



REQUEST FOR PROPOSAL (RFP)

	DATE: June 22, 2021
	REFERENCE: - MDV/RFP/21/26

Dear Sir / Madam:

We kindly request you to submit your Proposal for **RFP – Long-Term Agreement for Harmonized Approach to Cash Transfers (HACT) Processes: Capacity Assessments and Activities**.

Please be guided by the form attached hereto as Annex 4, in preparing your Proposal.

Proposals may be submitted on or before **Wednesday, July 07, 2021** and via email to the address below:

**United Nations Development Programme
Maldives**

**Admin & Operations Assistant
proc.mv@undp.org**

With the subject line:

“RFP – Long-Term Agreement for Harmonized Approach to Cash Transfers (HACT) Processes: Capacity Assessments and Activities”

(Maximum size per email: 30 MB. Bidders can split proposal into several emails if the file size is large. Please send a separate email (without attachment) to proc.mv@undp.org notifying that you already submitted proposal and the number of email(s) submitted. Notification email should be sent to above address by submission deadline or right after you submit proposals).

Your Proposal must be expressed in the **English Language**, and valid for a minimum period of **120 days**.

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 3.

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:

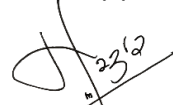
<http://www.undp.org/content/undp/en/home/operations/procurement/business/protest-and-sanctions.html>

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/unsccl/cond uct_english.pdf

Thank you and we look forward to receiving your Proposal.

Sincerely yours,

A handwritten signature in black ink, appearing to be 'Mariyam Nazra', with a date '6/23/21' written next to it.

Mariyam Nazra

Assistant Resident Representative

6/23/2021

Annex 1

Description of Requirements

Context of the Requirement	“RFP – Long-Term Agreement for Harmonized Approach to Cash Transfers (HACT) Processes: Capacity Assessments and Activities”
Implementing/ Responsible Partner of UNDP	Please see attached TOR
Brief Description of the Required Services ¹	Please see attached TOR
List and Description of Expected Outputs to be Delivered	Please see attached TOR
Person to Supervise the Work/Performance of the Service Provider	Operations Associate
Location of work	<input checked="" type="checkbox"/> Exact Address/es: location of the records, please refer to Programme-specific Information under both TORs. <input type="checkbox"/> At Contractor’s Location
Expected duration of work	Internal Control Audit: 7- 30 days Spot Check – 3-10 days
Target start date	Internal Control Audit: As required Spot Check – As required
Latest completion date	Internal Control Audit: As required Spot Check – As required
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 checked="" type="checkbox"/> Others: Please see attached TOR (Annex 2 & 3)
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	<input checked="" type="checkbox"/> Required <input type="checkbox"/> Not Required

¹ 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.

completing the services	
Currency of Proposal	<input type="checkbox"/> United States Dollars <input type="checkbox"/> Euro <input checked="" type="checkbox"/> Maldivian Rufiyaa
Value Added Tax on Price Proposal ²	<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 type="checkbox"/> 60 days <input type="checkbox"/> 90 days <input checked="" 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 ³	As defined in the attached TOR
Person(s) to review/inspect/ approve outputs/completed services and authorize the disbursement of payment	As defined in the attached TOR (Annex 2 & 3)
Type of Contract to be Signed	<input type="checkbox"/> Purchase Order <input checked="" type="checkbox"/> Institutional Contract <input type="checkbox"/> Contract for Professional Services <input type="checkbox"/> Long-Term Agreement ⁴ <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.

² VAT exemption status varies from one country to another. Pls. check whatever is applicable to the UNDP CO/BU requiring the service.

³ UNDP preference is not to pay any amount in advance upon signing of contract. If the Service Provider strictly requires payment in advance, it will be limited only up to 20% of the total price quoted. For any higher percentage, or any amount advanced exceeding \$30,000, UNDP shall require the Service Provider to submit a bank guarantee or bank cheque payable to UNDP, in the same amount as the payment advanced by UNDP to the Service Provider.

⁴ Minimum of one (1) year period and may be extended up to a maximum of three (3) years subject to satisfactory performance evaluation. This RFP may be used for LTAs if the annual purchases will not exceed \$200,000.00.

Criteria for the Assessment of Proposal	<p><u>Technical Proposal (70%)</u></p> <p><input checked="" type="checkbox"/> Expertise of the Firm 10%</p> <p><input checked="" type="checkbox"/> Methodology, Its Appropriateness to the Condition and Timeliness of the Implementation Plan 30%</p> <p><input checked="" type="checkbox"/> Management Structure and Qualification of Key Personnel 30%</p> <p><u>Financial Proposal (30%)</u></p> <p>To be computed as a ratio of the Proposal's offer to the lowest price among the proposals received by UNDP.</p>
UNDP will award the contract to:	<p><input checked="" type="checkbox"/> One and only one Service Provider</p> <p><input type="checkbox"/> One or more Service Providers, depending on the following factors:</p>
Contract General Terms and Conditions ⁵	<p><input checked="" type="checkbox"/> General Terms and Conditions for contracts (goods and/or services)</p> <p><input type="checkbox"/> General Terms and Conditions for de minimis contracts (services only, less than \$50,000)</p> <p>Applicable Terms and Conditions are available at: http://www.undp.org/content/undp/en/home/procurement/business/how-we-buy.html</p>
Annexes to this RFP ⁶	<p><input checked="" type="checkbox"/> Form for Submission of Proposal (Annex 4)</p> <p><input checked="" type="checkbox"/> Detailed TORs</p> <p><input type="checkbox"/> Others⁷ [pls. specify]</p>
Contact Person for Inquiries (Written inquiries only) ⁸	<p><i>Fathmath Nazaha</i> <i>Operations Associate</i> <i>proc.mv@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>

⁵ 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.

⁶ Where the information is available in the web, a URL for the information may simply be provided.

⁷ A more detailed Terms of Reference in addition to the contents of this RFP may be attached hereto.

⁸ 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.

**Terms of Reference for Long-Term Agreement for
Harmonized Approach to Cash Transfers (HACT)
Processes: Capacity Assessments and Activities**

Macro Assessment

Micro Assessment

Financial Spot Checks

HACT Audits

Capacity Development

Management Letter

1. BACKGROUND

United Nations Development Programme (UNDP) seeks to establish one or more long term agreements for services to provide a range of financial assessment and assurance activities, and capacity development related to Implementing Partners (IPs). The financial assessment and assurance activities, as well as capacity development and other advisory activities and services, will be provided under the HACT (Harmonized Approach to Cash Transfers) Framework. The assurance and assessment activities will encompass macro-assessments, micro-assessments, financial spot checks, financial audits, and scheduled audits. The capacity development activities will comprise tailored activities to address specific weaknesses or gaps in financial management and reporting systems.

The HACT framework represents a common operational (harmonized) framework for transferring cash to government and non-governmental IPs, irrespective of whether these partners work with one or multiple United Nation agencies. The objective of the HACT framework is to support a closer alignment of development aid with national priorities and to strengthen national capacities for management and accountability, with the ultimate objective of gradually shifting to national systems. It is understood that 'harmonized' in the context of the HACT framework refers to agencies implementing a common operational framework using the same, consistent, standardized approach and tools. The HACT framework represents a shift from assurance for cash transfers derived from project level controls and audits towards a method of assurance derived from risk/system-based assessments and audits.

A. MACRO ASSESSMENT

To ensure adequate awareness of the public financial management (PFM) environment within which agencies provide cash transfers to IPs, a desk review of assessments of the PFM system is conducted. In the HACT framework PFM is broadly defined to include a range of considerations for operating in the country. It is not limited solely to the financial environment but also includes national procurement capacity, exchange rate volatility, presence of informal/black markets, etc. This assessment is called a macro assessment.

The two primary outputs of the macro assessment are:

- (a) An outline of risks related to the use of the PFM for cash transfers to government IPs within the country (individual IP risk is determined through the micro assessment), as well as other country specific knowledge for non-governmental IPs, such as environmental conditions, exchange rate volatility, presence of black markets, etc.; and
- (b) A determination on whether the government's supreme audit institution (SAI) has the capacity to undertake the scheduled and special audits of government IPs.

B. MICRO ASSESSMENT

The micro assessment assesses the IP's financial management capacity (i.e. accounting, procurement, reporting, internal controls, etc.) to determine the overall risk rating and assurance activities. The risk rating, along with other available information, is also taken into consideration when selecting the

appropriate cash transfer modality for an IP, based on each agency's business model. This assessment applies to both governmental and non-governmental IPs.

The two primary outputs of the micro assessment are:

(a) An overall risk rating related to cash transfers to IPs (low, moderate, significant or high); and (b) The appropriate type and frequency of assurance activities and cash transfer modality based on each agency's business models.

The micro assessment is viewed as a component of the standard overall assessment of an IP, in addition to other available sources of information (e.g. history of engagement with the agency, previous audit reports, etc.) and results from the macro assessment (or the absence of information regarding the PFM environment and capacity of the SAI if no macro assessment exist).

C. ASSURANCE ACTIVITIES

The purpose of assurance activities is to determine whether the funds transferred to IPs were used for their intended purpose and in accordance with the work plan. Without appropriate completion of the assurance activities, the HACT framework would only serve as a mechanism for risk assessment/ identification, rather than a mechanism for risk management and mitigation. This would expose the United Nations to significant risk and audit findings.

The components of financial assurance activities are briefly described as:

- a. *Spot checks*: a review of financial records related to the management of the partnership with the Un Agencies. Spot checks are performed in the office of implementing partners. Spot checks are not audits therefore the extent of expense testing is generally lower than what would be undertaken during an audit.
- b. *HACT audit*: a systematic and independent examination of data, statements, records, operations and performance of an implementing partner carried out by an external service provider.
- c. *Special audit*: an audit performed when significant issues and concerns are identified during the programme cycle, often the result of findings of programmatic visits and spot checks.
- d. *Internal Control audit* – Limited to the procedures agreed upon by the third-party service provider or SAI (the auditor) and engaging party(ies). These procedures relate to the operation of internal controls required to effectively implement the IP's scope of work, such as financial management, procurement, recruitment and asset management. These are the controls that would have been the focus of the micro assessment. The engagement also includes an evaluation of a sample of expenditures.
- e. *Management letter* - A management letter is required providing details of audit (financial or internal control) findings, third party service provider recommendations and prioritization, and IP management responses. The letter is not intended to be prepared as a stand-alone engagement; its preparation should be part of an engagement that provided a report (e.g., audit report and agreed-upon procedures). The management letter should be prepared in accordance with the Institute of Internal Auditors' International Professional Practices Framework (IPPF).

D. CAPACITY DEVELOPMENT

Capacity development is a central part of the HACT vision and is a core component of managing risk, rather than just assessing it. Identification of capacity gaps in IPs and plans to address them must be an element of HACT implementation. In this context it is acknowledged that financial management capacity is a crosscutting, underlying capacity necessary for any IP to effectively contribute to achievement of the programme result.

Capacity development work in this context will take place at the IP level, and will be provided through activities targeted to improve specific gaps in financial management capacity. Capacity development is key to achieving the HACT objective of promoting national ownership.

E. IMPLEMENTING PARTNER:

The IP is the entity responsible and accountable for ensuring proper use of UN Agencies-provided resources and implementation and management of the intended programme as defined in the work plan. Possible IPs include:

- Government institutions.
- Inter-governmental organizations; and
- Eligible civil society organizations, including non-governmental organizations.
- Eligible civil society organizations are those that are legally registered (if required) in the country where they operate.

2. OBJECTIVES, PURPOSE & EXPECTED RESULTS

UNDP would like to establish one or more Long Term Agreements for the above-described services. Contracts for specific services would then be enacted by specific programme units at the LTA-specified unit costs and other conditions.

3. DESCRIPTION OF THE ASSIGNMENT

This LTA seeks to identify one or more service providers to provide professional services to UNDP as described in Table 1.

Table 1: Scope of professional services

	Service	Terms of reference, including output	Comments
1	Macro assessment	Appendix A: Terms of Reference for Macro Assessment	Required once every programme cycle (5 years).

2	Micro assessment	Appendix B: Terms of Reference for Micro Assessment	Required for all partners receiving more than \$150,000 for each programming cycle
3	Spot checks	Appendix C: Terms of Reference for Spot Checks	Required for all partners receiving more than \$150,000 for each programming cycle with increased frequency for higher value of cash transfers and higher risk partners and further to individual agencies' requirements.
5	HACT audit	Appendix D: Terms of Reference for HACT Financial Audit	Required for all partners receiving more than \$150,000 for each programming cycle. A systematic and independent examination of data, statements, records, operations and performance of an implementing partner carried out by an external service provider.
6	Internal Control Audit	Appendix E: Terms of Reference for Internal Control Audit	Required for all partners receiving more than \$150,000 for each programming cycle
7	Management Letter	Appendix F: Terms of Reference for a third-party service provider to prepare a management letter	The engagement includes the IP's internal controls regarding its financial management system as at the period indicated by the agency in Annex 1 and consistent with the corresponding spot check or audit engagement.
8	Special audits	The specific terms of reference and outputs will be developed in accordance with the issue that triggered the special audit.	Triggered as a result of specific issues and concerns arising during the programme cycle. Examples include operational audits, financial audit and investigative procedures.
9	Financial management capacity development	The specific terms of reference and outputs will be developed according to the specific capacity development activity.	Financial management capacity development will be advisory services to assist partners in the remediation of issues identified by micro assessments and assurance activities.

10	Other related advisory services	The specific terms of reference and outputs will be developed according to the specific advisory services requirement.	Possible services include quality assurance activities, strategic advice on establishing standards for assurance activities such as audit, micro assessment and spot check sample size, frequency, training of staff on spot check procedure.
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4. DELIVERABLES

Specific service / outputs to be delivered for each service are detailed in the relevant TORs in Appendices.

5. REPORTING REQUIREMENTS

The reporting guidelines and the reports to be prepared during the assignment are detailed in the relevant TORs in Appendices, together with required timeframes for deliverables, and associated liquidated damages which may be applied in the event of late delivery.

6. REPORTS

The exact report specifications of the deliverables of Appendix B, C, D, and E are provided in Annexes to each of the Appendices. These report templates are to be used by the service provider in all countries where work is undertaken through this LTA.

Final reports are to be issued by the service provider directly to UNDP and UNDP will share the final report(s) with the implementing partners. The service provider will not share any deliverable to any other party, including donors providing funding for the specific project or programme.

Any indication included in any deliverable restricting its distribution and/or use will be null and void.

Reports are to be provided in Word or Excel format, as appropriate (or as may be further specified in the specific terms of reference). Where the service provider's internal policies require the final signed version to be provided only in PDF, UNDP will accept the PDF version accompanied by a Word/Excel version with same content but without signature and/or branding (as per service provider's internal policies).

7. OTHER PERTINENT MATTERS

In the delivery of any services under this LTA, cases which indicate fraud or presumptive fraud will be brought to the immediate attention of the designated person in UNDP without waiting for the issuance of the audit report.

The service provider is to maintain working papers supporting audit work at its premises for five years. UNDP shall on request have access to the working paper documentation. At the request of UNDP, the

service provider is to brief subsequent service providers on the details of the results of any work carried out under this LTA and records are to be kept for ten years

Professional experience and qualification of each service provider staff member are expected to meet or exceed specific requirements listed in each individual terms of reference contained in the LTA. UNDP reserves the right to request CVs for each service provider staff member that will be carrying out any work under this LTA. UNDP reserves the right to request the service provider to provide replacement staff where UNDP do not meet minimum requirements as per the specific terms of references.

Any staff of the service provider providing services to UNDP is required to review UNDG HACT Framework, respective UN agencies HACT related policies and procedures (provided upon contact award) and other pertinent background material in order to provide quality services to UNDP.

8. LOCATION AND DURATION

The LTA is envisaged to be valid for a period of one year, with a possibility of extension for a further one year.

The work will take place in the country which issued the contract, and may be located either in the capital city, or at provincial, district or other sub-national level.

9. QUALIFICATION REQUIREMENTS

The professional requirements of the individual(s) and/or team(s) for the assignment including required experience, skills and qualifications; if applicable, are detailed in the individual TORs attached as Appendices for each specific service.

Proposals from the prospective service provider are expected to include details of:

- Number of requested experts per category (e.g. team leader, supervisor...etc.) and number of person days per expert
- Profile of each category of expert (education, experience, references, category of each expert and working language(s))

10. EVALUATION PROCESS AND METHODS

The technical and financial proposals (separate emails) are to be submitted directly to UNDP Office, located at 4th floor, H.Aage. , to arrive no later than the closing date/time of the RFP. No amendments to the proposals are accepted after the deadline unless specifically solicited by UNDP. The separation of the 2 proposals allows for the consideration of technical requirements without the potential bias for 'low price/cost' information contained in the financial proposal.

The unit designated to manage the bid registration process will eliminate proposals not compliant with the requirements for proposal submission.

All the financial proposals will remain unopened until the technical evaluation is completed. Once the technical evaluation is completed, only the technically compliant proposals will have their financial proposals opened. The other financial proposals remain unopened.

The technical evaluation team will carry out the preliminary evaluation to eliminate proposals not complying with mandatory (pass/fail) criteria, if any. Examples of such mandatory criteria are, e.g. successful registration, availability of certain certificates or licenses, minimum commercial capabilities, etc. Non-compliance results in elimination from further consideration.

At this stage the technical evaluation team takes over and evaluates all remaining proposals against the technical evaluation criteria and weights.

The technical evaluation will carry a weight of 70 while the financial evaluation will carry a weight of 30. Suppliers will need to score a minimum of 49 points for their proposal to be considered technically compliant.

As a result of the technical evaluation each proposal will reach a certain number of technical points which will be further used in the final evaluation. After completing the Technical Evaluation Report, the unit designated to carry out the procurement process will proceed to open the financial proposal of technically compliant proposals, i.e. the proposals that score at least the minimum pass mark. The remaining financial proposals of offers whose technical proposals are deemed unqualified and non-responsive shall not be considered.

Table 3 Technical Evaluation Criteria and Maximum Evaluation Points

Evaluation Criteria	Maximum Evaluation Points
Description of Firm	5
General Organization Capability	5
Specialized Knowledge and Experience	15
Quality Assurance and Risk Management	15
Approach and Methodology	15
Project Team Structure and Expertise	15

11. FINANCIAL PROPOSAL

Financial proposal in sealed envelope according to the format given in the price schedule of the RFP document.

12. ADMINISTRATIVE ISSUES

Bidder is requested to provide an all-inclusive cost in the financial proposal (in MVR) and more detailed instructions are provided on each section of the Format for Financial Proposal in this regard.

UNDP will not provide resources and facilities to the contractor such as access to printer, office space...etc.

13. PAYMENT SCHEDULE

Payment for each activity will be made in full upon completion of the work and presentation and acceptance of a final report and invoice.

13. LONG TERM AGREEMENT AWARD

The Long-Term Agreement might be awarded to one or more vendors whose offer have been evaluated and determined as:

- Responsive/compliant/acceptable; and
- Having received the highest score out of a pre-determined set of weighted technical and financial criteria specific to the solicitation.

Appendix A: Terms of Reference for Macro Assessment Performed by Third Party Service Provider

These terms of reference (TOR) have been developed to guide UNDP, service providers and implementing partners (IPs) through the objectives, scope and deliverables of a requested macro assessment.

Objective and Scope of the Macro Assessment

To ensure adequate awareness of the public financial management (PFM) environment in which UNDP provide cash transfers to IPs, a desk review of assessments of the PFM system will be conducted. The term 'PFM' in the harmonized approach to cash transfers (HACT) framework is broadly defined to include a range of considerations for operating within the country; it is not limited solely to the financial environment but also includes national procurement capacity, exchange rate volatility, presence of informal/black markets, etc. This assessment is called a macro assessment.

The two primary outputs of the macro assessment are:

1. An outline of the risks related to use of the PFM for cash transfers within the country by governmental IPs, as well as other country-specific knowledge for non-governmental IPs; and
2. A determination on whether the government's supreme audit institution (SAI) has the capacity to undertake scheduled and special audits of government IPs.

Macro Assessment Procedures

The service provider performing the macro assessment collects available PFM assessments to aid in detailing the risks related to the use of PFM systems for cash transfers within the country. This includes considerations regarding the use of the SAI and broader country conditions, such as environmental conditions, legal regulations, judicial environments, exchange rate volatility and the presence of informal/black markets, etc.

Typical sources of PFM assessments are:

World Bank

- Country financial accountability assessments. These vary in format and presentation.
- Public expenditure reviews. These analyse a country's fiscal position, expenditure policies and public expenditure management systems.
- Country procurement assessment reviews. These review public procurement institutions and practices.
- Institutional and governance reviews. These review the quality of accountability, policymaking and service delivery institutions.
- Capacity assessments of heavily indebted poor country PFM. Performed jointly with IMF, this assessment covers some of the same issues as a country financial accountability assessment.

Assessments by other institutions

- Public Expenditure and Financial Accountability (PEFA) monitoring and evaluation reports.
- Fiscal transparency reviews (IMF). These use the code of good practices on fiscal transparency adopted by IMF in 1998.
- Diagnostic study of accounting and auditing (Asian Development Bank).
- Ex-ante audits of PFM systems (European Commission).

- Assessments by CIDA, DFID, EU, ADB and other agencies.

The preliminary results of the macro assessment are discussed with UNDP implementing the HACT framework, both to provide a summary of the results and to incorporate UNDP experience and knowledge into the final assessment.

Deliverables

The service provider summarizes the findings on the risks related to the use of PFM systems for cash transfers within the country in the macro assessment checklist (provided in Annex I)

The service provider will submit a draft report for review and comment. The service provider will provide a final report incorporating comments provided by UNDP.

Reports are to be provided in Word format. Where service provider's internal policies require the final signed version to be provided only in PDF, UNDP will accept the PDF version accompanied by a Word version with same content but without signature and/or branding (as per service provider's internal policies).

Timeframe for Deliverables and Liquidated Damages

Desk review is to be completed within two weeks of contract signature. Draft report is to be delivered within one month of contract signature. Final report is to be provided within one week of receipt of feedback from the respective UN Agency on the draft report.

Liquidated damages for delayed delivery will be levied as follows: UNDP may claim liquidated damages from the Contractor and deduct 0.5% of the value of the goods/services per day of delay, up to a maximum of 10% of the value as stated in the clause.

Qualifications of the Service Provider

The staff of the service provider must be experienced in performing assessments similar to a macro assessment and assessing risks related to PFM systems. The staff must also have financial management experience and knowledge of the United Nations system and the development sector.

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

Items to be Provided to the Service Provider before fieldwork begins

The UNDP HACT Focal Point provides the following documentation before starting the assessment:

- Summary of primary programme initiatives and IPs in the country;
- Details of macro assessments previously performed in the country; and
- Any other documentation that may help the provider better understand United Nations perspective.

The service provider is to review the information received before performing the assessment and take it into account as part of the report.

Annex 1. Macro Assessment Checklist

General Overview of Macro Assessment

Macro assessed Implementing partner (IP)	
IP utilizing HACT framework	
UNDP contact person(s)	
Start/end date of macro assessment (dd/mm/yyyy – dd/mm/yyyy)	
Has a macro assessment been performed for this IP?	
Member(s) of the macro assessment team (Name, designation, section/organization)	
Sources of information used in assessment (title, date published, source, etc.)	

Annex 2. Macro Assessment Risk consideration checklist

No.	Indicator	Risk Consideration				Indicator risk level	Comment
		High risk	Significant risk	Moderate risk	Low risk		
1	The annual budget contains all significant government expenditures, including relevant donor contributions	No			Yes		
2	Budget and performance	Budget decisions are only nominally debated. Little consideration of previous performance is taken into account when setting future budgets.			Budget decisions are fully debated with assistance from expert committees. Full consideration of previous performance is taken into account when setting future budgets.		
3	Budget execution	Government historically does not execute budgets as planned.	Government historically executes budgets as planned, but there are significant exceptions.	Government historically executes budgets as planned with limited exceptions.	Government historically executes budgets as planned without exceptions.		
4	To what extent are internal controls and financial procedures adhered to?	Procedures are frequently over-ridden or ignored. Emergency procedures are routinely used.	Procedures are generally followed, but there are significant exceptions. Doubt exists as to	Procedures are generally followed. While exceptions exist, they are not frequent enough to prevent	Always.		

