34 Does the IP have a procurement strategy and appropriate tools and mechanisms to conduct procurement activities? If so, please describe.				The IP has a procurement strategy and appropriate tools and mechanisms to conduct procurement activities.		
9.35 Does the IP verify that established procedures for handling complaints are implemented? If so, please describe.				The IP verifies that established procedures for handling complaints are implemented.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
9.36 Does the IP manage the procurement cycle following the established policies and procedures? If so, how do they verify this?				The IP manages the procurement cycle per established policies and procedures.		
9.37 Does the IP consistently apply transparency and integrity in the procurement process?				The IP consistently applies transparency and integrity in the procurement process.		
<b>Total number of questions in subject area:</b>	<b>37</b>					
<b>Number of questions marked 'N/A' in subject area:</b>						
<b>Total number of applicable questions in subject area:</b>						
<b>Total number of risk points:</b>						
<b>Procurement overall risk assessment:</b>						<p>Divide total number of risk points by total number of applicable questions in subject matter section.</p> <p>This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.</p>

## Section 3.2 Terms of Reference for LOT 2 – “SPOT CHECKS”

### Purpose of Agreed-upon Procedures Engagements

An agreed-upon procedures attest engagement involves engagement of a third party service provider to prepare a report on factual findings based on specific, agreed-upon procedures performed. As the third party service provider is engaged to report on findings of the agreed-upon procedures, no assurance is expressed. Instead, users of the report assess for themselves the procedures and findings reported by the service provider and draw their own conclusions. The report is restricted to parties that have agreed to the procedures to be performed, since others, unaware of the reasons for the procedures, may misinterpret the results.

### Standards

The attestation engagement should be conducted in accordance with ISRS 4400, *Agreed-upon Procedures*

### Scope of the Spot Check

Spot checks are performed to assess the accuracy of the financial records for cash transfers to IPs, status of the programme and whether there have been any significant changes to applicable internal controls. The spot check is not an audit.

### Spot Check Procedures

These are suggested procedures to be performed during the spot check. The actual procedures to be performed must be confirmed prior to starting the spot check.

- Compare documentation obtained describing the IP's financial management internal controls against the most recent micro assessment from the corresponding programme cycle. Document any changes or inconsistencies.
- Inquire of IP management whether there have been any changes to internal controls since the prior micro assessment from the current programme cycle. Document any changes identified.
- Obtain a listing of all programme related expenditures during the XX month/period ended (date) and perform the following:
  - a. Randomly select a significant sample of expenditures of the selected FACE form for testing. The specific amount is set by each agency and should be sufficient to allow formation of an opinion. Provide a detailed listing of expenditures selected as samples.
  - b. For each sample selection perform the following procedures:
    - Verify that documentation exists to support the expenditure in accordance with the IP's rules and procedures and agreements with the agency.
    - Verify that the activity related to the expenditure is in accordance with the work plan.
    - Verify that the expenditure has been reviewed and approved in accordance with the IP's rules and procedures and agreements with the agency.
    - Verify that the expenditure was reflected on a certified FACE form submitted to the agency.
    - Verify that the expenditure was reflected in the IP's accounting records (official book of accounts) and bank statement.

- Verify that supporting documents are stamped 'PAID from XXX grant', indicating which agency funded the transaction.
  - Verify that the FACE form was submitted consistent with the periodicity-of disbursement requirement in the HACT framework (within two weeks)
  - Verify the price paid for goods or services against United Nations agreed standard rates (if readily available).
4. If separate bank accounts are maintained for agency-granted funds, perform the following procedures:
- Verify that the activity per the bank statement agrees with that reflected in the accounting records. Document any variances noted; and
  - Confirm that a bank reconciliation was completed and that the balance has been reconciled to the accounting records. Document any variances noted.

### **Deliverables**

1. The service provider shall prepare a standard agreed-upon procedures report in accordance with the applicable standards, which include:
  - Enumeration of the agreed-upon procedures performed and a summary of corresponding factual findings;
  - A statement indicating that the report is intended solely for the information and use of the specificity parties;
  - Identification of the specific parties to whom use is restricted;
  - A statement that the report is not intended to be and should not be used by anyone other than specified parties; and
  - A statement that the scope of agreed-upon procedures does not provide the same level of assurance as that of an audit or review.

A report template following ISRS 4400 is included in Annex 2 of this TOR.

2. The Services Provider shall prepare a spot check work plan detailing work performance template is provided in Annex 3.

### **Qualifications of the Services Provider**

As noted in ISRS 4400 paragraph 7: "The auditor should comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants

(IESBA Code). Ethical principles governing the auditor's professional responsibilities for this type of engagement are:

- (a) Integrity;
- (b) Objectivity;
- (c) Professional competence and due care;
- (d) Confidentiality;

(e) Professional behavior; and

(f) Technical standards.

Independence is not requirement for agreed –upon procedures engagements. However, the terms or objectives of an engagement or national standards may require the services provider to comply with the independence requirement of the IESBA Code. Where the service provider is not independent, a statement to that effect should be made in the report of factual findings.

The service provider should be experienced applying ISRS standards. If hiring staff, the service provider should employ staff with recognized professional qualifications and suitable experience with ISRS standards, including experience in reviewing similar entities.

CVs of all members of assessment team should be provided. They should include details on agreed-upon procedures carried out by the relevant staff, including ongoing assignments indicating responsibilities assumed by them, and their qualifications and experience in of service providers.

Item that shall be provided by UNDP to the Service Provider before Starting Fieldwork

UNDP shall provide following documentation in advance of starting fieldwork:

- (a) Work plan and any progress reports submitted during the year;
- (b) A list of the IP's individual transactions (i.e accounting records), including a summary of the disbursements and FACE forms submitted during the period selected for assessment; and
- (c) A list of findings of the IP's micro assessment, reports of relevant field monitoring visits, available audits reports and other documentation that may help to understanding the IP's international controls and supported activities.

To ensure efficient use of time, the service provider shall review the information received and provided the IP with a list of requested documents in advance of any site visits.

### Annex 1. Programme-specific Information

The following information should be completed at the start of the spot check.

<b>IP name:</b>	
<b>Programme name:</b>	
<b>Programme number:</b>	
<b>Programme background:</b>	
<b>Programme location:</b>	
<b>Programme contact person(s):</b>	
<b>Location of records:</b>	
<b>Currency of records maintained:</b>	
<b>Period of transactions covered by spot check:</b>	
<b>Funds received during the period covered by the attestation engagement:</b>	
<b>Expenditures incurred/reported during the period covered by the attestation engagement:</b>	
<b>Intended start date of spot check:</b>	
<b>Estimated number of days required for the spot check visit to the IP:</b>	
<b>Any special requests to be considered during the spot check:</b>	
<b>Cash transfer modality used by the IP:</b>	

## Annex 2. ISRS 4400 Agreed-upon Procedures Report Template

### Report of factual findings

To (those who engaged the auditor)

We have performed the procedures agreed with you and enumerated below with respect to the programme disbursements related to (insert programme name and number) as at (for the XX month period ended) (date), set forth in the accompanying management letter. Our engagement was undertaken in accordance with the ISRS (or refer to relevant national standards or practices) applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the validity of accounting records that support cash transfers from (agency) and are summarized as follows:

1. Compare documentation obtained describing the IP's financial management internal controls against the most recent micro assessment from the corresponding programme cycle. Document any changes or inconsistencies.
2. Inquire of IP management whether there have been any changes to internal controls since the prior micro assessment from the current programme cycle. Document any changes identified.
3. Obtain a listing of all programme related expenditures during the XX month period ended (date) for the agreed-upon procedures engagement and perform the following:
  - Randomly select a sample of expenditures amounting to a certain percentage of total expenditures. The percentage to be determined by each agency in relation to their needs and requirements. Provide a detailed listing of expenditures selected as samples.
  - For each sample selection perform the following procedures:
    - Verify that documentation exists to support the expenditure in accordance with the IP's rules and procedures and agreements with the agency.
    - Verify that the activity related to the expenditure is in accordance with the work plan.
    - Verify that the expenditure has been reviewed and approved in accordance with the IP's rules and procedures and agreements with the agency.
    - Verify that the expenditure was reflected on a certified FACE form submitted to the agency. o Verify that the expenditure was reflected in the IP's accounting records and bank statement.
    - Verify that supporting documents are stamped 'PAID from XXX grant', indicating which agency funded the transaction.
    - Verify that the FACE form was submitted consistent with the periodicity-of-disbursement requirement in the HACT framework (within two weeks).
    - Verify the price paid for goods or services against United Nations agreed standard rates (if readily available).
4. If separate bank accounts are maintained for agency-granted funds, perform the following procedures:
  - Verify that the activity per the bank statements agrees with that reflected in the accounting records. Document any variances noted; and
  - Confirm that a bank reconciliation was completed and the balance has been reconciled to the accounting records. Document any variances noted.

We report our findings below:

- (a) With respect to item 1 we found (provide details of findings).
- (b) With respect to item 2 we found (provide details of findings).
- (c) With respect to item 3 we found (provide details of findings).
- (d) With respect to item 4 we found (provide details of findings).

Because these procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), we do not express any assurance on the programme disbursements as of (for the XX month period ended) (date).

Had we performed additional procedures or had we performed an audit or review of the financial statement in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information. It is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the items specified above and does not extend to any financial statement of the implementing partner, taken as a whole.

Signature

Date

Address

## Annex 2. Spot Check Work Plan Example

### Spot Check Work Plan

*This is a minimum required template. It may be modified by agencies.*

<b>Programme title:</b>	
<b>Project title:</b>	
<b>Name of IP:</b>	
<b>Location of IP/programme:</b>	
<b>IP contact person and position:</b>	
<b>Start/end date of spot check (dd/mm/yyyy – dd/mm/yyyy):</b>	
<b>Dates covered by FACE form selected for testing (dd/mm/yyyy – dd/mm/yyyy):</b>	
<b>Dates covered by last spot check (dd/mm/yyyy – dd/mm/yyyy):</b>	
<b>Member(s) of the spot check team: (Name, designation, section/organization)</b>	
<b>IP staff who met and worked with the spot check team met during the spot check (Names and titles):</b>	

**Internal Controls:** Complete the following table regarding specific procedures regarding internal controls.

	Procedure	Findings
1	<p>Compare documentation obtained describing the IP's financial management internal controls against the most recent micro assessment from the corresponding programme cycle.</p> <p>Document any changes or inconsistencies identified.</p>	

2

Inquire of IP management whether there have been any changes to internal controls since the prior micro assessment from the current programme cycle.

Document any changes identified.

**Sample of Expenditures:** Complete the following table for each sample

Sample expenditure description and voucher number	Sample expenditure amount reported	Documentation exists to support expenditure in accordance with IP's applicable rules and procedures and agreements with the agency? (Y/N)	Activity is related to expenditure in accordance with work plan? (Y/N)	Expenditure has been reviewed and approved in accordance with IP's applicable rules and procedures and agreements with the agency? (Y/N)	Expenditure was reflected on a certified FACE form submitted to the agency and in IP's accounting records and bank statement? (Y/N)	Supporting documents are stamped 'PAID from XXX grant', indicating which agency funded the transaction? (Y/N)	FACE form was submitted consistent with the periodicity of disbursement requirement in the HACT framework (within two weeks)? (Y/N)	Price paid for goods or services against United Nations agreed standard rates (if readily available)	Comment/ finding
Total sample expenditures:									
Total expenditures reported on FACE forms during period under spot check:									

Percentage coverage: (Total sample expenditures divided by total expenditures reported on FACE forms during period under spot check)			
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### **Section 3.3 Terms of Reference for LOT 3- HACT Internal Control Audit**

#### **Objective of the Agreed-upon Procedures Engagement**

The objective of an agreed-upon procedures attest engagement is to engage a third party service provider to prepare a report of findings based on specific procedures performed on the subject matter. As the service provider is engaged to report on factual findings of the agreed-upon procedures, no assurance is expressed. Instead, users of the report assess for themselves the procedures and findings reported by the service provider and draw their own conclusions from the work. The report is restricted to parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results.

