



## REQUEST FOR PROPOSAL (RFP)

ALL INTERESTED	DATE: June 17, 2021
	REFERENCE: 579-2021-UNDP-UKR-RFP-CO

Dear Sir / Madam:

We hereby invite you to submit your Proposal for performing **for financial HACT audit services**.

Please be guided by the form attached hereto as Annex 2, in preparing your Proposal.

Proposals may be submitted on or before close of business **Wednesday, June 30, 2021**, till **23:59 Kyiv time** via email to the address below:

**United Nations Development Programme**  
**tenders.ua@undp.org**  
**Procurement Unit**

In the course of preparing your Proposal, it shall remain your responsibility to ensure that it reaches the address above on or before the deadline. Proposals that are received by UNDP after the deadline indicated above, for whatever reason, shall not be considered for evaluation. If you are submitting your Proposal by email, kindly ensure that they are signed and in the .pdf format, and free from any virus or corrupted files.

Services proposed shall be reviewed and evaluated based on completeness and compliance of the Proposal and responsiveness with the requirements of the RFP and all other annexes providing details of UNDP requirements.

The Proposal that complies with all of the requirements, meets all the evaluation criteria and offers the best value for money shall be selected and awarded the contract. Any offer that does not meet the requirements shall be rejected.

Any discrepancy between the unit price and the total price shall be re-computed by UNDP, and the unit price shall prevail, and the total price shall be corrected. If the Service Provider does not accept the final price based on UNDP's re-computation and correction of errors, its Proposal will be rejected.

No price variation due to escalation, inflation, fluctuation in exchange rates, or any other market factors shall be accepted by UNDP after it has received the Proposal. At the time of Award of Contract or Purchase Order, UNDP reserves the right to vary (increase or decrease) the quantity of services and/or goods, by up to a maximum twenty-five per cent (25%) of the total offer, without any change in the unit price or other terms and conditions.

Any Contract or Purchase Order that will be issued as a result of this RFP shall be subject to the General Terms and Conditions attached hereto. The mere act of submission of a Proposal implies that the Service Provider accepts without question the General Terms and Conditions of UNDP, herein attached as Annex 4.

Please be advised that UNDP is not bound to accept any Proposal, nor award a contract or Purchase Order, nor be responsible for any costs associated with a Service Providers preparation and submission of a Proposal, regardless of the outcome or the manner of conducting the selection process.

UNDP's vendor protest procedure is intended to afford an opportunity to appeal for persons or firms not awarded a Purchase Order or Contract in a competitive procurement process. In the event that you believe you have not been fairly treated, you can find detailed information about vendor protest procedures in the following link:

<http://www.undp.org/content/undp/en/home/operations/procurement/business/protest-and-sanctions.html>

UNDP encourages every prospective Service Provider to prevent and avoid conflicts of interest, by disclosing to UNDP if you, or any of your affiliates or personnel, were involved in the preparation of the requirements, design, cost estimates, and other information used in this RFP.

UNDP implements a zero tolerance on fraud and other proscribed practices, and is committed to preventing, identifying and addressing all such acts and practices against UNDP, as well as third parties involved in UNDP activities. UNDP expects its Service Providers to adhere to the UN Supplier Code of Conduct found in this link :

[https://www.un.org/Depts/ptd/sites/www.un.org.Depts.ptd/files/files/attachment/page/pdf/un\\_scc/conduct\\_english.pdf](https://www.un.org/Depts/ptd/sites/www.un.org.Depts.ptd/files/files/attachment/page/pdf/un_scc/conduct_english.pdf)

Thank you and we look forward to receiving your Proposal.

Sincerely yours,



Ms. Agnes Kochan,  
Operations Manager UNDP





**Annex 1****Description of Requirements**

Context of the Requirement	<b>HACT Audit of UNDP Projects as per TOR</b>
Implementing Partner of UNDP	Management project
Brief Description of the Required Services <sup>1</sup>	<p>Following UNDP projects will undergo HACT financial Audit 2020:</p> <ol style="list-style-type: none"> <li>1. EU Support to the east of Ukraine – Recovery, Peacebuilding and Governance</li> <li>2. Social Stabilization Support to the IDP and Conflict-affected Persons</li> <li>3. Promoting Entrepreneurship among the Conflict-Affected Population in Ukraine (Phase III)</li> <li>4. Support to entrepreneurship and employment development along the Azov sea coastline in Donetsk and Zaporizhzhia regions</li> </ol>
List and Description of Expected Outputs to be Delivered	As per TOR in Annex 2
Person to Supervise the Work/Performance of the Service Provider	<i>Programme Finance Officer, UNDP</i>
Frequency of Reporting	<i>As required, regular progress meetings on request of the Supervisor</i>
Progress Reporting Requirements	In accordance with requirements of TOR and formats provided in its Annexes
Location of work	<input type="checkbox"/> Exact Address/es <i>[pls. specify]</i> <input checked="" type="checkbox"/> At Contractor's Location
Expected duration of work	1 month
Target start date	15 July, 2021
Latest completion date	15 August, 2021

<sup>1</sup> A detailed TOR may be attached if the information listed in this Annex is not sufficient to fully describe the nature of the work and other details of the requirements.

Travels Expected	N/A
Special Security Requirements	<input type="checkbox"/> Security Clearance from UN prior to travelling <input type="checkbox"/> Completion of UN's Basic and Advanced Security Training <input type="checkbox"/> Comprehensive Travel Insurance <input type="checkbox"/> Others <i>[pls. specify]</i>
Facilities to be Provided by UNDP (i.e., must be excluded from Price Proposal)	<input type="checkbox"/> Office space and facilities <input type="checkbox"/> Land Transportation <input type="checkbox"/> Others <i>[pls. specify]</i>
Implementation Schedule indicating breakdown and timing of activities/sub-activities	<input checked="" type="checkbox"/> Required <input type="checkbox"/> Not Required
Names and curriculum vitae of individuals who will be involved in completing the services	<input checked="" type="checkbox"/> Required <input type="checkbox"/> Not Required Please indicate clear roles in implementation team in accordance with required team minimum reflected in TOR
Currency of Proposal	<input checked="" type="checkbox"/> United States Dollars <input type="checkbox"/> Euro <input checked="" type="checkbox"/> Local Currency The proposal will be fixed in the currency proposed. Please propose in only one of applicable currencies. In case of proposal in local currency, the amount will be converted to USD based on UNORE currency rate for comparison. Local suppliers with contracts fixed in USD are paid in local currency based on UNORE rate for the date of payment. <a href="https://treasury.un.org/operationalrates/OperationalRates.php">https://treasury.un.org/operationalrates/OperationalRates.php</a>
Value Added Tax on Price Proposal	<input checked="" type="checkbox"/> must be inclusive of VAT and other applicable indirect taxes <input type="checkbox"/> must be exclusive of VAT and other applicable indirect taxes
Validity Period of Proposals (Counting for the last day of submission of quotes)	<input checked="" type="checkbox"/> 60 days <input type="checkbox"/> 90 days <input type="checkbox"/> 120 days  In exceptional circumstances, UNDP may request the Proposer to extend the validity of the Proposal beyond what has been initially indicated in this RFP. The Proposal shall then confirm the extension in writing, without any modification whatsoever on the Proposal.