		Risk Consideration					
No.	Indicator	High risk	Significant risk	Moderate risk	Low risk	Indicator risk level	Comment
			whether or not the internal control system can be relied upon.	reliance on the internal control system.			
5	Bank reconciliations	Many accounts are not reconciled monthly. Reconciliations are often poorly performed.	A number of significant accounts are not reconciled monthly. Quality is sometimes poor.	Generally banks are properly reconciled each month. Exceptions exist but appropriate follow-up action is taken in all cases.	Performed to a high standard for all bank accounts at least once a month.		
6	Transfer of cash resources	Cash transfers from central/regional levels to project level take more than one month.	Cash transfers from central/regional levels to project level take two to four weeks.	Cash transfers from central/regional levels to project level take one to two weeks.	Cash transfers from central/regional levels to project level take a week or less.		
7	Reporting of cash and asset position to government	Analysis of cash and asset position made to government contains significant omissions.			Full analysis of cash and asset position is made to government.		
8	Financial audit / SAI auditor general <i>*For decentralized governments, consider consolidated</i>	External audit covers less than 80% of central government expenditures.	External audit covers 80% to 90% of central government expenditures	External audit covers 90% of central government expenditures.	External audit covers all central government expenditures.		

No.	Indicator	Risk Consideration				Indicator risk level	Comment
		High risk	Significant risk	Moderate risk	Low risk		
	<i>audit coverage, if available.</i>						
9	SAI independence	SAI reports to government agency.			SAI reports to legislature (or equivalent justice system).		
10	Audit standards applied by the SAI	SAI applies national audit standards, which are significantly inconsistent with international standards.		SAI applies national audit standards, which comply with international standards.	SAI applies international audit standard.		
11	Follow-up action to audit reports	Points raised by external audit are infrequently followed up.	Points raised by external audit are usually but not always followed up. A significant number of points recur in following years.	Points raised by external audit are always followed up. In a few cases points recur in following years.	Points raised by external audit are always properly followed up. Points generally do not recur in following years.		
12	Country has a national procurement framework	No			Yes		
13	Transparency of audit process	Statutory external audit reports are infrequently published. They are rarely debated in the media, even	Most statutory external audit reports are published. They are sometimes debated in the	All statutory external audit reports are published. They are usually debated in the	All statutory external audit reports are published. They are debated in the media when of public interest.		

No.	Indicator	Risk Consideration				Indicator risk level	Comment
		High risk	Significant risk	Moderate risk	Low risk		
		when of public interest.	media when of public interest.	media when of public interest.			
14	Staff qualifications and skills	It is often unclear whether staff have the skills and qualifications necessary to discharge their duties.	In some cases it is unclear whether staff have the skills and qualifications necessary to discharge their duties.	In only some isolated cases is it unclear whether staff have the skills and qualifications necessary to discharge their duties.	It is always clear that all staff have the skills and qualifications necessary to discharge their duties.		
15	Financial systems	Financial systems only capture and report on the most basic financial data, and this is frequently unreliable. System maintenance and performance is generally poor.	Financial systems only capture and report on the most basic financial data. While there are system maintenance and performance problems, generally the system is stable.	Financial systems are adequate for most but not all data capture and reporting needs. They are reliable and properly maintained.	Financial systems are adequate for data capture and reporting needs. They are reliable and properly maintained.		
16	Environmental conditions	Natural disasters or significant events regularly occur that displace citizens and resources.			Natural disasters or significant events that displace citizens and resources rarely or never occur.		
17	Exchange rate volatility	Foreign exchange rates fluctuate	Foreign exchange rates fluctuate significantly on a	Foreign exchange rates have remained	Foreign exchange rates do not fluctuate significantly.		

No.	Indicator	Risk Consideration				Indicator risk level	Comment
		High risk	Significant risk	Moderate risk	Low risk		
		significantly on a daily basis.	weekly or monthly basis.	relatively consistent, with the exception of significant one-off fluctuations.			
18	Existence of a black market	Black market is prevalent and influential in the country.	Black market exists and has significant influence in the country.	Black market exists in the country, but effective actions are being taken to eliminate or limit its influence in the country.	Black market may exist but does not have an influence in the country.		
19	<Any other specific items identified by agency> <i>Examples: Inflation, reliability of statistics bureau, parliamentary control, unemployment rate, transparency of information collection</i>						

Appendix B: Terms of Reference for Micro Assessment Performed by Third Party Service Provider

This TOR has been developed to guide UNDP, third party service providers and implementing partners (IPs) through the objectives, scope, logistics and deliverables of performing micro assessments.

Objective and scope of the micro assessment

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

- **Low risk** – Indicates a well-developed financial management system and functioning control framework with a low likelihood of negative impact on the IP's ability to execute the programme in accordance with the work plan.
- **Moderate⁹ Risk** – Indicates a developed financial management system and control framework with moderate likelihood of potential negative impact on the IP's ability to execute the programme in accordance with the work plan.
- **Significant Risk** – Indicates an underdeveloped financial management system or control framework with a significant likelihood of potential negative impact on the IP's ability to execute the programme in accordance with the work plan.
- **High Risk** – Indicates an underdeveloped financial management system and control framework with a high likelihood of potential negative impact on the IP's ability to execute the programme in accordance with the work plan.

The micro assessment assesses the IP's financial management capacity (i.e. accounting, procurement, reporting, internal controls, etc.) to determine the overall risk rating and assurance activities. The overall risk rating is used by the UNDP, along with other available information (e.g. history of engagement with the UNDP and previous assurance results), to determine the type and frequency of assurance activities as per UNDP guidelines and can be taken into consideration when selecting the appropriate cash transfer modality for an IP.

Timeframe for Deliverables and Liquidated Damages

The assessment should be completed (including the site visit and draft report issuance) within four weeks of contract signature. Final report is to be provided within one week of receipt of feedback from UNDP on the draft report.

Liquidated damages for delayed delivery will be levied as follows: UNDP may claim liquidated damages from the Contractor and deduct 0.5% of the value of the services per day of delay, up to a maximum of 10% of the value as stated in the clause.

Logistics

⁹ Throughout agencies' policies and systems, "moderate" and "medium" may be used interchangeably to describe the risk rating between low and significant".

The UNDP HACT focal point and/or inter-unit coordinator will introduce the service provider to the IP and facilitate the site visit.

The UNDP will provide the following documentation to the service provider for review before starting fieldwork:

- Copy of the latest macro assessments performed for the country;
- UNDP programme documents with the IP
- Copies of reports of any micro assessments or other relevant assessment previously performed on the IP e.g. review of the IPs or UNDP Public Procurement System to determine its compatibility with the UN's Procurement Rules and Regulations
- Copies of reports of any financial or internal control audits and spot checks previously performed on the IP; and
- IP and Programme information as per Annex 1
- Any other documentation that may help the service provider better understand the context from a United Nations perspective.

Procedures and deliverables

The third part service provider receives general information regarding the IP and the programme from UNDP HACT focal point and/or the unit coordinator in preparation for the assessment (see Annex 1 and Items to be provided above). The service provider reviews this documentation in advance of performing a site visit to the IP. The service provider should also provide the IP with an advance request of the documents and interviews they would like to have while on site, to ensure efficient use of time while on-site.

The third party service provider also completes the micro assessment questionnaire (Annex 2, with instructions) based on the procedures performed during the assessment period. The service provider discusses the results of the questionnaire with relevant IP personnel and UNDP HACT focal point before finalizing it. Upon finalization, the service provider delivers an executive summary, detailing the overall risk rating and specific identified risks, and the completed questionnaire.

The micro assessment report is to be delivered in the format given in Annex 3.

Qualifications of the third party service provider

The third party service provider must be experienced in performing assessments similar to a micro assessment and assessing risks related to organizational financial management capacity (i.e. accounting, reporting, procurement and internal controls). The service provider must also have knowledge of the United Nations system and the development sector.

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

Annex 1. Micro Assessment: IP and Programme Information

The following information should be completed at the start of the micro assessment and annexed to the report as per the format in Annex 3.

Implementing partner name:	
Implementing partner code or ID UNDP (as applicable)	
Implementing partner contact details (contact name, email address and telephone number):	
Main programmes implemented with the applicable UNDP Programme	
Key Official in charge of the UNDP programme(s):	
Programme location(s):	
Location of records related to the UNDP programme(s):	
Currency of records maintained:	
Latest expenditures incurred/reported to UNDP (as applicable). Indicate the amount (in US\$) and the financial reporting period ;	
Current or latest cash transfer modality/ies used by UNDP to the IP	
Intended start date of micro assessment:	
Number of days to be spent for visit to IP:	
Any special requests to be considered during the micro assessment:	

Annex 2: Micro Assessment: Questionnaire

Please see separately provided excel format for the questionnaire with calculation formulas included, which has to be used. The excel file can also be found at www.undg.org/.

Instructions

This questionnaire contains questions related to seven subject areas. Certain questions are classified as “key questions” indicating that they have a greater impact in assessing the effective functioning of the IP’s control framework.

1. Answer each question by selecting ‘Yes’, ‘No’ or ‘N/A’ (for ‘not applicable’) from the drop down menu in the appropriate column.
2. Use the Risk Assessment column to assign a risk rating (high, significant, moderate or low) for each question based on the response obtained. For example, if the question addresses an item that should ideally be marked ‘Yes’ but was marked ‘No’, it should be assessed for the level of risk it presents to the effective functioning of the IP’s control framework. Assigning risk ratings to each question requires judgment by the assessor as to how the response will impact the effectiveness of the IP’s control framework. **Attention: THE APPROPRIATE RISK ASSESSMENT OR “NOT APPLICABLE” MUST BE SELECTED FOR EACH QUESTION. IF THERE ARE QUESTIONS CONTAINING “ERROR” THE RISK RATING FOR THE CATEGORY AND OVERALL WILL BE WRONGLY CALCULATED!**
3. The risk ratings to be used are:
 - **High** – Response to question indicates a risk to the effective functioning of the IP’s control framework that has a high likelihood of a potential negative impact on the IP’s ability to execute the programme in accordance with the work plan and stated objectives;
 - **Significant** – Response to question indicates a risk to the effective functioning of the IP’s control framework that has a significant likelihood of a potential negative impact on the IP’s ability to execute the programme in accordance with the work plan and stated objectives;
 - **Moderate** – Response to question indicates a risk to the effective functioning of the IP’s control framework that has a moderate likelihood of a potential negative impact on the IP’s ability to execute the programme in accordance with the work plan and stated objectives; or
 - **Low** – Response to question indicates a low risk to the effective functioning of the IP’s control framework and a low likelihood of a potential negative impact on the IP’s ability to execute the programme in accordance with the work plan and stated objectives.
 - *N/A – The specific question is not applicable for the IP and therefore no risk rating is assigned.*
4. The Risk Points column automatically assign points to each question that correlate with the level of risk.

5. Points are assigned as follows:

Risk rating	Points: non-key questions	Points: key questions
H – High risk	4 points	8 points
S – Significant risk	3 points	6 points
M – Moderate risk	2 points	4 points
L – Low risk	1 point	1 point

6. Use the 'Remarks/ comments' column next to each question to provide details of your assessment or to highlight any important matters. This document will be referenced subsequently by UNDP when performing additional assurance activities related to the IP. Sufficient details should be provided in this document for UNDP to understand the details and rationale for your assessment.

Calculation of risk rating per subject area section

For each subject area, the risk points are totaled and divided by the number of applicable questions in that area, to give a risk rating for the subject area. The method of calculation is weighted average, where key questions have double the weight of non-key questions as illustrated in Note 1.

Calculation of overall risk rating

For all the questions in the questionnaire, the risk points are totaled and divided by the number of applicable questions, to give an overall average score. The method of calculation is weighted average, where key questions have double the weight of non-key questions as illustrated in Note 1.

Note 1 – Method of assigning risk ratings to risk scores

As per paragraph 5, key questions are assigned double the risk points, resulting in a weighted average method for calculating the overall and by subject area risk rating. Therefore, the risk rating assigned to the key questions have twice the weight in determining the risk rating.

Assume the following two scenarios with the same risk rating for the questions.

- Scenario 1: There are three non-key questions having equal weight
- Scenario 2: The first question is key and the remaining two questions are non-key.

Scenario 1	Risk Rating	Points	Scenario 2	Risk Rating	Points
Question 1	High	4	Key Question 1	High	8
Question 2	Low	1	Question 2	Low	1
Question 3	Low	1	Question 3	Low	1

Total Risk Points:		6
Overall Risk	Moderate	2

Total Risk Points		10
Overall Risk	Significant	3.3

The Excel spreadsheet automatically assigns the risk rating by using the following algorithm:

1. Only the applicable questions are taken into consideration
2. The minimum possible points for the subject area are calculated, that is if all questions are assigned low risk rating
3. The maximum possible points for the subject area are calculated, that is if all questions are assigned high risk rating
4. The ranges for each risk rating are calculated by evenly distributing between the lowest and highest applicable points
5. The actual risk points are matched with one of the four risk ranges to determine the overall risk category.

The same algorithm is applied when calculated the overall risk rating for the IP.

Annex 2. Micro Assessment Questionnaire (template)

Micro Assessment Questionnaire

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
1. Implementing partner						
1.1 Is the IP legally registered? If so, is it in compliance with registration requirements? Please note the legal status/registration of the entity. <i>Retain copies of registration documents if available.</i>				IP is registered in the country where the programme operates and is current with registration/reporting requirements.		
1.2 Has the IP received United Nations resources in the past? If so, provide details of amounts, from which agency and for what purpose.				IP has received United Nations resources in the past and no issues were encountered with utilizing these funds.		
1.3 Does the IP have statutory reporting requirements? If so, are they in compliance with such requirements? Please describe.				The IP is compliant with applicable statutory requirements.		
1.4 Is the governing body for the IP independent from management? If so, please describe.				The governing body of the IP is independent from management.		
1.5 Does the IP have any pending legal actions against it? <i>Confirm this with the IP, and possibly through assessment of the general ledger and confirmation with external legal counsel provided by the IP. Provide details and actions taken by the IP to resolve the legal action.</i>				The IP does not have any pending legal actions against it.		
Total number of questions in subject area:	5					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						

<i>Total number of risk points:</i>						
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Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
Implementing partner overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
2. Funds Flow						
2.1 Can the IP easily receive and transfer funds? If so, please describe the process.				The IP can receive funds directly from the agency.		
2.2 Are the proposed arrangements to transfer the funds to the IP satisfactory to the funding agency?				The proposed arrangements are satisfactory to the funding agency.		
2.3 Have there been major problems in the past in receipt of funds by the IP, particularly where the funds flow from government ministries (if applicable)? If so, please describe.				The IP has not had problems in the past regarding receipt of agency funding.		
2.4 In the past, has the IP had any problems in the management of funds received? If so, please describe.				The IP has not had problems in the management of funds received from the funding agency.		
2.5 Does the IP have capacity to manage foreign exchange risks? (If it is expected to be using funds outside the country.) If so, does the IP have experience managing foreign exchange risk?				The IP has capacity and experience in managing foreign exchange risk.		
2.6 Does the IP have a process in place to access counterpart funds? Please describe.				The IP has capacity and experience in assessing counterpart funds.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
2.7 If some activities will be implemented by others, such as civil society groups or non-governmental organizations, does the IP have the necessary reporting and monitoring mechanisms to track the use of funds? Does the IP have experience with implementation of activities by external civil society or non-governmental organizations? If so, please describe.				The IP has the necessary reporting and monitoring mechanisms in place to track the use of funds by external organizations. The IP also has experience with this process.		
Total number of questions in subject area:	7					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						
Funds flow overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
3. Organizational Structure and Staffing						
3.1 Is the organizational structure of the IP's accounting/finance department appropriate for the level of financial volume? Does the organizational structure provide clear lines of reporting and accountability? If so, please describe. <i>Attach an organization chart if available.</i>				The organizational structure of the IP's accounting/finance department is appropriate for the level of financial volume (including funding from the agency).		
3.2 Are the level of posts and competency of staff appropriate for the level of financial volume in the accounting/finance				The level of posts and competency of staff are		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
department? Identify the staff, including job titles, responsibilities, educational backgrounds and professional experience. <i>Attach job descriptions and CVs of key accounting/ finance staff.</i>				appropriate for the level of financial volume in the accounting/finance department.		
3.3 Is the IP's accounting/finance function staffed adequately to ensure sufficient controls are in place to manage agency funds? If so, please describe.				The IP's accounting/finance function is staffed adequately to ensure sufficient controls are in place to manage agency funds.		
3.4 Are accounting/finance staff familiar with United Nations procedures related to cash transfers (specifically the HACT framework)? If so, please provide details.				The accounting/finance staff are familiar with United Nations procedures related to cash transfers (specifically the HACT framework).		
3.5 Are there vacancies in positions considered key? If so, provide the estimated date of appointment.				The IP does not have any vacancies in positions considered key.		
3.6 Are staff frequently transferred to other departments, offices, countries, etc.? If so, what is the estimated frequency?				IP staff are not frequently transferred to other departments, offices, countries, etc.		
3.7 Does the IP have training policies for accounting/finance staff? Are necessary trainings undertaken? If so, please describe.				The IP has training policies for accounting/finance staff, which are undertaken as planned.		
3.8 Has there been significant turnover in the past five years? If so, has the rate improved or worsened? Does it appear to				The IP has not had significant turnover in the past five years.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
be a problem? If so, what is the IP doing to address this issue?"						
3.9 Does the IP perform background verification/checks on all new accounting/finance and management positions? If alternative practices for processing new hires are in place, please provide a brief description.				The IP performs background verification/checks on all new accounting/finance and management positions.		
3.10 Does the IP have a defined and documented internal control framework? Is this framework consistent with international standards? If so, please describe.						
Total number of questions in subject area:	10					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						
Organizational structure and staffing overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
4. Accounting Policies and Procedures						
4a. General						
4.1 Does the IP have an accounting system that allows for proper recording of financial transactions from United Nations agencies, including allocation of expenditures in				The IP has an accounting system that allows for proper recording of financial transactions from United		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
accordance with the respective components, disbursement categories and sources of funds?				Nations agencies, including allocation of expenditures in accordance with the respective components, disbursement categories and sources of funds.		
4.2 Are controls in place concerning preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?				Controls are in place concerning preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained.		
4.3 Is the chart of accounts adequate to properly account for and report on activities and disbursement categories?				The chart of accounts is adequate to properly account for and report on activities and disbursement categories in accordance with the established agreements.		
4.4 Are controls in place for accurate cost allocations to the various funding sources in accordance with established agreements?				Controls are in place for accurate cost allocations to the various funding sources in accordance with established agreements.		
4.5 Are the general ledger and subsidiary ledgers reconciled at least monthly? Are explanations provided for significant reconciling items?				The general ledger and subsidiary ledgers are reconciled at least monthly, and explanations are provided for significant reconciling items.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
4.6 Are all accounting and supporting documents retained permanently in a defined system that allows authorized users easy access? If so, please describe.				Accounting and supporting documents are retained permanently in a defined system that allows authorized users easy access.		
4.7 Does the IP have policies and procedures for tracking and reporting United Nations resources as required in the HACT framework? If so, please describe.				The IP has policies and procedures for tracking and reporting United Nations resources as required in the HACT framework.		
4b. Segregation of duties						
4.8 Are the following functional responsibilities performed by different units or individuals: (a) authorization to execute a transaction; (b) recording of the transaction; and (c) custody of assets involved in the transaction?				The following functional responsibilities are performed by different units/individuals: (a) authorization to execute a transaction; (b) recording of the transaction; and (c) custody of assets involved in the transaction.		
4.9 Are the functions of ordering, receiving, accounting for and paying for goods and services appropriately segregated?				The functions of ordering, receiving, accounting for and paying for goods and services are appropriately segregated.		
4.10 Are bank reconciliations prepared by individuals other than those who make or approve payments?				Bank reconciliations are prepared by individuals other than those who make or approve payments.		
4c. Budgeting system						

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
4.11 Do the IP's budgets lay down physical and financial targets?				The IP's budgets lay down physical and financial targets.		
4.12 Are IP budgets prepared for all significant activities in sufficient detail to provide a meaningful tool for monitoring subsequent performance?				IP budgets are prepared for all significant activities in sufficient detail to provide a meaningful tool for monitoring subsequent performance		
4.13 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations from the budget?				Actual expenditures are compared to the budget with reasonable frequency, and explanations are required for significant variations from the budget.		
4.14 Are approvals required prior to significant variations from the budget?				Approvals are required prior to significant variations from the budget.		
4.15 Does the IP have a designated individual(s) responsible for preparation and approval of budgets related to agency funding?				The IP has a designated individual(s) responsible for preparation and approval of budgets related to agency funding.		
4.16 Are procedures in place to plan activities, collect information from the units in charge of the different components and prepare the budgets? If so, please describe.				Procedures are in place to plan activities, collect information from the units in charge of the different components and prepare the budgets.		
4.17 Are the plans and budgets of activities realistic, based on valid assumptions and developed by knowledgeable individuals?				The plans and budgets of activities appear to be realistic, based on valid assumptions,		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
				and developed by knowledgeable individuals.		
4d. Payments						
4.18 Do invoice processing procedures provide for: <ul style="list-style-type: none"> Copies of purchase orders and receiving reports to be obtained directly from issuing departments? Comparison of invoice quantities, prices and terms with those indicated on the purchase order and with records of goods actually received? Checking the accuracy of calculations, if any? 				Invoice processing procedures are sufficient, including: receiving copies of purchase orders and receiving reports directly from issuing departments; comparing invoice quantities, prices and terms with those indicated on the purchase order and with records of goods actually received; and checking the accuracy of calculations (if any).		
4.19 Can the IP identify tax-exempt activities to ensure tax is not paid?				The IP has the ability and experience to identify tax-exempt activities and ensure tax is not paid.		
4.20 Are all invoices stamped 'PAID', dated, reviewed and approved, and clearly marked for account code assignment?				Invoices are stamped 'PAID', dated, reviewed and approved, and clearly marked for account code assignment.		
4.21 Do controls exist for preparation and approval of payroll expenditures? Are changes properly authorized? If so, please describe.				Controls exist for the preparation and approval of payroll expenditures and changes are properly authorized.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
4.22 Do controls exist for expense categories that do not originate from invoice payments, such as DSA, travel, consultancies?				Controls exist for expense categories that do not originate from invoice payments, such as DSA, travel, consultancies.		
4e. Policies and procedures						
4.23 Does the IP have a single stated basis of accounting (e.g., cash or accrual)? If so, please describe.				The IP has a single basis of accounting.		
4.24 Does the IP have an established accounting manual sufficient to ensure control of assets and proper use of agency funds? Are internationally accepted accounting standards followed? If so, which standard?				The IP has an established accounting manual sufficient to ensure control of assets and proper use of agency funds. This manual follows an internationally accepted accounting standard.		
4.25 Does the IP have an adequate policies and procedures manual to guide activities and ensure staff accountability? If so, please describe.				The IP has an adequate policies and procedures manual to guide activities and ensure staff accountability.		
4.26 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the IP?				The IP has procedures in place to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure.		
4.27 Are there written policies and procedures covering all routine financial management and related administrative activities? Are these accessible? Please describe.				There are accessible written policies and procedures covering all routine financial management and related administrative activities.		