#### **Standards**

The attestation engagement should be conducted in accordance with ISRS 4400, *Agreed-upon Procedures Regarding Financial Information*.

#### **Scope of the Attestation Engagement**

##### ***Internal Controls***

The agreed-upon procedures are performed to assist the IP in assessing internal control of the financial management system. The specific procedures to be performed can be adapted by the agency to suit the specific IP and agency agreement needs. The third party service provider should agree in writing to perform the procedures enumerated below to assist the IP in its assessment and to report on factual findings.

#### **Specific Procedures to be Performed**

1. Obtain documentation describing the IP's financial management internal controls and report on whether the documentation includes controls related to the following areas of financial management. The documentation should cover:
  - (a) Authorization of expenditures, including FACE forms and requests for direct payment. These include:
    - Expenditures authorized in accordance with IP policies and procedures;
    - Expenditure included in activity detailed in the work plan;<sup>3</sup> and
    - Expenditures supported by documentation consistent with IP policies and procedures and the HACT framework
  - (b) Procurement/contracting of supplies and services. The third party service provider should detail whether:
    - Competitive bids are obtained for expenditures described in the work plan;
    - Vendors consistently implement the IP's rules and procedures and agreements with the agency;
    - Procurement of supplies and services is consistent with the IP's rules and procedures and its agreements with the agency, including requirements for competitive procurement; and
    - Supplies and services agree with those required by the work plan.

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<sup>3</sup> Agency work plans can be annual, multi-year, rolling or joint.

- (c) Adequacy of the accounting and financial operations and reporting systems. The third party service provider should ensure that:
- The IP has an accounting manual or guidelines;
  - The accounting methodology complies with applicable standards in the IP country of operation;
  - Duties are segregated between the components of the accounting and management departments;
  - The IP maintains a separate official accounting record/sub-ledger to record transactions against the cash transfers for the agency; and
  - The IP prepares a monthly bank reconciliation if it maintains a separate bank account for the agency's funds.
- (d) Maintenance and security of accounting records. The third party service provider should ensure that:
- IP facilities have security procedures to protect against theft, damage or loss of data; and
  - The IP has a document retention policy that conforms with agency requirements.
- (e) Safeguarding assets. The third party service provider should ensure that IP facilities have security procedures to protect against theft, damage or loss of data.

If the IP does not have internal controls related to the above noted areas, document as a finding.

2. Select a sample of control instances during the period for the agreed-upon procedures engagement amounting to 30 to 50 per cent of total control instances for each control (e.g. for a monthly control, sample selections should be made for four to six instances during the period). Selections should be made randomly. For each sample selection perform the following procedures:
  - (a) Obtain relevant supporting documentation to verify that the control occurred as described.
  - (b) Verify that the actual date of occurrence was within 2 weeks (14 days business days) of the occurrence (i.e. for a monthly control, the 31 January control occurrence should have occurred within 14 business days of February).

### **Sample of Expenditures**

3. Obtain a listing of all programme-related expenditures during the period for the agreed-upon procedures engagement and perform the following:
  - (a) Randomly select a sample of expenditures amounting to a certain percentage of total expenditures during the period under audit.
  - (b) For each sample selection perform the following procedures:
    - Verify that documentation exists to support the expenditure in accordance with the IP's rules and procedures and agreements with the agency, including a transparent selection process for procurement of goods and services.
    - Verify that activity is in accordance with the work plan.
    - Verify that the expenditure has been properly reviewed and approved in accordance with the IP's rules and procedures and agreements with the agency.
    - Verify that the expenditure was properly reflected on the certified FACE form submitted to the agency.

- Trace the sample transactions into the IP's accounting records and bank statement.
- Verify that supporting documents are stamped 'PAID from XXX grant', indicating which agency funded the transaction.
- Verify that submission of the FACE form was consistent with the periodicity-of-disbursement requirement in the HACT framework (two weeks).
- Compare the price paid for goods or services against agreed standard rates (if readily available).

### **Deliverables**

The third party service provider prepares a standard agreed-upon procedures report in accordance with the applicable standards, which includes:

- Details of procedures performed and corresponding findings;
- Details explaining that the scope of agreed-upon procedures varies from that of an audit or review; and
- Limitations on the distribution of the report.

A report template following ISRS 4400 has been included in Annex 2.

### **Qualifications of the Third Party Service Provider**

As noted in ISRS 4400 paragraph 7: "The auditor should comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code). Ethical principles governing the auditor's professional responsibilities for this type of engagement are:

- (a) Integrity;
- (b) Objectivity;
- (c) Professional competence and due care;
- (d) Confidentiality;
- (e) Professional behavior; and
- (f) Technical standards."

Independence is not a requirement for agreed-upon procedures engagements. However, the terms or objectives of an engagement or national standards may require the third party service provider to comply with the independence requirements of the IESBA Code. Where the service provider is not independent, a statement to that effect should be made in the report of factual findings.

The third party service provider should be experienced in applying ISRS standards. If hiring staff, the service provider should employ staff with recognized professional qualifications and suitable experience with ISRS standards, including experience in reviewing similar entities.

CVs of all members of the assessment team should be provided. They should include details on engagements carried out by the relevant staff, including ongoing assignments indicating responsibilities assumed by them, and their qualifications and experience in undertaking agreed-upon procedures.

United Nations and agency-specific procurement policies (if any) should be used for procurement of third party service providers.

### **Items to be Provided to the Third Party Service Provider in Advance**

Before the field work begins, the agency provides the third party service provider with the following documentation:

- Work plan and any progress reports submitted during the year;
- Signed combined delivery report (CDR), or agency equivalent;
- The FACE forms included in the CDR (or agency equivalent), duly certified as to their accuracy and completeness;
- The direct payment requests authorized by the IP and included in the CDR (or agency equivalent); and
- Previous audit reports and other relevant assessments (e.g. micro assessment).

To ensure efficiency, the third party service provider should review the information received and provide the IP with a list of requested documents in advance of any site visit(s).

**Annex 1 to Terms of Reference for LOT 3 –“HACT Internal Control Audit Programme-specific Information**

The following information should be completed by the agency and provided to the third party service provider at the start of the engagement.

<b>Implementing partner name:</b>	
<b>Programme name:</b>	
<b>Programme number:</b>	
<b>Programme background:</b>	
<b>Programme location:</b>	
<b>Programme contact person(s):</b>	
<b>Location of records:</b>	
<b>Currency of records maintained:</b>	
<b>Period of transactions covered by attestation engagement:</b>	
<b>Funds received and expenditure incurred during the period covered:</b>	
<b>Intended start date of fieldwork:</b>	
<b>Estimated number of days required for fieldwork:</b>	
<b>Recipient of the report:</b>	
<b>Submission deadline (including draft and final reports to local agency management):</b>	
<b>Submission logistics:</b>	
<b>Any special requests to be considered during the engagement:</b>	

Cash transfer modality used by the IP:	
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**Annex 2. to Terms of Reference for LOT 3- “HACT Internal Control Audits” Sample ISRS 4400  
Agreed-upon Procedures Report Template**

REPORT OF FACTUAL FINDINGS

To (those who engaged the auditor)

We have performed the procedures agreed with you and enumerated below with respect to the internal controls of the implementing partner and expenditures related to (insert programme name and number) as at (date), set forth in the accompanying management letter. Our engagement was undertaken in accordance with the International Standard on Related Services (or refer to relevant national standards or practices) applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the functioning of internal controls and programme expenditures and are summarized as follows:

1. Obtain documentation describing the IP’s financial management internal controls and report on whether the documentation includes controls related to the following areas of financial management:
  - (a) Authorization of expenditures, including FACE forms and requests for direct payment:
    - Expenditures authorized in accordance with IP policies and procedures;
    - Expenditure included in activity detailed in the work plan;<sup>4</sup>
    - Expenditures supported by documentation consistent with IP policies and procedures and the HACT framework.
  - (b) Procurement/contracting of supplies and services, in terms of ensuring that:
    - Competitive bids are obtained for expenditures described in the work plan;
    - Vendors are consistent with the IP’s rules and procedures and agreements with the agency;
    - Procurement of supplies and services is consistent with the IP’s rules and procedures and agreements with the agency, including requirements for competitive procurement; and
    - Supplies and services agree with those required by the work plan.
  - (c) Adequacy of the accounting and financial operations and reporting systems, in terms of ensuring that:
    - The IP has an accounting manual or guidelines;
    - The IP’s accounting methodology complies with applicable standards in the IP country of operation;
    - Duties are segregated between the components of the accounting and management departments;
    - The IP maintains a separate official accounting record/sub-ledger to record transactions against the cash transfers for the agency; and
    - The IP prepares a monthly bank reconciliation if it maintains a separate bank account for the agency’s funds.
  - (d) Maintenance and security of accounting records, in terms of ensuring that:
    - The IP has a document IP facilities have security procedures to protect against theft, damage or loss of data; and
    - retention policy that conforms with agency requirements.

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<sup>4</sup> Agency work Plan (WP) can be annual, multi-year, rolling or joint.

- (e) Safeguarding assets, in terms of ensuring that IP facilities have security procedures to protect against theft, damage or loss of data.

If the IP does not have internal controls related to the above noted areas, it should be documented as a finding.

2. Select a sample of control instances during the period under review for the attestation engagement, amounting to 30 to 50 per cent of total control instances for each control (e.g. for a monthly control, sample selections should be made for four to six instances during the period). Selections should be made randomly. For each sample selection perform the following procedures:

- (a) Obtain relevant supporting documentation to verify that the control occurred as described.
- (b) Verify that the actual date of occurrence was within 2 weeks (14 days business days) of the occurrence (i.e. for a monthly control, the 31 January control occurrence should have occurred within 14 business days of February).

3. Obtain a listing of all programme-related expenditures during the period under review for the attestation engagement and perform the following:

- (a) Randomly select a sample of expenditures amounting to a certain percentage of total expenditures during period under review. The percentage is to be determined by each agency relative to its needs and requirements. Provide a detailed listing of expenditures selected as samples.
- (b) For each sample selection perform the following procedures:
- Verify that documentation exists to support the expenditure in accordance with the IP's rules and procedures and agreements with the agency, including a transparent selection process for procurement of goods and services.
  - Verify that activity is in accordance with the work plan.
  - Verify that expenditures have been properly reviewed and approved in accordance with the IP's rules and procedures and agreements with the agency.
  - Verify that expenditures were properly reflected on the certified FACE form submitted to the agency.
  - Trace the sample transactions into the IP's accounting records and bank statement.
  - Verify that supporting documents are stamped 'PAID from XXX grant', indicating which agency funded the transaction.
  - Verify that submission of the FACE form was consistent with the periodicity-of-disbursement requirement in the HACT framework (two weeks).
  - Compare the price paid for goods or services against agreed standard rates (if readily available).

