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FOR
NATIONAL EXECUTION**

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1. INTRODUCTION

1.1 National execution is defined as a cooperative operational arrangement entailing, among other things, overall responsibility and assumption of accountability for the formulation and management by the programme country of UNDP-supported programmes and projects (Governing Council decision 92/22 of 26 May 1992).

1.2 Implementation is defined as the procurement and delivery of all programme or project inputs and their conversion into programme or project outputs (Governing Council decision 92/22 of 26 May 1992).

1.3 In its resolution 47/199 of 22 December 1992, the General Assembly reiterated that “national execution should be the norm for programmes and projects supported by the United Nations system, taking into account the needs and capacities of recipient countries”.

1.4 The objectives of national execution are :

- (a) Capacity-building, self-reliance and sustainability ;
- (b) Ownership and internalization of external inputs; and
- (c) Relevance and impact, particularly when used in the conjunction with the programme approach.

1.5 The key principles for national execution are :

- (a) Use of government rules and procedures, where they are consistent with internationally recognized practices, to ensure integration with and relevance to national programmes and structures ;
- (b) Government accountability for the effective use of UNDP resources through adequate financial reporting and the achievement of programme/project objectives;
- (c) Adherence to UNDP regulations and rules, when the UNDP country office provides support services.

2. NATIONAL EXECUTION

2.1 National execution for a UNDP-supported programme or project is based on an expression of the interest and willingness of the government to assume management responsibilities for the programme or project as well as on existing national capacities. Where such capacities are not adequate, the Government, with support of UNDP and other United Nations organizations and development partners, will undertake to strengthen these capacities. The identification of the capacities to be strengthened will be based on key considerations for execution. **(See annex A : Capacity-building for execution: key considerations.)**

2.2 Where national execution is not found to be appropriate, other execution modalities will be applied, such as execution by a United Nations agency or by a non-governmental organization. **(See “UNDP procedures for project execution by a non-governmental organization”, UNDP/DOPP, September 1997).**

2.3 UNDP retains the authority to decide which modality ensures the best use of UNDP resources in the context of a specific programme or project. Final approval of national execution rests with the Administrator, who has delegated this responsibility to the UNDP Resident Representative through the Associate Administrator and the Regional Bureaux.

2.4 Under national execution, various governmental and other entities participate in programme or project implementation, as shown below :

- (a) The government coordinating authority. This is the focal point of the Government for all communications with UNDP on programmes and projects in the programme country. There can be only *one* government coordinating authority of a programme country. The government coordinating authority assumes ultimate responsibility on behalf of the Government for the overall management of UNDP programming and is ultimately accountable to UNDP for all UNDP programming resources under government management. This includes responsibility for the supervision of the performance of the executing agent, assessment of progress and technical quality, and attainment of objectives. While the day-to-day responsibility for the programme or project lies with the executing agent, the government coordinating authority retains the ultimate responsibility. In this respect, the levels of responsibility are similar to those of UNDP, where the Resident Representative is accountable to the Administrator who in turn retains ultimate accountability ;
- (b) The executing agent. The executing agent is primarily responsible for the planning and overall management of programme and project activities, reporting, accounting, monitoring and evaluation of the programme or project, for supervision of the implementing agents and for the management and audit of the use of UNDP resources. The executing agent is accountable to the Government coordinating authority and to UNDP for the production of outputs, for the achievement of programme or project objectives and for the use of UNDP resources ;
- (c) The implementing agent. The implementing agent, of which there may be more than one, provides services and carries out activities such as the procurement and delivery of programme/project inputs and their conversion into programme or project outputs. The implementing agent is accountable to the executing agent for the quality, timeliness and effectiveness of the services it provides and the activities it carries out, as well as for the use of funds provided to it ;
- (d) The United Nations organizations. United Nations organizations play a key role in providing support to nationally executed programmes and projects, both as implementing agents and in the provision of technical services to help the Administrator to exercise accountability for the quality of UNDP-supported programmes and projects.

2.5 The UNDP Resident Representative. The UNDP Resident Representative is accountable to the Administrator, through the Regional Bureau, for all support provided to the programme country, which includes responsibility for monitoring programmes and projects and for ensuring the proper use of UNDP funds. The Resident Representative also retains delegated responsibility to ensure proper implementation of all mandatory and non-mandatory evaluations.

2.6 Each UNDP-supported programme or project may have only one executing agent. The government coordinating authority, in consultation with UNDP, is responsible for designating the national entity to serve as executing agent for the programme or project. If it is decided that the programme or project will be nationally executed, the national authorities designated for national execution must be those directly concerned substantively with the programme or project activities. While maintaining the overall responsibility for the programme or project, the government coordinating authority may nominate one of the following national governmental entities as the executing agent:

- (a) A Ministry;
- (b) A department within a Ministry ;
- (c) A governmental entity of semi-autonomous nature, such as the central bank, a university, regional and local authorities, municipalities.

2.7 In the cases where the government coordinating authority has nominated itself as the executing agent, the technical ministry and/or department concerned must be associated with the execution of the programme or project as :

- (a) An implementing agent;
- (b) A member of a steering committee or other consultative mechanisms.