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

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
4.34 Are agency resources be placed in a separate bank account?				Agency resources are placed in a separate bank account.		
4.35 Are cash and checks maintained in a secure location? Has access been properly designated and maintained?				Cash and checks are maintained in a secure location and access has been properly designated and maintained.		
4g. Safeguards for assets						
4.36 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse? If so, tour the facility to ensure the system has been implemented and followed.				The IP has a system of adequate safeguards to protect assets from fraud, waste and abuse.		
4.37 Are subsidiary records of fixed assets and inventory kept up to date and reconciled with control accounts? If so, please describe.				Subsidiary records of fixed assets and inventory are kept up to date and reconciled with control accounts.		
4.38 Are there periodic physical inventories of fixed assets and stocks? If so, please describe.				The IP performs periodic physical inventories of fixed assets and inventory.		
4.39 Are fixed assets and inventory adequately covered by insurance policies?				The IP's fixed assets and inventory are adequately covered by insurance policies.		
4h. Other offices or entities²						
4.40 Do any other offices/entities participate in implementation? If so, does the IP have policies and				If the IP has other offices/entities participating in implementation, there are		

² This refers to sub-offices of the IPs or other parties.

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
process to ensure appropriate oversight and monitoring of implementation?				adequate policies and procedures to ensure appropriate oversight and monitoring of implementation. The IP also has experience with this process.		
4.41 Does information flow among the different offices/entities in an accurate and timely fashion? If so, please describe.				Information flows among the different offices/entities in an accurate and timely fashion.		
4.42 Does the IP have a process in place to evaluate the impact of any deficiencies or negative findings identified through reporting or discussions with the other offices/entities? If so, describe the process.				The IP has a process in place to evaluate the impact of any deficiencies or negative findings identified through reporting or discussions with the other offices/entities. The IP also has experience with this process.		
4.43 Does the IP maintain contractual agreements with other offices/entities?				The IP maintains current contractual agreements with other offices/entities.		
4.44 Does the IP have a process to ensure expenditures of other offices/entities are in compliance with the work plan and/or contractual agreement noted in item 4.43?				The IP has a process to ensure expenditures of other offices/entities are in compliance with the work plan and/or contractual agreements.		
4i. Other						

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

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
5.3 Will the activities financed by the agencies be included in the internal audit department's work programme?				The activities financed by agency funds will be included in the internal audit department's work programme.		
5.4 Does the internal auditor have policies and procedures totake action on findings identified?				The internal auditor has policies and procedures to take action on findings identified, if any.		
5.5 Does the IP appear to have strong internal controls to ensure funds are expended for their intended purpose, todiscourage and prevent improper use of funds, and to safeguard assets? If so, please describe.				The IP appears to have strong internal controls to ensure funds are expended for the intended purpose, discourage and prevent improper use of funds, and safeguard assets.		
Total number of questions in subject area:	5					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						
Internal audit overall risk assessment:						<p>Divide total number of risk points by total number of applicable questions in subject matter section.</p> <p>This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.</p>
6. Financial Audit						

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
6.1 Are the IP's specific financial statements audited regularly by an independent auditor? If so, please describe the auditor.				The IP's specific financial statements are audited regularly by an independent auditor.		
6.2 Are there any delays in audit of the IP? When are the audit reports issued?				There are no delays in audits of the IP's financial statements, and the financial statements are issued within a reasonable amount of time.		
6.3 Is the audit of the IP's financial statements conducted according to the International Standards on Auditing?				The audit of the IP's financial statements are conducted according to the International Standards on Auditing.		
6.4 Were there any major accountability issues brought out in audit reports of the IP over the past three years?				No major accountability issues were brought out in audit reports of the IP over the past three years.		
6.5 Will the auditor audit the accounts related to the work plan or other contractual agreements with the agency? If not, will a separate auditor be appointed to audit the work plan financial statements?				The auditor will audit the accounts related to the work plan or other contractual agreements with the agency.		
6.6 Have any recommendations made by auditors in the prior three audit reports and/or management letters not yet been implemented?				All recommendations made by the auditor in the prior three audit reports and/or management letters have been implemented.		
6.7 Historically, has the IP prepared audit plans?				The IP has historically prepared audit plans.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
Total number of questions in subject area:	7					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						
Financial audit overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
7. Reporting and Monitoring						
7.1 Are financial statements prepared specifically for the IP?				Financial statements are prepared specifically for the IP.		
7.2 What is the frequency of preparation of the financial statements mentioned in 7.1? Are the reports prepared in a timely fashion so they are useful to management for decision-making?				Financial statements of the IP are prepared on a frequent basis so they are useful to management for decision-making.		
7.3 Does the reporting system have the capacity to link the financial information with the work plan's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?				The reporting system has the capacity to link the financial information with the work plan's physical progress.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
7.4 Does the IP have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain and how they are to be used? If so, please describe.				The IP has established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain and how they are to be used.		
7.5 Does the IP have financial reports that compare actual expenditures with budgeted and programmed allocations?				The IP has financial reports that compare actual expenditures with budgeted and programmed allocations.		
7.6 Are financial reports prepared directly by the automated accounting system or are they prepared using spreadsheets or some other means?				Financial reports are prepared directly by the automated accounting system or using spreadsheets (or some other means) that are properly reviewed and approved.		
7.7 Does the IP appear to have been solvent (i.e. total assets greater than total liabilities) for the past three fiscal years? Are there any unexplained or ongoing inconsistencies? <i>Provide the amount of total assets and total liabilities for the current and prior fiscal year.</i>				The IP appears to have been solvent (i.e. total assets greater than total liabilities) for the past three fiscal years.		
7.8 Do the IP's total revenues/contributions exceed its total expenditures over the past three fiscal years? Have the IP's contributions been contracting (i.e. dwindling) over the past three years? If so, why and how will the organization address this issue? <i>Provide the amount of total revenues/contributions and total expenditures for the current and prior fiscal year.</i>				The IP's total revenues/contributions exceed its total expenditures in the past three fiscal years, and its contributions have not been contracting in the past three fiscal years.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
Total number of questions in subject area:	8					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						
Reporting and monitoring overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
8. Information Systems						
8.1 Is the financial management system computerized? If so, does the IP have policies and procedures to maintain this system?				The financial management system is computerized and properly maintained.		
8.2 Does the IP have policies and procedures to restrict access to the computerized financial management system to appropriate personnel? If so, please describe them.				The IP has policies and procedures to restrict access to the computerized financial management system to the appropriate personnel.		
8.3 Can the computerized financial management system produce the necessary financial reports?				The computerized financial management system can produce the necessary financial reports.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
8.4 Are IP staff adequately trained to maintain the computerized financial management system?				IP staff are adequately trained to maintain the computerized financial management system.		
8.5 Does the IP have appropriate safeguards to ensure the confidentiality, integrity and availability of the data? If so, please describe them.				The IP has appropriate safeguards to ensure the confidentiality, integrity and availability of the data.		
Total number of questions in subject area:	5					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						
Information systems overall risk assessment:						Divide total number of risk points by total number of applicable questions in subject matter section. This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.
9. Procurement						
9a. General						
9.1 Has the IP undertaken a procurement exercise with United Nations / World Bank / European Union resources in the past? If so, please describe it.				The IP has undertaken a procurement exercise with UN/WB/EU resources in the past.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
9.2 Has the IP been audited by ECHO and selected as a Framework Partnership Agreement partner as per: http://ec.europa.eu/echo/files/partners/humanitarian_aid/fpa_partners.pdf				The IP has been audited by ECHO and selected as a Framework Partnership Agreement partner.		
9.3 Has the IP been audited by ECHO and selected as a Humanitarian Procurement Centre partner as per: http://ec.europa.eu/echo/files/partners/humanitarian_aid/H_PC-register_en.pdf				The IP has been audited by ECHO and selected as a Humanitarian Procurement Centre partner.		
9b. Procurement principles, policies and procedures						
9.4 Does the IP follow acceptable United Nations procurement principles? Do these principles promote broad participation from potential bidders? If so, please describe them.				The IP follows acceptable United Nations procurement principles.		
9.5 Does the IP have written procurement policies and procedures? <i>If yes, please provide a copy. If no, please attach an outline of the tender procedures specifying the different procurement procedures, related thresholds and methodology for the assessment of tenders.</i>				The IP has written procurement policies and procedures.		
9.6 Does the IP have a specific code of procurement ethics? <i>Please attach copy of the code.</i>				The IP has a specific code of procurement ethics.		
9.7 Does the IP have a specific anti-fraud and corruption policy? If so, please describe it.				The IP has a specific anti-fraud and corruption policy.		
9.8 Do the IP's procurement rules and regulations contemplate a fair and impartial mechanism for revision of procurement protests?				The IP's procurement rules and regulations contemplate a fair and impartial mechanism		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
				for revision of procurement protests.		
9.9 Does the IP frequently override purchasing procedures without proper authorization?				The IP does not frequently override the purchasing procedures without proper authorization.		
9.10 Are exceptions to procedures documented and sent to management for approval? Are the exceptions periodically analysed and corrective actions taken?				Exceptions to procedures are documented and sent to management for approval. Exceptions are periodically analysed and corrective actions are taken.		
9c. Internal control system						
9.11 Does the IP have a procurement committee for review and approval of contracts? If so, please specify composition of committee.				The IP has a procurement committee that reviews and approves contracts.		
9.12 Does the IP identify the requested authorizations for each value level of purchases? At what value does the IP require written authorization of senior management for a purchase (value in US dollars)?				The IP has defined authorization guidance and policies and procedures to ensure they are properly applied.		
9.13 Does the IP use standard bidding documents and contracts?				The IP utilizes standard bidding documents and contracts.		
9.14 Do the procurement procedures and templates of contracts integrate references to ethical procurement principles and exclusion and ineligibility criteria?				The procurement procedures and templates of contracts integrate references to ethical procurement principles and		

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

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
9.21 Does the IP keep track of past performance of suppliers? If so, describe the process.				The IP keeps track of past performance of suppliers.		
9.22 Does the IP regularly check 'market' prices for goods and services purchased? If so, describe the frequency and process.				The IP regularly checks 'market' prices of goods and services purchased.		
9.23 Does the IP conduct public bid opening for formal procurement methods (invitation to bid and request for proposal)? What is the composition of public bid opening committees?				The IP conducts public bid opening for formal procurement methods.		
9.24 Does the IP have a well-defined process in place to ensure a secure and transparent bid and evaluation process? If so, describe the process.				The IP has a well-defined process in place to ensure a secure and transparent bid and evaluation process.		
9.25 Does the IP establish long-term agreements with suppliers based on a tender process?				The IP establishes long-term agreements with suppliers based on a tender process.		
9.26 Are long-term agreements reviewed/retendered? If so, how frequently? Please describe.				Long-term agreements are reviewed and retendered.		
9f. Awarding of contracts						
9.27 When a formal invitation to bid has been issued, does the IP award the procurement contract to the qualified bidder whose bid substantially conforms to requirements set forth in the solicitation documentation and offers the lowest cost?				The IP awards procurement contracts to qualified bidders whose bids substantially conform to requirements set forth in the solicitation documentation and offer the lowest cost.		
9.28 When a formal request for proposal has been issued, does the IP award the procurement contract to the qualified				The IP awards procurement contracts to qualified		

				proposers		
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Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
proposer whose proposal, all factors considered, is the most responsive to the requirements set forth in the solicitation documentation?				whose proposals, all factors considered, are the most responsive to the requirements set forth in the solicitation process.		
9g. Reporting and monitoring						
9.29 Are procurement reports prepared for the IP? If so, describe the preparation and frequency of these reports.				Procurement reports are prepared frequently for the IP.		
9h. Information system						
9.30 Is the procurement system computerized? If so, is the system adequately maintained?				The procurement system is computerized and adequately maintained.		
9.31 Can the procurement system produce the necessary reports?				The procurement system is capable of preparing the necessary reports.		
9i. Verification of procurement capacity						
9.32 Is the IP's procurement unit properly resourced in terms of number of staff and their qualifications?				The IP's procurement unit is properly resourced in terms of number of staff and their qualifications.		
9.33 Is the structure of the IP's procurement unit clear, with defined reporting lines that foster efficiency and accountability?				The structure of the IP's procurement unit is clear, with defined reporting lines that foster efficiency and accountability.		

Subject area	Yes	No	N/A	Low risk consideration	Risk points	Remarks/comments
9.34 Does the IP have a procurement strategy and appropriate tools and mechanisms to conduct procurement activities? If so, please describe.				The IP has a procurement strategy and appropriate tools and mechanisms to conduct procurement activities.		
9.35 Does the IP verify that established procedures for handling complaints are implemented? If so, please describe.				The IP verifies that established procedures for handling complaints are implemented.		
9.36 Does the IP manage the procurement cycle following the established policies and procedures? If so, how do they verify this?				The IP manages the procurement cycle per established policies and procedures.		
9.37 Does the IP consistently apply transparency and integrity in the procurement process?				The IP consistently applies transparency and integrity in the procurement process.		
Total number of questions in subject area:	37					
Number of questions marked 'N/A' in subject area:						
Total number of applicable questions in subject area:						
Total number of risk points:						
Procurement overall risk assessment:						<p>Divide total number of risk points by total number of applicable questions in subject matter section.</p> <p>This amount should be rounded as detailed on page 1 of this checklist and assigned an overall risk rating.</p>

Annex 3: Micro Assessment: Report Format

Front Page

Micro Assessment of [Name of the IP] Commissioned by [UNDP's Programme Unit] Name of the 3 rd Party Service Provider Date
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Table of Contents

1. Background, Scope and Methodology
2. Summary of Risk Assessment Results
3. Detailed Internal Control Findings and Recommendations
Annex I. Implementing Partner and Programme Information
Annex II. Organisational Chart of the Implementing Partner
Annex III. List of persons met
Annex IV. Micro Assessment Questionnaire

1. Background, Scope and Methodology

Background

The micro assessment is part of the requirements under the Harmonized Approach to Cash Transfers (HACT) Framework. The HACT framework represents a common operational framework for UNDP transfer of cash to government and non-governmental implementing partners.

The micro-assessment assesses the IP's control framework. It results in a risk rating (low, moderate, significant or high). The overall risk rating is used by the UNDP, along with other available information (e.g. history of engagement with the UNDP and previous assurance results), to determine the type and frequency of assurance activities as per UNDP guideline and can be taken into consideration when selecting the appropriate cash transfer modality for an IP.

Scope

The micro-assessment provides an overall assessment of the Implementing Partner's programme, financial and operations management policies, procedures, systems and internal controls. It includes:

- A review of the IP legal status, governance structures and financial viability; programme management, organizational structure and staffing, accounting policies and procedures, fixed assets and inventory, financial reporting and monitoring, and procurement;
- A focus on compliance with policies, procedures, regulations and institutional arrangements that are issued both by the Government and the Implementing Partner.

It takes into account results of any previous micro assessments conducted of the Implementing Partner.

Methodology

We performed the micro-assessment from [date] to [date] at [describe locations].

Through discussion with management, observation and walk-through tests of transactions, we have assessed the Implementing Partner's and the related internal control system with emphasis on:

- The effectiveness of the systems in providing the Implementing Partner's management with accurate and timely information for management of funds and assets in accordance with work plans and agreements with the UNDP;
- The general effectiveness of the internal control system in protecting the assets and resources of the Implementing Partner.

We discussed the results of the micro assessment with applicable UNDP personnel and the IP prior to finalization of the report. The list of persons met and interviewed during the micro-assessment is set out in Annex III.

2. Summary of Risk Assessment Results

[Executive summary of the overall risk assessment].

The table below summarizes the results and main internal control gaps found during application of the micro-assessment questionnaire (in Annex IV). Detailed findings and recommendations are set out in section 3. below.

Tested subject area	Risk assessment*	Brief justification for rating (main internal control gaps)
1. Implementing partner		
2. Programme Management		
3. Organizational structure and staffing		
4. Accounting policies and procedures		
5. Fixed Assets and Inventory		
6. Financial Reporting and Monitoring		

Tested subject area	Risk assessment*	Brief justification for rating (main internal control gaps)
7. Procurement		
Overall Risk Assessment		

*High, Significant, Moderate, Low

3. Detailed Internal Control Findings and Recommendations

No.	Description of Finding	Recommendation and IP Management Response
1.	<p>Example: Insufficient staff training</p> <p>We noted that staff employed in the accounts department, who were primarily bookkeepers / administrators, had not received training on UN requirements for financial management and reporting, and had received only informal “on the job” training on the GABS accounting system.</p> <p>Lack of sufficient training increases the risk of error and failure to comply with the UN financial reporting requirements.</p>	<p>Example:</p> <p>The organisation should ensure staff are properly trained and aware of UN financial reporting requirements.</p> <p>IP Management Response</p> <p>A training session with the assistants of the UNDP HACT Focal Point will be organized within the next month.</p>
	Etc	

Micro Assessment Report Annex I. IP and Programme Information

Implementing partner name:	
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Implementing partner code or ID in UNDP records (as applicable)	
Implementing partner contact details (contact name, email address and telephone number):	
Main programmes implemented with UNDP:	
Key Official in charge of UNDP programme(s):	
Programme location(s):	
Location of records related to UNDP programme(s):	
Currency of records maintained:	
Expenditures incurred/reported to UNDP during the most recent financial reporting period (in US\$);	
Cash transfer modality/ies used by the UNDP to the IP	
Intended start date of micro assessment:	
Number of days to be spent for visit to IP:	
Any special requests to be considered during the micro assessment:	

Micro Assessment Report Annex II. Implementing Partner Organizational Chart

Micro Assessment Report Annex III. List of Persons Met

Name	Unit/organization	Position

Micro Assessment Report Annex IV. Micro Assessment Questionnaire

Include here the completed questionnaire and provide it in original excel format to UNDP.

APPENDIX C: TERMS OF REFERENCE FOR SPOT CHECKS Performed by Third Party Service Providers

This TOR was developed to guide United Nations agencies, third party service providers and IPs through the objectives, scope, timeline and deliverables of the requested agreed-upon procedures engagement. (See Annex 1 for programme-specific information)

Purpose of Agreed-upon Procedures Engagements

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

Standards

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

Scope of the Spot Check Agreed-upon Procedures Engagement

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

Spot Check Procedures

The following are examples of procedures to be performed during the spot check. The actual procedures to be performed must be confirmed prior to the start of the spot check.

1. Inquire of IP (Implementing Partner) management whether there have been any changes to internal controls since the prior micro assessment from the current programme cycle. Document any changes identified, if any.
2. Obtain a listing of all programme-related expenditures during the XX month period ended (date) for the agreed-upon procedures engagement and perform the following:
 - Select a sample of expenditures using a statistical (i.e. random sampling) or non-statistical (e.g. high value or high risk items) approach amounting to at least 50% of total expenditures for the period. At least one item should be selected from each expense category which is greater than 5% of the total expenditure for the period. Provide a detailed listing of expenditures selected as samples.
 - For each sample selection perform the following procedures:
 - Verify that documentation exists to support the expenditure in accordance with the IP's rules and procedures and agreements with the agency.

- Verify that the activity related to the expenditure is in accordance with the work plan.¹⁰
 - Verify that the expenditure has been reviewed and approved in accordance with the IP's rules and procedures and agreements with the agency.
 - Verify that the expenditure was reflected on a certified FACE form submitted to the agency.
 - Verify that the expenditure was reflected in the IP's accounting records (official book of accounts) and bank statement.
 - Verify that supporting documents are stamped 'PAID by UNDP Fund', indicating which agency funded the transaction.
 - Verify that the FACE form was submitted consistent with the periodicity-of-disbursement requirement in the HACT framework (two weeks).
 - Verify the price paid for goods or services against United Nations agreed standard rates (if readily available).
3. If separate bank accounts are maintained for agency-granted funds, perform the following procedures:
- Verify that the activity per the bank statements agrees with that reflected in the accounting records. Document any variances noted; and
 - Confirm that a bank reconciliation was completed and the balance has been reconciled to the accounting records. Document any variances noted.

Deliverables

The service provider prepares a report in accordance with SRS 4400. The report template is provided in Annex 2.

Prior to the conclusion of the site visit, the service provider holds an exit meeting with the IP to discuss any initial findings. The UNDP Office Focal Point should be invited to attend the closing meeting at their discretion.

The service provider provides the draft spot check report and summary of findings and observations to the IIP to provide any further clarification and management responses.

The spot check report is then provided to the UNDP Office Focal Point for review and comment.

The final reports are to be provided in Word format. Where service provider's internal policies require the final signed version to be provided only in PDF, UNDP will accept the PDF version accompanied by a Word version with same content but without signature and/or branding (as per service provider's internal policies).

¹⁰ Agency work plans can be annual, multi-year, rolling or joint.

Qualifications of the Service Provider

As noted in SRS 4400 paragraph 7: “The auditor should comply with the Code of Ethics issued by the Institute of Chartered Accountants of India. Ethical principles governing the auditor’s professional responsibilities for this type of engagement are:

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

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

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

United Nations and agency-specific (if any) procurement policies should apply in procurement of third party service providers.

Items to be provided to the Third Party Service Provider before Starting Fieldwork

The agency provides the following documentation in advance of starting fieldwork:

- Work plan and any progress reports submitted during the year;
- Micro assessment report and any related agreed actions, reports of relevant field monitoring visits, available audits reports and other documentation that may help to understand the IP’s internal controls and supported activities.

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

Annex 1. Programme-specific Information

The following information should be completed by the agency country office and be provided to the third party service provider prior to the site visit.

IP name:	
Programme name:	
Programme number:	
Programme background:	
Programme location:	
Programme contact person(s):	
Location of records:	
Currency of records maintained:	
Period of transactions covered by spot check:	
Funds received during the period covered by the spot check:	
Expenditures incurred/reported during the period covered by the spot check:	
Intended start date of the spot check:	
Estimated number of days required for the spot check:	
Recipient of the report:	
Submission deadline (including draft and final reports to local agency management):	
Submission logistics:	
Any special requests to be considered during the spot check:	
Cash transfer modality used by the IP:	

Annex 2. SRS 4400 Agreed-upon Procedures Report Template

Report of factual findings

To (those who engaged the auditor)

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

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

We report our findings below:

- (a) Spot Check Work plan;
- (b) Sample of Expenditures; and
- (c) Findings and Recommendations.

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

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

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

Signature

Date

Address

Annex 3. Spot Check Work Plan Example

Spot Check Work Plan

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

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

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

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

Sample expenditure description and voucher number	Sample expenditure amount reported	Documentation exists to support expenditure in accordance with IP's applicable rules and procedures and agreements with the agency? (Y/N)	Activity is related to expenditure in accordance with work plan? (Y/N) – document the line item in the budget or work plan	Expenditure has been reviewed and approved in accordance with IP's applicable rules and procedures and agreements with the agency? (Y/N) – document the level of review and approval	Expenditure was reflected on a certified FACE form submitted to the agency and in IP's accounting records and bank statement? (Y/N)	Supporting documents are stamped 'PAID from XXX grant', indicating which agency funded the transaction or coded to and recorded in a UNDP specific fund? (Y/N)	Expenditure was recorded in the IP's accounting records and reflected in a certified FACE form in the period in which it was incurred(Y/N)	Price paid for goods or services against United Nations agreed standard rates (if readily available) and according to budget	Review mathematical computation of individual payments and total payments against the expenditure	Comment/finding
Total sample expenditures:										
Total expenditures reported on FACE forms during period under spot check:										
Percentage coverage: (Total sample expenditures divided by total expenditures reported on FACE forms during period under spot check)										

Sample of Expenditures: Complete the following table for details related to each sample

Findings and Recommendations

This is a minimum requirements template. It may be modified to include additional sections.

A. Observations relating to overall financial management practices, internal control environment and compliance

	Observation description	Category of observation ¹	Risk rating ²	Management Response	Recommendation	Priority ³	Due date for implementation	Management Response
1								
2								

Note 1:

Category of observations:

1. Accounting and financial reporting systems and procedures
2. Cash, bank and asset management
3. Internal control deficiency, including approvals and segregation of duties
4. Contracting process and procurement procedures
5. Compliance with agreement and other laws and regulations
6. Other

Note 3:

Priority Ranking:

High: Action that is considered imperative to ensure that the agency is not exposed to high risks (i.e. failure to take action could result in major consequences and issues).