We report our findings below:

- (a) With respect to item 1 we found [provide details of findings].
- (b) With respect to item 2 we found [provide details of findings].
- (c) With respect to item 3 we found [provide details of findings].

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), we do not express any assurance on the functioning of internal controls and programme expenditures as of (date).

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the items specified above and does not extend to any financial statements of the implementing partner, taken as a whole.

Auditor Signature

Date

Address

## INTRODUCTION

Throughout this document the term "implementing partner" is used to refer to the institution designated to manage the project. Where the project is nationally implemented (NIM), this will refer to a government institution. Where the project is NGO executed, this will refer to an NGO. The term "government coordinating authority" refers to the government institution, which is the official UNDP counterpart.

This specimen Terms of Reference (TOR) is intended to provide guidance to UNDP country offices and to the government implementing partners (IPs) (or NGOs) in agreeing to the terms of reference for the audit of projects managed by governments (or NGOs). These audits are under the responsibility of the UNDP country office.

This specimen TOR highlights requirements in the audit services required (Part E and Annex 1) as well as areas to be covered in the audit report and management letter (Part F and Annex 3), as follows:

- Auditors must certify, express an opinion, and quantify the Net Financial Misstatement (NFM) on each of the following:
  - (i) UNDP Statement of Expenses - **the Combined Delivery Report (CDR)** - for the period 1 January to 31 December 2017
  - (ii) Statement of Cash Position reported by the project as at 31 December 2017
  - (iii) Statement of Assets and Equipment as at 31 December 2017
- Auditors must indicate the risks associated with their findings and provide a categorization by risk: High, Medium, or Low.
- Auditors must provide the monetary value of the NFM of the qualification if the audit opinion on the CDR is Qualified, Adverse or Disclaimer.

### Follow-up to resolve Audit Observations

1. The United Nations Board of Auditors (UN BoA) has commented on the NGO/NIM audit results and the cases where they noted a lack of conclusive actions to properly address an audit qualification in the previous year audit and the related NFM. They also commented on the recurrence of the same significant audit issues in the same projects without being duly resolved. This is unacceptable and country offices must ensure adequate and direct action is taken to prevent the same deficiencies from recurring in the future. If further guidance is needed, country offices should contact OAI, Special Assignments Section or the respective OAI Regional Audit Centre.

### A Critical Audit Requirement

2. Following the International Standards on Auditing (ISA 450 and ISA 710), there is a requirement regarding a previous year modified audit opinion.<sup>5</sup> This audit standard requires that auditors, when expressing an opinion on this year's statements, take into account the possible effect of a prior year modified opinion that has not been properly corrected or resolved.

3. Consequently, a previous year modified opinion that has not been properly resolved may cause the auditors to issue a modified opinion in their current year audit report. If proper attention is not paid to this aspect, the risk could be a significant accumulation of unresolved modified opinions from previous years that would lead the UN BoA to issue a modified audit opinion on UNDP financial statements. (Refer to Annex 5)

4. Country offices (COs) must ensure the audit services are adequately covered as specified in the present TOR and CDRs are duly certified by the implementing partners and auditors and signed by UNDP CO management and attached to the audit reports; the same applies for the Statement of Cash Position (cash and bank balances of the project) and Statement of Assets and Equipment. If the project does not hold any assets or equipment or there is no cash at hand or bank account, the auditors must clearly indicate this in the opinion page and certify it.

**Annex 1** provides the audit services required and standard scope of audit.

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<sup>5</sup> A "modified" audit opinion means either a qualified opinion, a disclaimer of opinion or an adverse opinion.

**Annex 2** describes the qualifications of an auditor and may help in the process of selecting auditors.

Note: Where the TOR is being supplied to a short list of firms as part of a request for proposals (RFP) and the firms short listed have been pre-qualified, then the list of qualifications would not be needed.

**Annex 3** is a sample audit report that needs to be submitted by the auditor (ISA 705, 706). A management letter needs to be attached to the audit report.

**Annex 4** provides a definition of audit opinions (ISA 700).

**Annex 5** provides guidance on Reporting Prior Year Modified opinion not corrected (ISA 450 and 710).

**Annex 6** defines the three risk categories of audit observations and recommendations.

**Annex 7** provides a template sample of certified prior year updated action plan (FY2016) that needs to be uploaded in CARDS.

**Annex 8** provides a template for audit data and observations for FY2017 audits that auditors need to submit and the CO copy paste in CARDS the information.

**Annex 9** provides guidance on formulating audit observations and recommendations.

**Annex 10** provides guidance on Audit Materiality (ISA 320 and 450).

What follows is the proposed structure with guidance on the contents of the TOR that need to be communicated to the auditors by the UNDP country office.

## A. BACKGROUND

The background section of the TOR should include a broad description of the project(s) in the context of its contribution to achieving the goals of the government entity. The auditor should understand the "purpose for which the funds are intended" in the context of project objectives as well as in terms of the specific budget for the project. It should include a general description of the roles of UNDP, the government entity, and the implementing partner with respect to the management and oversight of the project.

This section should indicate that the TOR is directed to the audit of UNDP financial statements, which are referred to as Combined Delivery Reports (CDR).

Finally, the section should include the list of projects identified for auditing.

## B. PROJECT MANAGEMENT

This section should contain a description of the government entity and the implementing partner including the physical address, phone numbers, fax numbers, websites and general e-mail addresses. Other details would include:

- An organization chart
- A list of senior officers together with their contact details
- A list of the contact persons responsible for accounting, financial management and internal audit together with phone numbers and email addresses
- A description of the project including the project budget by major expenses categories and the sources of all funding for the project.

## C. CONSULTATIONS WITH CONCERNED PARTIES

This section should describe the requirements for consultations. For example, prior to the start of audit work the auditor will be required to consult with the UNDP country office, the government counterpart, and the implementing partner for each project. Further, upon completion of the draft audit report and management letter, the auditor will be required to meet with the UNDP country office and the government entity coordinating authority to debrief them on its major findings from the audit and its recommendations for future improvements as well as to seek their feedback thereon.

## D. DESCRIPTION OF FINANCIAL REPORTS (UNDP CDR) TO BE AUDITED

This section should include a description of the CDR and supporting schedules (see below). The country office should also include the Statement of Cash Position and the Statement of Assets and Equipment, with year-end inventory listing and a description of the inventory.

### *Description of the Combined Delivery Report and Supporting Schedules*

The report to be audited is referred to as the Combined Delivery Report (CDR). This report is prepared by UNDP, using an in-house accounting software package called ATLAS. The CDR serves as the official financial statement that must be certified by the auditors. Project financial statements, if certified, **must** reconcile to the expenses appearing in the CDR and **must** be attached to the audit report. As described in more detail below, the CDR combines expenses from three disbursement sources for a calendar year. Refer to the section below on changes to the CDR since the adoption of the International Public Sector Accounting Standards (IPSAS) by UNDP effective 1 January 2012. The three disbursement sources include:

#### *1. Implementing partner (either Government or NGO)*

UNDP procedures require that where funds are advanced to the executing agency, the agency must submit to the UNDP country office, on a quarterly basis, a financial report including: (1) the status of the advance; (2) a list of the disbursements made since the previous financial report; and (3) a request for a

new advance. The UNDP country office enters the disbursements in ATLAS through the year as the financial reports are received. These implementing partner disbursements are recorded in the *Government expenses* column in the CDR.

## 2. *UNDP (country office, headquarters and other country offices)*

Disbursements made by UNDP from its own bank accounts are entered in ATLAS by the UNDP country office. These UNDP disbursements are recorded in the *UNDP expense* column in the CDR. These disbursements may be classified as either *direct payments* or *UNDP support services*. This distinction, while very important for audit purposes, is not apparent from the CDR and can only be provided by the UNDP country office as a supporting schedule. A brief description of each category is provided below.

- a) **Direct Payments** - This is where the implementing partner is responsible for the expenses but requested UNDP to effect payment to the vendor/consultant on its behalf. The implementing partner is accountable for the disbursement and maintains all supporting documentation. UNDP simply effects payments on the basis of properly authorized requests and gives the implementing partner a copy of the related disbursement voucher as evidence that payment was made.
- b) **UNDP Support Services** - This is where the government and UNDP have agreed that UNDP will provide support services to the project and signed a Letter of Agreement. These support services must be described in the Letter of Agreement (LOA). UNDP is fully responsible and accountable for these expenses and, accordingly, maintains all supporting documentation for the disbursement. These expenses are outside the scope of audit and, therefore, will not be reviewed by the auditors. This scope limitation should not be used as a reason for issuing a qualified audit opinion on the CDR. Where there is no signed Letter of Agreement for UNDP Support Services or a Country Programme Action Plan (CPAP) with the respective clauses of the LOA for UNDP Support Services, the audit should also cover the UNDP expenses under CO support. The CO must include this information in the TOR/contract for the auditors.

## 3. *UN agencies*

The UN agency reports its expenses to UNDP and to the government. The UNDP country office enters the expenses in ATLAS. These UN agency expenses are recorded in the *UN agencies expense* column in the CDR. Note: Any expenses under this column are outside the auditors' scope of audit. UN entities are audited under their own audit arrangement, following the 'Single Audit' principle and are not covered by UNDP's audit regime.

At the end of the year, after receiving the fourth quarter financial report from the implementing partner and the year-end expense report from the UN agency, UNDP prepares the CDR and submits it to the implementing partner for signature. UNDP will provide the auditor with the signed CDR together with the following supporting documentation.

1. The quarterly financial reports submitted by the implementing partner.
2. A list of the direct payments processed by UNDP at the request of the implementing partner.
3. A list of the disbursement made by UNDP as part of support services provided to the implementing partner.
4. The UN agency expenses statement for the year.
5. Relevant financial reports that show the expenses of Global Fund sub-recipients for the year which need to be reconciled to the CDR expenses.
6. Letter of Agreement for UNDP support services signed between UNDP and the Government (or CPAP with relevant clauses regarding UNDP support services).
7. Relevant financial reports that show expenses of UNDP CO support, if there is no Letter of Agreement.

**Note:** With the adoption of the International Public Sector Accounting Standards (IPSAS) by UNDP effective 1 January 2012, the CDR is now prepared in two sections; the first section containing the total expense information as explained above (by Implementing Partner, UNDP and UN Agencies) and the second section showing the following information:

- Outstanding NEX advances
- Un-depreciated Fixed Assets
- Inventory
- Prepayments
- Commitments

In addition to the verification of the total project expense reflected in the CDR, the auditors will be responsible for validating certain areas of the information appearing in the Funds Control section of the CDR as shown above.

Outstanding NEX advances – If there is an amount appearing under this category, the auditors should reconcile it to the cash at hand at the project level. In principle, this amount should represent the balance of any advances transferred to the implementing partner minus the total expenses reported in the quarterly financial reports submitted by the implementing partner to UNDP.

Un-depreciated Fixed Assets – There could be cases where fixed assets that belong to or are used by the project are under UNDP's control (i.e. in situations where UNDP is providing support services to the project and there is no signed Letter of Agreement, as an example). If there is an amount appearing on the CDR under this category, the auditors should investigate and determine that these assets are project related or not and, if project related, should perform the same audit procedures to validate the assets as those undertaken for the certification of the Statement of Assets and Equipment. Please refer to the Programme and Operations Policies and Procedures (POPP) section on "Administrative Services/Asset Management/Property Plan and Equipment/Furniture and Equipment Acquisition and Maintenance" for information regarding the custody/control/ownership of assets.