Partial Quotes	<input checked="" type="checkbox"/> Not permitted <input type="checkbox"/> Permitted
Payment Terms	The payment shall be arranged upon completion, presentation and UNDP approval of the Deliverables as listed in TOR.
Person(s) to review/inspect/ approve outputs/complete d services and authorize the disbursement of payment	Deputy Resident Representative UNDP
Type of Contract to be Signed	<input type="checkbox"/> Purchase Order <input type="checkbox"/> Institutional Contract <input checked="" type="checkbox"/> Contract for Professional Services <input type="checkbox"/> Long-Term Agreement <input type="checkbox"/> Other Type of Contract
Criteria for Contract Award	<input type="checkbox"/> Lowest Price Quote among technically responsive offers <input checked="" type="checkbox"/> Highest Combined Score (based on the 70% technical offer and 30% price weight distribution) <input checked="" type="checkbox"/> Full acceptance of the UNDP Contract General Terms and Conditions (GTC). This is a mandatory criterion and cannot be deleted regardless of the nature of services required. Non-acceptance of the GTC may be grounds for the rejection of the Proposal.
Criteria for the Assessment of Proposal	<p><b><u>Technical Proposal (70%)</u></b></p> <input checked="" type="checkbox"/> Expertise of the Firm <i>[indicate percentage]</i> <input checked="" type="checkbox"/> Methodology, Its Appropriateness to the Condition and Timeliness of the Implementation Plan <i>[indicate percentage]</i> <input checked="" type="checkbox"/> Management Structure and Qualification of Key Personnel <i>[indicate percentage]</i>
UNDP will award the contract to:	<p><b><u>Financial Proposal (30%)</u></b></p> <p>To be computed as a ratio of the Proposal's offer to the lowest price among the proposals received by UNDP.</p>
Contract General Terms and Conditions <sup>2</sup>	<input type="checkbox"/> General Terms and Conditions for contracts (goods and/or services) <input checked="" type="checkbox"/> General Terms and Conditions for de minimis contracts (services only, less than \$50,000)  Applicable Terms and Conditions are available at:

<sup>2</sup> Service Providers are alerted that non-acceptance of the terms of the General Terms and Conditions (GTC) may be grounds for disqualification from this procurement process.

	<a href="http://www.undp.org/content/undp/en/home/procurement/business/how-we-buy.html">http://www.undp.org/content/undp/en/home/procurement/business/how-we-buy.html</a>
Annexes to this RFP	<input checked="" type="checkbox"/> Form for Submission of Proposal (Annex 3) <input checked="" type="checkbox"/> Detailed TOR (Annex 2) <input type="checkbox"/> Others
Contact Person for Inquiries (Written inquiries only) <sup>3</sup>	<p><i>Procurement Unit UNDP</i>  <i>Kyiv, Ukraine</i>  <i>Procurement.ua@undp.org</i></p> <p>Any delay in UNDP's response shall be not used as a reason for extending the deadline for submission, unless UNDP determines that such an extension is necessary and communicates a new deadline to the Proposers.</p>
Documents to be submitted with the proposal	<ul style="list-style-type: none"> <li>• Company (audit services provider) profile, which should not exceed ten (10) pages but should include references to the audits of similar nature, preferably for international organizations. The profile shall explicitly note the information contained in the Evaluation Criteria section;</li> <li>• At least two (2) reference letters from the previous customers/clients/partners reflecting the nature of projects implemented, their results and the role of the applicant. Letters from UN Agencies are of special value;</li> <li>• Description of the proposed team, including CVs of the team suggested that allow to assess their experience. For more details, see the section "Key requirements for the organization";</li> <li>• Technical proposal, including work plan, timetable of stages, methodology and approach;</li> <li>• Copies of professional certificates for proposed staff (if available);</li> <li>• Registration documents' scan copies</li> <li>• Copies of financial balance sheets as per local legislation requirements past 2 years;</li> <li>• A financial proposal in line with the instructions provided in the RFP.</li> </ul> <p><b>Note: the financial proposal shall be in a password-protected archive and separate from the technical proposal. The password to the financial proposal archive shall not be provided unless requested and shall not be included with the original submission – in the cover letter or any other submission part.</b></p>

<sup>3</sup> This contact person and address is officially designated by UNDP. If inquiries are sent to other person/s or address/es, even if they are UNDP staff, UNDP shall have no obligation to respond nor can UNDP confirm that the query was received.

<p>Other Information <i>[pls. specify]</i></p>	<p><b>Pre-bid conference will be conducted</b></p> <p><b>23.06.2021, at 11:00</b> <b>Via Zoom</b></p> <p>To express your interest to take part please send notification to <a href="mailto:procurement.ua@undp.org">procurement.ua@undp.org</a>, <b>point out tender reference in subject</b>, the title of the company, names and positions of the representatives including contact details in the body of e-mail. Link to skype conference will be provided upon processing your inquiry.</p> <p><b>Electronic submission requirements:</b></p> <ol style="list-style-type: none"> <li>1. Format: PDF files, <b>ZIP archives only</b></li> <li>2. File names must be maximum 60 characters long and must not contain any letter or special character other than from Latin alphabet/keyboard.</li> <li>3. All files must be free of viruses and not corrupted.</li> <li>4. <b>Password for financial proposal must not be provided to UNDP until requested by UNDP. Provision of non-password protected financial proposal leads to disqualification from the tender process.</b></li> <li>5. Time Zone to be Recognized: [Kyiv +2]</li> <li>6. Max. File Size per transmission: 5 MB</li> <li>7. Mandatory subject of email: <b>579-2021-UNDP-UKR-RFP-CO, Part №.... From (total quantity of parts in submission)</b></li> <li>8. Application forms to be filled in any of the languages listed: English/Ukrainian; supporting documents such as local registration/licenses/certificates issued in local language may be provided without translation.</li> <li>9. <b>Please do not duplicate your submission to <a href="mailto:procurement.ua@undp.org">procurement.ua@undp.org</a>. This address is used only for questions and answers.</b></li> <li>10. Other conditions: Proposers are solely responsible for ensuring that any and all files sent to UNDP are readable, that is, uncorrupted, in the indicated electronic format, and free from viruses and malware. Failure to provide readable files will result in the proposal being rejected.</li> </ol>
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## Annex 2

### Terms of Reference

#### 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 2020
  - (ii) Statement of Cash Position reported by the project as at 31 December 2020
  - (iii) Statement of Assets and Equipment as at 31 December 2020
- 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>4</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)

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<sup>4</sup> A "modified" audit opinion means either a qualified opinion, a disclaimer of opinion or an adverse opinion.

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.

**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 (FY2019) that needs to be uploaded in CARDS.

**Annex 8** provides a template for audit data and observations for FY2020 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).

## **A. Background**

UNDP programmes and projects are subject to the UNDP HACT framework (2014) with requisite HACT assessments, assurance planning and activities, and HACT audits. To this end, following projects will undergo HACT financial Audit 2020:

5. EU Support to the east of Ukraine – Recovery, Peacebuilding and Governance
6. Social Stabilization Support to the IDP and Conflict-affected Persons
7. Promoting Entrepreneurship among the Conflict-Affected Population in Ukraine (Phase III)
8. Support to entrepreneurship and employment development along the Azov sea coastline in Donetsk and Zaporizhzhia regions

All of the projects listed have DIM modality and part of activities are performed by implementing agents other than UNDP (responsible parties). **Expenditures under HACT audit scope are only expenditures incurred by the responsible parties Charity Fund “Creative Center CCC” (implementing agent code 012070) and ACTED (implementing agent code 012181). All other expenditures featured in CDR of the project 00102396 (outputs 111513, 115487, 120593, 119309) are out of scope of HACT audit for 2020FY.**

**The details for each of the above four (4) projects are given below:**

1. **EU Support to the east of Ukraine – Recovery, Peacebuilding and Governance (Table 1, SR.1 & 5):**

The “EU Support to the east of Ukraine – Recovery, Peacebuilding and Governance, 2018-2022” project, jointly implemented by four agencies: UNDP, UN Women, UNFPA, FAO as part of the UN Recovery and Peacebuilding Programme. The initiative aims to strengthen community security and social cohesion, support the economic recovery of conflict-affected communities, as well as further the implementation of the decentralization and healthcare reforms in the government-controlled areas of Donetsk and Luhansk oblasts. The Project helps to develop the capacity of local governments by improving evidence-based planning, transparency, accountability, and responsiveness to community needs, as well as gender equality and non-discrimination. In this regard, a series of assessments are being conducted to strengthen sectoral analyses of markets, administrative, justice, security, social, education, health, and communal services in conflict-affected regions, providing gender and age disaggregated data for local level planning and decision making.

