



TERMS OF REFERENCE FOR AUDITS OF NGO AND NEX PROJECTS

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INTRODUCTION

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

This TOR show additional requirements in the audit services required (Part E and Annex 9) as well as areas to be covered in the audit report and management letter (Part F and Annex 1), as follows:

- Auditors must certify, express an opinion, and quantify the net financial impact on each of the following:
 - (i) Statement of Expenditure (CDR) for the period 1 January to 31 December 2008
 - (ii) Statement of Cash position reported by the project as at 31 December 2008
 - (iii) Statement of assets and equipment as at 31 December 2008
- Auditors must indicate the risks associated with their findings and provide a categorization by risk: High, Medium, or Low.
- Auditors must provide a classification of possible causes of the audit findings.
- Auditors must provide the monetary value of the Net Financial Impact of the qualification if the audit opinion on the CDR is Qualified, Adverse or Disclaimer.
- Auditors must certify prior year follow-up action plans (2007)
- Auditors must certify current year follow up action plans (2008)

Country offices must ensure the audit services are adequately covered as specified in the present TOR and combined delivery reports (CDRs) are duly certified by the Implementing Partners and Auditors and signed by UNDP CO Management and attached to the audit reports.

Annex 1 to these TOR provides the standard scope of audit.

Annex 2 describes the qualifications of the auditor and may help in the process of selecting auditors. Where the TOR is being supplied to a short list of firms as part of a request for proposals and the firms short listed have been pre-qualified, then the list of qualifications would not be needed.

Annex 3 is a sample of audit reports that need to be submitted by the auditor.

Annex 4 provides a definition of audit opinions

Annex 5 defines the three risk categories of audit findings

Annex 6 provides the classification of possible causes of audit findings

Annex 7 provides a sample of certified prior year follow-up action plans that need to be submitted to OAPR – Revised form

Annex 8 provides a sample of current year follow-up action plans that need to be submitted to OAPR – Revised form

Annex 9 provides the form for submission of audit reports by the auditors - New form

A. Background

The objective of the audit is to assess whether the financial report for the project (referred to as the Combined Delivery Report) presents fairly the expenditures for the project and that the funds were utilized for the purposes described in the project document and work plans. The projects to be audited are contributing to achieving national priorities in term of environment and energy and good governance.

In addition to the technical assistance, UNDP country office has the role of assisting his partners in order to facilitate the implementation of these different projects and the achievements of the expected results, through assisting in goods and services procurement and also in making payments on behalf on the implementing partners after receiving requests from the project manager. More details on UNDP and the implementing partners' roles will be available in the projects' documents

List of projects identified for auditing:

Award	Estimated Y2008 Expenditure to be audited USD	Source of funding	Total GEF Y2008 expenditure to be audited USD	Justification inclusion/exclusion from audit Plan	Audited at least once in the life cycle?	OIL Year Submitted
00015033 - PIMS 407 CC FSP : Experimental validation of building	444021	GEF & UNDP core	415094	GEF project mandatory Audit	Yes	2005, 2006 & 2007
00041038 - Actualisation de l'étude & PAN sur la diversité biologique	69854	UNDP core & Government cost sharing	0	Once in a life	No	
00042890 - Support to the process of creation of a marine and coast	200265	Government cost sharing, UNDP core & WWF	0	Once in a life	No	
00045137 - Modernisation de l'Administration Publique	80102	UNDP core	0	Once in a life	No	
00046582 - Stratégie de Communication - Cour des Comptes	71733	Democratic Governance Trust Fund & UNDP core	0	once in a life	No	

B. Project Management

The projects list with information about the implementing partner and the UNDP counter part is as following:

Award	Implementing partner	Project manager	Project team	Address	email	Tel
00015033 - PIMS 407 CC FSP : Experimental validation of buildings	Agence Nationale pour la Maitrise de l'Energie	Mr Mounir BAHRI	Mr Oussama Nagati	3 Rue 8000, Montplaisir - 1073 Tunis (BP213)	bm@anme.nat.tn nagati_oussama@yahoo.fr	71 787 700
00041038 - Actualisation de l'étude & PAN sur la diversité biologique	Ministère de l'Environnement et du développement Durable	Mr Nabil Hamada	NA	Boulevard de la Terre, Centre Urbain Nord, Cedex 1080	pfn.cbd@mineat.gov.tn	70 728 679
00042890 - Support to the process of creation of a marine and coast	World Wild Fund - Bureau de Tunis	Mr Faouzi Maâmouri	Mr Sami Dhouib	Dureau N. 4, Immeuble Ben Sassi, Avenue Ahmed Khadthani, 2080 Ariana	fmaamouri@wwftunis.org sdhouib@wwftunis.org	71 707 238
00045137 - Modernisation de l'Administration Publique	Premier Ministère	Mme Kaoula Selmi	M. Khaled Kaddour	Place du gouvernement - La Kasbah, Tunis	khaoula.selmi@pm.gov.tn	71 560 219
00046582 - Stratégie de Communication - Cour des Comptes	Cour des comptes	M. Noureddine Zaouali	M. Houssine Haj Messaoud	Chambre Régionale de Sousse Immeuble City Centre, 2eme étage, Sahloul I, 4000 Sousse	noureddine.zaouhli@coursdescomptes.nat.tn	71 830 019

C. Consultations with concerned parties:

Prior to the start of audit work the auditor will be required to consult with the UNDP country office, the government counterpart, and the implementing partner for each project. Further, upon completion of the draft audit report and management letter, the auditor will be required to meet with the UNDP country office and the government entity co-ordinating authority to debrief them on its major findings from the audit and its recommendations for future improvements as well as to seek their feedback thereon.

D. Description of Financial Reports to be audited

Description of the Combined Delivery Report and Supporting Schedules

The report to be audited is referred to as the Combined Delivery Report (CDR). This report is prepared by UNDP, using an in-house accounting software package called ATLAS. As described in more detail below, the CDR combines expenditures from three disbursement sources for a calendar year. The three disbursement sources include:

1. Implementing partner (either Government or NGO)

UNDP procedures require that where funds are advanced to the executing agency the agency must submit to the UNDP country office, on a quarterly basis, a financial report including (1) the status of the advance (2) a list of the disbursements made since the previous financial report, and (3) a request for a new advance. The UNDP country office enters the disbursements in ATLAS through the year as the financial reports are received. These implementing partner disbursements are recorded in the Government expenditure column in the CDR.

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

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

- a) Direct Payments - This is where the implementing partner is responsible for the expenditure but requested UNDP to effect payment to the vendor/consultant on its behalf. The implementing partner is accountable for the disbursement and maintains all supporting documentation. UNDP simply effects payments on the basis of properly authorised requests and gives the implementing partner a copy of the related disbursement voucher as evidence that payment was made.
- b) UNDP Support Services - This is where the government and UNDP have agreed that UNDP will provide support services to the project and signed a Letter of Agreement. These support services must be described in the Letter of Agreement. UNDP is fully responsible and accountable for these expenditures and, accordingly, maintains all supporting documentation for the disbursement. (This expenditure is outside the scope of audit and, therefore, will not be reviewed by the auditors. This scope limitation should not be used as a reason for issuing a qualified audit opinion on the CDR).

3. UN agencies

The UN agency reports its expenditures to UNDP and to the government. The UNDP country office enters the expenditures in ATLAS. These UN agency expenditures are recorded in the UN Agencies expenditure column in the CDR.

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

1. The quarterly financial reports submitted by the implementing partner.
2. A list of the direct payments processed by UNDP at the request of the implementing partner.
3. A list of the disbursement made by UNDP as part of support services provided to the implementing partner.

The signed CDR and supporting documentation for the year 2008 will be ready by 31 March 2008.

E. Audit Services Required

The scope of the audit services required should include, but not be limited to, the following:

- § A definition of the entity or the portion of an entity that is subject to audit. (This will normally be the project office whether located within a government department or in a separate location.)
- § That the audit will be carried out in accordance with either ISA¹ or INTOSAI² auditing standards.
- § That the audit period is 1 January to 31 December of the year 2008.
- § That the scope of the audit is limited to the implementing partner expenditures, which are defined as including (1) all disbursements listed in the quarterly financial reports submitted by the implementing partner and (2) the direct payments processed by UNDP at the request of the implementing partner.
- § That the auditor will verify the mathematical accuracy of the CDR by ensuring that the expenditures described in the supporting documentation (the quarterly financial reports, the list of direct payments processed by UNDP at the request of the government, the list of disbursements made by UNDP as part of support services, and the UN agency expenditure statement) are reconciled to the expenditures, by disbursing source, in the CDR.
- § That the auditor will state in the audit report the amount of expenditures excluded from the scope of the audit because they were made by UNDP as part of direct support services (letter of agreement between IP & UNDP should be as support document) and the amount of total expenditures excluded because they were made by a UN agency. (Please refer to Section D., 2(b) above. This scope limitation is not a valid reason for the auditors to issue a qualified audit opinion on the CDR.)
- § That the auditor will state in the audit report if the audit was not in conformity with any of the above and indicate the alternative standards or procedures followed.
- § That the auditor will provide an opinion as to the overall financial situation of the project for the period 1 January to 31 December 2008 and will certify:

1. The Statement of Expenditure (CDR) for the period from 1 January to 31 December 2008;
2. The Statement of cash position reported by the projects as at 31 December 2008; and
3. The Statement of assets and equipment held by the project as at 31 December 2008;

¹ International Standards of Auditing (ISA) published by the International Auditing Practices Committee of the International Federation of Accountants

² International Organization of Supreme Audit Institutions

4. Update on the implementation of the prior year follow-up action plans (2007); and

5. Current year follow up action plans (2008).

§ That the auditor will provide in monetary value, the net financial impact of any audit qualification (negative opinion: qualified, adverse, disclaimer) on the Statement of Expenditure (CDR) where applicable.

§ That the auditor/audit firm will submit:

Ø A draft audit reports by 15th of May 2009; and

Ø A final signed audit reports with certified statements including Prior year follow-up action plans (2007) by 20th of May_ 2009.

Ø The current year follow up action plan certified by 15th of June 2009

Note: Audit opinions must be one of the following: (a) qualified (negative), (b), unqualified (favourable), (c) adverse (negative), or (d) disclaimer (negative). If the audit opinion is other than "unqualified" (favourable) the audit report must describe both the nature and amount of the possible effects on the financial statements. The report should also make a reference to the section of the management letter with regard to the action taken or planned to be taken to address the issues underlying the qualification. A definition of audit opinions is provided in Annex 4.

F. The Audit Report and Management Letter

a. Audit Report

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

§ That it is a special purpose report and its intended use.

§ The audit standards that were applied (INTOSAI standards, ISAs, or national standards that comply with one of these in all material respects).

§ The period covered by the opinion.

§ The net financial impact of the qualification on the CDR where applicable.

§ The scope limitation (description and value) for those transactions that are the responsibility of UNDP (as part of support services) or a UN agency. Important to note: Such scope limitation should not be reason for qualified audit opinions; as such transactions would be excluded from the audit scope.

§ Whether the Statement of Expenditure (CDR) for the period from 1 January to 31 December 2008 is adequately and fairly presented. The disbursements made are in accordance with the purpose for which funds have been allocated to the project;

§ Whether the Statement of Assets and Equipment is fairly and adequately presented as at 31 December 2008; and

§ Whether the Statement of Cash Position reported by the project is fairly and adequately presented as at 31 December 2008.

b. Management Letter

The management letter should cover the following topics/issues:

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

The management letter should also include the following:

- § The categorization of audit findings by risk severity: High, Medium, or Low. Definitions of these categories are given in Annex 5.
- § The classification of possible causes of the audit findings. Definitions of these causes are given in Annex 6.
- § Management comments/response to audit findings and recommendations (project management and/or UNDP, as applicable).
- § Optionally, comments as to whether recommendations made in the management letter for the previous audit were implemented and the implementation status. Important note: This is not a substitute for the submission to OAPR of a 'follow-up action plan/certified follow-up action plan' (see Annex 7 and Annex 8).

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

Review of project progress

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

- § Review annual and quarterly work plans, quarterly and annual financial reports, and requests for direct payments and assess in terms of their timeliness and their compliance with the project document or the AWP, and the UNDP User Guide on Results Management.
- § Review the Annual Project Reports prepared by the implementing partner and assess in terms of compliance with UNDP guidelines and whether the implementing partner met its responsibilities for monitoring described in the project document or AWP.
- § Review whether the decisions and/or recommendations of the above activities have been followed through by the implementing partner.
- § Review the pace of project progress and comment on the causes for delays.

- § Comment on whether implementation services of the UN Agency(s) were provided in line with project document or AWP.