Medium: Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).

Low: Action that is considered desirable and should result in enhanced control or better value for money.

Note 2:

Risk ratings:

High: significant likelihood of negative impact on the IP's ability to execute or report on the programme in accordance with the work plan.

Medium: likelihood of negative impact on the IP's ability to execute or report on some aspects of the programme in accordance with the work plan.

Low: low likelihood of potential negative impact on the IP's ability to execute or report on the programme in accordance with the WP

B. Observations relating to specific expenditures selected for testing

	Sample expenditure description and voucher number	Sample expenditure amount reported and currency	Observation description	Category of observation	Risk rating	Management Response	Recommendation	Priority	Due date for implementation	Management Response
1										
2										

Note 1:

Category of observations:

Missing or inadequate documentation

1. Error in calculating or recording the expenditure
2. Expenditure not related to the programme or activity
3. Expenditure exceeds the approved budget rate or amount
4. Expenditure incurred outside the agreement period
5. Expenditure not recorded in the correct period or FACE form
6. Expenditure not approved as per IP policy
7. Expenditure not compliant with tax, legal or other regulations
8. Lack of proof that the expenditure was incurred or no proof of payment
9. Potential fraud or other irregularity
10. Other (specify)

Risk ratings:

High: significant likelihood of negative impact on the IP's ability to execute or report on the programme in accordance with the work plan.

Medium: likelihood of negative impact on the IP's ability to execute or report on some aspects of the programme in accordance with the work plan.

Low: low likelihood of potential negative impact on the IP's ability to execute or report on the programme in accordance with the WP

Note 3:

Priority Ranking:

High: Action that is considered imperative to ensure that the agency is not exposed to high risks (i.e. failure to take action could result in major consequences and issues).

Medium: Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).

Low: Action that is considered desirable and should result in enhanced control or better value for money.

Note 2:

Follow up on Micro Assessment - Annexure 3.1

Issue	Specific Recommendation	Assessment by External Auditor during Scheduled Audit if applicable	UNDP recommendation / Assessment during Spot Check	Partner's Comments / Action Response

Follow up on previous Spot Check – Annexure 3.2

Issue	Specific Recommendation of the previous Spot Check	Partner's Comments / Action Response	UNDP recommendation during the current spot check	Partner's Comments / Action Response

Follow up on Scheduled Audit – Annexure 3.3

Issue	Specific Recommendation	Partner's Comments / Action Response	UNDP recommendation during the current spot check	

Third Party Service Provider
Designated Official

Accountant of Partner

Partner

Date:

Appendix D: Terms of Reference for HACT Audit

1. Introduction

1.1 UNDP, UNFPA and UNICEF provide cash transfers to implementing partners (“IP(s)”, “Partner(s)”) responsible and accountable for ensuring proper use of agency-provided resources, implementation and management of the intended programme(s) as defined in the work plan or programme document. Three cash transfer modalities are available:

- a) Direct cash transfers – the agency transfers funds to the IP before the IP incurs obligations and expenditures to support activities agreed in the work plan;
- b) Direct payments – the agency transfers funds directly to vendors and other third parties for obligations and expenditures incurred by the IP to support activities agreed in the work plan; and
- c) Reimbursements – the agency transfers funds to the IP for obligations made and expenditures incurred in support of activities agreed in work plan. ^[1]_{SEP}

1.2 According to the UNDG HACT Framework, audits are performed during the programme cycle on the basis of the IPs risk rating and as per UN agency policy. If more than one of the adopting agencies transfer funds to the same implementing partner (shared IP), HACT audit is performed on all expenditures reported by the shared IP.

1.3 This terms of reference (ToR) was developed to guide United Nations (UN) agency, third party service providers (“Auditor”) and implementing partners through the development of objectives, scope, and deliverables of a HACT audit.

2. Audit Objectives and Standards

2.1 The overall objective of the audit is to provide the UN agency(ies) with a reasonable assurance on the appropriate use of funds provided to the Partner in accordance with the reporting requirements of the UN agency(ies), the IP agreement(s), programme document, work plan(s) and budgets. ^[1]_{SEP}

2.2 The audit is conducted in accordance with International Auditing Standards (ISA) 800 Special Considerations – Audit of Financial Statements Prepared in Accordance with Special Purpose Frameworks

2.3 If the auditor is a supreme audit institution, the audit is conducted in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) International Standards.

2.4 The auditor expresses an opinion on whether the statement of expenditure¹¹ for each programme is presented fairly, in all material respects, in accordance with the UN agency’s accounting policy and the eligible expenditures incurred to implement activities in conformity with the terms of the IP agreement, work plan or programme document.

2.5 The statement of expenditure contains the transactions for the audit period and reports on the balance of any funds remaining unspent and due to the funding agency at the end of the project period. The transactions of the programme are also checked against the bank account reconciliations. The bank account is the account held by the Partner into which funds were deposited for the programme. The transactions are checked to determine whether they are adequately supported by appropriate documentation that evidences the validity of the transactions reported, and whether the goods and services procured have been received and used to implement the activities in line with the work plan or programme document.

¹¹ Statement of Expenditure can include Statements of Cash Balance, Assets and Equipment, and List of Inventory, as required by the funding agency(ies).

- 2.6 The Auditor must also assess whether the amount reported on the statement of expenditure corresponds to the amount recorded in the Partner's accounting system and reconciles to the amounts reported on the FACE forms for the audit period.
- 2.7 The auditor also expresses an opinion whether the funds transferred to the IP were used for the purpose intended in accordance with the work plan or programme document, approved budget, and the requirements of the applicable funding agreement.
- 2.8 The Audit Report must quantify the monetary value of the net financial impact of the audit observations and clearly identify the reasons for qualification if the audit opinion is Qualified, Adverse or Disclaimer.
- 2.9 The auditor also assesses the implementing partner's key internal controls in the areas of programme management, organizational structure and staffing, accounting policies and procedures, fixed assets and inventory, financial reporting and monitoring, and procurement and contract administration and reports on specific control weaknesses, audit observations and recommendations to address them, and indication of the risks associated with the weaknesses/observations. Management comments are expected.
- 2.10 For UNFPA, the auditor also expresses an opinion whether advances reported by the IP on the FACE forms match the advances paid by UNFPA through the Operating Fund Account (OFA) in Atlas (report provided by UNFPA); and whether the closing OFA balance reported by the IP on the FACE form agrees to the OFA balance in Atlas (report provided by UNFPA) and to the cash balances per the IP's accounting records. Where the IP maintains a segregated bank account, then the OFA balance should also agree to the bank statement balance.
- 2.11 The format and content of the Audit Report and the list of key internal controls to be tested are described in these Terms of Reference, and templates are included in annexes.

3. Engagement Context

- 3.1. The selection of Auditor is established based on a thorough assessment of qualifications and the ToR, as well as a competitive bidding process in accordance with the UN agencies' procurement and contracting rules and regulations for commercial service providers.
- 3.2 The audit will be performed in the country of operation, at location(s) where the Partner maintains programme documentation, typically at the programme implementation sites. Each country office or the agencies' headquarters will identify
 - a focal person responsible for assigning the Auditor and liaising with the Partner(s) in order to ensure efficient coordination and establish deadlines. Should the location and/or scope of work change, the focal person and the Auditor will determine the requirements, mutually agree on the cost implications, and adjust the payment accordingly.
- 3.3 The Auditor will obtain an understanding of the engagement context of the programme subject to this audit, on the basis of the agreement, work plan or programme document signed by the agency and the Partner and the additional supplementary information to be provided as per section 6.

4. Qualification and Team Composition

4.1 Qualifications and Experience

- 4.1.1 By agreeing to these ToR, the Auditor confirms that he/she meets at least one of the following terms:
 - a) The Auditor is a professional accountant (or a firm of professional accountants) that is a member of a national accounting or auditing body or institution, which in turn is a member or associate of the International Federation of Accountants

(IFAC).¹²

- b) The Auditor is a member of a national accounting or auditing body or institution that is a recognized regulatory body of professional accountants and Auditors. The Auditor commits him/herself to undertake this engagement in accordance with the IFAC Handbook on International Standards on Auditing and Quality Control, including the Code of Ethics therein.
- c) The Auditor is registered as a statutory Auditor in the public register of a public oversight body in a third country, and this register is subject to principles of public oversight as set out in the legislation of the country concerned (this applies to Auditors and audit firms based in a third country).

4.1.2 The Auditor is subject to the relevant ethical requirements, including those pertaining to independence and conflict of interest relating to HACT audit engagements. Relevant ethical requirements ordinarily comprise of Parts A and B of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) related to an audit of financial statements together with national requirements that may be more restrictive.

4.1.3 In addition, the agencies will seek feedback from country offices on the performance and the quality of the audit field work and audit results provided by the assigned Auditors in their respective areas and assessments based on Key Performance Indicators (in a format designed by the agencies such as reviews and sample testing, post-audit client satisfaction, etc.).

4.2 Team Composition

4.2.1 The composition of the audit team shall be such that the Auditor is able to comply with the International Standards on Auditing. A mixture of audit team members with different categories of Auditors and variable seniority is required for this assignment. This should include a highly qualified team leader(s), expert(s), and assistant(s). The number of members will vary according to the audit subject, volume and size of the Programme(s) being audited.

4.2.2 The principal Auditor should have at least 10 years of post-qualification audit experience. The team will be led by a duly certified professional auditor, such as a Chartered Accountant (CA), Chartered Certified Accountant (CCA), Certified Public Accountant (CPA), or Certified Auditor (CA). The team should also be experienced in applying the *International Standards on Auditing*. The Auditor must employ an adequate number of staff with appropriate professional qualifications and suitable experience with ISA, including experience in auditing of entities comparable in size and complexity to the entity being audited.

5. Documents to be provided to the Auditor

- 5.1 In connection with the audit assignment, the UN agency(ies) and the Implementing Partner will provide to the Auditor access to all information of the UN agency(ies) and the Partner that is relevant to the audit in advance of the engagement, such as:
- a) Programme specific information (**see Annex I**)
 - b) The Implementing Partner Agreement(s) and respective Work Plan(s) or Programme Document(s) for the audited period;
 - c) Statement of expenditures, CDR or its equivalent, as defined by the UN agency specific guidelines;
 - d) Financial Authorization and Certificate of Expenditures (FACE) forms included in the statement of expenses, CDR or its equivalent, duly certified as to their accuracy and completeness;
 - e) The HACT micro assessment for the audited implementing partner;
 - f) Previous audit and spot check reports;
 - g) Statement of assets and equipment (if necessary and as defined by UN agency specific guidelines);

¹² A list of IFAC members and associates is available at

<http://www.ifac.org/aboutifac/membership/members>.

- h) Statement of cash position / operating fund account (if necessary and as defined by UN agency specific guidelines);
- i) Statement of inventory (if necessary and as defined by UN agency specific guidelines);
- j) Direct payment requests authorized by the implementing partner and included in the statement of expenses (i.e., CDR or its equivalent) if applicable;
- k) List of disbursements made by the UN agency (if applicable) as part of support services provided to the implementing partners;
- l) For UNFPA, the advances paid by UNFPA through the OFA and the closing OFA balance in Atlas;
- m) Any other relevant reports.
- n) Additional information that the Auditor may request from the UN agency and the Partner for the purpose of the audit;
- o) Unrestricted access to persons engaged by the Partner from whom the Auditor determines it is necessary to obtain audit evidence.

6. Limitations

6.1 The Auditor will notify the UN Agency of any attempt by the Partner to restrict the scope of the audit, or any lack of co-operation on the part of the Partner. If, after accepting the engagement, the Auditor becomes aware that the management of the Partner subject to audit has imposed a limitation on the scope of the audit that the Auditor considers likely to result in the need to express a qualified opinion or to disclaim an opinion, the Auditor shall request that management remove the limitation. The Auditor will notify UN Agency concerned as soon as possible of any limitations in the scope of work he/she may find prior to or during the audit. The Auditor will consult UN Agency on what action may be required, whether or how the audit can be continued, and whether changes in the audit scope or the timetable are acceptable.

7. Audit Procedures

- 7.1 The audit period is normally 12 months with the specific dates prescribed by the UN agency. The agency can modify the audit period to match the actual period of implementation of the annual programme activities.
- 7.2 The audit is performed based on the total expenses reported during the audit period by the implementing partner on funds provided by the commissioning UN agency. The statement of expenditure can be the sum of CDRs or sum of CDR equivalent downloaded for the IP from UN agency's system or prepared by the IP partner in their reporting format. The audit covers all expenditures incurred under the three modalities.
- 7.3 The auditor must verify that the statement of expenditure reconciles with the total expenditures reported on the FACE forms (and direct payment requests if applicable) submitted by IP during the audit period. Any differences must be explained and documented in the audit report.
- 7.4 The auditor is required to verify that the expenses in the statement of expenditures reconcile with the implementing partner's accounting report and are in accordance with the approved work plan or programme document and budget and supported by approved documentation.
- 7.5 The Auditor will perform the audit to obtain reasonable assurance about whether the statement of expenditure is free from material misstatement. An audit involves performing all procedures necessary to obtain audit evidence about the amounts reported in the statement of expenditure.
- 7.6 The Auditor is required to report the net financial impact of any unsupported and ineligible expenses.
- 7.7 The Auditor is required to confirm that key controls exist and are operating effectively by assessing the key questions from the 2021 HACT micro assessment questionnaire (included in **Annex III**) and by verifying whether micro assessment recommendations have been implemented. The key controls assessment is covered within the detailed expenditure testing. Separate control tests are required where the control cannot be covered within detailed expenditure testing.

8. Audit Report

8.1 The Auditor will submit an audit report in accordance with the ISA by using the suggested audit report template included in **Annex II**. It is the expectation that the Auditor will use the same format for all audits globally.

8.2 The audit report must include at a minimum:

- a) Audit Opinion;
- b) Period covered by the audit opinion;
- c) Total amount of expenses audited;
- d) Audit observations and recommendations;
- e) Ineligible expenditures;
- f) Key internal controls weaknesses;
- g) OFA opinion (UNFPA only);
- h) Statement of expenditure or CDR for the audit period;
- i) FACE forms submitted for the audit period.

8.3 The Auditor will clearly quantify the net financial impact in the audit opinion and clearly identify the reasons for qualification (if any). If financial findings are below the materiality level, the Auditor is still required to report them, even if the dollar amount is small as an emphasis of matter, so that the UN Agency can obtain the recoverable amounts from partners. This information will also be collected as part of the reporting process. Non-financial findings that have financial implications might also lead to a modified audit opinion.

8.4 Any indication included in the Audit Report restricting its distribution and/or use will be deemed null and void.

9. Types of Audit Opinion

9.1 The audit report must include one of the four types of opinion:

a) Unqualified opinion

An unqualified opinion is 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.

b) Qualified opinion

A qualified opinion is expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management, or limitation on scope is not as material and pervasive as to require an adverse opinion or a disclaimer of opinion. A qualified opinion should be expressed as being 'except for' the effects of the matter to which the qualification relates.

c) Disclaimer of opinion

A disclaimer of opinion is expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and, accordingly, is unable to express an opinion on the financial statements.

d) Adverse

An adverse opinion is expressed by an auditor when the financial statements are significantly misrepresented, misstated and do not accurately reflect the expenditure incurred and reported in

the financial statements (statement of expenses, statement of cash, statement of assets and equipment).

An adverse opinion is expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

10. Classification of Findings

10.1 The Auditor will report separately on findings relating to matters identified during the course of the audit.

10.2 Findings and observations with financial impact should be classified under one of the following categories:

- a) No supporting documentation;
- b) Insufficient supporting documentation;
- c) Cut-off error;
- d) Expenditure not for project purposes;
- e) No proof of payment;
- f) No proof of goods / services received;
- g) VAT incorrectly claimed;
- h) DSA rates exceeded;
- i) Unreasonable price;
- j) Bank interest not reported;
- k) Support costs incorrectly calculated;
- l) Expenditure claimed but activities not undertaken;
- m) Advance claimed as expenditure;
- n) Commitments treated as expenditure;
- o) Ineligible salary costs;
- p) Ineligible costs (other).

10.3 The Auditor will assess the effectiveness of the key internal controls listed in **Annex III**. The key internal controls not operating effectively must be classified with respect to the following subject areas:

- a) Implementing Partner;
- b) Programme Management;
- c) Organizational Structure and staffing;
- d) Accounting Policies and Procedures o General o Segregation of duties o Budgeting
 - o Payments o Cash and bank o
 - Other offices and entities
- e) Fixed Assets and inventory;
- f) Financial Reporting and Monitoring;
- g) Procurement and Contract Administration;
- h) Other internal control weaknesses.

10.4 The audit observations should be categorized according to the priority of the audit recommendations and the possible causes of issues. The categorized audit observation provides a basis on which the management of the UN agency is to address issues as follows:

High (critical)	Internal controls, governance and risk management processes were neither established nor functioning well. The control deficiency can significantly impact the ability of the IP to efficiently manage and report on the use of the agency funding. Prompt action is required to ensure the agency is not exposed to high risks. Failure to take action could result in major negative consequences for the funding agency.
Medium (important)	Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. The control deficiency can impact the ability of the IP to efficiently manage and report on the use of the agency funding. Action is required to ensure that the funding agency is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for the agency.
Low	Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the ability of the IP to efficiently manage and report on the use of the agency funding. Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if dealt with during the exit meeting, would not be included in the audit report.

11. Other Requirements

11.1 Reporting – Language

11.1.1 The Audit Report must be presented in either English or French, as agreed between the UN Agency and the Auditor, prior to the audit engagement. Reports prepared in any other language will need to be translated by the Auditor into one of these two languages. Translation should not delay the delivery of the documents within the timeframe agreed.

11.2 Timetable for Submission of Draft and Final Audit Reports and Liquidated Damages

11.2.1 Audit is to be completed and draft report delivered within six weeks of contract signature. Final report is to be provided within one week of receipt of feedback from respective UN Agency on the draft report.

11.2.2 Liquidated damages for delayed delivery will be levied as follows: respective UN Agency may claim liquidated damages from the Contractor and deduct 0.5% of the value of the goods/services per day of delay, up to a maximum of 10% of the value as stated in the clause.

11.2.3 The Auditor will respect the procedures and the timetable for the conduct of the field work and submission of the reports (including the draft and final reports). If the timetables for comments are not respected by other parties (i.e. UN agency) and/or the Partner), the Auditor will document such delays in his/her working papers, and report thereon in the audit report.

11.2.4 The audit working papers and related documents shall be available to the UN agency and shall be kept by the Auditor for a minimum period of seven years after the issuance of reports. They must be made available to the UN agency for review upon request, at any stage during this period.

11.3 Submission Process

11.3.1 The submission of final deliverables to the UN Agency will be made through direct submission in paper and electronic format.

11.4 Follow-up Procedures

- 11.4.1 The Auditor is required to submit the draft report to the UN agency(ies) and the Partner for the Partner's comments. The Partner must provide its comments, if any, within seven days of the Auditor's submission.
- 11.4.2 After finalizing the Audit Report, the Auditor will submit it to the UN agency, and the agency will follow up with the Partner to discuss and agree on the measures and remedial actions to be taken. The Auditor may, where appropriate, be requested to provide clarifications or consider additional information with regard to the audit and reports.

11.5 Other Observations

- 11.5.1 Cases which indicate fraud or presumptive fraud must be brought to the immediate attention of the UN agency as soon as possible, without waiting for the issuance of the audit report.
- 11.5.2 The Auditor and staff shall maintain confidentiality regarding any information obtained in connection with the audit services undertaken on behalf of the UN agency.

12. Audit of Shared Partner

- 12.1 If the IP is receiving funding by two or more UN agencies, the Auditor must perform the audit procedures on each statement of expenditures or equivalent in order to be able to express a separate opinion on whether the funds transferred to the IP from each agency were used for the appropriate purpose and in accordance with each agency's work plan and agreement. The materiality level must be determined individually for each funding agency based on the amount of expenditures reported to each agency.
- 12.2 The Auditor must include in the audit report separately for each funding agency:
 - a) Audit Opinion;
 - b) Period covered by the audit opinion;
 - c) Total amount of expenses audited;
 - d) Audit Observations and Recommendations;
 - e) Ineligible expenditures;
 - f) Statement of Expenditure or CDR for the audit period;
 - g) FACE forms submitted for the audit period.
- 12.3 The assessment of key internal controls and report on key internal control weaknesses is performed at the implementing partner level and is not agency specific.
- 12.4 The UN agency requiring HACT audit as per its guidance is considered the lead agency and will commission the audit. The lead agency is responsible for informing the other funding UN agency(ies) of the upcoming audit and requesting them to submit the documents to be provided to the auditor in advance.

Annex 1: HACT Audit: Programme specific Information

The following information should be completed by the respective UN Agency office and provided to the Auditor at the start of the engagement.

Implementing partner name	
Implementing partner code or ID in UN Agency records	
Implementing partner contact details (contact name, email address and telephone number)	
Programme name	
Programme number/Project Code/ID as per UN records	
Programme location(s)	
Location of records	
Currency of records maintained	
Period covered by the audit	
Funds received from UNICEF during the period covered by the audit	
Expenditure incurred/reported to the respective UN Agency during the period covered by the audit	
Intended start date of fieldwork	
Submission deadline (including draft and final reports to local agency management)	
Submission logistics	
Any special requests to be considered during engagement	
Cash transfer modality/ies used by the UN agency/ies to the IP	

Annex 2 HACT Audit: Audit Report Template

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].

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.

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the statements 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 project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, the attached statement of expenses, except for the reasons indicated above in paragraphs (1), (2), (3), etc., [there should be a separate Basis for Qualified Opinion Paragraph where the basis for Qualified opinion is clearly explained] 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 UNDP accounting policies [if needed add: and the note to the statement].

Option 3: (Adverse opinion)

In our opinion, based on the significance of the matter discussed in paragraph (1), (2), (3) etc. [there should be a separate Basis for Adverse Opinion Paragraph where the basis for adverse opinion is clearly

explained] the statement of expenses does not give a true and fair view of the expense 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)

Because of the significance of the matter described in paragraph (1),(2), (3), etc. [there should be a separate Basis for Disclaimer of Opinion Paragraph where the basis for disclaimer of opinion is clearly explained] we were unable to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, we are unable to express an opinion on the statement of expense 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].

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

We draw attention to Note [insert number] to the statement of expense 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].

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

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the statement 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 project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Option 1: (Unmodified)

In our opinion, the attached 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 [insert date] in accordance with UNDP accounting policies [if needed add: set out in the note to the schedule].

Modified Opinions (Refer to ISA 705)

Option 2: (Qualified opinion)

In our opinion, the attached statement of assets and equipment, except for the reasons indicated above in paragraphs (1), (2), (3), etc., [there should be a separate Basis for Qualified Opinion Paragraph where the

basis for Qualified opinion is clearly explained] presents fairly in all material respects the balance of inventory of [insert amount in US\$] incurred by the project [insert official title of project] as at [insert date] in accordance with agreed upon accounting policies [if needed add: set out in the note to the schedule].

Option 3: (Adverse opinion)

In our opinion, based on the significance of the matter discussed in paragraph (1), (2), (3) etc. [there should be a separate Basis for Adverse Opinion Paragraph where the basis for adverse opinion is clearly explained] the statement of assets and equipment does not give a true and fair view of the expense of [insert amount in US\$] incurred by the project [insert official title of project] and audited by us as at [insert date].

Option 4: (Disclaimer of opinion)

Because of the significance of the matter described in paragraph (1),(2), (3), etc. [there should be a separate Basis for Disclaimer of Opinion Paragraph where the basis for disclaimer of opinion is clearly explained] we were unable to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, we are unable to express an opinion on the statement of assets and equipment of [insert amount in US\$] incurred by the project [insert official title of project] and audited by us as at [insert date].

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

We draw attention to Note [insert number] to the statement of assets and equipment which describes the uncertainty related to the [insert the issue]. Our opinion is not qualified in respect of this matter.