2.8 Irrespective of who serves as executing agent, steering committees can be an effective tool under national execution to build participatory approaches to development, and to build broad partnerships between civil society, the private sector and the government. Where the establishment of a steering committee is deemed appropriate to accomplish the objectives of the programme or project, the programme support or project document must specify the responsibilities of the committee. The purpose of a steering committee is to give the executing agent access to a wide range of stakeholders who can advise on implementation.

3. PROGRAMME AND PROJECT FORMULATION AND APPROVAL

3.1. The Programme and Project Manual (PPM) provides general policies and procedures governing programmes and projects supported by UNDP. The relevant sections of the PPM on formulation, appraisal and approval apply. (See sections 30200, 30300-30309, 30100-30110 and “How to Implement the Programme Approach, A User’s Guide”, produced by DOPP, May 1997.)

3.2. The following arrangements for nationally executed programmes and projects must be reflected in the programme support and project documents:

- (a) Arrangements for the overall management of the programme or project are described in the programme support document (PSD) (under heading II. D "Execution modality") or in the project document (under heading B.4 "Project strategy and implementation arrangements"). This description includes the respective responsibilities of the UNDP country office and the government coordinating authority. The executing agent must be clearly identified on the cover page of the PSD or the project document.
- (b) The PSD or the project document must also indicate activities to be performed by implementing agents and describe these activities in general terms (under the same headings as in point 3.2 (a) above). This description includes the mechanisms by which the UNDP country office is kept informed of procurement, recruitment and utilization of inputs.
- (c) The PSD or the project document must include as an annex a mandatory schedule of expected advances of funds from UNDP to the executing agent. The schedule is based on the programme or project workplan and budget and describes the amounts of the planned advances of funds and when these will be provided to the executing agent. As a financial planning tool, the schedule of advances of UNDP funds facilitates implementation and is updated at least annually and as often as necessary.
- (d) The PSD or the project document must include as an annex a description of support services to be provided by UNDP, where it has been determined that such support is required. (See **chapter 6 : “UNDP country office support”**.)

3.3. Before approval of the programme or project, the parties concerned (UNDP, the Government coordinating authority, the executing agent and other entities involved) must review the capacity needs for the programme or project. (See **annex A : Capacity-building for execution: key considerations**.) The recommendations of the review shall be documented for follow-up action.

3.4 The PSD or project document, including the annex on country office support services, is signed jointly by UNDP and the government coordinating authority. The PSD or project document is also signed by the executing agent when the executing agent is different from the government coordinating authority.

4. INVOLVEMENT OF UNITED NATIONS SPECIALIZED AGENCIES

4.1 United Nations specialized agencies are an important source of support to Governments and to UNDP. The established infrastructure, accumulated know-how, databases and international contacts of United Nations agencies make them the appropriate and optimal choice in a large number of cases. The availability of these services will therefore be taken into full consideration and brought to the attention of the executing agent and the Government.

4.2 The support of United Nations specialized agencies to nationally executed programmes and projects may be provided in the following forms :

- (a) Support services for policy and programme development (SPPD) ;
- (b) Support for technical services (STS) at all stages in the programme or project cycle ;
- (c) Direct implementation of part of the programme or project on behalf of the executing agent.

4.3 Requirements for technical support by United Nations specialized agencies are determined at the time of programme or project design and revised throughout the implementation of the programme or project. For more details on support arrangements and related financial management with United Nations specialized agencies, see “Overview of support costs arrangements under the successor programme arrangements”, issued under cover of a letter from the Associate Administrator on 23 December 1996 and effective 1 January 1997.

4.4 Support services for policy and programme development (SPPD) are driven by country priorities and demands within the context of UNDP-supported programmes and projects. They may be financed from line 2.2 or from programme or projects budget lines from other sources of funds, such as TRAC lines 1.1.1, 1.1.2., 1.1.3, cost-sharing and trust funds. The services include the following :

- (a) Upstream policy for the formulation of strategies and programmes ;
- (b) Advisory services and/or sectoral advice;
- (c) Technical cooperation needs assessment ;
- (d) Sectoral or multidisciplinary studies.

4.5 Support for technical services (STS) at the project or programme level is particularly relevant for nationally executed programmes and projects, helping to ensure their quality and the Administrator’s accountability. They may be financed from line 2.3 or directly from budget lines of the related programme or project, with the same source of funds as the programme or project (line 1.1.1, 1.1.2, 1.1.3, cost-sharing, trust funds). Such services are available at all stages of the programme or project cycle, i.e. formulation and appraisal ; technical support and monitoring of activities during implementation ; and evaluation.

4.6 Implementation. A United Nations specialized agency can also act as an implementing agent within a nationally executed programme or project. (See **section 5.1 “Selection of implementing agents”**.)