2. **Social Stabilization Support to the IDP and Conflict-affected Persons (Table 1, SR. 2):**

The Project is designed to address the employment and livelihoods issues of the conflict-affected women and men. The resolution of these issues will take place through the provision of dedicated capacity building, advisory and financing support to women and men willing to set up their businesses, particularly those formerly employed in the heavy industry, ports and in the fishery, to existing agriculture and non-agriculture MSMEs, as well as to start-ups, cooperatives and farmers associations. The goals of the project are to contribute to the development of a dynamic MSME sector having access to strong business markets in the region. Ultimately, the Project is aimed at boosting resilience and sustainable livelihood opportunities to build strong

foundations for peace and economic prosperity to the conflict-affected population, women and men, in eastern Ukraine.

**3. Promoting Entrepreneurship among the Conflict-Affected Population in Ukraine – Phase III (Table 1, SR. 3):**

The project aims to boost the current support for entrepreneurship development, jobs creation, business skills advancement and access to markets in the challenging conflict-affected environment, thus helping to improve the resilience of local populations and IDPs and preventing further deterioration of the economic situation in Donetsk and Luhansk oblasts of Ukraine. This project is a logical continuation of the project phase I and phase II and will contribute to sustainable recovery of living conditions of the conflict-affected population as a part of the broader economic recovery effort. The project will be implemented under Component 1 “Economic recovery and restoration of critical infrastructure” of the UN Recovery and Peacebuilding Programme and will follow the objectives articulated in the State Target Programme on Recovery and Peacebuilding in the Eastern Regions of Ukraine and the Regional Development Strategies of Donetsk and Luhansk Oblasts.

**4. Support to entrepreneurship and employment development along the Azov sea coastline in Donetsk and Zaporizhzhia regions (Table 1, SR. 4):**

The Project is designed to address the employment and livelihoods issues of the conflict-affected women and men. The resolution of these issues will take place through the provision of dedicated capacity building, advisory and financing support to women and men willing to set up their businesses, particularly those formerly employed in ports and in the fishing industry, to existing agriculture and non-agriculture MSMEs, as well as to start-ups, cooperatives and farmers associations. The goals of the project are to contribute to the development of a dynamic MSME sector having access to strong business markets in the region.

Ultimately, the Project is aimed at improving population resilience and contribute to preventing further deterioration of the economic situation in the target coastline regions of eastern Ukraine.

**Table 1: Geographical and Expense breakdown for RPs and IPs**

Sr.No	Projects to be audited under 2020 HACT Audit	Implementing Agent	Budget 2020 (USD)	Expense 2020 (USD)	Location
1	Project 00102396 "Recovery and Peacebuilding Programme" - Output 111513 "EU Support to the East of Ukraine – Recovery, Peacebuilding and Governance"	12070	2,338,185.44	2,338,209.54	Kyiv (NGO has representatives and activities in the East of Ukraine, however, the head office is in Kyiv)

2	Project 00102396 "Recovery and Peacebuilding Programme" - Output 120593 "Social Stabilization Support to the IDP and Conflict-affected Persons"	12070	416,339.60	414,524.05	Kyiv (NGO has representatives and activities in the East of Ukraine, however, the head office is in Kyiv)
3	Project 00102396 "Recovery and Peacebuilding Programme" - Output 115487 "Promoting Entrepreneurship among the Conflict-Affected Population in Ukraine (Phase III)"	12070	534,316.24	519,502.86	Kyiv (NGO has representatives and activities in the East of Ukraine, however, the head office is in Kyiv)
4	Project 00102396 "Recovery and Peacebuilding Programme" - Output 119309 "Support to entrepreneurship and employment development along the Azov sea coastline in Donetsk and Zaporizhzhia regions"	12070	984,253.84	959,314.34	Kyiv (NGO has representatives and activities in the East of Ukraine, however, the head office is in Kyiv)
5	Project 00102396 "Recovery and Peacebuilding Programme" - Output 111513 "EU Support to the East of Ukraine – Recovery, Peacebuilding and Governance"	12181	775,781.00	695,291.22	Kyiv (NGO has representatives and activities in the East of Ukraine, however, the head office is in Kyiv)

## **B. Project Management**

The following details will be provided once the audit commences:

- An organizational 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**

Prior to the start of audit work the auditor will be required to consult with the UNDP country office and the implementing partner for each project. Upon completion of the fieldwork, auditors will be required to hold Exit meeting with the partner and UNDP Project and have the Exit meeting minutes signed by representatives of the partner and/or project.

## **D. Description of Financial Reports (UNDP CDR) to be audited**

A description of the Combined Delivery Report (CDR) and supporting schedules is presented in this section (see below). The Statement of Cash Position and the Statement of Assets and Equipment, with year-end inventory listing and a description of the inventory will also be made available to the auditors for each project.

### 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.
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 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 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

- the geographical locations of the audit fieldwork for various partners under the projects will be as per Table 1 above and explained in Section A
- That the audit will be carried out in accordance with either ISA<sup>5</sup> or INTOSAI<sup>6</sup> auditing standards.
- That the audit period is 1 January to 31 December of the year 2020.
- That the scope of the audit is limited to the implementing partner/responsible party 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/responsible party.
- That the auditor is required to verify the mathematical accuracy of the CDR by ensuring that the expenses 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 2020 and will certify:
  1. The Statement of Expenses (**CDR**) for the period from 1 January to 31 December 2020;
  2. The Statement of Cash Position (cash and bank balances of the project) reported by the project as at 31 December 2020; and

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<sup>5</sup> International Standards on Auditing (ISA) published by the International Auditing and Assurance Standards Board of the International Federation of Accountants

<sup>6</sup> International Organization of Supreme Audit Institutions



### 3. The Statement of Assets and Equipment held by the project as at 31 December 2020.

- 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 July 1<sup>st</sup>, 2021 (01/07/2021) and a final signed audit report with signed UNDP statements by July 12<sup>th</sup>, 2021 (12/07/2021).

**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 2020 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 consider 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 2020, 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 2020. 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.