Assessment of internal control

The auditor is expected to conduct a general assessment of internal controls according to established internal control standards. An example of established internal control standards is available from the Organization of Supreme Audit Institutions (INTOSAI). The INTOSAI standards are intended for use by government managers to use as a framework to establish effective internal control structures. For further information, the INTOSAI Guidelines for Internal Control Standards can be found on the INTOSAI Web site www.intosai.org. An overview of the standards can be found in the UNDP Contact tool (Chapter 6).

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

- § Review expenditures made by the implementing partner and assess whether they are in accordance with project document, AWP and budgets; and are in compliance with the UNDP User Guide on Results Management.
- § Review the process for procurement/contracting activities and assess whether it was transparent and competitive.
- § Review the use, control and disposal of non-expendable equipment and assess whether it is in compliance with UNDP User Guide on Results Management; and also whether the equipment procured met the identified needs and whether its use was in line with intended purposes.
- § Review the process for recruiting project personnel and consultants and assess whether it was transparent and competitive.
- § Review the implementing partner accounting records and assess their adequacy for maintaining accurate and complete records of receipts and disbursements of cash; and for supporting the preparation of the quarterly financial report.
- § Review the records of requests for direct payments and ensure that they were signed by authorised government officials.

Recommendations for improvement

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

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

Available Facilities and Right of Access

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

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

ANNEX 1: AUDIT SERVICES REQUIRED

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

Human resources

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

Finance

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

Procurement

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

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

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

Asset Management

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

Cash Management

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

General Administration

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

Information System

The audit work shall cover the information and communication systems and the control and security of equipment and data.

Note

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

Scope Limitation

Transactions/actions that are performed by the UNDP office at the request and on behalf of the project (i.e. UNDP support services) are not to be included in the audit scope. Important note: Such scope limitation should not be a reason for issuing a qualified (negative) audit opinion by the auditors. Please refer to Section D., 2(b) for additional information.

ANNEX 2: QUALIFICATIONS OF AN AUDITOR

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

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

Curriculum vitae (CVs) should be provided to the client by the principal of the firm of auditors who would be responsible for signing the opinion, together with the CVs of managers, supervisors and key personnel proposed as part of the audit team.

The minimum professional qualifications necessary for the senior auditors/principals responsible for the audit is 10 years of consistent audit experience with similar projects. CVs should include details on audits carried out by the applicable staff, including ongoing assignments indicating capability and capacity to undertake the audit. Client referrals should be attached to the description of the firm and the CVs

Auditors must submit their proposal as following:

Ø Technical Component

The technical component should be concisely presented and structured in the following order to include, but not necessarily be limited to, the following information:

1. Description of the Firm and the Firm's Qualifications and the Composition of the Proposed Team
2. A brief description of your firm including the total number of personnel, experience with similar projects, and client referrals.
3. Provide the composition of the team that you propose and the curriculum vitae of the members of the team.
4. For the minimum qualifications, please refer to the section Qualifications of the Auditor in the Statement of Work.
5. Proposed Approach, Methodology, Timing and Outputs

Any comments or suggestions on the Statement of Work as well as your description of the manner in which your firm/institution would respond to the Statement Of Work. You should include the number of person-days in each specialization that you consider necessary to carry out all work required.

Ø Price Component

Option A: Time and Materials Contract

For each member of the team, the proposal must indicate the daily rate of the team member.

The estimate should describe the time-effort to be allocated for the services, expressed in the number of working days by employee performing the work. The estimate must

also include any incidental out of pocket expenses (OPE) such as travel and accommodation.

Option B: Fixed Price Contract

The fees proposal must be a total "fixed price" quotation indicating the overall total amount in Tunisian Dinar proposed to UNDP. The total fees submitted by your firm to UNDP for the purpose of the present request shall be firm and final.

The calculation of the fees should also indicate the all-inclusive cost in Tunisian Dinar and an estimate of the time-effort to be allocated for the services, expressed in number of working days by employee performing the Audit, i.e., as applicable, audit partner, audit manager, audit senior and audit assistant.

Any incidental out of pocket expenses (OPE) such as travel and accommodation must be included in the overall "fixed price" fees submitted to UNDP.

No amount other than the proposed total "fixed price" fees shall be paid by UNDP for the provision of the audit services subject of the present request for proposal.

It is noteworthy to mention that the selected audit firm will sign a long term agreement for 2 years, which could be extended for one additional year by mutual agreement of the parties.

UNDP's general policy is to effect payment upon the achievement of specific milestones described in the contract. As described in the section E we have identified two milestones:

- Ø The draft reports ;
- Ø The final reports with certified statements in addition to the prior year follow up action plan; and
- Ø Current year follow up action plan certified.