Inventory – Similar to the case of Un-depreciated Fixed Assets, there may be situations where certain items of inventory that were acquired for the project are temporarily under UNDP's control/custody. If there is an amount under this category, the auditors should determine the nature of the inventory and whether or not it is intended for the project. If it is determined that the inventory is project related, then the same audit procedures for the certification of the Statement of Assets and Equipment should be applied. Please refer to the aforementioned section of the POPP on asset management as well as the section on "Financial Resources/Inventory Management" for additional guidance as necessary.

Prepayments – The auditors should validate any amount appearing under this category, i.e. determine what it represents and if it is in any way project related.

Commitments – Any amounts appearing under this category would be provided for informational purposes only and, therefore, the auditors would not be required to undertake any audit procedures related to the verification or validation of same.

#### E. AUDIT SERVICES REQUIRED

The scope of the audit services required should be sufficiently clear to properly define what is expected of the auditor but not in any way that restricts the audit procedures or techniques the auditor may wish to use to form an opinion. It should specify at least the following:

- A definition of the entity or the portion of an entity that is subject to audit. This will normally be the project office whether located within a government department or in a separate location.
- That the audit will be carried out in accordance with either ISA<sup>6</sup> or INTOSAI<sup>7</sup> auditing standards.
- That the audit period is 1 January to 31 December of the year YYYY.
- That the scope of the audit is limited to the implementing partner expenses, which are defined as including: (1) all disbursements listed in the quarterly financial reports submitted by the implementing partner; and (2) the direct payments processed by UNDP at the request of the implementing partner.
- That the auditor is required to verify the mathematical accuracy of the CDR by ensuring that the expenses

<sup>6</sup> International Standards on Auditing (ISA) published by the International Auditing and Assurance Standards Board of the International Federation of Accountants

<sup>7</sup> International Organization of Supreme Audit Institutions

described in the supporting documentation (the quarterly financial reports, the list of direct payments processed by UNDP at the request of the government) are reconciled to the expenses, by disbursing source, in the CDR.

- That the auditor is required to state in the audit report the amount of expenses excluded from the scope of the audit because they were made by UNDP as part of direct support services and the amount of total expenses excluded because they were made by a UN agency. This scope limitation is not a valid reason for the auditors to issue a qualified audit opinion on the CDR.
- That the auditor is required to state in the audit report if the audit was not in conformity with any of the above and indicate the alternative standards or procedures followed.
- That the auditor is required to express an opinion as to the overall financial situation of the project for the period 1 January to 31 December YYYY and will certify:
  1. The Statement of Expenses (**CDR**) for the period from 1 January to 31 December YYYY;
  2. The Statement of Cash Position (cash and bank balances of the project) reported by the project as at 31 December YYYY; and
  3. The Statement of Assets and Equipment held by the project as at 31 December YYYY.
- That the auditor is required to, as applicable, report in monetary value, the net financial misstatement of any modified audit opinion (modified opinions can be qualified, adverse, or disclaimer) on the Statement of Expenses (CDR) where applicable. This should also include prior year non resolved NFM.
- That the auditor/audit firm is required to submit a draft audit report by \_\_\_\_dd/mm/yyyy and a final signed audit report with signed UNDP statements by dd/mm/yyyy\_\_\_\_\_.

**Note:** Audit opinions must be one of the following: (a) unmodified, (b) qualified, (c) adverse, or (d) disclaimer. If the audit opinion is other than “unmodified”, the audit report **must** describe both the nature and amount of the possible effects on the financial statements.

The report should also make a reference to the section of the management letter with regard to the related audit observation number and the action taken or planned to be taken to address and conclusively correct the issues underlying the qualification. A definition of audit opinions is provided in Annex 4.

#### F. THE AUDIT REPORT AND MANAGEMENT LETTER

The TOR should clearly indicate the expected contents of the audit report and management letter and the topics/areas to be covered by the auditors.

##### Audit Report – **VERY IMPORTANT**

The audit report should clearly indicate the auditor’s opinion (Refer to Annex 3 for a sample Audit Report). This would include at least the following:

- That it is a special purpose and confidential report
- The audit standards that were applied (ISAs, or national standards that comply with one of the ISAs in all material respects)
- The period covered by the audit opinion
- The amount of expenses audited
- The amount of the net financial misstatement of the modified audit opinion on the CDR, if modified
- The reason(s) resulting in the issuance of a modified audit opinion, qualified, adverse or disclaimer of opinion (the reason(s) must be also included in the management letter as an audit observation(s))
- The scope limitation (description and value) for those transactions that are the responsibility of UNDP (as part of direct CO support services to NIM) or a UN agency. Important to note: Such scope limitation should not be reason for a qualified audit opinion as such transactions would be, in general, excluded from the audit scope
- Whether the UNDP CDR - for the period from 1 January to 31 December YYYY [year] is adequately and fairly presented and whether the disbursements are made in accordance with the purpose for which funds have been allocated to the project.

(a) A Financial Audit to express an opinion on the project's financial statements that includes:

- Expression of an opinion on whether the statement of expenses presents fairly the expense incurred by the project over a specified period in accordance with agreed upon accounting policies and that the expenses incurred were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of the Government or UNDP; and (iv) supported by properly approved vouchers and other supporting documents. The CDR is the mandatory and official statement of expenses to be certified. Other forms of statement of expenses that may be prepared by a project office are not accepted.
- Whether the result of the prior year's audits resulting in modified audit opinions on the CDR had conclusive actions to properly address an audit qualification in the previous year audit and the related NFM. If there is a lack of conclusive actions, the auditors must take into account the possible effect of a prior year modified opinion that has not been properly corrected or resolved.

**Note:** Consequently, a previous year modified opinion that has not been properly resolved may cause the auditors to issue a modified opinion in their current year audit report. If proper attention is not paid to this aspect, the risk could be a significant accumulation of unresolved modified opinions from previous years.

- Expression of an opinion on the value and existence of the project's statement of assets and equipment as at a given date. This statement must include all assets and equipment available as at 31 December 2017, and not only those purchased in a given period. Where a project does not have any assets or equipment, it will not be necessary to express such an opinion; however, this should be disclosed in the audit report.
- Express an opinion on the value and existence of the cash held by the project as at a given date, i.e. 31 December 2017. The Audit Firm is required to express an opinion on the Statement of Cash Position where a dedicated bank account for the project has been established and/or the project holds petty cash. Where the project does not hold any cash, this should be disclosed in the audit report.

The Financial Audit will be conducted in accordance with International Standards on Auditing (ISA).

(b) An audit to assess and express an opinion on the project's internal controls and systems.

The deliverable will be an audit report similar to a long form management letter that covers the internal control weaknesses identified and the audit recommendations to address them.

The management letter should be attached to the audit report and cover the following topics/issues:

- A general review of a project's progress and timeliness in relation to progress milestones and the planned completion date, both of which should be stated in the project document or Annual Work Plan (AWP). This is not intended to address whether there has been compliance with specific covenants relating to specific performance criteria or outputs. However, general compliance with broad covenants such as implementing the project with economy and efficiency might be commented upon but not with the legal force of an audit opinion.
- An assessment of a project's internal control system with equal emphasis on: (i) the effectiveness of the system in providing the project management with useful and timely information for the proper management of the project; and (ii) the general effectiveness of the internal control system in protecting the assets and resources of the project.
- A description of any specific internal control weaknesses noted in the financial management of the project and the audit procedures followed to address or compensate for the weaknesses. Recommendations to resolve/eliminate the internal control weaknesses noted should be included.

The audit of internal controls and systems will be conducted in accordance with the International Standards on Auditing (ISA).

The management letter should also include the following:

- Audit observations/recommendations (guidelines in Annex 9)
- The categorization of audit observations by risk severity: High, Medium, or Low. Definitions of these categories are given in Annex 6.
- Management comments/response to audit observations and recommendations (project management and/or UNDP, as applicable).
- Indication of observations that affect the audit opinion (when qualified, adverse or disclaimer of opinion is given).

More detailed guidance for the above general categories is provided below.

#### Review of project progress

As part of the general review of project progress, specific steps could include the following:

- Review annual and quarterly work plans, quarterly and annual financial reports, and requests for direct payments and assess in terms of their timeliness and their compliance with the project document or the AWP, and the UNDP Programme Operations Policies and Procedures (POPP) on Results Management.
- Review the annual project report prepared by the implementing partner and assess in terms of compliance with UNDP guidelines and whether the implementing partner met its responsibilities for monitoring described in the project document or AWP.
- Review whether the decisions and/or recommendations of the above activities have been followed through by the implementing partner.
- Review the pace of project progress and comment on the causes for delays.
- Comment on whether implementation services of the UN Agency were provided in line with the project document or AWP.

#### Assessment of internal control

The auditor is required to conduct a general assessment of internal controls according to established internal control standards. An example of established internal control standards and further information is available on the INTOSAI site [www.intosai.org](http://www.intosai.org) (*Guidelines for Internal Control Standards*). The INTOSAI standards are intended for use by government managers as a framework to establish effective internal control structures.

In addition to the above general assessment, additional specific steps should include the following:

- Review the expenses made by the implementing partner and assess whether they are in accordance with the project document, AWP and budgets; and are in compliance with the UNDP POPP on Results and Accountability.
- Review the process for procurement/contracting activities and assess whether it was transparent and competitive.
- Review the use, control and disposal of non-expendable equipment and assess whether it is in compliance with UNDP POPP on Results and Accountability; and also whether the equipment procured met the identified needs and whether its use was in line with intended purposes.
- Review the process for recruiting project personnel and consultants and assess whether it was transparent and competitive.
- Review the implementing partner accounting records and assess their adequacy for maintaining

accurate and complete records of receipts and disbursements of cash; and for supporting the preparation of the quarterly financial report.

- Review the records of requests for direct payments and ensure that they were signed by authorized government officials.

#### Recommendations for improvement

Recommendations should be directed to a specific entity so there is no confusion regarding who is responsible for implementation. The response of the entity should be included in the management letter, immediately following the recommendation.

Also, the auditor may wish to comment on "good practices" (if any) that were developed by the implementing partner that should be shared with other project personnel.

#### Available Facilities and Right of Access

There should be a description of the nature and the location of all records belonging to the project. This list should specify those records kept at the implementing partner's headquarters and those that are located at other offices.

The TOR should state that the auditor would have full and complete access at any time to all records and documents (including books of account, legal agreements, minutes of committee meetings, bank records, invoices and contracts, etc.) and all employees of the entity. The auditor should be advised that he/she has a right of access to banks, consultants, contractors and other persons or firms engaged by the project management. If an auditor may not have unrestricted access to any records, person or location during the course of the audit, this restriction should be clearly defined, with reasons, in the TOR.

## **ANNEX 1: AUDIT SERVICES REQUIRED**

The scope of audit services shall be in accordance with International Standards on Auditing (ISA) and cover the overall management of the project's implementation, monitoring and supervision. The audit work should include the review of work plans, progress reports, project resources, project budgets, project expenses, project delivery, recruitment, operational and financial closing of projects (if applicable) and disposal or transfer of assets. To this effect, the scope of the audit shall cover the following areas as they are performed at the level of the project:

### Human resources

The audit work shall cover the competitiveness, transparency and effectiveness of the recruitment and hiring of personnel and include performance appraisal, attendance control, calculation of salaries and entitlements, payroll preparation and payment, and management of personnel records.