Auditor's Name and Signature

Date of the auditor's report

Auditor's address

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

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

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

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the statement 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 project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Option 1: (Unmodified)

In our opinion, the attached Statement of cash position presents fairly, in all material respects, the cash and bank balance of the UNDP project [insert official title of project] amounting to [insert amount in \$US] as at

[insert date] in accordance with the UNDP 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, the attached statement of cash position, except for the reasons indicated above in paragraphs (1), (2), (3), etc., [there should be a separate Basis for Qualified Opinion Paragraph where the basis for Qualified opinion is clearly explained] presents fairly in all material respects the cash and bank balance amounting to [insert amount in US\$] as at [insert date] in accordance with the UNDP accounting policies [if needed add: set out in the note to the statement].

Option 3: (Adverse opinion)

In our opinion, based on the significance of the matter discussed in paragraph (1), (2), (3) etc. [there should be a separate Basis for Adverse Opinion Paragraph where the basis for adverse opinion is clearly explained] the statement of cash position does not give a true and fair view of the cash and bank balance of [insert amount in US\$] audited by us as at [insert date].

Option 4: (Disclaimer of opinion)

Because of the significance of the matter described in paragraph (1),(2), (3), etc. [there should be a separate Basis for Disclaimer of Opinion Paragraph where the basis for disclaimer of opinion is clearly explained] we were unable to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, we are unable to express an opinion on the statement of cash position in the amount of [insert amount in US\$] audited by us as at [insert date].

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

We draw attention to Note X to the statement of cash position which describe the uncertainty related to [give explanation of the uncertainty]. 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:

Stamp and seal of audit firm:

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/**Net Financial Impact**). A definition of audit opinions is provided in Annex 4.

DEFINITION OF AUDIT OPINIONS

Unmodified (Clean) Opinion (ISA¹³ 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

¹³ ISA = International Standards on Auditing

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.

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 opinion¹⁴ 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.

Priority of Audit Observations and Recommendations

¹⁴ A "modified" audit opinion means either a qualified opinion, a disclaimer of opinion or an adverse opinion.

High	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.
Medium	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.
Low	Action is desirable and should result in enhanced control or better value for money.

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

Implementing Partner (IP)

Signature of IP Official: _____

Name and title (print): _____

Date: _____

UNDP Country Office

Signature of UNDP Official: _____

Name and title (print): _____

Date: _____

Government Auditors/Audit Firm

Signature of Audit firm Official: _____

Name and title (print): _____

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.

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

UNDP Combined Delivery Report (CDR) 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 disclaimer or of opinion)	Reason(s) for qualification of audit opinion and breakdown of NFI amount (US	Observation(s) that had impact on qualification of audit opinion (list observation number(s) and page of audit report/management letter)

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\$)

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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: _____

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:

High	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.
Medium	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.
Low	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.

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.

SAMPLE AUDIT REPORT

Auditor's report to:

The Implementing Partner and the Country Representative

Format for financial certifications

I. Sample certification for statement of expenses

REPORT OF THE INDEPENDENT AUDITORS TO UN ENTITY [insert name of UN ENTITY] [insert project name]

We have audited the accompanying statement of expenses ("the statement") of [insert name of entity] (the "recipient"), engaged by UN ENTITY under the agreement dated [insert date of agreement] (the "Agreement"), in connection with the project [insert award and project number(s)], [insert official title of project] for the period [insert period covered]. The statement has been prepared by management of UN ENTITY in accordance with the UN ENTITY accounting policies, as described in Note X.

Management's Responsibility for the Statement

Management of the recipient of funds is responsible for the preparation of the statement in accordance with the UN ENTITY accounting policies 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 Responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UN ENTITY's preparation of the statement 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 project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Clean opinion: Option 1: (Unmodified)

In our opinion, the statement of expenses of the recipient under the Agreement for the period [insert period covered] is prepared, in all material respects, in accordance with the UN ENTITY accounting policies [if needed add: and the note to the statement].

Modified opinions

Option 2: (Qualified opinion)

In our opinion, the attached statement of expenses, except for the reasons indicated above in paragraphs (1), (2), (3) etc., [there should be a separate Basis for Qualified Opinion Paragraph where the basis for qualified opinion is clearly explained and the above paragraphs should be amended in accordance with ISA 800 to reflect the modification] is prepared, in all material respects, in accordance with UN ENTITY accounting policies [if needed add: and the note to the statement].

Option 3: (Adverse opinion)

In our opinion, based on the significance of the matter discussed in paragraph (1), (2), (3) etc., [there should be a separate Basis for Adverse Opinion Paragraph where the basis for adverse opinion is clearly explained and the above paragraphs should be amended in accordance with ISA 800 to reflect the modification] the statement of expenses is not prepared, in all material respects, in accordance with the UN ENTITY accounting policies.

Option 4: (Disclaimer of opinion)

Because of the significance of the matter described in paragraph (1), (2), (3), etc., [there should be a separate Basis for Disclaimer of Opinion Paragraph where the basis for disclaimer of opinion is clearly explained and the above paragraphs should be amended in accordance with ISA 800 to reflect the modification] we were unable to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly we are unable to express an opinion on the statement of expenses of [insert amount in US\$] incurred by the recipient under the Agreement and audited by us for the period [insert period covered].

Emphasis of matter [if applicable]

We draw attention to Note [insert number] to the 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 signature

Date of the auditor's report

Auditor's address

II. Sample certification for statement of assets, including equipment

We have audited the accompanying statement of assets (“the statement”) of [insert name of entity] (the “recipient”), engaged by UN ENTITY under the agreement dated [insert date of agreement] (the “Agreement”), in connection with the project [insert award and project number(s)], [insert official title of project], as at [insert date]. The statement has been prepared by the recipient in accordance with the UN ENTITY accounting policies, as described in Note X.

Management’s Responsibility for the Statement

Management of the recipient of funds is responsible for the preparation of the statement in accordance with the UN ENTITY accounting policies and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UN ENTITY’s preparation of the statement 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 project’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Clean opinion: Option 1: (Unmodified)

In our opinion, the statement of assets of the recipient under the Agreement as at [insert date], is prepared, in all material respects, in accordance with the UN ENTITY accounting policies [if needed add: set out in the note to the schedule].

Modified opinions

Option 2: (Qualified opinion)

In our opinion, the attached statement of assets of the recipient under the Agreement as at [insert date], except for the reasons indicated above in paragraphs (1), (2), (3) etc., [there should be a separate Basis for Qualified Opinion Paragraph where the basis for qualified opinion is clearly explained and the above paragraphs should be amended in accordance with ISA 800 to reflect the modification] is prepared, in all material respects, in accordance with the UN ENTITY accounting policies [if needed add: set out in the note to the schedule].

Option 3: (Adverse opinion)

In our opinion, based on the significance of the matter discussed in paragraph (1), (2), (3) etc., [there

should be a separate Basis for Adverse Opinion Paragraph where the basis for adverse opinion is clearly explained and the above paragraphs should be amended in accordance with ISA 800 to reflect the modification] the statement of assets of the recipient under the Agreement as at [insert date] is not prepared, in all material respects, in accordance with the UN ENTITY accounting policies.].

Option 4: (Disclaimer of opinion)

Because of the significance of the matter described in paragraph (1),(2), (3), etc., [there should be a separate Basis for Disclaimer of Opinion Paragraph where the basis for disclaimer of opinion is clearly explained and the above paragraphs should be amended in accordance with ISA 800 to reflect the modification] we were unable to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly we are unable to express an opinion on the statement of assets of [insert amount in US\$] incurred by the recipient under the Agreement and audited by us as at [insert date].

Emphasis of matter [if applicable]

We draw attention to Note [insert number] to the statement of assets which describes the uncertainty related to the [insert the issue]. Our opinion is not qualified in respect of this matter.

Auditor's signature

Date of the auditor's report

Auditor's address

III. Sample certification of statement of cash position (statement of cash position is required only if there is a separate bank account for each of the projects and/or petty cash)

We have audited the accompanying statement of cash ("the statement") of [insert name of entity] (the "recipient"), engaged by UN ENTITY under the agreement dated [insert date of agreement] (the "Agreement"), in connection with the project [insert award and project number(s)], [insert official title of project], as at [insert date]. The statement has been prepared by the recipient in accordance with the UN ENTITY accounting policies, as described in Note X.

Management's Responsibility for the Statement

Management of the recipient is responsible for the preparation of the statement in accordance with the UN ENTITY accounting policies and for such internal control as management determines is necessary to enable the preparation of a schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UN ENTITY's preparation of the statement 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 project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Clean opinion: Option 1: (Unmodified)

In our opinion, the attached statement of cash position of the recipient under the Agreement as at [insert date] is prepared, in all material respects, in accordance with the UN ENTITY accounting policies [if needed add: set out in the note to the statement].

Modified opinions

Option 2: (Qualified opinion)

In our opinion, the attached statement of cash of the recipient under the Agreement as at [insert date], except for the reasons indicated above in paragraphs (1), (2), (3) etc., [there should be a separate Basis

for Qualified Opinion Paragraph where the basis for qualified opinion is clearly explained and the above paragraphs should be amended in accordance with ISA 800 to reflect the modification] is prepared, in all material respects, in accordance with the UN ENTITY accounting policies [if needed add: set out in the note to the statement].

Option 3: (Adverse opinion)

In our opinion, based on the significance of the matter discussed in paragraph (1), (2), (3) etc., [there should be a separate Basis for Adverse Opinion Paragraph where the basis for adverse opinion is clearly explained and the above paragraphs should be amended in accordance with ISA 800 to reflect the modification] the statement of cash of the recipient under the Agreement as at [insert date] is not prepared, in all material respects, in accordance with the UN ENTITY accounting policies.

Option 4: (Disclaimer of opinion)

Because of the significance of the matter described in paragraph (1),(2), (3) etc., [there should be a separate Basis for Disclaimer of Opinion Paragraph where the basis for disclaimer of opinion is clearly explained and the above paragraphs should be amended in accordance with ISA 800 to reflect the modification] we were unable to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly we are unable to express an opinion on the statement of cash in the amount of [insert amount in US\$] audited by us as at [insert date].

Emphasis of matter [if applicable]

We draw attention to Note [insert number] to the statement of cash which describes the uncertainty related to [give explanation of the uncertainty]. Our opinion is not qualified in respect of this matter.

Auditor's signature

Date of the auditor's report

Auditor's address

Date of issue: _____ 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) qualified, (b) unqualified, (c) adverse, or (d) disclaimer. If the audit opinion is other than 'unqualified', the audit report must describe both the nature and amount of the possible effects on the UN ENTITY financial statement (Amount of qualification/Net Financial Impact). A definition of audit opinions is provided in Annex 2. Categorization of audit Financial, Internal Control, Compliance and Other Findings is provided in Annex 3.

Annex 2: Definition of audit opinions

Unqualified (clean or positive opinion)

An unqualified 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.

Qualified opinion – a modified (negative) audit opinion

A qualified opinion should be expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management, or limitation on scope is not so material and pervasive as to require an adverse opinion or a disclaimer of opinion. A qualified opinion should be expressed as being 'except for' the effects of the matter to which the qualification relates.

Disclaimer of opinion – a modified (negative) audit opinion

A disclaimer of opinion should be expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and, accordingly, is unable to express an opinion on the financial statements.

Adverse – a modified (negative) audit opinion

An adverse opinion is expressed by an auditor when the financial statements are significantly misrepresented, misstated and do not accurately reflect the expenditure incurred and reported in the financial statements (statement of expenses, statement of cash, statement of assets and equipment).

An adverse opinion is expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

Risk levels

In addition to explaining the and giving details about the 'effect, potential impact or risk' in the text of an audit observation, UN ENTITY requires that the auditor also identifies the risk level in the audit report by using one of the following three pre-established risk levels:

High	Action that is considered imperative to ensure that UN ENTITY is not exposed to high risks (i.e. failure to take action could result in major consequences and issues)
Medium	Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).
Low	Action that is considered desirable and should result in enhanced control or better value for money

Annex 3. Categorization of Audit Findings

Financial Findings (with Financial Impact and risk rating for each UN agency)

No supporting documentation Insufficient supporting documentation Cut-off error
Expenditure not for project purposes No proof of payment
No proof of goods / services received VAT incorrectly claimed
DSA rates exceeded Bank interest not reported
Support costs incorrectly calculated

Expenditure claimed but activities not undertaken Advance claimed as expenditure
Commitments treated as expenditure Ineligible salary cost
Other

Internal Control Findings (with the risk rating for each UN agency if applicable. Financial impact is not required)

Lack of audit trail
Inconsistent basis of accounting
Lack of financial control policies and procedures
Lack of procedures for verification of assets Lack of procedures for disposal of assets
Lack of segregation of duties Suppliers' invoices not approved Lack of bank reconciliations
Lack of basis for allocating salary costs Payments not approved
No competitive procedures for the award of contracts Failure to implement prior year's audit recommendations Poor record keeping
Excessive use of cash payments Other

Compliance Findings (with the risk rating for each UN agency if applicable. Financial impact is not required)

Bank account different from that named in the LoU Signatories on FACE forms different from those in the LoU Fixed assets not marked with UN agency insignia
FACE forms not submitted -quarterly Other

Other Findings (with the risk rating for each UN agency if applicable. Financial impact is not required)

Fundamental project activities not completed: Other

Sample: Report

Executive summary

[UN Agency] engaged [Audit firm name] on [date] to conduct an audit on the expenditures reported by the implementing partner for the period . The audit has [Beginning Date] to [End Date] 20XX been conducted as per the terms of reference for a HACT audit under the Harmonized Approach to Cash Transfer (HACT) Framework.

A summary of the audit findings that have been raised is presented in the table below:

Summary of audit findings

Implementing partner	Audited expenditure US\$	Financial findings US\$	% of audited expenditure	Audit opinion	No. of Financial findings	No. of Key Control Weaknesses		
						High risk	Medium risk	Low risk
Implementing partner name	-	-	-	Unqualified	-	-	-	-
Total	-	-	-	Unqualified	-	-	-	-

Audit opinion

We have audited the accompanying statement of expenditure ("the statement") of *[insert name of implementing partner]* (the "implementing partner" or "IP"), under the agreement dated *[insert date of agreement]* (the "Agreement"), in connection with the *[insert official title of the programme]* for the period *[insert period covered]*. The statement has been prepared by management of *[insert name of implementing partner]* in accordance with the terms and condition of the Agreement.

Management's Responsibility for the Statement

Management of the implementing partner is responsible for the preparation of the statement in accordance with the agreement terms and conditions 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 Responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the statement 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 project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

[Insert one of the four types of opinion as defined in section 9 of the audit terms of reference]

Name and Signature of Partner

Date of the report

Audit firm name

Audit firm address

FINANCIAL findings

Financial finding 1	
Title (Category):	
Amount [local]:	
Amount US\$:	

Description

Recommendation

IP comments

Financial finding 2	
Title (Category):	
Amount [local]:	
Amount US\$:	

Description

Recommendation

IP comments

Financial finding 3	
Title (Category):	
Amount [local]:	
Amount US\$:	

Description

Recommendation

IP comments

ASSESSMENT OF KEY INTERNAL CONTROLS

4.1 We found that the implementing partner *[had]* / *[had not]* implemented all the recommendations from the micro assessment conducted on *[insert date of latest micro assessment]*. The recommendations that have not been implemented are presented in the table below:

Recommendation	Audit Observation	IP Response

4.2 We have reviewed the implementation of applicable key internal controls and noted the following key internal control weaknesses:

Key Control Subject Area Observation	Risk rating		Recommendation	IP Response
Implementing Partner				
Programme Management				
Organizational Structure and staffing				
Accounting Policies and Procedures				
General				
Segregation of duties				
Budgeting				
Payments				
Cash and bank				
Other offices and entities				
Fixed Assets and inventory				
Financial Reporting and Monitoring				
Procurement and Contract Administration				
Other internal control weaknesses				

HACT Audit Report ANNEX 1 – STATEMENT OF EXPENDITURE OR CDRS FOR THE AUDIT PERIOD

HACT Audit Report ANNEX 2 – FACE FORMS FOR THE AUDIT PERIOD

HACT Audit Report Annex 3: HACT Micro Assessment Key Internal Control Questions

Subject area and key questions	Yes	No	N/A	Remarks/comments
1. Implementing Partner				
1.1 Is the IP legally registered? If so, is it in compliance with registration requirements? Please note the legal status and date of registration of the entity.				
1.2 If the IP received United Nations resources in the past, were significant issues reported in managing the resources, including from previous assurance activities.				
1.3 Does the IP have statutory reporting requirements? If so, are they in compliance with such requirements in the prior three fiscal years?				
1.4 If any other offices/ external entities participate in implementation, does the IP have policies and process to ensure appropriate oversight and monitoring of implementation?				
1.5 Does the IP show basic financial stability in country (core resources; funding trend) <i>Provide the amount of total assets, total liabilities, income and expenditure for the current and prior three fiscal years.</i>				

Subject area and key questions	Yes	No	N/A	Remarks/comments
2. Programme Management				
2.1. Do work plans specify expected results and the activities to be carried out to achieve results, with a time frame and budget for the activities?				

2.2 Does the IP carry out and document regular monitoring activities such as review meetings, onsite project visits, etc.				
Subject area and key questions	Yes	No	N/A	Remarks/comments
3. Organizational Structure and Staffing				
3.1 Are the IP's recruitment, employment and personnel practices clearly defined and followed, and do they embrace transparency and competition?				
Subject area and key questions	Yes	No	N/A	Remarks/comments
3.2 Is the organizational structure of the finance and programme management departments, and competency of staff, appropriate for the complexity of the IP and the scale of activities? Identify the key staff, including job titles, responsibilities, educational backgrounds and professional experience.				
3.3 Is the IP's accounting/finance function staffed adequately to ensure sufficient controls are in place to manage agency funds?				
Subject area and key questions	Yes	No	N/A	Remarks/comments
4. Accounting Policies and Procedures				
4a. General				
4.1 Does the IP have an accounting system that allows for proper recording of financial transactions from United Nations agencies, including allocation of expenditures in accordance with the respective components, disbursement categories and sources of funds?				

4.2 Does the IP have an appropriate cost allocation methodology that ensures accurate cost allocations to the various funding sources in accordance with established agreements?				
4.3 Are all accounting and supporting documents retained in an organized system that allows authorized users easy access?				
4b. Segregation of duties				
4.4 Are the following functional responsibilities performed by different units or individuals: (a) authorization to execute a transaction; (b) recording of the transaction; and (c) custody of assets involved in the transaction?				
4.5 Are the functions of ordering, receiving, accounting for and paying for goods and services appropriately segregated?				
4.6 Are bank reconciliations prepared by individuals other than those who make or approve payments?				
4c. Budgeting system				
4.7 Are budgets prepared for all activities in sufficient detail to provide a meaningful tool for monitoring subsequent performance?				
4.8 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variations from the budget?				
4d. Payments				

Subject area and key questions	Yes	No	N/A	Remarks/comments
4.9 Do invoice processing procedures provide for: <ul style="list-style-type: none"> · Copies of purchase orders and receiving reports to be obtained directly from issuing departments? · Comparison of invoice quantities, prices and terms with those indicated on the purchase order and with records of goods/services actually received? · Checking the accuracy of calculations? 				
4.10 Are payments authorized at an appropriate level? Does the IP have a table of payment approval thresholds?				
4.11 Are all invoices stamped 'PAID', approved, and marked with the project code and account code?				
4.12 Do controls exist for preparation and approval of payroll expenditures? Are payroll changes properly authorized?				
4.13 Do controls exist to ensure that direct staff salary costs reflects the actual amount of staff time spent on a project?				
4.14 Do controls exist for expense categories that do not originate from invoice payments, such as DSAs, travel, and internal cost allocations?				
4f. Cash and bank				
4.15 Does the IP require dual signatories / authorization for bank transactions? Are new signatories approved at an appropriate level and timely updates made when signatories depart?				
4.16 Does the IP maintain an adequate, up-to-date cashbook, recording receipts and payments?				
4.17 Are bank balances and cash ledger reconciled monthly and properly approved? Are explanations provided for significant, unusual and aged reconciling items?				

4.18 Is substantial expenditure paid in cash? If so, does the IP have adequate controls over cash payments?				
4g. Other offices or entities				
4.19 Does the IP have a process to ensure expenditures of subsidiary offices/ external entities are in compliance with the work plan and/or contractual agreement?				
Subject area and key questions	Yes	No	N/A	Remarks/comments
5.1 Do warehouse facilities have adequate physical security?				
5.2 Does the IP have an inventory management system that enables monitoring of supply distribution?				
Subject area and key questions	Yes	No	N/A	Remarks/comments
6. Financial Reporting and Monitoring				
6.1 Are the IP's overall financial statements audited regularly by an independent auditor in accordance with appropriate national or international auditing standards? If so, please describe the auditor.				
6.2 Were there any major issues related to ineligible expenditure involving donor funds reported in the audit reports of the IP over the past five years?				
6.3 Is the financial management system computerized?				
Subject area and key questions	Yes	No	N/A	Remarks/comments
7. Procurement and Contract Administration				
7.1 Does the IP require written or system authorizations for purchases? If so, evaluate if the authorization thresholds are appropriate?				

7.2 Does the IP obtain sufficient approvals before signing a contract?				
7.3 Does the IP follow a well-defined process for sourcing suppliers? Do formal procurement methods include wide broadcasting of procurement opportunities?				
7.4 Does the IP follow a well-defined process to ensure a secure and transparent bid and evaluation process? If so, describe the process.				
7.5 When a formal invitation to bid has been issued, does the IP award the contract on a predefined basis set out in the solicitation documentation taking into account technical responsiveness and price?				

Appendix E. Terms of Reference for Internal Control Audit

This TOR has been developed to guide United Nations agencies, third party service providers and IPs through the objectives, scope, timeline and deliverables of the requested agreed-upon procedures engagement. (See Annex 1 for programme-specific information)

Objective of the Agreed-upon Procedures Engagement

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

Standards

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

Scope of the Attestation Engagement

Internal Controls

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

Specific Procedures to be Performed

1. Obtain documentation describing the IP's financial management internal controls and report on whether the documentation includes controls related to the following areas of financial management. The documentation should cover:
 - (a) Authorization of expenditures, including FACE forms and requests for direct payment. These include:
 - Expenditures authorized in accordance with IP policies and procedures;
 - Expenditure included in activity detailed in the work plan;¹³ and
 - Expenditures supported by documentation consistent with IP policies and procedures and the HACT framework
 - (b) Procurement/contracting of supplies and services. The third party service provider should detail whether:

¹³ Agency work plans can be annual, multi-year, rolling or joint.

- Competitive bids are obtained for expenditures described in the work plan;
 - Vendors consistently implement the IP's rules and procedures and agreements with the agency;
 - Procurement of supplies and services is consistent with the IP's rules and procedures and its agreements with the agency, including requirements for competitive procurement; and
 - Supplies and services agree with those required by the work plan.
- (c) Adequacy of the accounting and financial operations and reporting systems. The third party service provider should ensure that:
- The IP has an accounting manual or guidelines;
 - The accounting methodology complies with applicable standards in the IP country of operation;
 - Duties are segregated between the components of the accounting and management departments;
 - The IP maintains a separate official accounting record/sub-ledger to record transactions against the cash transfers for the agency; and
 - The IP prepares a monthly bank reconciliation if it maintains a separate bank account for the agency's funds.
- (d) Maintenance and security of accounting records. The third party service provider should ensure that:
- IP facilities have security procedures to protect against theft, damage or loss of data; and
 - The IP has a document retention policy that conforms with agency requirements.
- (e) Safeguarding assets. The third party service provider should ensure that IP facilities have security procedures to protect against theft, damage or loss of data.