5. IMPLEMENTATION ARRANGEMENTS

5.1 Selection of implementing agents

5.1.1 Executing agents are encouraged to seek optimal implementation arrangements to ensure timeliness and cost-effectiveness of activities and quality and sustainability of results. The executing agent may act as its own implementing agent for part or all of the programme or project activities. Alternatively, when the executing agent does not have the best resources or capacity to carry out certain activities, it may request implementing agents to support and/or carry out activities, including the procurement of goods and services, on its behalf. Such implementation arrangements may include both international and national entities.

5.1.2 Implementing agents under national execution may be:

- (a) The executing agent itself ;
- (b) Another government entity, such as a Ministry, a department within a Ministry, or a governmental entity of a semi-autonomous nature ;
- (c) A United Nations organization eligible to implement UNDP-supported programmes and projects (see “Overview of support costs arrangements under the successor programme arrangements”, effective 1 January 1997 : Table 1 , page 6), hereafter referred to as “United Nations agencies”.
- (d) An outside entity, not part of the government, such as a private company, a consulting firm, or an NGO.

5.1.3 Implementation arrangements must be discussed and decided upon during the programme or project design. The PSD or project document must indicate in general terms the implementation arrangements, the nature of inputs to be provided and how these may be obtained. For example, in determining implementation arrangements, the PSD or project document may indicate that NGOs will be used, or that a specific government entity will assist in implementation. The specific agreements, details and responsibilities of the implementing agents will be determined by the executing agent at the start of programme or project implementation. In the case of a United Nations agency serving as implementing agent, the arrangements are normally determined in the PSD or project document, so that the letter of agreement (**annex B**) may be signed and implementation start in a timely manner.

5.1.4 Selection of an implementing agent is normally based on an assessment of the proposed implementing agent’s comparative advantage for undertaking programme or project activities, including any specialized expertise in a technical subject or geographic area. The executing agent may designate implementing agents based on their comparative advantages as determined through waiver of competition or through competitive bidding, as follows :

- (a) The executing agent itself. Selection is made on the basis of comparative advantage (waiver of competition) ;
- (b) Another government entity. Selection is normally made on the basis of comparative advantage (waiver of competition). In the case of entities of a semi-autonomous nature, competitive bidding is sometimes used. The contractual arrangements between the executing and implementing agent vary accordingly, and may involve use of existing arrangements between the two parties ; a letter of agreement (**annex B** may serve as a model to be adapted as appropriate); or a contract ;
- (c) A United Nations agency. Selection is made on the basis of comparative advantage (waiver of competition). The standard letter of agreement in **annex B** is used ;
- (d) An outside entity. The process of selection depends on the nature of the activities and the legal status of the potential implementing agent. Outside for-profit entities, such as a private company or consulting firm, are always selected through competitive bidding. NGOs are either selected through competition or through waiver based on comparative advantage. Where it is ascertained that an NGO is most suitable to serve as implementing agent, it may be designated through waiver of competition, in which case a letter of agreement between the executing agent and the implementing agent is normally used. For more information on NGOs as implementing agents, see the “UNDP procedures for project execution by a non-governmental organization”, UNDP/DOPP, September 1997 : Introduction and section II. B.

5.1.5 A United Nations agency can also act as an implementing agent within a UNDP-supported programme or project. In this case, its responsibilities will be stated in a letter of agreement between the United Nations agency and the executing agent. The letter stipulates the responsibilities of each party, details the activities that the implementing agent will be responsible for and describes the corresponding financial arrangements. **(See annex B : Standard letter of agreement between the executing agent and a United Nations agency serving as implementing agent)**. The services provided by the United Nations agency as implementing agent are funded from the programme or project budget. UNDP headquarters releases funds to the United Nations implementing agent according to the schedule specified in attachment 2 of the letter of agreement between the executing agent and the implementing agent. The United Nations agency that serves as implementing agent is reimbursed by UNDP for support costs, in accordance with current rules on administrative and operational services (AOS). (See “Overview of support costs arrangements under the successor programme arrangements”, effective 1 January 1997).

5.2 Procurement, recruitment and utilization of UNDP-funded inputs

5.2.1 The use of rules and procedures is addressed at the time of programme or project formulation, based on key considerations for execution **(See annex A : Capacity-building for execution: key considerations)**. As a principle, government policies, procedures and rules governing procurement, recruitment and contracting for inputs will be used, while respecting the principles of UNDP regulations and rules. Alternatively, the implementing agent may want to use the general policies and procedures governing procurement, recruitment and contracting for inputs as set out in the relevant UNDP manuals (Programme and Project Manual section 30400-30403, Personnel Manual). Regarding use of rules and procedures for UNDP support services, see **chapter 6 : UNDP country office support**. The UNDP country office is kept informed of actions regarding procurement, recruitment and utilization of inputs through mechanisms of consultation that must be described in the PSD or project document.

5.2.2 In cases where the procurement, recruitment and utilization of inputs involve complex and/or technically sophisticated issues of a specialized nature, the executing agent may wish to request the assistance of an implementing agent such as a United Nations agency. United Nations implementing agents will use the procedures, rules and conditions of their respective organizations.