### **G. Professional Staff and key Person Involvement**

See Annex 2 for details

### **H. Deliverable Reporting & Performance Requirements**

That the audit firm is required to submit

1. **Deliverable 1:** Detailed inception report comprising of
  - i. workplan covering Desk Review, % sample to be audited, fieldwork and timelines of draft observations, draft audit reports and final audit reports considering the below mentioned timelines (**these are non-negotiable timelines and deliverable mentioned below against the timelines will be linked to payments**)
  - ii. An Excel based RAG (Red/Amber/Green) Rated fieldwork status communication matrix template which will be used throughout the audit fieldwork identifying list of documents received by audit field team or documents pending to be received from UNDP partner (government or NGO).
2. **Deliverable 2:** Exit Meeting minutes duly signed by the audit firm and senior official at UNDP Partner (government or NGO) – **payment will be linked to the submission of this deliverable.**

3. **Deliverable 3:** Draft audit reports by July 1<sup>st</sup>, 2021 (01/07/2021); and
4. **Deliverable 4:** Final signed audit reports with signed UNDP statements of expenses (CDRs)/Cash/Assets by July 12<sup>th</sup>, 2021 (12/07/2021).

**Note:**

Final set of draft observations for all projects by July 1<sup>st</sup>, 2021 (01/07/2021); **once draft observations are shared with UNDP Ukraine, the auditors will not allowed to add new observations.**

**I. Execution of Assignment**

The audit firm shall carry out internal audit following the timelines and deliverables mentioned under 'Section I' above.

Global as well as Local LTA Audit firms are to elaborate on the methodology of the fieldwork e.g. whether they proposed to conduct field work virtually due to COVID-19 pandemic related travel restrictions OR whether the firms will be proposing to send teams (international audit team leads for Global LTA firms) in the field and visit UNDP implementing partners/responsible parties in their premises.

Logistical arrangements as well as Security of the audit team members and also arranging for security clearances to visit geographical locations in Ukraine will be the responsibility of the LTA Audit firms.

Global LTA Audit firms also need to identify visa statuses of the proposed audit team members if in-person visit carried out.

Audit firm will be responsible to keep those personnel on UNDP HACT Financial audit which will be working full-time with the audit firm. Personnel who are on probationary period or on notice period or those personnel which are known by the audit firm that they are waiting for visa applications for travel purposes should not be identified to be part of this audit exercise.

During execution of this audit, any change in personnel from the list provided to and agreed with UNDP at the beginning of the contract will not be acceptable for UNDP Ukraine. Therefore, audit firms are requested to choose the personnel for this assignment very carefully.

The audit firm will ensure that highest standards of impartiality, neutrality and independence of its personnel working in the field are adhered with. Since financial proposal submitted by the interested audit firm will be inclusive of out-of-pocket expenses, audit personnel will not be expected to ask for e.g. lunch meals, from the UNDP Partner. Any complaints from UNDP Partner against the conduct of audit personnel will be taken up by UNDP very seriously and will demand immediate removal of such personnel from the audit team.

**J. Timeframe of the Services**

The assignment will be for a period of one month starting June 2021 and ending in July 2021.

**K. REQUIREMENTS FOR CONTRACTOR (COMPANY/ORGANISATION/EXPERT GROUP)**

The task foresees that the following minimum requirements are in place for the company / organization / expert group (minimum team composition included)

**Key requirements for the organization:**

- Properly registered company/organization (commercial, non-profit or academic). If the bid comes from a consortium, all consortium members have to be properly registered;
- At least 10 (ten) years of professional experience in similar audit assignments;
- Proven experience of HACT audits on request of international organizations (at least 3 projects implemented);

- Previous experience of audits for UN Agencies will be considered as valuable asset.

#### **Team Leader (one person)**

Education: advanced University degree (Master's/ Specialist) or equivalent in Economics, Finance, Public Administration, Management or related field.

Experience:

- At least 5 (five) years of experience in the field of finance, public financial management, private sector development, budgeting and planning.
- Experience in leading teams conducting HACT Audits on request of international organizations at least 3 (three) projects, relevant in nature and scope to this audit assignment.
- Experience in applying either ISA or INTOSAI audit standards, whichever is applicable for the audit.

Languages

Fluent Ukrainian and English, written and spoken.

#### **Auditor (two persons)**

Education: advanced University degree (Master's/ Specialist) or equivalent in Economics, Finance, Public Administration, Management or related field.

Experience:

- At least 3 (three) years of experience in the field of provision audits for international companies/organizations.
- At least 2 (two) HACT audit projects implementation.
- Experience of provision audit on request of UN Agencies would be considered as an asset
- Experience in applying either ISA or INTOSAI audit standards, whichever is applicable for the audit.

Languages:

Fluent Ukrainian and at least working English, written and spoken.

### **DOCUMENTS TO BE SUBMITTED IN TECHNICAL PROPOSAL**

Proposals should include:

- Company (audit services provider) profile, which should not exceed ten (10) pages but should include references to the audits of similar nature, preferably for international organizations. The profile shall explicitly note the information contained in the Evaluation Criteria section;
- At least two (2) reference letters from the previous customers/clients/partners reflecting the nature of projects implemented, their results and the role of the applicant. Letters from UN Agencies are of special value;
- Description of the proposed team, including CVs of the team suggested that allow to assess their experience. For more details, see the section "Key requirements for the organization";
- Technical proposal, including work plan, timetable of stages, methodology and approach;
- Copies of professional certificates for proposed staff (if available);
- Registration documents' scan copies
- Copies of financial balance sheets as per local legislation requirements past 2 years;
- A financial proposal in line with the instructions provided in the RFP.

### **EVALUATION CRITERIA**

A two-stage procedure is utilized in evaluating the proposals, with an evaluation of the technical proposal being completed prior to any price proposal being opened and compared. The price proposals will be opened only for submissions that have passed the minimum technical score of 70% (or 490 points) of the obtainable score of 700 points in the evaluation of the technical proposals. At the First Stage, the technical proposal is evaluated on the basis of its responsiveness to the Terms of Reference (TOR) and as per below Evaluation Criteria.

At the Second Stage, the price proposals of all offerors, who have attained minimum 70% score in the technical evaluation, shall be reviewed.

The overall evaluation shall result from a cumulative analysis, under which the technical and financial aspects will have pre-assigned weights on 70% and 30% of the overall score, respectively. The lowest cost financial proposal (out of technically compliant) will be selected as a baseline and allocated the maximum number of points obtainable for the financial part (i.e. 300). All other financial proposals will receive a number of points inversely proportional to their quoted price; e.g. 300 points x lowest price / quoted price.

The winning proposal shall be the one with the highest number of points after the points obtained in both technical and financial evaluations, respectively, are added up. The contract will be awarded to the bidder who had submitted the winning proposal.

#### Technical evaluation criteria

Summary of Technical Proposal Evaluation Form		Score weight	Max points obtainable	Company (organization, non-profit, academic institution) profile			
1	Expertise and standing of the organization submitting the proposal	36%	250				
2	Proposed work approach and methodology	28%	200				
3	Personnel	36%	250				
<b>Total</b>		<b>100%</b>	<b>700</b>				
<b>Remarks</b>							

Evaluation forms for technical proposals follow. The obtainable number of points specified for each evaluation criterion indicates the relative significance or weight of the item in the overall evaluation process.