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

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

Sample of Expenditures

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

Deliverables

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

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

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

Qualifications of the Third Party Service Provider

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

- (a) Integrity;

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

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

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

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

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

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

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

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

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

Annex 1. Programme-specific Information

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

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

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

REPORT OF FACTUAL FINDINGS

To (those who engaged the auditor)

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

1. Obtain documentation describing the IP's financial management internal controls and report on whether the documentation includes controls related to the following areas of financial management:
 - (a) Authorization of expenditures, including FACE forms and requests for direct payment:
 - Expenditures authorized in accordance with IP policies and procedures;
 - Expenditure included in activity detailed in the work plan;¹⁴
 - Expenditures supported by documentation consistent with IP policies and procedures and the HACT framework.
 - (b) Procurement/contracting of supplies and services, in terms of ensuring that:
 - Competitive bids are obtained for expenditures described in the work plan;
 - Vendors are consistent with the IP's rules and procedures and agreements with the agency;
 - Procurement of supplies and services is consistent with the IP's rules and procedures and agreements with the agency, including requirements for competitive procurement; and
 - Supplies and services agree with those required by the work plan.
 - (c) Adequacy of the accounting and financial operations and reporting systems, in terms of ensuring that:
 - The IP has an accounting manual or guidelines;
 - The IP's accounting methodology complies with applicable standards in the IP country of operation;
 - Duties are segregated between the components of the accounting and management departments;
 - The IP maintains a separate official accounting record/sub-ledger to record transactions against the cash transfers for the agency; and
 - The IP prepares a monthly bank reconciliation if it maintains a separate bank account for the agency's funds.

¹⁴ Agency work Plan (WP) can be annual, multi-year, rolling or joint.

- (d) Maintenance and security of accounting records, in terms of ensuring that:
 - IP facilities have security procedures to protect against theft, damage or loss of data; and
 - The IP has a document retention policy that conforms with agency requirements.
- (e) Safeguarding assets, in terms of ensuring that IP facilities have security procedures to protect against theft, damage or loss of data.

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

2. Select a sample of control instances during the period under review for the attestation engagement, amounting to 30 to 50 per cent of total control instances for each control (e.g. for a monthly control, sample selections should be made for four to six instances during the period). Selections should be made randomly. For each sample selection perform the following procedures:
 - (a) Obtain relevant supporting documentation to verify that the control occurred as described.
 - (b) Verify that the actual date of occurrence was within 2 weeks (14 days business days) of the occurrence (i.e. for a monthly control, the 31 January control occurrence should have occurred within 14 business days of February).
3. Obtain a listing of all programme-related expenditures during the period under review for the attestation engagement and perform the following:
 - (a) Randomly select a sample of expenditures amounting to a certain percentage of total expenditures during period under review. The percentage is to be determined by each agency relative to its needs and requirements. Provide a detailed listing of expenditures selected as samples.
 - (b) For each sample selection perform the following procedures:
 - Verify that documentation exists to support the expenditure in accordance with the IP's rules and procedures and agreements with the agency, including a transparent selection process for procurement of goods and services.
 - Verify that activity is in accordance with the work plan.
 - Verify that expenditures have been properly reviewed and approved in accordance with the IP's rules and procedures and agreements with the agency.
 - Verify that expenditures were properly reflected on the certified FACE form submitted to the agency.
 - Trace the sample transactions into the IP's accounting records and bank statement.
 - Verify that supporting documents are stamped 'PAID from XXX grant', indicating which agency funded the transaction.
 - Verify that submission of the FACE form was consistent with the periodicity-of-disbursement requirement in the HACT framework (two weeks).

- Compare the price paid for goods or services against agreed standard rates (if readily available).

We report our findings below:

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

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

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

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

Auditor Signature

Date

Address

Appendix F: Terms of Reference for a third-party service provider to prepare a management letter

This TOR was developed to guide United Nations agencies, third party service providers and IPst through the objectives, scope, timeline and deliverables of the requested audit. (See Annex 1 for programme-specific information)

Purpose

A management letter is meant to communicate observations, findings and recommendations related to deficiencies in internal control identified by the third party service provider during the engagement performed in accordance with the standards noted below.

Scope

The engagement includes the IP's internal controls regarding its financial management system as at the period indicated by the agency in Annex 1 and consistent with the corresponding spot check or audit engagement.

Preparation of a management letter is not a stand-alone engagement; it should be prepared as part of an engagement that provides a report (e.g. audit report or agreed-upon procedures). A management letter is an additional deliverable and incurs an additional cost to the agency.

Standards

The management letter is to be prepared in accordance with the IPPF. The management letter does not provide any assurance or opinion regarding the IP's internal controls.

Deliverable

The management letter should be addressed to those charged with governance and should include the following:

- A description of the observations and deficiencies identified, an explanation of their potential effects and recommendations to address the potential effects;
- Sufficient information to enable those charged with governance and management to understand the context of the communication;
- A general review of a programme's progress and timeliness relative to progress milestones as stated in the agency work plan. This is not intended to address whether the IP is in compliance with specific covenants relating to performance criteria or outputs in the work plan. However, general compliance with broad covenants, such as implementing the programme with economy and efficiency, might be commented upon, though not with the legal force of an audit opinion.
- The categorization of observations by risk severity:

- *High* – Action that is considered imperative to ensure that the agency is not exposed to high risks (i.e. failure to take action could result in major consequences and issues);
- *Medium* – Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences); or
- *Low* – Action that is considered desirable and should result in enhanced control or better value for money.

- Management response to the third party service provider's observations and recommendations.

See Annex 2 for a template of a management letter related to a financial audit engagement. This template can be modified for use with a spot check or internal control-based audit.

Qualifications of Third Party Service Provider

The third party service provider is subject to relevant ethical requirements provided in the Institute of Internal Auditor's Code of Ethics together with national requirements, which may be more restrictive.

The service provider should have experience in performing similar engagements applying relevant standards. The service provider should employ staff with recognized professional qualifications and suitable experience, including experience in undertaking engagements of similar size and nature to this proposed.

CVs of all members of the engagement team should be provided to the contracting agency. The CVs should include details on relevant engagements carried out by the engagement team, including ongoing assignments indicating responsibilities assumed, relevant professional qualifications and experience in undertaking engagements of similar size and nature.

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

Annex 1. Programme-specific Information

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

IP name:	
Programme name:	
Programme number:	
Programme background:	
Programme location:	
Programme Internet address:	
Programme contact person(s):	
Location of records:	
Currency of records maintained:	
Period covered:	
Intended start date of fieldwork:	
Estimated number of days required for fieldwork:	
Recipient of management letter:	
Submission deadline (including draft and final reports to local agency management):	
Submission logistics:	
Any special requests to be considered during engagement:	
Cash transfer modality used by the IP:	

Annex 2. Management Letter Template in Accordance with IPPF

This template is prepared for use with a financial audit engagement, but it can be updated for use with a spot check or internal control-based audit.

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Glossary

Acronym	Definition
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1. Introduction

Background

On behalf of the [Insert agency name and name of internal audit], [insert auditor firm name] conducted an engagement in accordance with Institute of Internal Auditors' International Professional Practices Framework (IPPF), regarding xxx Project bearing project ID number XXXXX in XXX 20XX (month and year). The engagement was carried out with the assistance of (insert name of firm).

The purpose of the engagement was to carry out procedures of an advisory nature. The engagement covered the period from XXX until XXXX 20XX (insert month and year).

Overall Assessment

Based on the weighted rating of individual areas per agency guidance, the overall level of internal control with respect to the XXXX project's operations is considered to be **Satisfactory/Partially Satisfactory/Unsatisfactory**. It should be noted, however, that we consider the level of internal control in XXXX area to be **Satisfactory/Partially Satisfactory/Unsatisfactory (if any)**.

Management should consider this rating within the context of the recommendation that XXXX project management team should attempt to strengthen its management practices in the following areas:

- Xx

Highlights

This letter contains XX recommendations, of which XX are considered high priority, XX are considered medium priority and XX are considered low priority, as per definitions in Annex 1. These recommendations are summarized above and detailed throughout this report and in Annex2.

Good Practices Observed

XXX

2. Audit Objectives, Scope and Operational Overview

Objectives

[insert objectives]

Scope

During the engagement, relevant samples of documents and transactions for the period covered by the engagement were reviewed. Discussions were held with [insert agency name] staff and personnel at headquarters and in the field throughout the engagement

Standards

The engagement has been conducted as per the Institute of Internal Auditors' International Professional Practices Framework (IPPF).

Operational Overview

[Here provide a brief background of the project, including, project budget, expenditure, staffing, and key financial indicators.]

Office Management

The management of the XX project at the time of the engagement consisted of:

- XXX
- XXX

The engagement team extends its appreciation to the management and staff members of [insert agency name] office in XXX project for their full cooperation during the engagement.

3. Detailed Assessment

The details of the findings are contained in the subsequent **Audit Subject A to F** of this report.

A: Overall Project Management

Good practices observed:

XXXX

XXXX

Observation A.1:

This is where the observation is written. Clearly describe the findings as follows:

- State the criteria, requirement or the expected conditions
- State the current condition or the situation that deviates from the criteria, requirement or the expected conditions
- State the conclusions

State the cause(s) or reason(s) for the difference between the criteria, requirements or expected conditions and the actual conditions. [In this context, you may want to offer several contributing factors or reasons underlying the audit observations. To the extent possible, identify the root cause for a particular issue.]

The engagement has been conducted as per the Institute of Internal Auditors' International Professional Practices Framework.

Operational Overview

[Here provide a brief background of the project, including, project budget, expenditure, staffing, and key financial indicators.]

Office Management

The management of the XX Project at the time of the engagement consisted of:

- XXX
- XXX

The engagement team extends its appreciation to the management and staff members of [insert agency name] office in XXX project for their full cooperation during the engagement.

3. Detailed Assessment

A. Overall project management

The following good practices were observed:

Risk:

<High/Medium/Low>

Impact or risk:

Recommendation:

xxxx

Management response:

xxxx

Status of recommendation: *Open or closed (to be decided after obtaining management replies)*

Observation A.2:

[same format as above]

B. Financial operations, controls and cash/fund management

The following compliance and good practices were noted:

- XXX

Observation B.1:

This is where the observation is written. Clearly describe the findings as follows:

- State the criteria, requirement or the expected conditions
- State the current condition or the situation that deviates from the criteria, requirement or the expected conditions
- State the conclusions

State the cause(s) or reason(s) for the difference between the criteria, requirement, or the expected condition and the actual condition. [In this context, you may want to offer several contributing factors or reasons underlying the audit observations. To the extent possible, identify the root cause for a particular issue.]

Impact or risk:**Recommendation:**

xxxx

Status of recommendation: *Open or closed (to be decided after obtaining management replies)*

Observation B.2:

[same format as above]

C. Contracting for procurement of goods and services

The following compliance and good practices were observed in the procurement process:

- Xxx

The following audit observations are made:

Observation C.1:

This is where the observation is written. Clearly describe the findings as follows:

- State the criteria, requirement or the expected conditions
- State the current condition or the situation that deviates from the criteria, requirement or the expected conditions
- State the conclusions

State the cause(s) or reason(s) for the difference between the criteria, requirement, or the expected condition and the actual condition. [In this context, you may want to offer several contributing factors or reasons underlying the audit observations. To the extent possible, identify the root cause for a particular issue.]

Impact or risk:

Recommendation:

xxxx

Status of recommendation: *Open or closed (to be decided after obtaining management replies)*

Observation C.2:

[same format as above]

D. Staffing and management of human resources

The following compliance and good practices were observed:

- xxx
- xxxx

The following audit observations are made:

Observation D.1:

This is where the observation is written. Clearly describe the findings as follows:

- State the criteria, requirement or the expected conditions
- State the current condition or the situation that deviates from the criteria, requirement or the expected conditions
- State the conclusions

State the cause(s) or reason(s) for the difference between the criteria, requirement or the expected condition and the actual condition. [In this context, you may want to offer several contributing factors or reasons underlying the audit observations. To the extent possible, identify the root cause for a particular issue.]

Impact or risk:

Recommendation:

xxxx

Status of Recommendation: Open or closed (to be decided after obtaining management replies)

Observation D.2:

[same format as above]

E. Asset/property management, ICT and general issues

The following compliance and good practices were observed:

- XXXX

The following audit observations are made:

Observation E.1:

This is where the observation is written. Clearly describe the findings as follows:

- State the criteria, requirement or the expected conditions
- State the current condition or the situation that deviates from the criteria, requirement or the expected conditions
- State the conclusions

State the cause(s) or reason(s) for the difference between the criteria, requirement, or the expected condition and the actual condition. [In this context, you may want to offer several contributing factors or reasons underlying the audit observations. To the extent possible, identify the root cause for a particular issue.]

Impact or risk:

Recommendation:

XXXX

Status of Recommendation: *Open or closed (to be decided after obtaining management replies)*

Observation E.2:

[same format as above]

F. Other observations – without audit recommendations

The following other audit observations are made, on which no audit recommendations are being issued:

XXXX

Observation F.1:

This is where the observation is written. Clearly describe the findings as follows:

- State the criteria, requirement or the expected conditions
- State the current condition or the situation that deviates from the criteria, requirement or expected conditions
- State the conclusions

State the cause(s) or reason(s) for the difference between the criteria, requirement, or the expected condition and the actual condition. [In this context, you may want to offer several contributing factors or reasons underlying the audit observations. To the extent possible, identify the root cause for a particular issue.]

Impact or risk:

Annex 2.1. Definitions of Ratings, Priorities, Causes and Functional Areas for Management Report

The following ratings have been defined so that management can put in context the opinions given in internal audit reports.

B. Ratings for overall performance of internal control system

The harmonized rating system being applied by the internal audit services of UNICEF, UNFPA, WFP, UNDP and UNOPS effective 1 January 2010 is based on the following principles:

- There are three categories: (a) satisfactory, (b) partially satisfactory, and (c) unsatisfactory.
- The elements of the rating system will take into account the audited office's internal control system and risk management practices and their impact on the achievement of office objectives.

The descriptions of the ratings are as follows:

Standard rating	Description
Satisfactory	Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the IP's objectives.
Partially satisfactory	Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect achievement of the IP's objectives.
Unsatisfactory	Internal controls, governance and risk management processes were either not established or not functioning well. The issues identified were such that the IP's overall objectives could be seriously compromised.

C. Rating for priorities of audit recommendations, possible causes and functional areas

The observations are categorized according to the priority of the audit recommendations and the possible causes of the issues. The categorized observation provides a basis by which the [insert agency name] country office management is to address the issues.

The following categories of priorities are used:

Rating	Description
High	Action that is considered imperative to ensure that the agency is not exposed to high risks (i.e. failure to take action could result in major consequences and issues).
Medium	Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).
Low	Action that is considered desirable and should result in enhanced control or better value for money.

The following categories of possible causes are used:

- **Compliance:** Failure to comply with prescribed agency regulations, rules and procedures.
- **Guidelines:** Absence of written procedures to guide staff in the performance of their functions.
- **Guidance:** Inadequate or lack of supervision by supervisors.
- **Human error:** Mistakes committed by staff entrusted to perform assigned functions.
- **Resources:** Lack of or inadequate resources (funds, skills, staff, etc.) to carry out an activity or function.

The following categories of functional areas are used:

- General policy;
- Project/programme activities;
- Finance;
- Human resources;
- Procurement;
- Information technology; and
- General administration.

Annex 2.2 Summary of Audit Recommendations

Note: Management comments are incorporated in this summary sheet along with the additional comments of attestation.

This summary excel sheet should contain the following columns:

1. Recommendation number
2. Recommendation
3. Management reply
4. Priority
5. Cause
6. Area
7. Further comments of attestation
8. Responsible manager
9. Expected completion date
10. Status (open/closed)

Sample as below:

Annex 2.3 Management replies and status of recommendations on attestation of **XX** project

1	2	3	4	5	6	7	8	9	10
Recommendation #	Recommendation	Management reply	Priority	Cause	Area	Further comments of audit	Responsible manager	Expected completion date	Status
									OPEN/CLOSED
1									

Bid Submission Documents

Provision of Assessment, Audit and Advisory Services

Appendix A: Format of Technical Proposal

Appendix B: Format for Financial Proposal

Appendix A: Format Of Technical Proposal

Brief Description of Firm	
1	Provide brief description of the organization, including the year and country of incorporation, type of activities undertaken, and approximate annual billings
2	Provide details of partner collaborations, affiliations or licensing arrangements in countries, where the bidder does not have own presence including the duration of the partnerships and number of joint accounts as partners etc.
3	Reference any history of litigation and arbitration in which the firm has been involved
General Organizational Capability	
4	Describe corporate capability for management of the project in accordance with the Terms of Reference, including an outline of global network (presence or partner's presence countries of UN Agencies operations)
5	Provide listing of present and ongoing contracts that have a direct relationship to this requirement
6	Demonstrate ability to conduct audits using multilingual staff where and when required (as related to UNICEF's areas of operations)
7	Demonstrate knowledge of governance and oversight structures of the public sector and/or multi-lateral or multi-national clients
8	Demonstrate knowledge of UN Agencies operations and operating model as it relates to cash transfers to partner
Specialized Knowledge and Experience	
9	<p>Provide evidence of successful completion of at least three similar contracts within the last five years, by submitting for each contract:</p> <ol style="list-style-type: none">1. client organization,2. name of the country (s),3. dollar value of the contract,4. number of Bidder resources involved in the project,5. the total level of effort; in days,6. start date and end date of the project,7. short description of the project,8. reference name, title, description of role/knowledge related to the project, phone, email <p>References may be contacted for verification. (Maximum of one (1) page per contract)</p>

10	Description of recent experience on projects delivering services similar to each of the specific requirements (Table 1 and Annex 1), highlighting experience with other UN organizations and similar public sector international organizations
11	Demonstration of a minimum of 15 years work experience in the region either by the firm or through arrangements with affiliates
Quality Assurance and Risk Management	
12	Description of quality assurance and project risk management mechanisms in place to ensure that all professional services undertaken are consistent with the Terms of Reference. Specifically include a description of the role of the Regional Coordinator and activities that he/she will undertake to ensure quality service is provided to the UN Agency.
13	Description of mechanisms in place to identify and report to the UN Agency any conflicts of interest prior to undertaking any specific tasks if contract awarded
14	Description of information security policies and practices
15	Description of the quality assurance and coordination mechanisms to provide professional services in areas where the bidder does not have presence and relies on affiliates
Approach and Methodology	
16	Description of the Bidder's perspective on possible challenges related to UN operating environment and nature of partnerships in providing services as per Annex 1, Appendix B,C, and D and how the Bidder would overcome such challenges
17	Description of the Bidder's approach and methodology to undertake investigative procedures
18	Description of the Bidder's perspective on possible challenges in providing financial management capacity development service to different types of partners and how the Bidder would overcome such challenges
Project Team Structure and Expertise	
19	For each of the services (Table 1), describe an indicative composition of the team proposed to provide the services, including an organizational chart illustrating the office location (city and country), reporting lines, together with a description of overall firm structure to support the team
20	Provide the curriculum vitae of the proposed key team members (Regional Coordinator and any relevant Subject Matter Experts) that will be involved either full time or part time (Curriculum vitae format provided below)

Format for curriculum vitae

Name	
Position for this contract:	
Language skills (indicate proficiency: good, fair or poor in speaking, reading and writing)	
Education and professional credentials	
Countries of work experience	
Relevant experience (from most recent)	

Period: From - To	Name of project/organization	Job title and activities undertaken
References (minimum 3)	(Name/Title/Organization/Phone/Email)	

Format For Financial Proposal

Macro assessment

Please provide the all-inclusive price (in US dollars) to deliver professional services in accordance with Annex 1, and the Appendix A, Terms of Reference Macro Assessment . The price must include all costs to be borne by the Bidder for undertaking the macro assessment, including management, coordination, quality assurance and overhead.

Micro assessment Please provide the all with Annex 1, and the of the Appendix B, Terms of Reference Micro Assessment. The price must include all costs to be borne by the Bidder for undertaking the micro assessment, including management, coordination, quality assurance and overhead.

Spot check

Please provide the all with Annex 1, and the Appendix C, Terms of Reference Spot Checks. The price must include all costs to be borne by the Bidder for undertaking the spot check, including management, coordination, quality assurance and overhead. Any costs associated with travel required to carry out the services should not be included in the all-inclusive price as it will be dependent on the location of the partner. Travel costs will be negotiated upon each task authorization and cannot exceed amounts payable under the existing UN travel policies at the time the travel actually takes place.

The proposed prices for spot checks should be staggered based on the total value of the cash transfers to partner to be covered by the spot check, in line with the following price bands:

Spot checks	Covering total cash transfers in the range:
Price band 1	Up to \$50,000
Price band 2	> \$50,000 up to \$100,000
Price band 3	> \$100,000 up to \$350,000
Price band 4	> \$350,000 up to \$700,000
Price band 5	>\$700,000

UNDP Spot Check will be based on Risk rating derived from microassessment and not tied to amount of cash transfer

HACT audit

Please provide the all with Annex 1, Appendix D, Terms of Reference HACT Audit. The price must include all costs to be borne by the Bidder for undertaking the audit, including management, coordination, quality assurance and overhead.

Internal Control audit

Please provide the all with Annex 1, Appendix E, Terms of Reference Internal Control Audit. The price must include all costs to be borne by the Bidder for undertaking the audit, including management, coordination, quality assurance and overhead.

Management Letter

Please provide the all with Annex 1, Appendix F, Terms of Reference for Management letter. The price must include all costs to be borne by the Bidder for undertaking the audit, including management, coordination, quality assurance and overhead.

Special Audit services (including investigation services)

Please provide a daily and hourly maximum rate (in MVR) to deliver special audit services. The price must include all costs to be borne by the Bidder for undertaking the special audit procedures, including management, coordination, quality assurance and overhead.

Financial management capacity development activities

Please provide a daily and hourly maximum rate (in US dollars) to deliver financial management capacity development activities. The price must include all costs to be borne by the Bidder for undertaking the professional services, including management, coordination, quality assurance and overhead.

Annex 3

FORM FOR SUBMITTING SERVICE PROVIDER'S PROPOSAL¹⁵

(This Form must be submitted only using the Service Provider's Official Letterhead/Stationery¹⁶)

[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 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

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:

- a) Profile – describing the nature of business, field of expertise, licenses, certifications, accreditations;*
- b) Business Licenses – Registration Papers, Tax Payment Certification, etc.*
- c) Latest Audited Financial Statement – income statement and balance sheet to indicate its financial stability, liquidity, credit standing, and market reputation, etc.;*
- d) Track Record – list of clients for similar services as those required by UNDP, indicating description of contract*

¹⁵ This serves as a guide to the Service Provider in preparing the Proposal.

¹⁶ Official Letterhead/Stationery must indicate contact details – addresses, email, phone and fax numbers – for verification purposes

- scope, contract duration, contract value, contact references;
- e) Certificates and Accreditation – including Quality Certificates, Patent Registrations, Environmental Sustainability Certificates, etc.
 - f) Written Self-Declaration that the company is not in the UN Security Council 1267/1989 List, UN Procurement Division List or Other UN Ineligibility List.

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.

C. Qualifications of Key Personnel

If required by the RFP, 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.

D. Cost Breakdown per Deliverable*

	Deliverables [list them as referred to in the RFP]	Percentage of Total Price (Weight for payment)	Price (Lump Sum, All Inclusive)
1	Deliverable 1		
2	Deliverable 2		
3		
	Total	100%	

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

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

Description of Activity	Remuneration per Unit of Time	Total Period of Engagement	No. of Personnel	Total Rate
I. Personnel Services				
1. Services from Home Office				
a. Expertise 1				
b. Expertise 2				
2. Services from Field Offices				
a. Expertise 1				
b. Expertise 2				

3. Services from Overseas				
a. Expertise 1				
b. Expertise 2				
II. Out of Pocket Expenses				
1. Travel Costs				
2. Daily Allowance				
3. Communications				
4. Reproduction				
5. Equipment Lease				
6. Others				
III. Other Related Costs				

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

Annex 4

GENERAL TERMS AND CONDITIONS FOR CONTRACTS

This Contract is between the United Nations Development Programme, a subsidiary organ of the United Nations established by the General Assembly of the United Nations (hereinafter “UNDP”), on the one hand, and a company or organization indicated in the Face Sheet of this Contract (hereinafter the “Contractor”), on the other hand.