You should also indicate any comments or reservations to the draft form contract.

Evaluation and comparison of proposals

A two-stage procedure will be utilized in evaluating the proposals, with evaluation of the technical component being completed prior to any price component being reviewed and compared. The Price Component will be reviewed only for those firms/institutions whose Technical Component meets the requirements for the assignment. The total number of points which a firm may obtain for both components is 100

In the Second Stage, the price proposal of all contractors, who have attained minimum 70% score in the technical evaluation, will be compared and those offering the lowest price will be accorded the highest scores for financial proposal. The contract will be awarded to the contractor who scores the highest combined technical and financial score based on the formula 60% technical +40% financial.

Evaluation of the Technical Proposal (70 points):

The technical component, which has a total possible value of 70 points, will be evaluated using the following criteria:

- Ø The profile of your firm (10 points);

- Ø The qualifications and competence of the personnel proposed for the assignment for a total of (25 points); and
- Ø The approach in implementing the tasks described in the Statement of Work (15 points).
- Ø The schedule of the audit engagement, assessed in terms of its responsiveness to the schedule requirements of UNDP (20 points)

Evaluation of Competitive of fees (30 points):

If the substantive presentation of a proposal achieves the minimum of 49 points, the competitiveness of the fees will be taken into account in the following manner:

The total amount of points for the fees component is 30. The maximum number of points shall be allotted to the lowest fees proposed that is compared among those invited firms which obtain the threshold points in the evaluation of the substantive presentation. All other fees proposals shall receive points in inverse proportion to the lowest fees; e.g;

$$[30 \text{ Points}] \times [\text{DT lowest}] / [\text{DT other}] = \text{points for other proposer's fees}$$

Please note that the UNDP is not bound to select any of the firms/institutions submitting proposals. Furthermore, since a contract will be awarded in respect of the proposal which is considered most responsive to the needs of the project concerned, due consideration being given to UNDP's general principles, including economy and efficiency, UNDP does not bind itself in any way to select the firm offering the lowest price.

ANNEX 3: SAMPLE AUDIT REPORT (for an unqualified opinion)

Auditor's report to:

The National Project Director and
The Resident Representative

a) Certification of Statement of Expenditure

We have audited the accompanying Statement of Expenditure ("the statement") of the UNDP project number _____ [Atlas award and project number] for the period 1 January 200__ to 31 December 200__. The statement is the responsibility of the management of the project. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with International Standards of Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the statement of expenditure presents fairly (unqualified (positive audit opinion), in all material respects the expenditure of _____ [insert amount in US\$] incurred by the project for the period 1 January 200__ to 31 December 200__ in accordance with UNDP accounting requirements.

Or (qualified (negative audit opinion)

In our opinion, the statement of expenditure, except for (a), (b), (c), etc., presents fairly in all material respects the expenditure of _____ [insert amount in US\$] incurred by the project for the period 1 January 200__ to 31 December 200__ in accordance with UNDP accounting requirements. The total net financial impact of this qualification is _____ [insert amount in US\$].

Or (disclaimer (negative audit opinion)

We were unable to obtain sufficient appropriate audit evidence and accordingly are unable to express an opinion on the statement of expenditure of _____ [insert amount in US\$] incurred by the project for the period 1 January 200__ to 31 December 200__. The total net financial impact of this opinion is _____ [insert amount in US\$].

Or (adverse (negative) audit opinion)

We noted material differences between _____ and the statement of expenditure. As such, we do not express an opinion on the statement of expenditure, of _____ [insert amount in US\$] incurred by the project for the period 1 January 200__ to 31 December 200__. The total net financial impact of this opinion is _____ [insert amount in US\$].

b) Certification of Statement of Assets and Equipment

We have audited the accompanying Statement of Assets and Equipment ("the statement") of the UNDP project number _____ [Atlas award and project #] as at 31 December 200___. The statement is the responsibility of the management of the project. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with International Standards of Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the statement of assets and equipment presents fairly (unqualified/favourable), in all material respects the inventory balance of the project amounting to _____ [insert amount in US\$] as at 31 December 200___ in accordance with UNDP requirements.

c) Certification of Statement of Cash Position

We have audited the accompanying Statement of Cash Position ("the statement") of the UNDP project number _____ [Atlas award and project #] as at 31 December 200___. The statement is the responsibility of the management of the project. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with International Standards of Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the statement of cash position presents fairly (unqualified (positive audit opinion)), in all material respects the cash balance of the project amounting to _____ [insert amount in US\$] as at 31 December 200___ in accordance with UNDP requirements.