5.2.3 Programme or project personnel. The designated implementing agent may recruit directly the following categories of personnel provided for in budget lines or activities assigned to the implementing agent :

- (a) Internationally recruited long-term experts or short-term consultants (budget line 11 of the programme or project budget).
- (b) Locally recruited long-term experts or short-term consultants (budget line 17 of the programme or project budget) ;
- (c) Administrative personnel (budget line 13 of the programme or project budget).

5.2.4 UNDP-supported programme or project personnel recruited by the implementing agent hold contracts issued by this agent in accordance with local labour laws and/or government procedures and conditions of service. The UNDP country office must be kept informed of the system and process of recruitment through the established mechanisms of consultation, and/or through progress reports, terms of reference, recruitment committee decisions and any other relevant means.

5.2.5 The following principles must be followed with respect to the recruitment process:

- (a) Competitiveness. The recruitment must be made on the basis of a wide search for the most qualified candidates, and selection of the best-suited individual according to the job description and the PSD or project document.
- (b) Transparency. The recruitment process must be transparent and open, giving full and equal information to all candidates, with clear criteria for selection, and with the participation of several individuals in the decision-making process, for example through a committee.

5.2.6 The remuneration and other entitlements of locally recruited programme or project personnel must not exceed those applicable within the United Nations system for comparable functions in the country concerned. The proposed compensation for UNDP-supported programme or project personnel will be decided upon in consultation between the Government and the UNDP Resident Representative, through, for example, a mutually agreed-upon salary scale. (See also **chapter 6 : “UNDP country office support”**.)

5.2.7 Civil servants (government employees assigned to work on the programme or project) who participate in the implementation of a UNDP-supported programme or project, including the national programme or project director or coordinator, cannot receive any remuneration from the UNDP programme or project budget (See the policy document of the Joint Consultative Group on Policies, April 1996).

5.2.8 United Nations Volunteers specialists are recruited by the UNV Programme, as implementing agent (budget line 14 of the programme or project budget). Associate experts (budget line 11 of the programme or project budget, with no cost) are recruited by United Nations agencies or UNDP headquarters. Country specific rules guide the recruitment of national volunteers where such programmes exist.

5.2.9 Training:

- (a) The implementing agent, as agreed with the executing agent, informs the UNDP Resident Representative of the selection process applied for candidates undergoing UNDP-supported training, the proposed award of fellowships and the selection of training facilities. Stipends and other allowances financed by UNDP may not exceed the maximum monthly fellowship stipend rates applicable within the United Nations system. The UNDP Resident Representative must make all efforts to ensure that the Government continues to pay salaries of fellows during the period of training;
- (b) Study tours are organized in accordance with the programme/project workplan. Implementing agents must ensure travel by the most economical route and that allowances do not exceed prevailing rates of the United Nations system;
- (c) In-country training (seminars, workshops and other) are organized by the implementing agent in accordance with the workplan and a mutually agreed-upon budget.

5.2.10 Equipment. UNDP-funded equipment remains UNDP property until formally transferred or disposed of. This applies irrespective of who undertakes the procurement of the equipment. Equipment may be transferred at the end of the programme or project, or at any time during the life of the programme or project. Disposal of equipment, including transfer, and final decision thereon, is made by the UNDP Resident Representative, in consultation with the parties concerned.

5.2.11 The executing agent is responsible for ensuring that the use of equipment and supplies procured with UNDP funds is strictly for purposes of the programme or project, as agreed with UNDP, and must see to its proper maintenance. The executing agent must maintain a detailed inventory of all non-expendable equipment financed by UNDP and forward a certified inventory to UNDP country office annually. The executing agent must provide the UNDP Resident Representative, at his or her request, with information regarding the use, storage and maintenance of such equipment and supplies. The entity with property rights to the equipment must organize and pay insurance coverage for that equipment.

5.2.12 Procurement of goods and services through subcontracts. A contractor/subcontractor is defined as an entity providing services or goods in exchange for payment or other consideration. Contractors/subcontractors, vendors and suppliers are chosen through competitive bidding. Implementing agents employ their own procedures and practices for the procurement of goods and services to be rendered under subcontract when such procedures are consistent with principles of fairness, transparency, economy and efficiency, which are the basis for the use of UNDP's funds.

5.2.13 The UNDP country office must be kept informed of the systems and process for the securing of all inputs through mechanisms of consultation that must be described in the PSD or project document.

5.3. Management Support Units

5.3.1 Based on the objectives of national execution, UNDP collaborates with institutions already established and assists in building their capacity where required. In line with this principle, the administrative, financial and technical tasks involved in executing programmes and projects are normally integrated into the work of the executing agent. When either the government coordinating authority or the executing agent is unable to provide all substantive and support services, as detailed in **annex A: Capacity-building for execution: key considerations**", other arrangements must be defined for the effective application of national execution. Such arrangements may include :

- (a) Training and capacity-building of the executing and/or implementing agents ;
- (b) Recruitment of appropriate programme or project staff to undertake specific functions;
- (c) Development of systems and procedures ;
- (d) Use of national or international implementing agents (see chapter 5 : "Implementation arrangements");
- (e) Use of technical and administrative support from United Nations agencies (see chapter 4 : "Involvement of United Nations agencies");
- (f) UNDP country office support (see chapter 6 : "UNDP country office support");
- (g) Management support units.