### Finance

The audit work shall cover the adequacy of the accounting and financial operations and reporting systems. These include budget control, cash management, certification and approving authority, receipt of funds, and disbursement of funds, recording of all financial transactions in expense reports, records maintenance and control.

### Procurement

The audit work shall cover the competitiveness, transparency and effectiveness of the procurement activities of the project in order to ensure that the equipment and services purchased meet the requirement of either the government (or NGO) or UNDP and include the following:

- As applicable, delegations of authorities, procurement thresholds, call for bids and proposals, evaluation of bids and proposals and approval/signature of contracts and purchase orders
- Receiving and inspection procedures to determine the conformity of equipment with the agreed specifications and, when applicable, the use of independent experts to inspect the delivery of highly technical and expensive equipment
- Evaluation of the procedures established to mitigate the risk of purchasing equipment that do not meet specifications or is later proven to be defective
- Management and control over the variation orders

The audit work in the area of procurement shall also cover the use of consulting firms and the adequacy of procedures to obtain fully qualified and experienced personnel and assessment of their work before final payment is made.

### Asset Management

The audit work shall cover equipment (typically vehicles and office equipment) purchased for use of the project. The procedures for receipt, storage, and disposal shall also be reviewed.

### Cash Management

The audit work shall cover all cash funds held by the project and review procedures for safeguarding of cash.

### General Administration

The audit work shall cover travel activities, vehicle management, shipping services, office premises and lease management, office communications and IT systems, and records maintenance.

**Note:** The above scope shall cover those transactions performed at the level of the project to include direct payments made by the UNDP country office at the request of the project.

Scope Limitation

Transactions/actions that are performed by the UNDP office at the request and on behalf of the project (i.e. UNDP direct support services to NIM) where there is a signed Letter of Agreement (LOA) are **not** to be included in the audit scope.

**Important note:** Such scope limitation should not be a reason for issuing a modified audit opinion by the auditors. Please refer to Section D.

## **ANNEX 2: QUALIFICATIONS OF AN AUDITOR**

If included as part of a Request for Proposal, this section will need to be modified to take into consideration whether the firms invited to propose have already been pre-qualified.

The TOR should state that the auditor must be completely impartial and independent from all aspects of management or financial interests in the entity being audited. The auditor should not, during the period covered by the audit nor during the undertaking of the audit, be employed by, serve as director for, or have any financial or close business relationships with any senior participant in the management of the entity. It may be appropriate to remind an auditor of any existing statutory requirements relating to independence and to require an auditor to disclose any relationship that might possibly compromise his/her independence.

The auditor should be experienced in applying either ISA or INTOSAI audit standards, whichever is applicable for the audit. The auditor must employ adequate staff with appropriate professional qualifications and suitable experience with ISA or INTOSAI standards, including experience in auditing the accounts of entities comparable in size and complexity to the entity being audited.

Curriculum vitae (CVs) should be provided to the client by the principal of the firm of auditors who would be responsible for signing the opinion, together with the CVs of managers, supervisors and key personnel proposed as part of the audit team. It would be appropriate to indicate required/minimum professional qualifications necessary for the senior auditors/principals responsible for the audit. CVs should include details on audits carried out by the applicable staff, including on-going assignments indicating capability and capacity to undertake the audit.

## **ANNEX 3: SAMPLE AUDIT REPORT**

### **Independent Auditor's report to:**

***The National Project Director and  
The Resident Representative***

#### **I. Sample Independent Auditor's Report on Statement of Expenses (UNDP CDR)**

REPORT OF THE INDEPENDENT AUDITORS TO UNDP [insert project name] (Refer to ISA 700)

We have audited the accompanying Statement of Expenses ("the statement") of the project [insert project and project number(s)], [insert official title of project] for the period [insert period covered].

#### **Opinion**

##### **Clean Opinion:** Option 1: (Unmodified)

In our opinion, the attached statement of expenses presents fairly, in all material respects, the expense of [insert amount in US\$] incurred by the project [insert official title of project] for the period [insert period covered] in accordance with agreed upon accounting policies [if needed add - and the note to the statement] and were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant UNDP regulations and rules, policies and procedures; and (iv) supported by properly approved vouchers and other supporting documents.

##### **Modified Opinions** (Refer to ISA 705)

##### Option 2: (Qualified opinion)

In our opinion, except for the effects of the matter described in the Basis for opinion section of our report, the attached statement of expenses presents fairly in all material respects the expenses of [insert amount in US\$] incurred by the project [insert official title of project] for the period [insert period covered] in accordance with agreed upon accounting policies [if needed add: and the note to the statement] and were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant UNDP regulations and rules, policies and procedures; and (iv) supported by properly approved vouchers and other supporting documents.

##### Option 3: (Adverse opinion)

In our opinion, based on the significance of the matter discussed in the Basis for opinion section of our report, the statement of expenses do not present fairly the expenses of [insert amount in US\$] incurred by the project [insert official title of project] for the period from [insert period covered].

##### Option 4: (Disclaimer of opinion)

We do not express an opinion on the accompanying statement of expenses. Because of the significance of the matter described in the Basis for opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of expenses of [insert amount in US\$] incurred by the project [insert official title of project] and audited by us for the period from [insert period covered].

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the statement of expenses section of our report. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*[Add here a description of the basis for the qualified, adverse or disclaimer opinion]*

### **Management responsibilities**

Management is responsible for the preparation and fair presentation of the statement for <name/title> project and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the statement of expenses is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of expenses, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Emphasis of Matter** *[if applicable (Refer to ISA 706)]*

We draw attention to Note [X] to the accompanying statement of expenses which describes the uncertainty related to the (insert the issue). Our opinion is not qualified in respect of this matter.

\_\_\_\_\_  
Auditor's Name and Signature

\_\_\_\_\_  
Date of the auditor's report

\_\_\_\_\_  
Auditor's address

## **II. Sample Independent Auditor's Opinion on Statement of Assets and Equipment** (Refer to ISA 700)

We have audited the accompanying statement of assets and equipment ("the statement") of the project number [insert project and project number(s)], [insert official title of project] as at [insert date].

### **Opinion**

**Clean Opinion:** Option 1: (Unmodified)

In our opinion, the accompanying statement of assets and equipment presents fairly, in all material respects, the assets and equipment status of the project [insert official title of project] amounting to [insert amount in US\$] as at xxxx [insert date] in accordance with agreed upon accounting policies [if needed add: set out in the note to the statement].

**Modified Opinions** (Refer to ISA 705)

Option 2: (Qualified opinion)

In our opinion, except for the effects of the matter described in the Basis for opinion section of our report, the accompanying statement of assets and equipment presents fairly, in all material respects, the balance of inventory of the project [insert official title of project] amounting to [insert amount in US\$] as at xxxx [insert date] in accordance with agreed upon accounting policies [if needed add: set out in the note to the statement].

Option 3: (Adverse opinion)

In our opinion, because of the significance of the matter discussed in the Basis for opinion section of our report, the accompanying statement of assets and equipment does not present fairly the assets status of the project [insert official title of the project] amounting to [insert amount in US\$] as at xxxx [insert date] in accordance with agreed upon accounting policies [if needed add: set out in the note to the statement].

Option 4: (Disclaimer of opinion)

We do not express an opinion on the accompanying statement assets and equipment. Because of the significance of the matter described in the Basis for opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of assets and equipment amounting to [insert amount in US\$] as at xxxx [insert date].

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the statement of assets and equipment. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*[Add here a description of the basis for the qualified, adverse or disclaimer opinion]*

**Management responsibilities**

Management is responsible for the preparation of the statement of assets and equipment of the project, and for such internal control as management determines is necessary to enable the preparation of a statement of assets and equipment that is free from material misstatement, whether due to fraud or error.

**Auditor's responsibilities for the audit**

Our objectives are to obtain reasonable assurance about whether the statement of assets and equipment is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of assets and equipment, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Emphasis of Matter*** [if applicable (Refer to ISA 706)]

We draw attention to Note [X] to the accompanying statement of expenses which describes the uncertainty related to the (insert the issue). Our opinion is not qualified in respect of this matter.

\_\_\_\_\_  
Auditor's Name and Signature

\_\_\_\_\_  
Date of the auditor's report

\_\_\_\_\_  
Auditor's address

**III. Sample Independent Auditor's Report on Statement of Cash Position** (Statement of Cash Position is required only if there is separate bank account for each of the projects and/or petty cash) (Refer to ISA 700)

We have audited the accompanying statement of cash position ("the statement") of the project number [insert project and project number(s)], [insert official title of project] as at XXX.

**Opinion**

**Clean Opinion:** Option 1: (Unmodified)

In our opinion, the accompanying statement of cash position presents fairly, in all material respects, the cash and bank balance of the project [insert official title of project] amounting to [insert amount in US\$] as at xxxx [insert date] in accordance with agreed upon accounting policies [if needed add: set out in the note to the statement.

**Modified Opinions** (*Refer to ISA 705*)

Option 2: (Qualified opinion)

In our opinion, except for the effects of the matter described in the Basis for opinion section of our report, the accompanying statement of cash position presents fairly, in all material respects, the cash and bank balance of the project [insert official title of project] amounting to [insert amount in US\$] as at xxxx [insert date] in accordance with agreed upon accounting policies [if needed add: set out in the note to the statement.

Option 3: (Adverse opinion)

In our opinion, because of the significance of the matter discussed in the Basis for opinion section of our report, the accompanying statement of cash position does not present fairly the cash and bank balance of the project [insert official title of project] amounting to [insert amount in US\$] as at xxxx [insert date] in accordance with agreed upon accounting policies [if needed add: set out in the note to the statement.

*Option 4: (Disclaimer of opinion)*

We do not express an opinion on the accompanying statement of cash position. Because of the significance of the matter described in the Basis for opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of cash position amounting to [insert amount in US\$] as at xxxx [insert date].

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the statement of cash position section of our report. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*[Add here a description of the basis for the qualified, adverse or disclaimer opinion]*

**Management responsibilities**

Management is responsible for the preparation of the statement of cash position of the project, and for such internal control as management determines is necessary to enable the preparation of a statement of cash position that is free from material misstatement, whether due to fraud or error.

**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the statement of cash position is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of cash position, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Emphasis of Matter** [if applicable (Refer to ISA 706)]

We draw attention to Note X to the statement of cash position which describes the uncertainty related to the (insert the issue). Our opinion is not qualified in respect of this matter.

\_\_\_\_\_  
Auditor's Name and Signature

\_\_\_\_\_  
Date of the auditor's report

\_\_\_\_\_  
Auditor's address

Date of issuance: \_\_\_\_\_

AUDITOR'S NAME (Please print): \_\_\_\_\_

AUDITOR'S SIGNATURE: \_\_\_\_\_

STAMP AND SEAL OF AUDIT FIRM: \_\_\_\_\_

AUDIT FIRM ADDRESS: \_\_\_\_\_

AUDIT FIRM TEL. NO. \_\_\_\_\_

**Note:** Audit opinions must be one of the following: (a) unmodified, (b) qualified, (c) adverse, or (d) disclaimer. If the audit opinion is other than "unmodified" the audit report must describe both the nature and amount of the possible effects on the UNDP financial statement (CDR) (Amount of qualification). A definition of audit opinions is provided in Annex 4.