The Technical Evaluation Forms are:

Form 1. Expertise and standing of the organization submitting the proposal

Form 2. Proposed work approach, including the proposed composition of the research team

Form 3. Personnel

Technical Proposal Evaluation Form 1		Points obtainable	Company / Other Entity		
			A	B	C
Expertise and standing of the organization submitting the proposal					
1.1	Reputation of Organization / Credibility / Reliability / Industry Standing / Organization /Company profile. <ul style="list-style-type: none"><li>• Excellent – 50 points</li><li>• Strong – 45 points</li><li>• Satisfactory – 40 points</li><li>• Below average – 20 points</li><li>• Weak – 10 points</li></ul> (due justification based on objective reasoning to be elaborated by evaluation committee)	50			
1.2	At least 10 (ten) years of professional experience in similar audit assignments <ul style="list-style-type: none"><li>• 16 and more years – 100 points</li><li>• 13 - 15 years - 70 points</li><li>• 10 - 12 years – 60 points</li></ul>	100			

1.3	Proven experience of HACT audits on request of international organizations (at least 5 projects implemented); <ul style="list-style-type: none"> <li>3 – 5 projects – 60 points</li> <li>6 and more projects – 70 points</li> </ul>	70			
1.4.	Previous experience of audits for UN Agencies – 30 points	30			
Total for Form 1		<b>250</b>			
<b>Technical Proposal Evaluation Form 2</b>		Points Obtainable	Company / Other Entity		
			A	B	C
<b>Proposed work approach, including the proposed composition of the SRB</b>					
2.1	Does the submitted Technical Proposal meet the objective and scope of work? (The Technical Proposal generally meets the objectives and scope of work – 30 points; The Technical Proposal corresponds well to the task, but workload overstated/understated – 40 points; The Technical Proposal is logical and details the algorithm of the task which is corresponding to the volume of work – 50 points)	50			
2.2	How well developed, reasonable and reliable is the methodology of implementation of services? (The methodology was developed with an incomplete understanding of HACT audit requirements – 30 points; The methodology logically describes a sequence of works, demonstrates overall understanding of HACT Audit requirements and templates – 40 points; The methodology includes thorough criteria that demonstrate its feasibility and practical experience of the bidder in HACT Audits provision – 50 points)	50			
2.3	Experience in applying either ISA or INTOSAI audit standards	50			
2.4	How well developed and reliable is the task schedule? (The proposed task schedule is realistic, but exceeds deadlines installed in TOR, clarification required – 30 points; the organization provided a balanced and realistic task schedule, meeting deadlines of the audit – 50 points)	50			
Total for Form 2		<b>200</b>			
<b>Technical Proposal Evaluation Form 3</b>		Points Obtainable	Company / Other Entity		
			A	B	C
<b>Personnel</b>					
	<b>Team Leader (one person)</b>				



3.1	Advanced University degree (Master's/ Specialist) or equivalent in Economics, Finance, Public Administration, Management or related field Master's/ Specialist – 16 points PhD – 20 points	20			
3.2	At least 5 (five) years of experience in the field of finance, public financial management, private sector development, budgeting and planning. 5-7 years – 20 points 8 and more – 30 points	30			
3.3	Experience in leading teams conducting HACT Audits on request of international organizations at least 3 (three) projects, relevant in nature and scope to this audit assignment. At least 3 projects – 15 points 4 and more projects – 25 points	25			
3.4	Experience in applying either ISA or INTOSAI audit standards, whichever is applicable for the audit.	15			
3.5	Languages Fluent Ukrainian and English, written and spoken.	10			
	<b>Subtotal</b>	100			
	<b>Auditor 1</b>				
3.6	Advanced University degree (Master's/ Specialist) or equivalent in Economics, Finance, Public Administration, Management or related field. Master's/ Specialist – 7 points PhD – 10 points	10			
3.7	At least 3 (three) years of experience in the field of provision audits for international companies/organizations. 3-5 years – 10 points 6 and more – 15 points	15			
3.8	At least 2 (two) HACT audit projects implementation. At least 2 projects – 15 points 3 and more projects – 20 points	20			
3.9	Experience of provision audit on request of UN Agencies	10			
3.10	Experience in applying either ISA or INTOSAI audit standards, whichever is applicable for the audit.	15			
3.11	Fluent Ukrainian and at least working English, written and spoken.	5			
	<b>Subtotal</b>	75			
	<b>Auditor 2</b>				
3.6	Advanced University degree (Master's/ Specialist) or equivalent in Economics, Finance, Public Administration, Management or related field. Master's/ Specialist – 7 points PhD – 10 points	10			

3.7	At least 3 (three) years of experience in the field of provision audits for international companies/organizations. 3-5 years – 10 points 6 and more – 15 points	15			
3.8	At least 2 (two) HACT audit projects implementation. At least 2 projects – 15 points 3 and more projects – 20 points	20			
3.9	Experience of provision audit on request of UN Agencies	10			
3.10	Experience in applying either ISA or INTOSAI audit standards, whichever is applicable for the audit.	15			
3.11	Fluent Ukrainian and at least working English, written and spoken.	5			
	<b>Subtotal</b>	75			
Total for Form 3		<b>250</b>			

#### L. FINANCIAL PROPOSAL:

The financial proposal shall specify the cost of professional services for the assignment – the total amount and distribution in accordance with the above-mentioned proposed schedule of tranches, as well as line-item breakdown. Payments will be made in tranches as described in the section “Requirements for monitoring/reporting”.

All travel arrangements will be handled by the Contractor. The travel costs of the team members, if necessary, for the assignment, should be included in the proposal. In general, UNDP should not accept travel costs exceeding those of an economy class ticket. Should the Team Members wish to travel on a higher class, he/she should do so using their own resources.

## **ANNEX 1 to TOR: 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.

<p><b>Note:</b> 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.</p>
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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 to TOR: 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 to TOR: 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.

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Auditor's Name and Signature

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Date of the auditor's report

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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 to TOR: DEFINITION OF AUDIT OPINIONS**

### **Unmodified (Clean) Opinion (ISA<sup>7</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.

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<sup>7</sup> ISA = International Standards on Auditing



## **Annex 5 to TOR: 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>8</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> A "modified" audit opinion means either a qualified opinion, a disclaimer of opinion or an adverse opinion.



**ANNEX 6 to TOR: 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 to TOR      TEMPLATE FOR AUDITORS TO REVIEW AND SIGN THE UPDATED ACTION PLANS FOR PRIOR YEAR AUDIT OBSERVATIONS AND RECOMMENDATIONS

Award no.:		Output No.:		Opinion Type:								
Obs No	Observation	Recommendation	Audit Area	Risk Severity	Proj/CO Mngt Comments	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 Type:								
Obs No	Observation	Recommendation	Audit Area	Risk Severity	Proj/CO Mngt Comments	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 Type:								
Obs No	Observation	Recommendation	Audit Area	Risk Severity	Proj/CO Mngt Comments	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’ 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 to TOR:      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 2020							
1	Project No.	Output No.	Amount audited and certified (US\$)	Audit opinion (unqualified, qualified, adverse, disclaimer)	Total amount of qualification of audit opinion (if qualified, adverse or disclaimer of opinion)	Reason(s) for qualification of audit opinion and breakdown of NFM amount (US	Observation(s) that had impact on qualification of audit opinion (list observation number(s) and page of audit

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

Statement of Cash Position				
Project No.	Output No.	Value of Cash Position Statement as at 31 December 2020 (US\$)	Audit Opinion - Statement of Cash Position	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**

Statement of assets and equipment				
Project No.	Output No.	Value of assets and equipment as at 31 December 2020 (cumulative from project start date) (US\$)	Audit Opinion - Statement of Assets and Equipment	Total amount of qualification on the Statement of assets and equipment (US\$)

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

Project No.	Output No.	Observ. No	Audit Observation	Recommendation	Audit Area	Risk Severity	Project/CO Mngmt. Comments

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

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

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

## **ANNEX 9 to TOR:      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 to TOR: 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.

**Annex 3****FORM FOR SUBMITTING SERVICE PROVIDER'S PROPOSAL<sup>9</sup>**

***(This Form must be submitted only using the Service Provider's Official Letterhead/Stationery<sup>10</sup>)***

[insert: Location].