5.3.2 The last arrangement, management support units (MSUs), are units or entities that support management and administration of development programmes and projects. The tasks of MSUs vary depending on local needs and conditions. Management support units carry out administrative work such as procurement, payment, contracting; ensuring record-keeping, reporting and accounts; programme management; organizing training and capacity-building activities. Support units that are created and funded by the Government are generally considered governmental departments or entities. MSUs referred to in this chapter concern units that are initiated and/or funded partially or fully by donors.

5.3.3. UNDP may support or provide funding to management support units only under the following conditions :

- (a) Before providing support to an MSU, the UNDP country office must consider sustainability, cost-effectiveness and capacity-building, and document their findings in Local Programme Advisory Committee (LPAC) minutes ;
- (b) Clear responsibilities must be assigned to MSUs and other parties at the outset, and described in the PSD or project document. The executing agent remains responsible for the management of the programme or project ; the MSU itself does not take on execution responsibilities but merely plays a supportive role;
- (c) The support of MSUs is temporary, has a clearly defined and limited time period, and is accompanied by capacity building measures;
- (d) The MSU must function within a government structure and under government supervision;
- (e) In line with JCGP policy (see paragraph 5.2.7), UNDP funds may not be used to employ or remunerate civil servants working within an MSU ;
- (f) MSUs must not be established within UNDP country offices.

6. UNDP COUNTRY OFFICE SUPPORT

6.1 Support services

6.1.1 In addition to the assistance that UNDP normally provides to UNDP-supported programmes and projects during their life cycle, the UNDP country office may provide, in the case of nationally executed programmes or projects, further support to the executing agent and its implementing agents to facilitate the work responsibilities, as follows : (a) support to reporting ; b) direct payments; and (c) support services.

6.1.2 Support to reporting. The executing agent is responsible for substantive and financial reporting to UNDP. The arrangements for reporting are determined at the time of programme or project formulation, based on key considerations for execution (**See annex A : Capacity-building for execution: key considerations**). The executing agent must, therefore, have the capacity to meet these requirements. However, the UNDP country office may exceptionally assist the executing agent in fulfilling the reporting requirements while ensuring that the capacity of the executing agent is strengthened to enable it to report adequately.

6.1.3 Direct payments. UNDP may also act as a paying agent in cases where the executing agent is not able to ensure payments owing to such constraints as limited flexibility of the banking system or exchange control regulations, or when it is clearly more cost-effective for UNDP to make the payment. In these cases, UNDP will, upon request, make direct payments (see **section 8.3 “Direct payments”**).

6.1.4 Support services. The UNDP country office may provide the support services described in paragraph 6.1.7 where it has the specific capacity to provide such services. **Annex A, “Capacity-building for execution : key considerations”** may be used as a tool to determine the capacity gaps of national entities as well as the existing capability of the UNDP country office and other entities to address those gaps. In providing such services, the UNDP country office will, whenever possible, draw upon the experience and expertise of the resident United Nations country team.

6.1.5 In order to provide full legal coverage for country office support services to national execution, UNDP country offices are requested to negotiate and conclude an agreement with programme country Governments to cover the provision of all such services (on-going and future). As the full range of services currently provided by UNDP country offices were not foreseen at the time of the establishment of the UNDP standard basic assistance agreement with the Government (the “SBAA”), UNDP now requires protection through privileges and immunities, and protection against liability, in the context of our support to national execution. This agreement must be signed by a governmental body or official authorized to confer such legal protection on UNDP, and may constitute either an umbrella agreement (signed once to cover all UNDP support) or a case-by-case agreement (as an annex to the PSD or project document). A standard agreement has been prepared for this purpose (see **annex C: Standard letter of agreement between UNDP and the Government for the provision of support services**). In the event that any deviations from the standard agreement are necessary, the Regional Bureau is to be advised for onward referral to the Division for Operational Policies and Procedures, Operations Support Group (DOPP/OSG) for clearance.

6.1.6 UNDP may provide support services under the following conditions ¹:

(a) Support will be provided only at the request of programme country Governments ;

¹ Executive Board decision 98/2 adopted at the first regular session 1998.

- (b) Support will be provided only for activities within the country cooperation framework and the sustainable human development framework ;
- (c) Support will be provided based on a thorough capacity assessment of the executing agent, particularly with regard to administrative and operational management capacity and with regard to full accountability for funds managed by the United Nations Development Programme ;
- (d) Support will be accompanied by appropriate capacity-building measures, including clear exit strategies to ensure that long-term capacity-building objectives are achieved. The list of key considerations for execution may be used as a tool for this (see **annex A : Capacity-building for execution: key considerations**) ;
- (e) Appropriate instruments will be put in place to improve the monitoring and the evaluation of such services, including obligatory annexes to all PSDs or project documents stating the nature and scope of such support as well as the functions and responsibilities of the parties involved (see paragraph 6.1.8 below) ;
- (f) At the request of the Government of the programme country, the United Nations Development Programme will take systematically into account services that can be provided by United Nations specialized agencies or other relevant execution, implementing and procurement agents.