## **ANNEX 4: DEFINITION OF AUDIT OPINIONS**

### **Unmodified (Clean) Opinion (ISA<sup>8</sup> 700)**

An unmodified opinion should be expressed when the auditor concludes that the financial statements give a true and fair view (or are presented fairly, in all material respects) in accordance with the applicable financial reporting framework.

An unmodified opinion indicates implicitly that any changes in accounting policies or in the method of their application, and the effects thereof, have been properly determined and disclosed in the financial statements.

### **Emphasis of Matter (ISA 706)**

If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements, the auditor shall include an Emphasis of Matter paragraph in the auditor's report provided the auditor has obtained sufficient appropriate audit evidence that the matter is not materially misstated in the financial statements. Such a paragraph shall refer only to information presented or disclosed in the financial statements.

An emphasis of matter is not considered a modified opinion.

### **Qualified Opinion (ISA 705)**

The auditor expresses a qualified opinion when:

- (a) The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or
- (b) The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

### **Disclaimer of opinion (ISA 705)**

The auditor disclaims an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

The auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.

### **Adverse Opinion (ISA 705)**

The auditor shall express an adverse opinion when, having obtained sufficient appropriate audit evidence, s/he concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

## ***Annex 5: International Standards on Auditing (ISA) 450 and 710***

### **Guidance on Reporting Prior Year Modified opinion not properly corrected or resolved**

Following the International Standards on Auditing (ISA) 450 and ISA 710 that came into effect on December 2010 there is a requirement regarding a previous year modified audit opinion<sup>9</sup> This audit standard requires that auditors, when expressing an opinion on this year's statements, to take into account the possible effect of a prior year modified opinion that has not been properly corrected or resolved.

Consequently, a previous year modified opinion that has not been properly resolved may cause the auditors to issue a modified opinion in their current year audit report. If proper attention is not paid to this aspect, the risk could be a significant accumulation of unresolved modified opinions from previous years that would lead the UN BoA to issue a modified audit opinion on UNDP financial statements.

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<sup>8</sup> ISA = International Standards on Auditing

<sup>9</sup> A "modified" audit opinion means either a qualified opinion, a disclaimer of opinion or an adverse opinion.



**ANNEX 6: Priority of Audit Observations and Recommendations**

<b>High</b>	Prompt action is required to ensure that UNDP is not exposed to high risks, i.e. failure to take action could result in major negative consequences and issues.
<b>Medium</b>	Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.
<b>Low</b>	Action is desirable and should result in enhanced control or better value for money.

**ANNEX 7**

**TEMPLATE FOR AUDITORS TO REVIEW AND SIGN THE UPDATED ACTION PLANS FOR PRIOR YEAR AUDIT OBSERVATIONS AND RECOMMENDATIONS**

Award no.:		Output No.:			Opinion							
Obs No	Observation	Recommendation	Audit Area	Risk Severity	Proj/CO Mngt	Type: Action(s) Planned	Target Impl. Date	Action Unit	Person Responsible	Updated Status	Actual Impl. Date	Description of Status Update
Award no.:		Output No.:			Opinion							
Obs No	Observation	Recommendation	Audit Area	Risk Severity	Proj/CO Mngt Comments	Type: Action(s) Planned	Target Impl. Date	Action Unit	Person Responsible for Action	Updated Status	Actual Impl. Date	Description of Status Update
Award no.:		Output No.:			Opinion							
Obs No	Observation	Recommendation	Audit Area	Risk Severity	Proj/CO Mngt Comments	Type: Action(s) Planned	Target Impl. Date	Action Unit	Person Responsible for Action	Updated Status	Actual Impl. Date	Description of Status Update
<b>Implementing Partner (IP)</b>				<b>UNDP Country Office</b>				<b>Government Auditors/Audit Firm</b>				
Signature of IP Official:				Signature of UNDP Official: _				Signature of Audit firm Official:				
Name and title (print):				Name and title (print):				Name and title (print):				
Date:				Date:				Date:				
								Stamp and Seal of audit firm: _____				

**Note:** The values for the "Updated Status" could be: Implemented, In Progress, Not Implemented, N/A or Withdrawn. "N/A" means not applicable and would be used if there is an overall change in a project's working environment that makes last year's audit observation no longer applicable. For example, the project has been closed. Another example for using "N/A" is a project that had its own bank account and last year's audit recommendation called for the need to perform monthly bank reconciliation. However the following year, the auditor notes that the bank account has been closed. "Withdrawn" would be used if there is an overall change in a project's working environment that makes last year's audit observation and recommendation no longer valid. "Withdrawn" is very rarely used.

**ANNEX 8: TEMPLATE FOR AUDIT DATA AND OBSERVATIONS**

The information in the four tables below should be completed by the auditors and signed. The CO can obtain the electronic version of the word document and copy and paste the information in CARDS for each project/project audit report.

**Table 1 - Template for auditors to report on the audit of the UNDP CDR**

<b>UNDP Combined Delivery Report (CDR)</b> as at 31 December							
1	Project	Output	Amount audited and	Audit opinion (unqualified, qualified, adverse,	Total amount of qualification of audit opinion (if qualified, adverse or	Reason(s) for qualification of audit opinion and breakdown of <b>NFM amount</b>	Observation(s) that had impact on qualification of audit opinion (list observation

**Table 2 - Template for auditors to report on the audit of the statement of cash position**

<b>Statement of Cash Position</b>				
Project No.	Output No.	Value of Cash Position Statement as at 31	Audit Opinion - Statement of Cash	Total amount of qualification - Statement of Cash Position (US\$)

**Table 3 – Template for auditors to report on the audit of the statement of assets and equipment**

<b>Statement of assets and equipment</b>				
<b>Project No.</b>	<b>Output No.</b>	<b>Value of assets and equipment</b> as at 31 December	<b>Audit Opinion - Statement of Assets and Equipme</b>	<b>Total amount of qualification on the Statement of assets and</b>

**Table 4 - Template for auditors to report on current year audit observations and recommendations**

<b>Project No.</b>	<b>Output No.</b>	<b>Observ . No</b>	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Audit Area</b>	<b>Risk Severity</b>	<b>Project/C O Mnamt.</b>

Name and position of Auditor: \_\_\_\_\_

Signature of Auditor: \_\_\_\_\_

Date: \_\_\_\_\_

Name and stamp of Audit Firm: \_\_\_\_\_

## **ANNEX 9: GUIDANCE OF FORMULATING AUDIT OBSERVATIONS AND RECOMMENDATIONS**

The purpose of this note is to provide guidance on formulating audit observations and recommendations that are effective.

Effective audit observations should consist of four (4) common elements:

- 1) Condition
- 2) Criteria
- 3) Effect, potential impact or Risk
- 4) Recommendation

Items 1 to 3 must be part of what constitutes an audit observation. Below are helpful tips on each of these areas.

### CONDITION

The "Condition" refers to a conclusion, problem, or opportunity noted during the audit review. It directly addresses a control objective or some other standard of performance. Sample condition statements include:

- "The appropriate individual did not authorize this document."
- "The account has not been reconciled for three months."
- "The process can be streamlined to save six hours per day."

When documenting the condition, it is important to include the necessary level of detail in the description of the problem. Someone who has not participated in the audit, but has some basic understanding of the subject matter or function, should be able to comprehend any condition statement.

### CRITERIA

This element describes the standard being used as the benchmark for evaluation. In other words, it depicts the ideal condition. The criteria may reference a specific policy, procedure, or government regulation. At other times, the criteria may simply be a matter of common sense or prudent business practice. For example, a criteria statement might state that "Per policy #1234, all loans greater than \$100,000 must be approved by the board of directors;" or "Payroll processing responsibilities should be segregated to control the authorization of master file changes."

### EFFECT, POTENTIAL IMPACT OR RISK

The effect statement describes the particular risk that could exist (the potential impact or risk) or that has already existed (the effect) as a result of the condition or problem. Basically, it answers the question, "so what?" Effect statements often discuss the potential for loss, noncompliance, or customer dissatisfaction created by the problem.

Management is likely to zero in on the information provided in this aspect of the audit observation, as it allows them to see how the condition will negatively impact their activities. As a result, the effect statement often serves as the catalyst for a positive change.

One note of caution is in order - the risk suggested by the effect statement should not be overblown or exaggerated. While auditors are responsible for pointing out risks associated with control breakdowns, the effect statement should remain reasonable, plausible and should not be worded as if the world were coming to an end. If auditees are to take the audit observation seriously and respect what an auditor has to say, an auditor talks about risk in realistic, not exaggerated, terms.

### Risk Levels

In addition to explaining the and giving details about the “Effect, potential impact or risk” in the text of an audit observation, UNDP requires that the auditor also identifies the risk level in the audit report by using one of the following 3 pre-established risk levels:

<b>High</b>	Prompt action is required to ensure that UNDP is not exposed to high risks, i.e. failure to take action could result in major negative consequences and issues.
<b>Medium</b>	Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.
<b>Low</b>	Action is desirable and should result in enhanced control or better value for money.

### RECOMMENDATION

This aspect suggests how the situation might be remedied. An effective recommendation directly relates to and targets the cause. It isn't enough to state in general terms that management should fix the problem; the recommendation statement should also explain how remediation is to be achieved.

A good recommendation maintains the proper balance between the risk presented and the cost to control it. Before making a recommendation, the auditor should consider the following questions:

Does the recommendation solve the problem and eliminate or reduce the risk?

- Can the recommendation be implemented within the current environment?
- Is the recommendation cost-effective?
- Will the recommendation act as a temporary bandage or a permanent solution?

Examples of effective recommendations include monthly or quarterly physical inventories of all assets and equipment with reconciliation to appropriate records.

### ADDITIONAL TIPS

Whenever possible, similar findings should be combined into one form so that the case for implementing the recommendation is strengthened.

Playing devil's advocate can be an extremely helpful exercise. After completing the audit observation and recommendation, auditors should place themselves in the auditees' shoes and challenge/question the validity of the issue. If the issue cannot stand up to this exercise, it probably should not be included in the audit report.

## **ANNEX 10: GUIDANCE ON AUDIT MATERIALITY (ISA 320, 450)**

### **ISA 320**

ISA 320 deals with the auditor's responsibility to apply the concept of materiality in planning and performing an audit of financial statements.

Financial reporting frameworks often discuss the concept of materiality in the context of the preparation and presentation of financial statements. Although financial reporting frameworks may discuss materiality in different terms, they generally explain that:

- Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;
- Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and
- Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

For purposes of the ISAs, performance materiality means the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. If applicable, performance materiality also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.

When establishing the overall audit strategy, the auditor shall determine materiality for the financial statements as a whole. If, in the specific circumstances of the entity, there is one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements, the auditor shall also determine the materiality level or levels to be applied to those particular classes of transactions, account balances or disclosures.

The auditor shall determine performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures.

The auditor shall revise materiality for the financial statements as a whole (and, if applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures) in the event of becoming aware of information during the audit that would have caused the auditor to have determined a different amount (or amounts) initially.

If the auditor concludes that a lower materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures) than that initially determined is appropriate, the auditor shall determine whether it is necessary to revise performance materiality, and whether the nature, timing and extent of the further audit procedures remain appropriate.