[insert: Date]

To: [insert: Name and Address of UNDP focal point]

Dear Sir/Madam:

We, the undersigned, hereby offer to render the following services to UNDP in conformity with the requirements defined in the RFP 579-2021-UNDP-UKR-RFP-CO dated [specify date] , and all of its attachments, as well as the provisions of the UNDP General Contract Terms and Conditions:

**A. Qualifications of the Service Provider**

<b>BRIEF COMPANY PROFILE</b>	
The Service Provider must describe and explain how and why they are the best entity that can deliver the requirements of UNDP by indicating the following:	
Full registration name	
Year of foundation	
Legal status	
Legal address	
Actual address	
Bank information	
VAT payer status	
Contact person name	
Contact person email	
Contact person phone	
Company/Organization's core activities	

<sup>9</sup> This serves as a guide to the Service Provider in preparing the Proposal.

<sup>10</sup> Official Letterhead/Stationery must indicate contact details – addresses, email, phone and fax numbers – for verification purposes

Profile – describing the nature of business, field of expertise, licenses, certifications, accreditations (If any)	
Business Licenses – Registration Papers, Tax Payment Certification, etc.	EDRPOU, ID tax number. Copies of State registration and Tax registration should be attached
Certificates and Accreditation	Please indicate here applicable including Quality Certificates, Patent Registrations, Environmental Sustainability Certificates, etc.
Please provide contact details of at least 2 previous partners for reference	Please attach the signed reference letters
Company is not in the UN Security Council 1267/1989 List, UN Procurement Division List or Other UN Ineligibility List	Yes/No (Please choose)
Other relevant information	

#### B. **Proposed Methodology for the Completion of Services**

*The Service Provider must describe how it will address/deliver the demands of the RFP; providing a detailed description of the essential performance characteristics, reporting conditions and quality assurance mechanisms that will be put in place, while demonstrating that the proposed methodology will be appropriate to the local conditions and context of the work.*

**This must include the body of the Technical proposal, explaining how the company proposes to approach the task at hand and overcome possible difficulties and risks**

#### C. **Qualifications of Key Personnel**

*The Service Provider must provide :*

- a) Names and qualifications of the key personnel that will perform the services indicating who is Team Leader, who are supporting, etc.;*
- b) CVs demonstrating qualifications must be submitted if required by the RFP; and*
- c) Written confirmation from each personnel that they are available for the entire duration of the contract.*

## Financial Proposal

The Proposer is required to prepare the Financial Proposal in an envelope separate from the rest of the RFP as indicated in the Instruction to Proposers.

The Financial Proposal must provide a detailed cost breakdown. Provide separate figures for each functional grouping or category.

Any estimates for cost-reimbursable items, such as travel and out-of-pocket expenses, should be listed separately.

In case of an equipment component to the service provider, the Price Schedule should include figures for both purchase and lease/rent options. UNDP reserves the option to either lease/rent or purchase outright the equipment through the Contractor.

The format shown on the following pages is suggested for use as a guide in preparing the Financial Proposal.

The format includes specific expenditures, which may or may not be required or applicable but are indicated to serve as examples.

### A. Cost Breakdown per Deliverable

	<b>Deliverables</b> <i>[list them as referred to in the RFP]</i>	<b>Percentage of Total Price (Weight for payment)</b>	<b>Price (Lump Sum, All Inclusive)</b>
1	Provision of HACT Audit services for 4 projects as per TOR		
2			
	Total	100%	

*\*This shall be the basis of the payment tranches*

### B. Cost Breakdown by Cost Component [This is only an Example]:

The Proposers are requested to provide the cost breakdown for the above given prices for each deliverable based on the following format. UNDP shall use the cost breakdown for the price reasonability assessment purposes as well as the calculation of price in the event that both parties have agreed to add new deliverables to the scope of Services.

<b>Description of Activity</b>	<b>Remuneration per Unit of Time</b>	<b>Total Period of Engagement</b>	<b>No. of Personnel</b>	<b>Total Rate</b>
<b>I. Personnel Services</b>				
<b>II. Administrative costs</b>				

<b>III. Other costs needed (describe)</b>				
<b>VAT / Unified tax</b>				
<b>Total (indicate currency), including VAT</b>				

*[Name and Signature of the Service Provider's  
Authorized Person]  
[Designation]  
[Date]*

## GENERAL TERMS AND CONDITIONS FOR SERVICES

### 1.0 LEGAL STATUS:

The Contractor shall be considered as having the legal status of an independent contractor vis-à-vis the United Nations Development Programme (UNDP). The Contractor's personnel and sub-contractors shall not be considered in any respect as being the employees or agents of UNDP or the United Nations.

### 2.0 SOURCE OF INSTRUCTIONS:

The Contractor shall neither seek nor accept instructions from any authority external to UNDP in connection with the performance of its services under this Contract. The Contractor shall refrain from any action that may adversely affect UNDP or the United Nations and shall fulfill its commitments with the fullest regard to the interests of UNDP.

### 3.0 CONTRACTOR'S RESPONSIBILITY FOR EMPLOYEES:

The Contractor shall be responsible for the professional and technical competence of its employees and will select, for work under this Contract, reliable individuals who will perform effectively in the implementation of this Contract, respect the local customs, and conform to a high standard of moral and ethical conduct.

### 4.0 ASSIGNMENT:

The Contractor shall not assign, transfer, pledge or make other disposition of this Contract or any part thereof, or any of the Contractor's rights, claims or obligations under this Contract except with the prior written consent of UNDP.

### 5.0 SUB-CONTRACTING:

In the event the Contractor requires the services of sub-contractors, the Contractor shall obtain the prior written approval and clearance of UNDP for all sub-contractors. The approval of UNDP of a sub-contractor shall not relieve the Contractor of any of its obligations under this Contract. The terms of any sub-contract shall be subject to and conform to the provisions of this Contract.

### 6.0 OFFICIALS NOT TO BENEFIT:

The Contractor warrants that no official of UNDP or the United Nations has received or will be offered by the Contractor any direct or indirect benefit arising from this Contract or the award thereof. The Contractor agrees that breach of this provision is a breach of an essential term of this Contract.

### 7.0 INDEMNIFICATION:

The Contractor shall indemnify, hold and save harmless, and defend, at its own expense, UNDP, its officials, agents, servants and employees from and against all suits, claims, demands, and liability of any nature or kind, including their costs and expenses, arising out of acts or omissions of the Contractor, or the Contractor's employees, officers, agents or sub-contractors, in the performance of this Contract. This provision shall extend, inter alia, to claims and liability in the nature of workmen's compensation, products liability and liability arising out of the use of patented inventions or devices, copyrighted material or other intellectual property by the Contractor, its employees, officers, agents, servants or sub-contractors. The obligations under this Article do not lapse upon termination of this Contract.