6.1.7 UNDP may provide the following support services:

- (a) Identification, assistance with and/or recruitment of project or programme personnel ;
- (b) Identification and facilitation of training activities, including fellowship, short-term training and study tours ;
- (c) Procurement of goods and services ;
- (d) Access to UNDP-managed global information systems, the network of UNDP country offices and specialized systems containing operations information, including rosters of consultants and providers of development services.

6.1.8 All support services provided by UNDP must be carried out in accordance with the regulations, rules and procedures of UNDP. The UNDP Resident Representative is accountable for the provision of such services, their quality and timeliness. Such services, their nature and scope as well as the functions and responsibilities of the parties involved must be described in an annex to the PSD or the project document. **See annex D : “Standard annex to the programme support document or project document on UNDP country office support”**. Its purpose is to ensure clear functions, responsibilities and accountability of the parties involved and to improve the monitoring and the evaluation of such services. Any exceptions to these procedures must be communicated to the Regional Bureau for onward referral to the Division for Operational Policies and Procedures, Operations Support Group (DOPP/OSG) for clearance.

6.2 Cost recovery²

6.2.1 When UNDP is requested to provide support services as described in paragraphs 6.1.1 to 6.1.8, the UNDP country office may incur administrative costs. The recovery of such costs is made in accordance with the conditions described below.

6.2.2 As part of UNDP support to executing and implementing agents, the support services provided to UNDP-funded and nationally executed programmes and projects are covered by the UNDP country office administrative budget. UNDP is not reimbursed for normal administrative overhead costs from programme or project resources financed from regular (core) funds. On the request of the Government, provision may be made for UNDP administrative support services as part of the UNDP contribution to a nationally executed programme or project if such services would be beyond the scope of normal administrative backstopping. For cost recovery in the context of non-core funds, see the “UNDP Co-financing Modalities”, UNDP/DRM, June 1997.

6.2.3 When a United Nations agency serves as an implementing agent, it receives reimbursement from UNDP for support costs in accordance with current rules on administrative and operational services (AOS). (See “Overview of support costs arrangements under the successor programme arrangements”, effective 1 January 1997). The cost of the support services provided by the UNDP country office to the implementing agent may be recovered from the AOS entitlement that it receives from UNDP. The amount of such reimbursement shall be mutually agreed upon between the implementing agent and the UNDP country office on a case-by-case basis, depending on the volume and complexity of the services rendered.

6.2.4 The costs and related payment schedules must be described in the annex to the programme support or project document on country office support. **See annex D : “Standard annex to the programme support or project document on UNDP country office support”**. All related expenditures and costs recovered are accounted for in the extra budgetary account of the UNDP country office in accordance with UNDP financial regulations, rules and procedures.

7. MONITORING AND EVALUATION

7.1 The executing agent bears primary responsibility for monitoring and evaluation. The national system and procedures for monitoring, reporting and evaluation are normally followed. However, where the national system does not fully meet the UNDP requirements for monitoring and evaluation, UNDP procedures may be followed. Measures must also be taken to provide support to national authorities in order to ensure appropriate monitoring and evaluation. UNDP may assist national authorities :

- (a) In assessing their capacities to monitor and evaluate their programmes and projects ; and
- (b) If needed, in the design and functioning of a monitoring and evaluation system that meets the needs or requirements of both the executing agent and UNDP.

7.2. The UNDP country office is responsible for the monitoring and oversight of UNDP support to the national programme. (See “Results-oriented monitoring and evaluation, a handbook for programme managers”, UNDP/OESP, 1997).

² Following Executive Board decision 98/2, UNDP is studying issues regarding cost recovery. The procedures above are transitional pending issuance of cost recovery guidelines.

7.3. The mechanisms and specific responsibilities for monitoring and evaluating all programmes or projects, including nationally executed programmes and projects, must be defined at the formulation stage and appropriately incorporated in the PSD or the project document. Monitoring and evaluation of nationally executed programmes and projects must give appropriate emphasis to such issues as: national ownership, sustainability and management capacity of executing and implementing agents.

7.4. United Nations agencies contribute to and assist with the monitoring, reporting and evaluation process, as mutually agreed to by the government coordinating authority, the executing agent, UNDP and the United Nations agency at the time of programme or project formulation.

7.5. The executing agent reports to both UNDP and the government coordinating authority.

8. FINANCIAL MANAGEMENT AND REPORTING

8.1 Financial accountability

8.1.1 The executing agent is responsible for the management of all UNDP resources allocated to a nationally executed programme or project. In this capacity, Governments are accountable to UNDP for the entirety of UNDP programming resources under their management.

8.1.2. The executing agent is responsible for maintaining an accounting system that contains records and controls sufficient to ensure the accuracy and reliability of programme or project financial information and reporting. The accounting system must also ensure that the receipt and disbursement of UNDP funds is properly identified and that budgetary categories approved are not exceeded.