### **ISA 450**

ISA 450 deals with the auditor's responsibility to evaluate the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements.

Each individual misstatement is considered to evaluate its effect on the relevant classes of transactions, account balances or disclosures, including whether the materiality level for that particular class of transactions, account balance or disclosure, if any, has been exceeded.

The circumstances related to some misstatements may cause the auditor to evaluate them as material, individually or when considered together with other misstatements accumulated during the audit, even if they are lower than materiality for the financial statements as a whole. Circumstances that may affect the evaluation include the extent to which the misstatement:

- Affects compliance with regulatory requirements;
- Relates to the incorrect selection or application of an accounting policy that has an immaterial effect on the current period's financial statements but is likely to have a material effect on future periods' financial statements;
- Is an omission of information not specifically required by the applicable financial reporting framework but which, in the judgment of the auditor, is important to the users' understanding of the financial position, financial performance of the entity.

The cumulative effect of immaterial uncorrected misstatements related to prior periods may have a material effect on the current period's financial statements. There are different acceptable approaches to the auditor's evaluation of such uncorrected misstatements on the current period's financial statements. Using the same evaluation approach provides consistency from period to period.

## SECTION 6: RETURNABLE BIDDING FORMS / CHECKLIST

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This form serves as a checklist for preparation of your Proposal. Please complete the Returnable Bidding Forms in accordance with the instructions in the forms and return them as part of your Proposal submission. No alteration to format of forms shall be permitted and no substitution shall be accepted.

Before submitting your Proposal, please ensure compliance with the Proposal Submission instructions of the BDS 22.

### Technical Proposal Envelope:

<b>Have you duly completed all the Returnable Bidding Forms?</b>	
▪ Form A: Technical Proposal Submission Form	<input type="checkbox"/>
▪ Form B: Bidder Information Form	<input type="checkbox"/>
▪ Form C: Joint Venture/Consortium/ Association Information Form	<input type="checkbox"/>
▪ Form D: Qualification Form	<input type="checkbox"/>
▪ Form E: Format of Technical Proposal	<input type="checkbox"/>
▪ Form H: Proposal Security Form	<input type="checkbox"/>
▪ [Add other forms as necessary]	<input type="checkbox"/>
<b>Have you provided the required documents to establish compliance with the evaluation criteria in Section 4?</b>	<input type="checkbox"/>

### Financial Proposal Envelope

**(Must be submitted in a separate sealed envelope/password protected email)**

▪ Form F: Financial Proposal Submission Form	<input type="checkbox"/>
▪ Form G: Financial Proposal Form	<input type="checkbox"/>

**FORM A: TECHNICAL PROPOSAL SUBMISSION FORM**

Name of Bidder:	[Insert Name of Bidder]	Date:	Select date
RFP reference:	[Insert RFP Reference Number]		

We, the undersigned, offer to provide the services for [Insert Title of services] in accordance with your Request for Proposal No. [Insert RFP Reference Number] and our Proposal. We are hereby submitting our Proposal, which includes this Technical Proposal and our Financial Proposal sealed under a separate envelope.

We hereby declare that our firm, its affiliates or subsidiaries or employees, including any JV/Consortium /Association members or subcontractors or suppliers for any part of the contract:

- a) is not under procurement prohibition by the United Nations, including but not limited to prohibitions derived from the Compendium of United Nations Security Council Sanctions Lists;
- b) have not been suspended, debarred, sanctioned or otherwise identified as ineligible by any UN Organization or the World Bank Group or any other international Organization;
- c) have no conflict of interest in accordance with Instruction to Bidders Clause 4;
- d) do not employ, or anticipate employing, any person(s) who is, or has been a UN staff member within the last year, if said UN staff member has or had prior professional dealings with our firm in his/her capacity as UN staff member within the last three years of service with the UN (in accordance with UN post-employment restrictions published in ST/SGB/2006/15);
- e) have not declared bankruptcy, are not involved in bankruptcy or receivership proceedings, and there is no judgment or pending legal action against them that could impair their operations in the foreseeable future;
- f) undertake not to engage in proscribed practices, including but not limited to corruption, fraud, coercion, collusion, obstruction, or any other unethical practice, with the UN or any other party, and to conduct business in a manner that averts any financial, operational, reputational or other undue risk to the UN and we *embrace the principles of the United Nations Supplier Code of Conduct and adhere to the principles of the United Nations Global Compact.*

*We declare that all the information and statements made in this Proposal are true and we accept that any misinterpretation or misrepresentation contained in this Proposal may lead to our disqualification and/or sanctioning by the UNDP.*

*We offer to provide services in conformity with the Bidding documents, including the UNDP General Conditions of Contract and in accordance with the Terms of Reference*

*Our Proposal shall be valid and remain binding upon us for the period of time specified in the Bid Data Sheet.*

We understand and recognize that you are not bound to accept any Proposal you receive.

*I, the undersigned, certify that I am duly authorized by [Insert Name of Bidder] to sign this Proposal and bind it should UNDP accept this Proposal.*

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

[Stamp with official stamp of the Bidder]

**FORM B: BIDDER INFORMATION FORM**

<b>Legal name of Bidder</b>	[Complete]
<b>Legal address</b>	[Complete]
<b>Year of registration</b>	[Complete]
<b>Bidder's Authorized Representative Information</b>	Name and Title: [Complete] Telephone numbers: [Complete] Email: [Complete]
<b>Are you a UNGM registered vendor?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No If yes, [insert UGNM vendor number]
<b>Are you a UNDP vendor?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No If yes, [insert UNDP vendor number]
<b>Countries of operation</b>	[Complete]
<b>No. of full-time employees</b>	[Complete]
<b>Quality Assurance Certification (e.g. ISO 9000 or Equivalent) (If yes, provide a Copy of the valid Certificate):</b>	[Complete]
<b>Does your Company hold any accreditation such as ISO 14001 related to the environment? (If yes, provide a Copy of the valid Certificate):</b>	[Complete]
<b>Does your Company have a written Statement of its Environmental Policy? (If yes, provide a Copy)</b>	[Complete]
<b>Contact person UNDP may contact for requests for clarification during Proposal evaluation</b>	Name and Title: [Complete] Telephone numbers: [Complete] Email: [Complete]
<b>Please attach the following documents:</b>	<ul style="list-style-type: none"> <li>▪ Company Profile, which should <u>not</u> exceed fifteen (15) pages, including printed brochures and product catalogues relevant to the goods/services being procured</li> <li>▪ Certificate of Incorporation/ Business Registration</li> <li>▪ Tax Registration/Payment Certificate issued by the Internal Revenue Authority evidencing that the Bidder is updated with its tax payment obligations, or Certificate of Tax exemption, if any such privilege is enjoyed by the Bidder</li> <li>▪ Trade name registration papers, if applicable</li> <li>▪ Local Government permit to locate and operate in assignment location, if applicable</li> <li>▪ Official Letter of Appointment as local representative, if Bidder is submitting a Bid in behalf of an entity located outside the country</li> <li>▪ Power of Attorney</li> </ul>

**FORM C: JOINT VENTURE/CONSORTIUM/ASSOCIATION INFORMATION FORM**

Name of Bidder:	[Insert Name of Bidder]	Date:	Select date
RFP reference:	[Insert RFP Reference Number]		

To be completed and returned with your Proposal if the Proposal is submitted as a Joint Venture/Consortium/Association.

No	Name of Partner and contact information <i>(address, telephone numbers, fax numbers, e-mail address)</i>	Proposed proportion of responsibilities (in %) and type of services to be performed
1	[Complete]	[Complete]
2	[Complete]	[Complete]
3	[Complete]	[Complete]

<b>Name of leading partner</b> (with authority to bind the JV, Consortium, Association during the RFP process and, in the event a Contract is awarded, during contract execution)	[Complete]
--	------------

We have attached a copy of the below document signed by every partner, which details the likely legal structure of and the confirmation of joint and severable liability of the members of the said joint venture:

Letter of intent to form a joint venture     **OR**      JV/Consortium/Association agreement

We hereby confirm that if the contract is awarded, all parties of the Joint Venture/Consortium/Association shall be jointly and severally liable to UNDP for the fulfillment of the provisions of the Contract.

Name of partner: \_\_\_\_\_

Name of partner: \_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Name of partner: \_\_\_\_\_

Name of partner: \_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Note:** *the Third Party Services Provider have to submit vaial registrion under Myanmar Accountancy Council.*

**FORM D: QUALIFICATION FORM**

Name of Bidder:	[Insert Name of Bidder]	Date:	Select date
RFP reference:	[Insert RFP Reference Number]		

If JV/Consortium/Association, to be completed by each partner.

**Historical Contract Non-Performance**

<input type="checkbox"/> Contract non-performance did not occur for the last 3 years			
<input type="checkbox"/> Contract(s) not performed for the last 3 years			
Year	Non- performed portion of contract	Contract Identification	Total Contract Amount (current value in US\$)
		Name of Client: Address of Client: Reason(s) for non-performance:	

**Litigation History** (including pending litigation)

<input type="checkbox"/> No litigation history for the last 3 years			
<input type="checkbox"/> Litigation History as indicated below			
Year of dispute	Amount in dispute (in US\$)	Contract Identification	Total Contract Amount (current value in US\$)
		Name of Client: Address of Client: Matter in dispute: Party who initiated the dispute: Status of dispute: Party awarded if resolved:	

**Previous Relevant Experience**

Please list only previous similar assignments successfully completed in the last 3 years. List only those assignments for which the Bidder was legally contracted or sub-contracted by the Client as a company or was one of the Consortium/JV partners. Assignments completed by the Bidder's individual experts working privately or through other firms cannot be claimed as the relevant experience of the Bidder, or that of the Bidder's partners or sub-consultants, but can be claimed by the Experts themselves in their CVs. The Bidder should be prepared to substantiate the claimed experience by presenting copies of relevant documents and references if so requested by UNDP.

Project name & Country of Assignment	Client & Reference Contact Details	Contract Value	Period of activity and status	Types of activities undertaken

*Bidders may also attach their own Project Data Sheets with more details for assignments above.*

Attached are the Statements of Satisfactory Performance from the Top 3 (three) Clients or more.

## Financial Standing

<b>Annual Turnover for the last 3 years</b>	Year	USD
	Year	USD
	Year	USD
<b>Latest Credit Rating (if any), indicate the source</b>		

<b>Financial information</b> (in US\$ equivalent)	<b>Historic information for the last 3 years</b>		
	Year 1	Year 2	Year 3
	<i>Information from Balance Sheet</i>		
Total Assets (TA)			
Total Liabilities (TL)			
Current Assets (CA)			
Current Liabilities (CL)			
	<i>Information from Income Statement</i>		
Total / Gross Revenue (TR)			
Profits Before Taxes (PBT)			
Net Profit			
Current Ratio			

Attached are copies of the audited financial statements (balance sheets, including all related notes, and income statements) for the years required above complying with the following condition:

- a) Must reflect the financial situation of the Bidder or party to a JV, and not sister or parent companies;
- b) Historic financial statements must be audited by a certified public accountant;
- c) Historic financial statements must correspond to accounting periods already completed and audited. No statements for partial periods shall be accepted.