1. **LEGAL STATUS OF THE PARTIES:** UNDP and the Contractor shall be referred to as a “Party” or, collectively, “Parties” hereunder, and:
 - 1.1. Pursuant, inter alia, to the Charter of the United Nations and the Convention on the Privileges and Immunities of the United Nations, the United Nations, including its subsidiary organs, has full juridical personality and enjoys such privileges and immunities as are necessary for the independent fulfillment of its purposes.
 - 1.2. The Contractor shall have the legal status of an independent contractor vis-à-vis UNDP, and nothing contained in or relating to the Contract shall be construed as establishing or creating between the Parties the relationship of employer and employee or of principal and agent. The officials, representatives, employees, or subcontractors of each of the Parties shall not be considered in any respect as being the employees or agents of the other Party, and each Party shall be solely responsible for all claims arising out of or relating to its engagement of such persons or entities.
2. **OBLIGATIONS OF THE CONTRACTOR:**
 - 2.1. The Contractor shall deliver the goods described in the Technical Specifications for Goods (hereinafter the “Goods”) and/or perform and complete the services described in the Terms of Reference and Schedule of Payments (hereinafter the “Services”), with due diligence and efficiency, and in accordance with this Contract. The Contractor shall also provide all technical and administrative support needed in order to ensure the timely and satisfactory delivery of the Goods and/or performance of the Services.
 - 2.2. To the extent that the Contract involves any purchase of the Goods, the Contractor shall provide UNDP with written evidence of the delivery of the Goods. Such evidence of delivery shall, at the minimum, consist of an invoice, a certification of conformity, and other supporting shipment documentation as may otherwise be specified in the Technical Specifications for Goods.
 - 2.3. The Contractor represents and warrants the accuracy of any information or data provided to UNDP for the purpose of entering into this Contract, as well as the quality of the deliverables and reports foreseen under this Contract, in accordance with the highest industry and professional standards.
 - 2.4. All time limits contained in this Contract shall be deemed to be of the essence in respect of the performance of the delivery of the Goods and/or the provision of the Services.
3. **LONG TERM AGREEMENT:** If the Contractor is engaged by UNDP on the basis of a long-term agreement (“LTA”) as indicated in the Face Sheet of this Contract, the following conditions shall apply:
 - 3.1. UNDP does not warrant that any quantity of Goods and/or Services shall be ordered during the term of the LTA.
 - 3.2. Any UNDP business unit, including, but not limited to, a Headquarters unit, a Country Office or a Regional Centre, as well as any United Nations entity, may benefit from the retainer and order Goods and/or Services from the Contractor hereunder.
 - 3.3. The Contractor shall provide the Services and/or deliver the Goods, as and when requested by UNDP and reflected in a Purchase Order, which shall be subject to the terms and conditions stipulated in this Contract. For the avoidance of doubt, UNDP shall acquire no legal obligations towards the Contractor unless and until a Purchase Order is issued.
 - 3.4. The Goods and/or Services shall be at the Discount Prices annexed hereto. The prices shall remain in effect for a period of three years from the Starting Date stated in the Face Sheet of this Contract.
 - 3.5. In the event of any advantageous technical changes and/or downward pricing of the Goods and/or Services during the term of the retainer, the Contractor shall notify UNDP immediately. UNDP shall consider the impact of any such event and may request an amendment to the retainer.
 - 3.6. The Contractor shall report semi-annually to UNDP on the Goods delivered and/or Services provided, unless otherwise specified in the Contract. Each report should be submitted to the UNDP Contact Person indicated in as indicated in the Face Sheet hereto, as well as to a UNDP business unit that has placed a Purchase Order for the Goods and/or Services during the reporting period.
 - 3.7. The LTA shall remain in force for the maximum period of two years and may be extended by UNDP for one additional year by mutual agreement of the Parties.
4. **PRICE AND PAYMENT:**

4.1. FIXED PRICE: If Fixed Price is chosen as a payment method pursuant to the Face Sheet of this Contract, in full consideration for the complete and satisfactory delivery of the Goods and/or provision of the Services, UNDP shall pay the Contractor a fixed amount indicated in the Face Sheet of this Contract.

4.1.1. The amount stated in the Face Sheet of this Contract is not subject to any adjustment or revision because of price or currency fluctuations, or the actual costs incurred by the Contractor in the performance of the Contract.

4.1.2. UNDP shall effect payments to the Contractor in the amounts and pursuant to the schedule of payments set forth in the Terms of Reference and Schedule of Payments, upon completion by the Contractor of the corresponding deliverable(s) and upon acceptance by UNDP of the original invoices submitted by the Contractor to the UNDP Contact Person indicated in the Face Sheet of this Contract, together with whatever supporting documentation that may be required by UNDP:

4.1.3. Invoices shall indicate a deliverable completed and the corresponding amount payable.

4.1.4. Payments effected by UNDP to the Contractor shall be deemed neither to relieve the Contractor of its obligations under this Contract nor as acceptance by UNDP of the Contractor's delivery of the Goods and/or provision of the Services.

4.2. COST REIMBURSEMENT: If Cost Reimbursement is chosen as a payment method pursuant to the Face Sheet of this Contract, in full consideration for the complete and satisfactory delivery of the Goods and/or provision of the Services under this Contract, UNDP shall pay the Contractor an amount not exceeding the total amount stated in the Face Sheet of this Contract.

4.2.1. The said amount is the maximum total amount of reimbursable costs under this Contract. The breakdown of costs contained in the Financial Proposal, referred to in the Face Sheet to this Contract shall specify the maximum amount per each cost category that is reimbursable under this Contract. The Contractor shall specify in its invoices or financial reports (as required by UNDP) the amount of the actual reimbursable costs incurred in the delivery of the Goods and/or the provision of the Services.

4.2.2. The Contractor shall not provide the Services and/or deliver the Goods or equipment, materials and supplies that may result in any costs in excess of the amount stated in the Face Sheet of this Contract, or of the maximum amount per each cost category specified in the breakdown of costs contained in the Financial Proposal, without the prior written agreement of the UNDP Contact Person.

4.2.3. The Contractor shall submit original invoices or financial reports (as required by UNDP) for the Goods delivered in accordance with the Technical Specifications for Goods and/or the Services provided in accordance with the schedule set forth in the Terms of Reference and Schedule of Payments. Such invoices or financial reports shall indicate a deliverable or deliverables completed and the corresponding amount payable. They shall be submitted to the UNDP Contact Person, together with whatever supporting documentation of the actual costs incurred that is required in the Financial Proposal, or may be required by UNDP.

4.2.4. UNDP shall effect payments to the Contractor upon completion by the Contractor of the deliverable(s) indicated in the original invoices or financial reports (as required by UNDP) and upon acceptance of these invoices or financial reports by UNDP. Such payments shall be subject to any specific conditions for reimbursement specified in the breakdown of costs contained in the Financial Proposal.

4.2.5. Payments effected by UNDP to the Contractor shall be deemed neither to relieve the Contractor of its obligations under this Contract nor as acceptance by UNDP of the Contractor's delivery of the Goods and/or performance of the Services.

5. ADVANCE PAYMENT:

5.1. If an advance payment is due to the Contractor pursuant to the Face Sheet of this Contract, the Contractor shall submit an original invoice for the amount of that advance payment upon signature of this Contract by the Parties.

5.2. If an advance payment representing 20% or more of the total contract value, or amounting to US\$30,000 or more, is to be made by UNDP upon signature of the Contract by the Parties, such payment shall be contingent upon receipt and acceptance by UNDP of a bank guarantee or a certified cheque for the full amount of the advance payment, valid for the duration of the Contract, and in a form acceptable to UNDP.

6. SUBMISSION OF INVOICES AND REPORTS:

6.1. All original invoices, financial reports and any other reports and supporting documentation required under this Contract shall be submitted by mail by the Contractor to UNDP Contact Person. Upon request of the Contractor, and subject to approval by UNDP, invoices and financial reports may be submitted to UNDP by fax or email.

6.2. All reports and invoices shall be submitted by the Contractor to the UNDP Contact Person specified in the Face Sheet of this Contract.

7. TIME AND MANNER OF PAYMENT:

7.1. Invoices shall be paid within thirty (30) days of the date of their acceptance by UNDP. UNDP shall make every effort to accept an original invoice or advise the Contractor of its nonacceptance within a reasonable time from receipt.

7.2. Where the Services are to be provided, in addition to an invoice, the Contractor shall submit to UNDP a report, describing in detail the Services provided under the Contract during the period of time covered in each report.

8. RESPONSIBILITY FOR EMPLOYEES: To the extent that the Contract involves the provision of the Services to UNDP by the Contractor's officials, employees, agents, servants, subcontractors and other representatives (collectively, the Contractor's "personnel"), the following provisions shall apply:

8.1. The Contractor is responsible for and shall assume all risk and liabilities relating to its personnel and property.

8.2. The Contractor shall be responsible for the professional and technical competence of the personnel it assigns to perform work under the Contract and will select reliable and competent individuals who will be able to effectively perform the obligations under the Contract and who, while doing so, will respect the local laws and customs and conform to a high standard of moral and ethical conduct.

8.3. Such Contractor personnel shall be professionally qualified and, if required to work with officials or staff of UNDP, shall be able to do so effectively. The qualifications of any personnel whom the Contractor may assign or may propose to assign to perform any obligations under the Contract shall be substantially the same, or better, as the qualifications of any personnel originally proposed by the Contractor.

8.4. At the option of and in the sole discretion of UNDP:

8.4.1. the qualifications of personnel proposed by the Contractor (e.g., a curriculum vitae) may be reviewed by UNDP prior to such personnel's performing any obligations under the Contract;

8.4.2. any personnel proposed by the Contractor to perform obligations under the Contract may be interviewed by qualified staff or officials of UNDP prior to such personnel's performing any obligations under the Contract; and,

8.4.3. in cases in which, pursuant to Article 8.4.1 or 8.4.2, above, UNDP has reviewed the qualifications of such Contractor's personnel, UNDP may reasonably refuse to accept any such personnel.

8.5. Requirements specified in the Contract regarding the number or qualifications of the Contractor's personnel may change during the course of performance of the Contract. Any such change shall be made only following written notice of such proposed change and upon written agreement between the Parties regarding such change, subject to the following:

8.5.1. UNDP may, at any time, request, in writing, the withdrawal or replacement of any of the Contractor's personnel, and such request shall not be unreasonably refused by the Contractor.

8.5.2. Any of the Contractor's personnel assigned to perform obligations under the Contract shall not be withdrawn or replaced without the prior written consent of UNDP, which shall not be unreasonably withheld.

8.5.3. The withdrawal or replacement of the Contractor's personnel shall be carried out as quickly as possible and in a manner that will not adversely affect the performance of obligations under the Contract.

8.5.4. All expenses related to the withdrawal or replacement of the Contractor's personnel shall, in all cases, be borne exclusively by the Contractor.

8.5.5. Any request by UNDP for the withdrawal or replacement of the Contractor's personnel shall not be considered to be a termination, in whole or in part, of the Contract, and UNDP shall not bear any liability in respect of such withdrawn or replaced personnel.

8.5.6. If a request for the withdrawal or replacement of the Contractor's personnel is not based upon a default by or failure on the part of the Contractor to perform its obligations in accordance with the Contract, the misconduct of the personnel, or the inability of such personnel to reasonably work together with UNDP officials and staff, then the Contractor shall not be liable by reason of any such request for the withdrawal or replacement of the Contractor's personnel for any delay in the performance by the Contractor of its obligations under the Contract that is substantially the result of such personnel's being withdrawn or replaced.

8.6. Nothing in Articles 8.3, 8.4 and 8.5, above, shall be construed to create any obligations on the part of UNDP with respect to the Contractor's personnel assigned to perform work under the Contract, and such personnel shall remain the sole responsibility of the Contractor.

8.7. The Contractor shall be responsible for requiring that all personnel assigned by it to perform any obligations under the Contract and who may have access to any premises or other property of UNDP shall:

8.7.1. undergo or comply with security screening requirements made known to the Contractor by UNDP, including but not limited to, a review of any criminal history;

8.7.2. when within UNDP premises or on UNDP property, display such identification as may be approved and furnished by UNDP security officials, and that upon the withdrawal or replacement of any such personnel or upon termination or completion of the Contract, such personnel shall immediately return any such identification to UNDP for cancellation.

8.8. Within one working day after learning that any of Contractor's personnel who have access to any UNDP premises have been charged by law enforcement authorities with an offense other than a minor traffic offense, the Contractor shall provide written notice to inform UNDP about the particulars of the charges then known and shall continue to inform UNDP concerning all substantial developments regarding the disposition of such charges.

8.9. All operations of the Contractor, including without limitation, storage of equipment, materials, supplies and parts, within UNDP premises or on UNDP property shall be confined to areas authorized or approved by UNDP. The Contractor's personnel shall not enter or pass through and shall not store or dispose of any of its equipment or materials in any areas within UNDP premises or on UNDP property without appropriate authorization from UNDP.

8.10. The Contractor shall (i) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the Services are being provided; and (ii) assume all risks and liabilities related to the Contractor's security, and the full implementation of the security plan.

8.11. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this contract. Notwithstanding the foregoing, the Contractor shall remain solely responsible for the security of its personnel and for UNDP's property in its custody as set forth in paragraph 8.10 above.

9. ASSIGNMENT:

9.1. Except as provided in Article 9.2, below, the Contractor may not assign, transfer, pledge or make any other disposition of the Contract, of any part of the Contract, or of any of the rights, claims or obligations under the Contract except with the prior written authorization of UNDP. Any such unauthorized assignment, transfer, pledge or other disposition, or any attempt to do so, shall not be binding on UNDP. Except as permitted with respect to any approved subcontractors, the Contractor shall not delegate any of its obligations under this Contract, except with the prior written consent of UNDP. Any such unauthorized delegation, or attempt to do so, shall not be binding on UNDP.

9.2. The Contractor may assign or otherwise transfer the Contract to the surviving entity resulting from a reorganization of the Contractor's operations, *provided that*:

9.2.1. such reorganization is not the result of any bankruptcy, receivership or other similar proceedings; and,

9.2.2. such reorganization arises from a sale, merger, or acquisition of all or substantially all of the

Contractor's assets or ownership interests; and,

9.2.3. the Contractor promptly notifies UNDP about such assignment or transfer at the earliest opportunity; and,

9.2.4. the assignee or transferee agrees in writing to be bound by all of the terms and conditions of the Contract, and such writing is promptly provided to UNDP following the assignment or transfer.

10. SUBCONTRACTING: In the event that the Contractor requires the services of subcontractors to perform any obligations under the Contract, the Contractor shall obtain the prior written approval of UNDP. UNDP shall be entitled, in its sole discretion, to review the qualifications of any subcontractors and to reject any proposed subcontractor that UNDP reasonably considers is not qualified to perform obligations under the Contract. UNDP shall have the right to require any subcontractor's removal from UNDP premises without having to give any justification therefor. Any such rejection or request for removal shall not, in and of itself, entitle the Contractor to claim any delays in the performance, or to assert any excuses for the nonperformance, of any of its obligations under the Contract, and the Contractor shall be solely responsible for all services and obligations performed by its subcontractors. The terms of any subcontract shall be subject to, and shall be construed in a manner that is fully in accordance with, all of the terms and conditions of the Contract.

11. PURCHASE OF GOODS: To the extent that the Contract involves any purchase of the Goods, whether in whole or in part, and unless specifically stated otherwise in the Contract, the following conditions shall apply to such purchases under the Contract:

11.1. DELIVERY OF GOODS: The Contractor shall hand over or make available the Goods, and UNDP shall receive the Goods, at the place for the delivery of the Goods and within the time for delivery of the Goods specified in the Contract. The Contractor shall provide to UNDP such shipment documentation (including, without limitation, bills of lading, airway bills, and commercial invoices) as are specified in the Contract or, otherwise, as are customarily utilized in the trade. All manuals, instructions, displays and any other information relevant to the Goods shall be in the English language unless otherwise specified in the Contract. Unless otherwise stated in the Contract

(Including, but not limited to, in any “INCOTERM 2020” or similar trade term), the entire risk of loss, damage to, or destruction of the Goods shall be borne exclusively by the Contractor until physical delivery of the Goods to UNDP in accordance with the terms of the Contract. Delivery of the Goods shall not be deemed in itself as constituting acceptance of the Goods by UNDP.

11.2. INSPECTION OF THE GOODS: If the Contract provides that the Goods may be inspected prior to delivery, the Contractor shall notify UNDP when the Goods are ready for pre-delivery inspection. Notwithstanding any pre-delivery inspection, UNDP or its designated inspection agents may also inspect the Goods upon delivery in order to confirm that the Goods conform to applicable specifications or other requirements of the Contract. All reasonable facilities and assistance, including, but not limited to, access to drawings and production data, shall be furnished to UNDP or its designated inspection agents at no charge therefor. Neither the carrying out of any inspections of the Goods nor any failure to undertake any such inspections shall relieve the Contractor of any of its warranties or the performance of any obligations under the Contract.

11.3. PACKAGING OF THE GOODS: The Contractor shall package the Goods for delivery in accordance with the highest standards of export packaging for the type and quantities and modes of transport of the Goods. The Goods shall be packed and marked in a proper manner in accordance with the instructions stipulated in the Contract or, otherwise, as customarily done in the trade, and in accordance with any requirements imposed by applicable law or by the transporters and manufacturers of the Goods. The packing, in particular, shall mark the Contract or Purchase Order number and any other identification information provided by UNDP as well as such other information as is necessary for the correct handling and safe delivery of the Goods. Unless otherwise specified in the Contract, the Contractor shall have no right to any return of the packing materials.

11.4. TRANSPORTATION & FREIGHT: Unless otherwise specified in the Contract (including, but not limited to, in any “INCOTERM 2020” or similar trade term), the Contractor shall be solely liable for making all transport arrangements and for payment of freight and insurance costs for the shipment and delivery of the Goods in accordance with the requirements of the Contract. The Contractor shall ensure that UNDP receives all necessary transport documents in a timely manner so as to enable UNDP to take delivery of the Goods in accordance with the requirements of the Contract.

11.5. WARRANTIES: Unless otherwise specified in the Contract, in addition to and without limiting any other warranties, remedies or rights of UNDP stated in or arising under the Contract, the Contractor warrants and represents that:

11.5.1. The Goods, including all packaging and packing thereof, conform to the technical specifications, are fit for the purposes for which such Goods are ordinarily used and for any purposes expressly made known in writing in the Contract, and shall be of even quality, free from faults and defects in design, material, manufacturer and workmanship;

11.5.2. If the Contractor is not the original manufacturer of the Goods, the Contractor shall provide UNDP with the benefit of all manufacturers’ warranties in addition to any other warranties required to be provided under the Contract;

11.5.3. The Goods are of the quality, quantity and description required by the Contract, including when subjected to conditions prevailing in the place of final destination;

11.5.4. The Goods are free from any right of claim by any third-party, including claims of infringement of any intellectual property rights, including, but not limited to, patents, copyright and trade secrets;

11.5.5. The Goods are new and unused;

11.5.6. All warranties will remain fully valid following any delivery of the Goods and for a period of not less than one (1) year following acceptance of the Goods by UNDP in accordance with the Contract;

11.5.7. During any period in which the Contractor’s warranties are effective, upon notice by UNDP that the Goods do not conform to the requirements of the Contract, the Contractor shall promptly and at its own expense correct such non-conformities or, in case of its inability to do so, replace the defective Goods with Goods of the same or better quality or, at its own cost, remove the defective Goods and fully reimburse UNDP for the purchase price paid for the defective Goods; and,

11.5.8. The Contractor shall remain responsive to the needs of UNDP for any services that may be required in connection with any of the Contractor’s warranties under the Contract.

11.6. ACCEPTANCE OF GOODS: Under no circumstances shall UNDP be required to accept any Goods that do not conform to the specifications or requirements of the Contract. UNDP may condition its acceptance of the Goods upon the successful

completion of acceptance tests as may be specified in the Contract or otherwise agreed in writing by the Parties. In no case shall UNDP be obligated to accept any Goods unless and until UNDP has had a reasonable opportunity to inspect the Goods following delivery. If the Contract specifies that UNDP shall provide a written acceptance of the Goods, the Goods shall not be deemed accepted unless and until UNDP in fact provides such written acceptance. In no case shall payment by UNDP in and of itself constitute acceptance of the Goods.

11.7. REJECTION OF GOODS: Notwithstanding any other rights of, or remedies available to UNDP under the Contract, in case any of the Goods are defective or otherwise do not conform to the specifications or other requirements of the Contract, UNDP, at its sole option, may reject or refuse to accept the Goods, and within thirty (30) days following receipt of notice from UNDP of such rejection or refusal to accept the Goods, the Contractor shall, in sole option of UNDP:

11.7.1. provide a full refund upon return of the Goods, or a partial refund upon a return of a portion of the Goods, by UNDP; or,

11.7.2. repair the Goods in a manner that would enable the Goods to conform to the specifications or other requirements of the Contract; or,

11.7.3. replace the Goods with Goods of equal or better quality; and,

11.7.4. pay all costs relating to the repair or return of the defective Goods as well as the costs relating to the storage of any such defective Goods and for the delivery of any replacement Goods to UNDP.

11.8. In the event that UNDP elects to return any of the Goods for the reasons specified in Article 11.7, above, UNDP may procure the Goods from another source. In addition to any other rights or remedies available to UNDP under the Contract, including, but not limited to, the right to terminate the Contract, the Contractor shall be liable for any additional cost beyond the balance of the Contract price resulting from any such procurement, including, inter alia, the costs of engaging in such procurement, and UNDP shall be entitled to compensation from the Contractor for any reasonable expenses incurred for preserving and storing the Goods for the Contractor's account.

11.9. TITLE: The Contractor warrants and represents that the Goods delivered under the Contract are unencumbered by any third party's title or other property rights, including, but not limited to, any liens or security interests. Unless otherwise expressly provided in the Contract, title in and to the Goods shall pass from the Contractor to UNDP upon delivery of the Goods and their acceptance by UNDP in accordance with the requirements of the Contract.

11.10. EXPORT LICENSING: The Contractor shall be responsible for obtaining any export license required with respect to the Goods, products, or technologies, including software, sold, delivered, licensed or otherwise provided to UNDP under the Contract. The Contractor shall procure any such export license in an expeditious manner. Subject to and without any waiver of the privileges and immunities of UNDP, UNDP shall lend the Contractor all reasonable assistance required for obtaining any such export license. Should any Governmental entity refuse, delay or hinder the Contractor's ability to obtain any such export license, the Contractor shall promptly consult with UNDP to enable UNDP to take appropriate measures to resolve the matter.

12. INDEMNIFICATION

12.1. The Contractor shall indemnify, defend, and hold and save harmless, UNDP, and its officials, agents and employees, from and against all suits, proceedings, claims, demands, losses and liability of any kind or nature brought by any third party against UNDP, including, but not limited to, all litigation costs and expenses, attorney's fees, settlement payments and damages, based on, arising from, or relating to:

12.1.1. allegations or claims that the possession of or use by UNDP of any patented device, any copyrighted material, or any other goods, property or services provided or licensed to UNDP under the terms of the Contract, in whole or in part, separately or in a combination contemplated by the Contractor's published specifications therefor, or otherwise specifically approved by the Contractor, constitutes an infringement of any patent, copyright, trademark, or other intellectual property right of any third party; or,

12.1.2. any acts or omissions of the Contractor, or of any subcontractor or anyone directly or indirectly employed by them in the performance of the Contract, which give rise to legal liability to anyone not a party to the Contract, including, without limitation, claims and liability in the nature of a claim for workers' compensation.