## **8.0 INSURANCE AND LIABILITIES TO THIRD PARTIES:**

- 8.1** The Contractor shall provide and thereafter maintain insurance against all risks in respect of its property and any equipment used for the execution of this Contract.
- 8.2** The Contractor shall provide and thereafter maintain all appropriate workmen's compensation insurance, or the equivalent, with respect to its employees to cover claims for personal injury or death in connection with this Contract.
- 8.3** The Contractor shall also provide and thereafter maintain liability insurance in an adequate amount to cover third party claims for death or bodily injury, or loss of or damage to property, arising from or in connection with the provision of services under this Contract or the operation of any vehicles, boats, airplanes or other equipment owned or leased by the Contractor or its agents, servants, employees or sub-contractors performing work or services in connection with this Contract.
- 8.4** Except for the workmen's compensation insurance, the insurance policies under this Article shall:
  - 8.4.1** Name UNDP as additional insured;
  - 8.4.2** Include a waiver of subrogation of the Contractor's rights to the insurance carrier against the UNDP;
  - 8.4.3** Provide that the UNDP shall receive thirty (30) days written notice from the insurers prior to any cancellation or change of coverage.
- 8.5** The Contractor shall, upon request, provide the UNDP with satisfactory evidence of the insurance required under this Article.

## **9.0 ENCUMBRANCES/LIENS:**

The Contractor shall not cause or permit any lien, attachment or other encumbrance by any person to be placed on file or to remain on file in any public office or on file with the UNDP against any monies due or to become due for any work done or materials furnished under this Contract, or by reason of any other claim or demand against the Contractor.

## **10.0 TITLE TO EQUIPMENT:**

Title to any equipment and supplies that may be furnished by UNDP shall rest with UNDP and any such equipment shall be returned to UNDP at the conclusion of this Contract or when no longer needed by the Contractor. Such equipment, when returned to UNDP, shall

be in the same condition as when delivered to the Contractor, subject to normal wear and tear. The Contractor shall be liable to compensate UNDP for equipment determined to be damaged or degraded beyond normal wear and tear.

#### **11.0 COPYRIGHT, PATENTS AND OTHER PROPRIETARY RIGHTS:**

- 11.1** Except as is otherwise expressly provided in writing in the Contract, the UNDP shall be entitled to all intellectual property and other proprietary rights including, but not limited to, patents, copyrights, and trademarks, with regard to products, processes, inventions, ideas, know-how, or documents and other materials which the Contractor has developed for the UNDP under the Contract and which bear a direct relation to or are produced or prepared or collected in consequence of, or during the course of, the performance of the Contract, and the Contractor acknowledges and agrees that such products, documents and other materials constitute works made for hire for the UNDP.
- 11.2** To the extent that any such intellectual property or other proprietary rights consist of any intellectual property or other proprietary rights of the Contractor: (i) that pre-existed the performance by the Contractor of its obligations under the Contract, or (ii) that the Contractor may develop or acquire, or may have developed or acquired, independently of the performance of its obligations under the Contract, the UNDP does not and shall not claim any ownership interest thereto, and the Contractor grants to the UNDP a perpetual license to use such intellectual property or other proprietary right solely for the purposes of and in accordance with the requirements of the Contract.
- 11.3** At the request of the UNDP; the Contractor shall take all necessary steps, execute all necessary documents and generally assist in securing such proprietary rights and transferring or licensing them to the UNDP in compliance with the requirements of the applicable law and of the Contract.
- 11.4** Subject to the foregoing provisions, all maps, drawings, photographs, mosaics, plans, reports, estimates, recommendations, documents, and all other data compiled by or received by the Contractor under the Contract shall be the property of the UNDP, shall be made available for use or inspection by the UNDP at reasonable times and in reasonable places, shall be treated as confidential, and shall be delivered only to UNDP authorized officials on completion of work under the Contract.

#### **12.0 USE OF NAME, EMBLEM OR OFFICIAL SEAL OF UNDP OR THE UNITED NATIONS:**

The Contractor shall not advertise or otherwise make public the fact that it is a Contractor with UNDP, nor shall the Contractor, in any manner whatsoever use the name, emblem or official seal of UNDP or THE United Nations, or any abbreviation of the name of UNDP or United Nations in connection with its business or otherwise.

#### **13.0 CONFIDENTIAL NATURE OF DOCUMENTS AND INFORMATION:**

Information and data that is considered proprietary by either Party and that is delivered or disclosed by one Party ("Discloser") to the other Party ("Recipient") during the course of



performance of the Contract, and that is designated as confidential ("Information"), shall be held in confidence by that Party and shall be handled as follows:

**13.1** The recipient ("Recipient") of such information shall:

**13.1.1** use the same care and discretion to avoid disclosure, publication or dissemination of the Discloser's Information as it uses with its own similar information that it does not wish to disclose, publish or disseminate; and,

**13.1.2** use the Discloser's Information solely for the purpose for which it was disclosed.

**13.2** Provided that the Recipient has a written agreement with the following persons or entities requiring them to treat the Information confidential in accordance with the Contract and this Article 13, the Recipient may disclose Information to:

**13.2.1** any other party with the Discloser's prior written consent; and,

**13.2.2** the Recipient's employees, officials, representatives and agents who have a need to know such Information for purposes of performing obligations under the Contract, and employees officials, representatives and agents of any legal entity that it controls controls it, or with which it is under common control, who have a need to know such Information for purposes of performing obligations under the Contract, provided that, for these purposes a controlled legal entity means:

**13.2.2.1** a corporate entity in which the Party owns or otherwise controls, whether directly or indirectly, over fifty percent (50%) of voting shares thereof; or,

**13.2.2.2** any entity over which the Party exercises effective managerial control; or,

**13.2.2.3** for the UNDP, an affiliated Fund such as UNCDF, UNIFEM and UNV.

**13.3** The Contractor may disclose Information to the extent required by law, provided that, subject to and without any waiver of the privileges and immunities of the United Nations, the Contractor will give the UNDP sufficient prior notice of a request for the disclosure of Information in order to allow the UNDP to have a reasonable opportunity to take protective measures or such other action as may be appropriate before any such disclosure is made.

**13.4** The UNDP may disclose Information to the extent as required pursuant to the Charter of the UN, resolutions or regulations of the General Assembly, or rules promulgated by the Secretary-General.

**13.5** The Recipient shall not be precluded from disclosing Information that is obtained by the Recipient from a third party without restriction, is disclosed by the Discloser to a third party without any obligation of confidentiality, is previously known by the Recipient, or at any time is developed by the Recipient completely independently of any disclosures hereunder.

- 13.6** These obligations and restrictions of confidentiality shall be effective during the term of the Contract, including any extension thereof, and, unless otherwise provided in the Contract, shall remain effective following any termination of the Contract.

#### **14.0 FORCE MAJEURE; OTHER CHANGES IN CONDITIONS**

- 14.1** In the event of and as soon as possible after the occurrence of any cause constituting force majeure, the Contractor shall give notice and full particulars in writing to the UNDP, of such occurrence or change if the Contractor is thereby rendered unable, wholly or in part, to perform its obligations and meet its responsibilities under this Contract. The Contractor shall also notify the UNDP of any other changes in conditions or the occurrence of any event that interferes or threatens to interfere with its performance of this Contract. On receipt of the notice required under this Article, the UNDP shall take such action as, in its sole discretion; it considers to be appropriate or necessary in the circumstances, including the granting to the Contractor of a reasonable extension of time in which to perform its obligations under this Contract.
- 14.2** If the Contractor is rendered permanently unable, wholly, or in part, by reason of force majeure to perform its obligations and meet its responsibilities under this Contract, the UNDP shall have the right to suspend or terminate this Contract on the same terms and conditions as are provided for in Article 15, "Termination", except that the period of notice shall be seven (7) days instead of thirty (30) days.
- 14.3** Force majeure as used in this Article means acts of God, war (whether declared or not), invasion, revolution, insurrection, or other acts of a similar nature or force.
- 14.4** The Contractor acknowledges and agrees that, with respect to any obligations under the Contract that the Contractor must perform in or for any areas in which the UNDP is engaged in, preparing to engage in, or disengaging from any peacekeeping, humanitarian or similar operations, any delays or failure to perform such obligations arising from or relating to harsh conditions within such areas or to any incidents of civil unrest occurring in such areas shall not, in and of itself, constitute force majeure under the Contract..