This report is intended solely for the information and use of UNDP and the Government of XYZ Country (or NGO).

Date of issuance: _____

AUDITOR'S NAME (Please print) _____

AUDITOR'S SIGNATURE _____

AUDITOR'S/FIRM ADDRESS _____

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 financial statements (NET FINANCIAL IMPACT). A definition of audit opinions is provided in Annex 4.

ANNEX 4: 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 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 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

An adverse opinion should be 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

ANNEX 5: CATEGORIZATION OF AUDIT FINDINGS BY RISK SEVERITY

High	Action that is considered imperative to ensure that UNDP 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 6: CLASSIFICATION OF POSSIBLE CAUSES OF AUDIT FINDINGS

Compliance	Failure to comply with prescribed UNDP 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



ANNEX 7: SAMPLE - CERTIFIED PRIOR YEAR (2007) FOLLOW-UP ACTION PLAN -

[insert country office name] (to be submitted to OAPR 30 April 200__)

Sr No.	Observation	Impact on Audit Opinion (Y/N)	Impact Severity (High, Medium, Low)	Possible cause (guidance, compliance, etc.)	Action Plan (Comments & Name of Focal Points)	Implementation status (completed, in progress, not addressed)
1	Award title: [insert title] Award Number: [insert number] Award total expenditure as per CDR: [insert amount in US\$]					
1.1	Audit area: Financial Management (FM)					
1.1.1	[insert audit issue and page number in audit report]	Yes	High	Compliance		
1.1.2	[insert audit issue and page number in audit report]	No	Medium	guidelines		
1.2	Record keeping systems and controls (RC)					
1.2.1	[insert audit issue and page number in audit report]	No	Medium	guidelines		
2	Award title: [insert title] Award Number: [insert number] Award total expenditure as per CDR: [insert amount in US\$]					
2.1	Financial Management (FM)					
2.1.1	[insert audit issue and page number in audit report]					
2.1.2	[insert audit issue and page number in audit report]					
2.1.1	[insert audit issue and page number in audit report]					

Sr No.	Observation	Impact on Audit Opinion (Y/N)	Impact Severity (High, Medium, Low)	Possible cause (guidance, compliance , etc.)	Action Plan (Comments & Name of Focal Points)	Implementation status (completed, in progress, not addressed)
3	report]					
2.2	Project progress and rate of delivery (PP)					
2.2.1	[insert audit issue and page number in audit report]					
2.3	Record keeping systems and controls (RC)					
2.3.1	[insert audit issue and page number in audit report]					
3	Project: Support to the National Governance Programme. Award Number: 33063; Total expenditure as per CDR: US\$ 122,795.65					
3.1	Management and use of equipment / Inventory (EQ)					
3.1.1	[insert audit issue and page number in audit report]					

Total overall implementation ____ (% implemented
a) Total completed____ b) Total in progress____ c) Total not addressed _____

(a) Project Management
Date: _____

(b) UNDP Country Office Management
Date: _____

(a) Certified by: _____

(b) Certified by:

(Signature of National Project Director (NPD))
Representative

(Signature of Resident

Name of NPD _____
RR _____

Entity _____

Name _____ of

(Please print)

(Please print)

(c) Auditor:

Date: _____

Audit Firm name and stamp/seal

(Please print and stamp)

Certified by: _____

Name _____ of _____ Auditor

(Signature of Auditor)

(Please print)

ANNEX 8: SAMPLE - CURRENT YEAR (2008) FOLLOW-UP ACTION PLAN

[insert country office name] (to be submitted to OAPR 30 April 200__)

Sr No.	Observation	Impact on Audit Opinion (Y/N)	Impact Severity (High, Medium, Low)	Possible cause (guidance, compliance, etc.)	Action Plan (Comments & Name of Focal Points)	Target Date and status (completed, in progress, not addressed)
1	Award title: [insert title] Award Number: [insert number] Award total expenditure as per CDR: [insert amount in US\$]					
1.1	Audit area: Financial Management (FM)					
1.1.1	[insert audit issue and page number in audit report]	Yes	High	Compliance		
1.1.2	[insert audit issue and page number in audit report]	No	Medium	guidelines		
1.2	Record keeping systems and controls (RC)					
1.2.1	[insert audit issue and page number in audit report]	No	Medium	guidelines		
2	Award title: [insert title] Award Number: [insert number] Award total expenditure as per CDR: [insert amount in US\$]					
2.1	Financial Management (FM)					
2.1.1	[insert audit issue and page number in audit report]					
2.1.2	[insert audit issue and page number in audit report]					