12.2. The indemnity set forth in Article 12.1.1, above, shall not apply to:

12.2.1. A claim of infringement resulting from the Contractor's compliance with specific written instructions by UNDP directing a change in the specifications for the goods, property, materials, equipment or supplies to be or used, or directing a manner of performance of the Contract or requiring the use of specifications not normally used by the Contractor; or

12.2.2.A claim of infringement resulting from additions to or changes in any goods, property, materials equipment, supplies or any components thereof furnished under the Contract if UNDP or another party acting under the direction of UNDP made such changes.

12.3. In addition to the indemnity obligations set forth in this Article 12, the Contractor shall be obligated, at its sole expense, to defend UNDP and its officials, agents and employees, pursuant to this Article 12, regardless of whether the suits, proceedings, claims and demands in question actually give rise to or otherwise result in any loss or liability.

12.4. UNDP shall advise the Contractor about any such suits, proceedings, claims, demands, losses or liability within a reasonable period of time after having received actual notice thereof. The Contractor shall have sole control of the defense of any such suit, proceeding, claim or demand and of all negotiations in connection with the settlement or compromise thereof, except with respect to the assertion or defense of the privileges and immunities of UNDP or any matter relating thereto, for which only UNDP itself is authorized to assert and maintain. UNDP shall have the right, at its own expense, to be represented in any such suit, proceeding, claim or demand by independent counsel of its own choosing.

12.5. In the event the use by UNDP of any Goods, property or Services provided or licensed to UNDP by the Contractor, in whole or in part, in any suit or proceeding, is for any reason enjoined, temporarily or permanently, or is found to infringe any patent, copyright, trademark or other intellectual property right, or in the event of a settlement, is enjoined, limited or otherwise interfered with, then the Contractor, at its sole cost and expense, shall, promptly, either:

12.5.1.procure for UNDP the unrestricted right to continue using such Goods or Services provided to UNDP;

12.5.2.replace or modify the Goods and/or or Services provided to UNDP, or part thereof, with the equivalent or better Goods and/or Services, or part thereof, that is non-infringing; or,

12.5.3.refund to UNDP the full price paid by UNDP for the right to have or use such Goods, property or Services, or part thereof.

13. INSURANCE AND LIABILITY:

13.1. The Contractor shall pay UNDP promptly for all loss, destruction, or damage to the property of UNDP caused by the Contractor's personnel or by any of its subcontractors or anyone else directly or indirectly employed by the Contractor or any of its subcontractors in the performance of the Contract.

13.2. Unless otherwise provided in the Contract, prior to commencement of performance of any other obligations under the Contract, and subject to any limits set forth in the Contract, the Contractor shall take out and shall maintain for the entire term of the Contract, for any extension thereof, and for a period following any termination of the Contract reasonably adequate to deal with losses:

13.2.1.insurance against all risks in respect of its property and any equipment used for the performance of the Contract;

13.2.2.workers' compensation insurance, or its equivalent, or employer's liability insurance, or its equivalent, with respect to the Contractor's personnel sufficient to cover all claims for injury, death and disability, or any other benefits required to be paid by law, in connection with the performance of the Contract;

13.2.3.liability insurance in an adequate amount to cover all claims, including, but not limited to, claims for death and bodily injury, products and completed operations liability, loss of or damage to property, and personal and advertising injury, arising from or in connection with the Contractor's performance under the Contract, including, but not limited to, liability arising out of or in connection with the acts or omissions of the Contractor, its personnel, agents, or invitees, or the use, during the performance of the Contract, of any vehicles, boats, airplanes or other transportation vehicles and equipment, whether or not owned by the Contractor; and,

13.2.4.such other insurance as may be agreed upon in writing between UNDP and the Contractor.

13.3. The Contractor's liability policies shall also cover subcontractors and all defense costs and shall contain a standard "cross liability" clause.

13.4. The Contractor acknowledges and agrees that UNDP accepts no responsibility for providing life, health, accident, travel or any other insurance coverage which may be necessary or desirable in respect of any personnel performing services for the Contractor in connection with the Contract.

13.5. Except for the workers' compensation insurance or any self-insurance program maintained by the Contractor and approved by UNDP, in its sole discretion, for purposes of fulfilling the Contractor's requirements for providing insurance under the Contract, the insurance policies required under the Contract shall:

- 13.5.1.name UNDP as an additional insured under the liability policies, including, if required, as a separate endorsement under the policy;
 - 13.5.2.include a waiver of subrogation of the Contractor's insurance carrier's rights against UNDP;
 - 13.5.3.provide that UNDP shall receive written notice from the Contractor's insurance carrier not less than thirty (30) days prior to any cancellation or material change of coverage; and,
 - 13.5.4.include a provision for response on a primary and non-contributing basis with respect to any other insurance that may be available to UNDP.
- 13.6.** The Contractor shall be responsible to fund all amounts within any policy deductible or retention.
- 13.7.** Except for any self-insurance program maintained by the Contractor and approved by UNDP for purposes of fulfilling the Contractor's requirements for maintaining insurance under the Contract, the Contractor shall maintain the insurance taken out under the Contract with reputable insurers that are in good financial standing and that are acceptable to UNDP. Prior to the commencement of any obligations under the Contract, the Contractor shall provide UNDP with evidence, in the form of certificate of insurance or such other form as UNDP may reasonably require, that demonstrates that the Contractor has taken out insurance in accordance with the requirements of the Contract. UNDP reserves the right, upon written notice to the Contractor, to obtain copies of any insurance policies or insurance program descriptions required to be maintained by the Contractor under the Contract. Notwithstanding the provisions of Article 13.5.3, above, the Contractor shall promptly notify UNDP concerning any cancellation or material change of insurance coverage required under the Contract.
- 13.8.** The Contractor acknowledges and agrees that neither the requirement for taking out and maintaining insurance as set forth in the Contract nor the amount of any such insurance, including, but not limited to, any deductible or retention relating thereto, shall in any way be construed as limiting the Contractor's liability arising under or relating to the Contract.
- 14. ENCUMBRANCES AND 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 UNDP against any monies due to the Contractor or that may become due for any work done or against any goods supplied or materials furnished under the Contract, or by reason of any other claim or demand against the Contractor or UNDP.
- 15. EQUIPMENT FURNISHED BY UNDP TO THE CONTRACTOR:** Title to any equipment and supplies that may be furnished by UNDP to the Contractor for the performance of any obligations under the Contract shall rest with UNDP, and any such equipment shall be returned to UNDP at the conclusion of the 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, and the Contractor shall be liable to compensate UNDP for the actual costs of any loss of, damage to, or degradation of the equipment that is beyond normal wear and tear.
- 16. COPYRIGHT, PATENTS AND OTHER PROPRIETARY RIGHTS:**
- 16.1.** Except as is otherwise expressly provided in writing in the Contract, 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 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. The Contractor acknowledges and agrees that such products, documents and other materials constitute works made for hire for UNDP.
 - 16.2.** 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, UNDP does not and shall not claim any ownership interest thereto, and the Contractor grants to 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.
 - 16.3.** At the request of 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 UNDP in compliance with the requirements of the applicable law and of the Contract.
 - 16.4.** 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 UNDP, shall be made available for use or inspection by 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.

- 17. PUBLICITY, AND USE OF THE NAME, EMBLEM OR OFFICIAL SEAL OF UNDP OR THE UNITED NATIONS:** The Contractor shall not advertise or otherwise make public for purposes of commercial advantage or goodwill that it has a contractual relationship 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 the United Nations in connection with its business or otherwise without the written permission of UNDP.
- 18. CONFIDENTIAL NATURE OF DOCUMENTS AND INFORMATION:** Information and data that is considered proprietary by either Party or 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:
- 18.1.** The Recipient shall:
- 18.1.1. 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,
 - 18.1.2. use the Discloser's Information solely for the purpose for which it was disclosed.
- 18.2.** 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 18, the Recipient may disclose Information to:
- 18.2.1. any other party with the Discloser's prior written consent; and,
 - 18.2.2. 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:
 - 18.2.2.1.** a corporate entity in which the Party owns or otherwise controls, whether directly or indirectly, over fifty percent (50%) of voting shares thereof; *or*,
 - 18.2.2.2.** 18.2.2.2 any entity over which the Party exercises effective managerial control; *or*,
 - 18.2.2.3.** for the United Nations, a principal or subsidiary organ of the United Nations established in accordance with the Charter of the United Nations.
- 18.3.** 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 UNDP sufficient prior notice of a request for the disclosure of Information in order to allow UNDP to have a reasonable opportunity to take protective measures or such other action as may be appropriate before any such disclosure is made.
- 18.4.** UNDP may disclose Information to the extent as required pursuant to the Charter of the United Nations, or pursuant to resolutions or regulations of the General Assembly or rules promulgated thereunder.
- 18.5.** 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.
- 18.6.** 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.
- 19. FORCE MAJEURE; OTHER CHANGES IN CONDITIONS:**
- 19.1.** In the event of and as soon as possible after the occurrence of any cause constituting *force majeure*, the affected Party shall give notice and full particulars in writing to the other Party, of such occurrence or cause if the affected Party is thereby rendered unable, wholly or in part, to perform its obligations and meet its responsibilities under the Contract. The affected Party shall also notify the other Party of any other changes in condition or the occurrence of any event which interferes or threatens to interfere with its performance of the Contract. Not more than fifteen (15) days following the provision of such notice of force majeure or other changes in condition or occurrence, the affected Party shall also submit a statement to the other Party of estimated expenditures that will likely be incurred for the duration of the change in condition or the event of force majeure. On receipt of the notice or notices required hereunder, the Party not affected by the occurrence of a cause constituting force majeure shall take such action as it reasonably considers to be appropriate or necessary in the circumstances, including the granting to the affected Party of a reasonable extension of time in which to perform any obligations under the Contract.

19.2. If the Contractor is rendered unable, wholly or in part, by reason of force majeure to perform its obligations and meet its responsibilities under the Contract, UNDP shall have the right to suspend or terminate the Contract on the same terms and conditions as are provided for in Article 20,

“Termination,” except that the period of notice shall be seven (7) days instead of thirty (30) days. In any case, UNDP shall be entitled to consider the Contractor permanently unable to perform its obligations under the Contract in case the Contractor is unable to perform its obligations, wholly or in part, by reason of force majeure for any period in excess of ninety (90) days.

19.3. *Force majeure* as used herein means any unforeseeable and irresistible act of nature, any act of war (whether declared or not), invasion, revolution, insurrection, terrorism, or any other acts of a similar nature or force, provided that such acts arise from causes beyond the control and without the fault or negligence of the Contractor. The Contractor acknowledges and agrees that, with respect to any obligations under the Contract that the Contractor must perform in areas in which 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.

20. TERMINATION:

20.1. Either Party may terminate the Contract for cause, in whole or in part, upon thirty (30) days’ notice, in writing, to the other Party. The initiation of conciliation or arbitral proceedings in accordance with Article 23 “Settlement of Disputes,” below, shall not be deemed to be a “cause” for or otherwise to be in itself a termination of the Contract.

20.2. UNDP may terminate the Contract at any time by providing written notice to the Contractor in any case in which the mandate of UNDP applicable to the performance of the Contract or the funding of UNDP applicable to the Contract is curtailed or terminated, whether in whole or in part. In addition, unless otherwise provided by the Contract, upon sixty (60) day’s advance written notice to the Contractor, UNDP may terminate the Contract without having to provide any justification therefor.

20.3. In the event of any termination of the Contract, upon receipt of notice of termination that has been issued by UNDP, the Contractor shall, except as may be directed by UNDP in the notice of termination or otherwise in writing:

20.3.1. take immediate steps to bring the performance of any obligations under the Contract to a close in a prompt and orderly manner, and in doing so, reduce expenses to a minimum;

20.3.2. refrain from undertaking any further or additional commitments under the Contract as of and following the date of receipt of such notice;

20.3.3. place no further subcontracts or orders for materials, services, or facilities, except as UNDP and the Contractor agree in writing are necessary to complete any portion of the Contract that is not terminated;

20.3.4. terminate all subcontracts or orders to the extent they relate to the portion of the Contract terminated;

20.3.5. transfer title and deliver to UNDP the fabricated or unfabricated parts, work in process, completed work, supplies, and other material produced or acquired for the portion of the Contract terminated;

20.3.6. deliver all completed or partially completed plans, drawings, information, and other property that, if the Contract had been completed, would be required to be furnished to UNDP thereunder;

20.3.7. complete performance of the work not terminated; and,

20.3.8. take any other action that may be necessary, or that UNDP may direct in writing, for the minimization of losses and for the protection and preservation of any property, whether tangible or intangible, related to the Contract that is in the possession of the Contractor and in which UNDP has or may be reasonably expected to acquire an interest.

20.4. In the event of any termination of the Contract, UNDP shall be entitled to obtain reasonable written accountings from the Contractor concerning all obligations performed or pending in accordance with the Contract. In addition, UNDP shall not be liable to pay the Contractor except for those Goods satisfactorily delivered and/or Services satisfactorily provided to UNDP in accordance with the requirements of the Contract, but only if such Goods or Services were ordered, requested or otherwise provided prior to the Contractor’s receipt of notice of termination from UNDP or prior to the Contractor’s tendering of notice of termination to UNDP.

20.5. UNDP may, without prejudice to any other right or remedy available to it, terminate the Contract forthwith in the event that:

20.5.1. the Contractor is adjudged bankrupt, or is liquidated, or becomes insolvent, or applies for a moratorium or stay on any payment or repayment obligations, or applies to be declared insolvent;

20.5.2. the Contractor is granted a moratorium or a stay, or is declared insolvent;

20.5.3.the Contractor makes an assignment for the benefit of one or more of its creditors;

20.5.4.a Receiver is appointed on account of the insolvency of the Contractor;

20.5.5.the Contractor offers a settlement in lieu of bankruptcy or receivership; or,

20.5.6.UNDP reasonably determines that the Contractor has become subject to a materially adverse change in its financial condition that threatens to substantially affect the ability of the Contractor to perform any of its obligations under the Contract.

20.6. Except as prohibited by law, the Contractor shall be bound to compensate UNDP for all damages and costs, including, but not limited to, all costs incurred by UNDP in any legal or nonlegal proceedings, as a result of any of the events specified in Article 20.5, above, and resulting from or relating to a termination of the Contract, even if the Contractor is adjudged bankrupt, or is granted a moratorium or stay or is declared insolvent. The Contractor shall immediately inform UNDP of the occurrence of any of the events specified in Article 20.5, above, and shall provide UNDP with any information pertinent thereto.

20.7. The provisions of this Article 20 are without prejudice to any other rights or remedies of UNDP under the Contract or otherwise.

21. NON-WAIVER OF RIGHTS: The failure by either Party to exercise any rights available to it, whether under the Contract or otherwise, shall not be deemed for any purposes to constitute a waiver by the other Party of any such right or any remedy associated therewith, and shall not relieve the Parties of any of their obligations under the Contract.

22. NON-EXCLUSIVITY: Unless otherwise specified in the Contract, UNDP shall have no obligation to purchase any minimum quantities of goods or services from the Contractor, and UNDP shall have no limitation on its right to obtain goods or services of the same kind, quality and quantity described in the Contract, from any other source at any time.

23. SETTLEMENT OF DISPUTES:

23.1. AMICABLE SETTLEMENT: The Parties shall use their best efforts to amicably settle any dispute, controversy, or claim arising out of the 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 Conciliation Rules then obtaining of the United Nations Commission on International Trade Law ("UNCITRAL"), or according to such other procedure as may be agreed between the Parties in writing.

23.2. 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 23.1, 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. 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") and Article 34 ("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.

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

25. TAX EXEMPTION:

25.1. Article II, 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 restrictions, 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 exemptions of UNDP from such taxes, restrictions, duties, or charges, the Contractor shall immediately consult with UNDP to determine a mutually acceptable procedure.

25.2. The Contractor authorizes UNDP to deduct from the Contractor's invoices any amount representing such taxes, duties or charges, unless the Contractor has consulted with UNDP before the payment thereof and UNDP has, in each instance, specifically authorized the Contractor to pay such taxes, duties, or charges under written protest. In that event, the Contractor shall provide UNDP with written evidence that payment of such taxes, duties or charges has been made and appropriately

authorized, and UNDP shall reimburse the Contractor for any such taxes, duties, or charges so authorized by UNDP and paid by the Contractor under written protest.

26. MODIFICATIONS:

- 26.1.** No modification or change in this Contract shall be valid and enforceable against UNDP unless executed in writing by the duly authorized representatives of the Parties.
- 26.2.** If the Contract shall be extended for additional periods in accordance with the terms and conditions of the Contract, the terms and conditions applicable to any such extended term of the Contract shall be the same terms and conditions as set forth in the Contract, unless the Parties shall have agreed otherwise pursuant to a valid amendment concluded in accordance with Article 26.1, above.
- 26.3.** The terms or conditions of any supplemental undertakings, licenses, or other forms of agreement concerning any Goods or Services provided under the Contract shall not be valid and enforceable against UNDP nor in any way shall constitute an agreement by UNDP thereto unless any such undertakings, licenses or other forms are the subject of a valid amendment concluded in accordance with Article 26.1, above.

27. AUDITS AND INVESTIGATIONS:

- 27.1.** Each invoice paid by UNDP shall be subject to a post-payment audit by auditors, whether internal or external, of UNDP or by other authorized and qualified agents of UNDP at any time during the term of the Contract and for a period of three (3) years following the expiration or prior termination of the Contract.
- 27.2.** UNDP may conduct investigations relating to any aspect of the Contract or the award thereof, the obligations performed under the Contract, and the operations of the Contractor generally relating to performance of the Contract at any time during the term of the Contract and for a period of three (3) years following the expiration or prior termination of the Contract.
- 27.3.** The Contractor shall provide its full and timely cooperation with any such inspections, postpayment audits or investigations. Such cooperation shall include, but shall not be limited to, the Contractor's obligation to make available its personnel and any relevant documentation for such purposes at reasonable times and on reasonable conditions and to grant to UNDP access to the Contractor's premises at reasonable times and on reasonable conditions in connection with such access to the Contractor's personnel and relevant documentation. The Contractor shall require its agents, including, but not limited to, the Contractor's attorneys, accountants or other advisers, to reasonably cooperate with any inspections, post-payment audits or investigations carried out by UNDP hereunder.
- 27.4.** UNDP shall be entitled to a refund from the Contractor for any amounts shown by such audits or investigations to have been paid by UNDP other than in accordance with the terms and conditions of the Contract. The Contractor also agrees that, where applicable, donors to UNDP whose funding is the source of, in whole or in part, the funding for the procurement of Goods and/or Services which are the subject of this Contract, shall have direct recourse to the Contractor for the recovery of any funds determined by UNDP to have been used in violation of or inconsistent with this Contract.

28. LIMITATION ON ACTIONS:

- 28.1.** Except with respect to any indemnification obligations in Article 12, above, or as are otherwise set forth in the Contract, any arbitral proceedings in accordance with Article 23.2, above, arising out of the Contract must be commenced within three years after the cause of action has accrued.
- 28.2.** The Parties further acknowledge and agree that, for these purposes, a cause of action shall accrue when the breach actually occurs, or, in the case of latent defects, when the injured Party knew or should have known all of the essential elements of the cause of action, or in the case of a breach of warranty, when tender of delivery is made, except that, if a warranty extends to future performance of the goods or any process or system and the discovery of the breach consequently must await the time when such goods or other process or system is ready to perform in accordance with the requirements of the Contract, the cause of action accrues when such time of future performance actually begins.

29. ESSENTIAL TERMS: The Contractor acknowledges and agrees that each of the provisions in Articles 30 to 36 hereof constitutes an essential term of the Contract and that any breach of any of these provisions shall entitle UNDP to terminate the Contract or any other contract with UNDP immediately upon notice to the Contractor, without any liability for termination charges or any other liability of any kind. In addition, nothing herein shall limit the right of UNDP to refer any alleged breach of the said essential terms to the relevant national authorities for appropriate legal action.

30. SOURCE OF INSTRUCTIONS: The Contractor shall neither seek nor accept instructions from any authority external to UNDP in connection with the performance of its obligations under the Contract. Should any authority external to UNDP seek to impose any instructions concerning or restrictions on the Contractor's performance under the Contract, the Contractor shall promptly notify

UNDP and provide all reasonable assistance required by UNDP. The Contractor shall not take any action in respect of the performance of its obligations under the Contract that may adversely affect the interests of UNDP or the United Nations, and the Contractor shall perform its obligations under the Contract with the fullest regard to the interests of UNDP.

- 31. STANDARDS OF CONDUCT:** The Contractor warrants that it has not and shall not offer any direct or indirect benefit arising from or related to the performance of the Contract, or the award thereof, to any representative, official, employee or other agent of UNDP. The Contractor shall comply with all laws, ordinances, rules and regulations bearing upon the performance of its obligations under the Contract. In addition, in the performance of the Contract, the Contractor shall comply with the Standards of Conduct set forth in the Secretary General's Bulletin ST/SGB/2002/9 of 18 June 2002, entitled "Regulations Governing the Status, Basic Rights and Duties of Officials other than Secretariat Officials, and Expert on Mission" and ST/SGB/2006/15 of 26 December 2006 on "Post-employment restrictions", and shall also comply with and be subject to the requirements of the following documents then in force at the time of signature of the Contract

31.1. The UN Supplier Code of Conduct;

31.2. UNDP Policy on Fraud and other Corrupt Practices ("UNDP Anti-fraud Policy");

31.3. UNDP Office of Audit and Investigations (OAI) Investigation Guidelines;

31.4. UNDP Social and Environmental Standards (SES), including the related Accountability Mechanism;

31.5. UNDP Vendor Sanctions Policy; and

31.6. All security directives issued by UNDP.

The Contractor acknowledges and agrees that it has read and is familiar with the requirements of the foregoing documents which are available online at www.undp.org or at <https://www.undp.org/content/undp/en/home/procurement/business/how-we-buy.html>

In making such acknowledgement, the Contractor represents and warrants that it is in compliance with the requirements of the foregoing, and will remain in compliance throughout the term of this Contract.

- 32. OBSERVANCE OF THE LAW:** The Contractor shall comply with all laws, ordinances, rules, and regulations bearing upon the performance of its obligations under the Contract. In addition, the Contractor shall maintain compliance with all obligations relating to its registration as a qualified vendor of goods or services to UNDP, as such obligations are set forth in UNDP vendor registration procedures.

- 33. CHILD LABOR:** The Contractor represents and warrants that neither it, its parent entities (if any), nor any of the Contractor's subsidiary or affiliated entities (if any) 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.

- 34. MINES:** The Contractor represents and warrants that neither it, its parent entities (if any), nor any of the Contractor's subsidiaries or affiliated entities (if any) is engaged in the sale or manufacture of anti-personnel mines or components utilized in the manufacture of anti-personnel mines.

35. SEXUAL EXPLOITATION:

35.1. In the performance of the Contract, the Contractor shall comply with the Standards of Conduct set forth in the Secretary-General's bulletin ST/SGB/2003/13 of 9 October 2003, concerning "Special measures for protection from sexual exploitation and sexual abuse." In particular, the Contractor shall not engage in any conduct that would constitute sexual exploitation or sexual abuse, as defined in that bulletin.

35.2. The Contractor shall take all appropriate measures to prevent sexual exploitation or abuse of anyone by its employees or any other persons engaged and controlled 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 reasonable and appropriate measures to prohibit its employees or other persons engaged and controlled by it from exchanging any money, goods, services, or other things of value, for sexual favors or activities, or from engaging any sexual activities that are exploitive or degrading to any person.

35.3. 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.

- 36. ANTI-TERRORISM:** The Contractor agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received under the Contract is used to provide support to individuals or entities associated with terrorism and that recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to Resolution

1267 (1999). The list can be accessed via <https://www.un.org/securitycouncil/content/unsconsolidated-list>. This provision must be included in all sub-contracts or sub-agreements entered into under the Contract.