8.1.3. The system of accounting and/or recordkeeping must track the advances received and disbursed, expenditure records by implementing agents and direct payments made by UNDP. The accounting system maintained by the executing agent must also be kept current.

8.1.4. The executing agent must maintain an inventory recording the acquisition and disposition of property and equipment used. This inventory contains information on all property and equipment, whether purchased directly by the executing agent from funds advanced to it by UNDP or purchased by others (implementing agent, contractor) on behalf of the executing agent.

8.1.5. The UNDP country office must maintain an internal control system designed to ensure that the UNDP Resident Representative can adequately monitor the financial activity and budget of a programme or project within the scope of her/his responsibilities. The UNDP Resident Representative is accountable to the UNDP Administrator and is responsible for the financial monitoring of programmes and projects, for ensuring proper use of UNDP funds and for providing advances of funds based on appropriate financial reporting.

8.2 Advances of funds

8.2.1. The standard means of funding the programme or project is through quarterly advances to the executing agent by the UNDP country office. Monthly advances may be provided if local conditions warrant. In order to ensure optimum use of UNDP resources, advances are based on a forecast of quarterly or monthly expenditures, in accordance with the programme or project workplan. Advances must not exceed funds required for the next quarter.

8.2.2. All requests for advances are submitted to the UNDP country office by the executing agent through the Financial Report. The Financial Report replaces the request for advances of funds, the government disbursement report, and the reconciliation of outstanding advance previously required to be completed by the executing agent.

8.2.3. At least each quarter, the executing agent prepares Table A of the Financial Report in the current advanced to record the current quarter period expenditures against any previous advances, to calculate the remaining advance and to request the advance for the next quarter based on the programme or project budget. Table B of the Financial Report in US dollars is also prepared, which translates the advance currency Financial Report into US dollars and calculates any exchange gain or loss on outstanding advance balances. (See **annex E : Instructions for the Financial Report** and **section 8.4 below**).

8.2.4. The request for advance in the Financial Report specifies the cash required for the next quarter in two components:

- (a) Outstanding obligations. Outstanding obligations are any inputs that have been contracted for and are received, en route or in progress, but for which a check has not yet been written. Only obligations that will be paid in the next quarter are included ; and
- (b) Planned expenditures. Planned expenditures are the new inputs that will be procured and paid for during the next quarter.

8.2.5. The executing agent submits the signed Financial Report, including both advance currency (Table A) and US dollars (Table B) components, to the UNDP country office within 15 days after the end of the quarter. Where possible, a diskette or Email containing the Financial Report electronic files is submitted with the Financial Report.

8.2.6. Advances of funds will be made by the UNDP country office only on the basis of the completed and signed Financial Report containing the details of the expenditures made against the previous quarter advance. UNDP country offices must, upon receipt of the Financial Report, verify that resources are available in the budget and ensure that the amount requested does not exceed the amount of funds reasonably required to cover disbursements for the next three months.

8.2.7. UNDP does not make advances of funds to an implementing agent, other than a United Nations agency. Funds required by an implementing agent are provided to them directly by the executing agent from their advanced funds or through the form of a Request for Direct Payment. With respect to United Nations agencies acting as implementing agents, funds are transferred to them by UNDP headquarters (Treasury section).

8.2.8. Normally, a separate bank account for the receipt and distribution of UNDP funds by the executing agent is required. Where the Government has confirmed in writing that local conditions prohibit the opening of a separate bank account, the UNDP Resident Representative may approve the utilization of a consolidated central bank account provided that the use of UNDP funds can be easily traced and audited.

8.2.9. Any unutilized advance of funds at the end of a programme/project is to be credited to UNDP programme funds, in order to clear the Operating Fund Account at UNDP headquarters, and any interest earned is recorded as miscellaneous income through a UNDP Government Inter-Office Voucher (IOV).

8.3 Direct payments

8.3.1. UNDP may be requested by an executing agent to make direct payments to other parties for goods and services provided to the programme or project. When UNDP makes a payment on behalf of an executing agent, the latter must forward to the UNDP country office a standard form “Request for direct payment”, duly completed and signed by the executing agent. Original documents are kept by the executing agent. Documentation of payment by the country office (inter-office vouchers, disbursement vouchers, copies of cheques, and other documents) must be made available to the executing agent by UNDP. **See annex F : “Request for direct payment”.**

8.4 Financial reporting

8.4.1. The executing agent must submit the Financial Report to the UNDP country office no later than 15 days after the end of the quarter. The Financial Report presents quarterly expenditures; separate monthly totals are no longer required. If more frequent advances are given, the Financial Report must be submitted each time with the next request for advance. In other words, each Financial Report principally represents expenditures relating to a single advance with any ending balance revalued at the current exchange rate. Instructions on how to prepare the Financial Report are provided in **annex E : Instructions for the financial report.**

8.4.2. Any funds transferred by the executing agent to an implementing agent are considered as expenditures and are recorded against the appropriate budget lines. The executing agent is responsible for ensuring the performance of the implementing agents on all contracts and agreements.