## FORM E: FORMAT OF TECHNICAL PROPOSAL

### Note to UNDP [MUST BE DELETED BEFORE POSTING]:

Please ensure that the information below is adapted in accordance with the technical evaluation criteria included in Section 4. The below sections correspond to the sample criteria included in this template RFP in Section 4]

Name of Bidder:	[Insert Name of Bidder]	Date:	Select date
RFP reference:	[Insert RFP Reference Number]		

The Bidder's proposal should be organized to follow this format of Technical Proposal. Where the bidder is presented with a requirement or asked to use a specific approach, the bidder must not only state its acceptance, but also describe how it intends to comply with the requirements. Where a descriptive response is requested, failure to provide the same will be viewed as non-responsive.

#### SECTION 1: Bidder's qualification, capacity and expertise

- 1.1 Brief description of the organization, including the year and country of incorporation, and types of activities undertaken.
- 1.2 General organizational capability which is likely to affect implementation: management structure, financial stability and project financing capacity, project management controls, extent to which any work would be subcontracted (if so, provide details).
- 1.3 Relevance of specialized knowledge and experience on similar engagements done in the region/country.
- 1.4 Quality assurance procedures and risk mitigation measures.
- 1.5 Organization's commitment to sustainability.

#### SECTION 2: Proposed Methodology, Approach and Implementation Plan

This section should demonstrate the bidder's responsiveness to the TOR by identifying the specific components proposed, addressing the requirements, providing a detailed description of the essential performance characteristics proposed and demonstrating how the proposed approach and methodology meets or exceeds the requirements. All important aspects should be addressed in sufficient detail and different components of the project should be adequately weighted relative to one another.

- 2.1 A detailed description of the approach and methodology for how the Bidder will achieve the Terms of Reference of the project, keeping in mind the appropriateness to local conditions and project environment. Details how the different service elements shall be organized, controlled and delivered.
- 2.2 The methodology shall also include details of the Bidder's internal technical and quality assurance review mechanisms.
- 2.3 Explain whether any work would be subcontracted, to whom, how much percentage of the work, the rationale for such, and the roles of the proposed sub-contractors and how everyone will function as a team.
- 2.4 Description of available performance monitoring and evaluation mechanisms and tools; how they shall be adopted and used for a specific requirement.
- 2.5 Implementation plan including a Gantt Chart or Project Schedule indicating the detailed sequence of activities that will be undertaken and their corresponding timing.
- 2.6 Demonstrate how you plan to integrate sustainability measures in the execution of the contract.
- 2.7 Any other comments or information regarding the project approach and methodology that will be adopted.

#### SECTION 2A: Bidder's Comments and Suggestions on the Terms of Reference

Provide comments and suggestions on the Terms of Reference, or additional services that will be rendered beyond the requirements of the TOR, if any.

#### SECTION 3: Management Structure and Key Personnel

- 3.1 Describe the overall management approach toward planning and implementing the project. Include an organization chart for the management of the project describing the relationship of key positions and designations. Provide a spreadsheet to show the activities of each personnel and the time allocated for his/her involvement.
- 3.2 Provide CVs for key personnel that will be provided to support the implementation of this project using the format below. CVs should demonstrate qualifications in areas relevant to the Scope of Services.

**Format for CV of Proposed Key Personnel**

NAME OF PERSONNEL	[INSERT] <hr/>
POSITION FOR THIS ASSIGNMENT	[INSERT] <hr/>
NATIONALITY	[INSERT] <hr/>
LANGUAGE PROFICIENCY	[INSERT] <hr/>
EDUCATION/ QUALIFICATIONS <hr/>	<p><i>[SUMMARIZE COLLEGE/UNIVERSITY AND OTHER SPECIALIZED EDUCATION OF PERSONNEL MEMBER, GIVING NAMES OF SCHOOLS, DATES ATTENDED, AND DEGREES/QUALIFICATIONS OBTAINED.]</i></p> <hr/>

	<p>[INSERT]</p>
<p>PROFESSIONAL CERTIFICATIONS</p>	<p><i>[PROVIDE DETAILS OF PROFESSIONAL CERTIFICATIONS RELEVANT TO THE SCOPE OF SERVICES]</i></p> <hr/> <ul style="list-style-type: none"> <li>▪ NAME OF INSTITUTION: [INSERT]</li> <li>▪ DATE OF CERTIFICATION: [INSERT]</li> </ul>
<p>EMPLOYMENT RECORD/ EXPERIENCE</p>	<p><i>[LIST ALL POSITIONS HELD BY PERSONNEL (STARTING WITH PRESENT POSITION, LIST IN REVERSE ORDER), GIVING DATES, NAMES OF EMPLOYING ORGANIZATION, TITLE OF POSITION HELD AND LOCATION OF EMPLOYMENT. FOR EXPERIENCE IN LAST FIVE YEARS, DETAIL THE TYPE OF ACTIVITIES PERFORMED, DEGREE OF RESPONSIBILITIES, LOCATION OF ASSIGNMENTS AND ANY OTHER INFORMATION OR PROFESSIONAL EXPERIENCE CONSIDERED PERTINENT FOR THIS ASSIGNMENT.]</i></p> <hr/> <p>[INSERT]</p>

REFERENCES

*[PROVIDE NAMES, ADDRESSES, PHONE AND EMAIL CONTACT INFORMATION FOR TWO (2) REFERENCES]*

---

REFERENCE 1:

[INSERT]

---

REFERENCE 2:

[INSERT]

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I, the undersigned, certify that to the best of my knowledge and belief, these data correctly describe my qualifications, my experiences, and other relevant information about myself.

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Signature of Personnel

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Date (Day/Month/Year)

**FORM F: FINANCIAL PROPOSAL SUBMISSION FORM**

Name of Bidder:	[Insert Name of Bidder]	Date:	Select date
RFP reference:	[Insert RFP Reference Number]		

**LOT 1; Micro Assessments**

Sr.	IP Numbers, Range to Assessed	Duration to complete the task	Proposed Fees	Remark
1	1-5			
2	6- 10			
3	11-15			
4	16-20			
5	21 -30			

Note: If location is other than Yangon, Travel cost + Accommodation will have to be considered.

**LOT2: Spot Checks**

Sr.	Range of Budget	Duration to complete the task	Proposed Fees	Remark
1	\$30,000 to \$ 50,000			
2	\$50,001 to \$100,000			
3	\$100,001 to 300,000			
4	\$300,001 to \$500,000			
5	\$500,000 & above			

Note: If location is other than Yangon, Travel cost + Accommodation will have to be considered.

**LOT3: Internal Control Audits**

Sr.	Range of Budget	Duration to complete the task	Proposed Fees	Remark
1	\$30,000 to \$ 50,000			
2	\$50,001 to \$100,000			
3	\$100,001 to 300,000			
4	\$300,001 to \$500,000			
5	\$500,000 & above			

Note: If location is other than Yangon, Travel cost + Accommodation will have to be considered.

**LOT4: Financial Audits**

Sr.	Range of Budget	Duration to complete the task	Proposed Fees	Remark
1	\$30,000 to \$ 50,000			
2	\$50,001 to \$100,000			
3	\$100,001 to 300,000			
4	\$300,001 to \$500,000			
5	\$500,000 & above			

Note: If location is other than Yangon, Travel cost + Accommodation will have to be considered.

The above rates shall be excluding VAT and shall be applied in respective years throughout the validity of the LTA for the tasks to be performed by the Contractor within the scope of Lot -1, Lot-2, Lot-3 and Lot-4.

We, the undersigned, offer to provide the services for [Insert Title of services] in accordance with your Request for Proposal No. [Insert RFP Reference Number] and our Proposal. We are hereby submitting our Proposal, which includes this Technical Proposal and our Financial Proposal sealed under a separate envelope.

Our attached Financial Proposal is for the sum of [Insert amount in words and figures].

*Our Proposal shall be valid and remain binding upon us for the period of time specified in the Bid Data Sheet.*

We understand you are not bound to accept any Proposal you receive.

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

*[Stamp with official stamp of the Bidder]*

**FORM G: FINANCIAL PROPOSAL FORM**

Name of Bidder:	[Insert Name of Bidder]	Date:	Select date
RFP reference:	[Insert RFP Reference Number]		

The Bidder is required to prepare the Financial Proposal following the below format and submit it in an envelope separate from the Technical Proposal as indicated in the Instruction to Bidders. Any Financial information provided in the Technical Proposal shall lead to Bidder's disqualification.

The Financial Proposal should align with the requirements in the Terms of Reference and the Bidder's Technical Proposal.

**Currency of the proposal:** [Insert Currency]

**Table 1: Summary of Overall Prices**

	Amount(s)
<b>Professional Fees</b> (from Table 2)	
<b>Other Costs</b> (from Table 3)	
<b>Total Amount of Financial Proposal</b>	

**Table 2: Breakdown of Professional Fees**

Name	Position	Fee Rate	No. of Days/months/ hours	Total Amount
		A	B	C=A+B
In-Country				
Home Based				
<b>Subtotal Professional Fees:</b>				

**Table 3: Breakdown of Other Costs**

Description	UOM	Quantity	Unit Price	Total Amount
International flights	Trip			
Subsistence allowance	Day			
Miscellaneous travel expenses	Trip			
Local transportation costs	Lump Sum			
Out-of-Pocket Expenses				
Other Costs: (please specify)				

<b>Subtotal Other Costs:</b>	
------------------------------	--

**Table 4: Breakdown of Price per Deliverable/Activity**

<b>Deliverable/ Activity description</b>	<b>Time (person days)</b>	<b>Professional Fees</b>	<b>Other Costs</b>	<b>Total</b>
Deliverable 1				
Deliverable 2				
Deliverable 3				
.....				

**FORM H: FORM OF PROPOSAL SECURITY**

**Proposal Security must be issued using the official letterhead of the Issuing Bank.  
Except for indicated fields, no changes may be made on this template.**

---

To: UNDP

*[Insert contact information as provided in Data Sheet]*

WHEREAS [Name and address of Bidder] (hereinafter called "the Bidder") has submitted a Proposal to UNDP dated [Click here to enter a date.](#) to execute Services [Insert Title of Services] (hereinafter called "the Proposal"):

AND WHEREAS it has been stipulated by you that the Bidder shall furnish you with a Bank Guarantee by a recognized bank for the sum specified therein as security in the event that the Bidder:

- a) Fails to sign the Contract after UNDP has awarded it;
- b) Withdraws its Proposal after the date of the opening of the Proposals;
- c) Fails to comply with UNDP's variation of requirement, as per RFP instructions; or
- d) Fails to furnish Performance Security, insurances, or other documents that UNDP may require as a condition to rendering the contract effective.

AND WHEREAS we have agreed to give the Bidder such this Bank Guarantee:

NOW THEREFORE we hereby affirm that we are the Guarantor and responsible to you, on behalf of the Bidder, up to a total of *[amount of guarantee] [in words and numbers]*, such sum being payable in the types and proportions of currencies in which the Price Proposal is payable, and we undertake to pay you, upon your first written demand and without cavil or argument, any sum or sums within the limits of *[amount of guarantee as aforesaid]* without your needing to prove or to show grounds or reasons for your demand for the sum specified therein.

This guarantee shall be valid up to 30 days after the final date of validity of bids.

**SIGNATURE AND SEAL OF THE GUARANTOR BANK**

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Name of Bank \_\_\_\_\_

Address \_\_\_\_\_

*[Stamp with official stamp of the Bank]*