#### **15.0 TERMINATION**

- 15.1** Either party may terminate this Contract for cause, in whole or in part, upon thirty (30) days notice, in writing, to the other party. The initiation of arbitral proceedings in accordance with Article 16.2 ("Arbitration"), below, shall not be deemed a termination of this Contract.
- 15.2** UNDP reserves the right to terminate without cause this Contract at any time upon 15 days prior written notice to the Contractor, in which case UNDP shall reimburse the Contractor for all reasonable costs incurred by the Contractor prior to receipt of the notice of termination.
- 15.3** In the event of any termination by UNDP under this Article, no payment shall be due from UNDP to the Contractor except for work and services satisfactorily performed in conformity with the express terms of this Contract.

- 15.4** Should the Contractor be adjudged bankrupt, or be liquidated or become insolvent, or should the Contractor make an assignment for the benefit of its creditors, or should a Receiver be appointed on account of the insolvency of the Contractor, the UNDP may, without prejudice to any other right or remedy it may have under the terms of these conditions, terminate this Contract forthwith. The Contractor shall immediately inform the UNDP of the occurrence of any of the above events.

## **16.0 SETTLEMENT OF DISPUTES**

- 16.1 Amicable Settlement:** The Parties shall use their best efforts to settle amicably any dispute, controversy or claim arising out of this Contract or the breach, termination or invalidity thereof. Where the parties wish to seek such an amicable settlement through conciliation, the conciliation shall take place in accordance with the UNCITRAL Conciliation Rules then obtaining, or according to such other procedure as may be agreed between the parties.

- 16.2 Arbitration:** Any dispute, controversy, or claim between the Parties arising out of the Contract or the breach, termination, or invalidity thereof, unless settled amicably under Article 16.1, above, within sixty (60) days after receipt by one Party of the other Party's written request for such amicable settlement, shall be referred by either Party to arbitration in accordance with the UNCITRAL Arbitration Rules then obtaining. The decisions of the arbitral tribunal shall be based on general principles of international commercial law. For all evidentiary questions, the arbitral tribunal shall be guided by the Supplementary Rules Governing the Presentation and Reception of Evidence in International Commercial Arbitration of the International Bar Association, 28 May 1983 edition. The arbitral tribunal shall be empowered to order the return or destruction of goods or any property, whether tangible or intangible, or of any confidential information provided under the Contract, order the termination of the Contract, or order that any other protective measures be taken with respect to the goods, services or any other property, whether tangible or intangible, or of any confidential information provided under the Contract, as appropriate, all in accordance with the authority of the arbitral tribunal pursuant to Article 26 ("Interim Measures of Protection") and Article 32 ("Form and Effect of the Award") of the UNCITRAL Arbitration Rules. The arbitral tribunal shall have no authority to award punitive damages. In addition, unless otherwise expressly provided in the Contract, the arbitral tribunal shall have no authority to award interest in excess of the London Inter-Bank Offered Rate ("LIBOR") then prevailing, and any such interest shall be simple interest only. The Parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such dispute, controversy, or claim.

## **17.0 PRIVILEGES AND IMMUNITIES:**

Nothing in or relating to this Contract shall be deemed a waiver, express or implied, of any of the privileges and immunities of the United Nations, including its subsidiary organs.

## **18.0 TAX EXEMPTION**

- 18.1** Section 7 of the Convention on the Privileges and Immunities of the United Nations provides, inter-alia that the United Nations, including its subsidiary organs, is exempt from all direct taxes, except charges for public utility services, and is exempt from customs duties and charges of a similar nature in respect of articles imported or exported for its official use. In the event any governmental authority refuses to recognize the United Nations exemption from such taxes, duties or charges, the Contractor shall immediately consult with the UNDP to determine a mutually acceptable procedure.
- 18.2** Accordingly, the Contractor authorizes UNDP to deduct from the Contractor's invoice any amount representing such taxes, duties or charges, unless the Contractor has consulted with the UNDP before the payment thereof and the UNDP has, in each instance, specifically authorized the Contractor to pay such taxes, duties or charges under protest. In that event, the Contractor shall provide the UNDP with written evidence that payment of such taxes, duties or charges has been made and appropriately authorized.

## **19.0 CHILD LABOUR**

- 19.1** The Contractor represents and warrants that neither it, nor any of its suppliers is engaged in any practice inconsistent with the rights set forth in the Convention on the Rights of the Child, including Article 32 thereof, which, inter alia, requires that a child shall be protected from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical mental, spiritual, moral or social development.
- 19.2** Any breach of this representation and warranty shall entitle UNDP to terminate this Contract immediately upon notice to the Contractor, at no cost to UNDP.

## **20.0 MINES:**

- 20.1** The Contractor represents and warrants that neither it nor any of its suppliers is actively and directly engaged in patent activities, development, assembly, production, trade or manufacture of mines or in such activities in respect of components primarily utilized in the manufacture of Mines. The term "Mines" means those devices defined in Article 2, Paragraphs 1, 4 and 5 of Protocol II annexed to the Convention on Prohibitions and Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects of 1980.
- 20.2** Any breach of this representation and warranty shall entitle UNDP to terminate this Contract immediately upon notice to the Contractor, without any liability for termination charges or any other liability of any kind of UNDP.

## **21.0 OBSERVANCE OF THE LAW:**

The Contractor shall comply with all laws, ordinances, rules, and regulations bearing upon the performance of its obligations under the terms of this Contract.

**22.0 SEXUAL EXPLOITATION:**

- 22.1** The Contractor shall take all appropriate measures to prevent sexual exploitation or abuse of anyone by it or by any of its employees or any other persons who may be engaged by the Contractor to perform any services under the Contract. For these purposes, sexual activity with any person less than eighteen years of age, regardless of any laws relating to consent, shall constitute the sexual exploitation and abuse of such person. In addition, the Contractor shall refrain from, and shall take all appropriate measures to prohibit its employees or other persons engaged by it from, exchanging any money, goods, services, offers of employment or other things of value, for sexual favors or activities, or from engaging in any sexual activities that are exploitive or degrading to any person. The Contractor acknowledges and agrees that the provisions hereof constitute an essential term of the Contract and that any breach of this representation and warranty shall entitle UNDP to terminate the Contract immediately upon notice to the Contractor, without any liability for termination charges or any other liability of any kind.
- 22.2** The UNDP shall not apply the foregoing standard relating to age in any case in which the Contractor's personnel or any other person who may be engaged by the Contractor to perform any services under the Contract is married to the person less than the age of eighteen years with whom sexual activity has occurred and in which such marriage is recognized as valid under the laws of the country of citizenship of such Contractor's personnel or such other person who may be engaged by the Contractor to perform any services under the Contract.

**23.0 AUTHORITY TO MODIFY:**

Pursuant to the Financial Regulations and Rules of UNDP, only the UNDP Authorized Official possesses the authority to agree on behalf of UNDP to any modification of or change in this Contract, to a waiver of any of its provisions or to any additional contractual relationship of any kind with the Contractor. Accordingly, no modification or change in this Contract shall be valid and enforceable against UNDP unless provided by an amendment to this Contract signed by the Contractor and jointly by the UNDP Authorized Official.