Sr No.	Observation	Impact on Audit Opinion (Y/N)	Impact Severity (High, Medium, Low)	Possible cause (guidance, compliance, etc.)	Action Plan (Comments & Name of Focal Points)	Target Date and status (completed, in progress, not addressed)
2.1.3	[insert audit issue and page number in audit report]					
2.2	Project progress and rate of delivery (PP)					
2.2.1	[insert audit issue and page number in audit report]					
2.3	Record keeping systems and controls (RC)					
2.3.1	[insert audit issue and page number in audit report]					
3	Project: Support to the National Governance Programme. Award Number: 33063; Total expenditure as per CDR: US\$ 122,795.65					
3.1	Management and use of equipment / Inventory (EQ)					
3.1.1	[insert audit issue and page number in audit report]					
3.1.2	[insert audit issue and page number in audit report]					

Total addressed ____ (% implemented

a) Total completed____ b) Total in progress____ c) Total not addressed _____

(a) Project Management | (b) UNDP Country Office Management
 Date: _____ | Date: _____
 Certified by: _____ | Certified _____ by:
 _____ | _____
 (Signature of National Project Director (NPD)) | (Signature of UNDP Resident
 Representative) |
 Name of NPD _____ Entity _____ | Name _____ of
 RR _____ |
 (Please print) | (Please print)

ANNEX 9: SPECIMEN - SUBMISSION FORM FOR AUDITED AWARDS AND AUDIT OPINIONS

TO BE COMPLETED AND SIGNED BY NGO/NEX auditors [insert country office name] (to be submitted to OAPR 30 April 200__)

A	B	C	D	E	F	G	H	I	J	
S/N	Atlas Award Number	Atlas Project Number(s)	Award Title	Y2007 Total Expenditure	Y2007 Govt. expenditure audited (excluding CO direct support to NEX expenditure amount)	Y2007 Govt. expenditure certified (CDR amount)	Audit opinion - CDR (unqualified, qualified, disclaimer, adverse)	Total Net financial impact of audit qualification (amount in US\$) (sum of amounts in column J)	Reason(s) for qualified, Adverse or disclaimer audit opinion and respective / breakdown of amount(s)	Gene comn
1										
2										
3										
4										
5										

6										
7										
8										
9										

Name and title of auditor and Firm

_____ (please
print)

Signature of auditor and stamp/seal of audit
firm _____



Annex 9 - Specimen submission form for audit reports and audit opinions - to be completed and signed by NGO/NIM auditors (template)

1	2	3	4	5	6	7	8	9	10	11	12	13	14
S/N	Atlas Award No.	Atlas Project No.	Implem. Partner type (GOV or NGO or UND for GFATM sub-recipients)	Impl partner code	Fund code ID	Y2008 Total Expenditure (Atlas CDR amount)	Y2008 NGO/NIM Govt expenditure <u>audited and certified</u> (amount from CDR) (e. g. advances, direct paymts.) excludes CO direct support to NIM expenditure)	Y2008 Total GFATM Sub-recipient expenditure audited	Y Y2008 Total expenditure <u>excluded from audit</u> : (e.g. CO direct support to NIM exp., DEX exp., Agency exp.)	Audit opinion rendered (unqualified, qualified, disclaimer, adverse)	Net financial impact of audit qualification	Root cause of the issue that contributed to the audit qualification (adverse or disclaimer opinion)	Reasons for rendering qualified audit opinion and providing breakdown of amount
1													

(1) Name of auditor and firm _____

(please print)

Signature of auditor and stamp of audit firm _____

Note 1: Completion of this form is mandatory.

Note 2: Amounts to be entered in columns 8 to 10 are components of the total CDR amount and must add up to the total CDR expenditure amount indicated in column 7: Y2008 total expenditure, as per Atlas generated CDR

(2) Project management: _____
(Name and title) (Signature and date)

(3) Country Director or Resident Representative: _____
Name (Signature and date)
e

(Please refer to the OAI website for the template in excel)