8.4.3. United Nations agencies acting as implementing agents issue quarterly expenditure statements in accordance with the letter of agreement entered into between the executing agent and the United Nations agency. The statements reflect all expenditures by component/budget line and are submitted to the executing agent through the UNDP Resident Representative within 30 days after the end of each quarter.

8.4.4. The Financial Report is produced in both the currency advanced and US dollars to facilitate communication and the reconciliation of budgets, disbursements and outstanding balances between the executing agent and UNDP.

8.4.5. The calculation of foreign exchange gain/loss is part of the Financial Report. The UNDP country office advises the executing agent of the UNDP exchange rates at the beginning and end of every quarter and the exchange rate used for advances of funds. When expenditures are made in local currency during the quarter, these are converted into US dollars at the United Nations rate at the date of the advance (usually the exchange rate in effect at the beginning of the quarter). Any outstanding advances at the end of the quarter are revalued at the end-of-quarter rate and the foreign exchange gain/loss is calculated.

8.4.6. The submission by the executing agent of the Financial Report at least every quarter is *mandatory*. If the UNDP country office does not receive the Financial Report from the executing agent within 15 days of the end of the quarter, it ensures follow up with the executing agent. If an advance is outstanding for two quarters and either the Financial Report is not received or the Financial Report reflects no spending against the advance, the UNDP Resident Representative must follow up with the executing agent. The programme or project implementation strategy must be reviewed to decide on measures to be taken to solve any difficulties with execution or implementation. The UNDP Resident Representative also informs UNDP headquarters (Country Programme Accounting) of all decisions taken.

8.4.7. Upon receipt of the Financial Report, the UNDP country office reviews it and verifies the exchange rates. If required, corrections are made by the executing agent and then returned to the UNDP country office. The report is then sent to the Country Programme Accounting Section at UNDP headquarters, where it is recorded.

8.4.8. All payments made by UNDP country offices for nationally executed programmes or projects are recorded on a UNDP-GOVT IOV and forwarded to the UNDP Country Programme Accounting Section each month. These payments include both advances made to the executing agent and direct payments made by the UNDP country office.

8.4.9. UNDP headquarters/Country Programme Accounting Section issues a Combined Delivery Report (CDR) four times a year. The CDR for each nationally executed programme or project is sent to the executing agent through the UNDP country office. The report contains disbursements made by the executing agent, UNDP country offices, and UNDP headquarters for the periods ending 31 March, 30 June, 30 September, and 31 December. Where United Nations agencies act as implementing agents, the report will also contain United Nations agency expenditure for the periods in which agencies report.

8.4.10. After review, UNDP country offices must forward the CDR immediately to the executing agent. The CDR must be verified and certified by the executing agent within 30 days of receipt, and returned to the UNDP country office for filing. If the executing agent informs the UNDP country office that there are errors in the CDR, the UNDP country office will contact UNDP headquarters (Country Programme Accounting Section) to determine jointly how to correct the CDR. The year-end CDRs must be given to the designated auditors as soon as possible to facilitate their completion of the audit by the 30 April deadline.

8.5 Recording of transactions at UNDP headquarters

8.5.1. Advances of UNDP funds to an executing agent are recorded in the programme or project Operating Fund Account (OFA), along with all disbursements made by the executing agent from the advances, as detailed in the Financial Report. Gains and losses resulting from fluctuations in the United Nations rate of exchange are also adjusted for in the OFA.

8.5.2. Payments made by a UNDP country office or by headquarters on behalf of executing agent are not treated as advances of funds and accordingly are not recorded in the Operating Fund Account. These direct payments are recorded as disbursements on a budget line-item basis.

8.5.3. Expenditures (unliquidated obligations plus disbursement) reported by United Nations agencies acting as implementing agents for a nationally executed programme or project are recorded as expenditures on a budget line-item basis.

8.6 Special procedures for projects with budgets less than US \$150,000

8.6.1. When the total UNDP financial contribution to a nationally executed programme or project is below US \$150,000, and provided that the duration of the project does not exceed one year and that the UNDP country office is satisfied with the financial capacity and integrity of the executing agent, the UNDP country office may provide the funds to the executing agent in a lump sum and record the disbursement as project expense, as per the approved budget lines, through the UNDP-GOVT IOV. The budget of such projects may not be increased above US \$150,000 in subsequent budget revisions.

8.6.2. As part of the monitoring and evaluation process, the executing agent must provide a final financial report on the use of funds at the end of the project. To avoid duplication of entry, this report is marked "Project previously

expensed on (date)” to alert the UNDP country office that the report is for review and adjustment only. Any significant changes from the originally budgeted and expensed amounts, or leftover funds, must be adjusted on the GOVT IOV. Monitoring and evaluation procedures must be maintained during the life of the project to ensure financial and substantive accountability.

9. AUDIT REQUIREMENTS

9.1 Objective of audit

9.1.1. All nationally executed programmes and projects must be audited once in their lifetime, at a minimum. The government coordinating authority, in consultation with the UNDP country office, draws up an annual plan by November. The audit plan lists the programmes and projects scheduled to be audited on that given year, considering whether the programme or project has previously been audited, the volume of funds, number of programmes and projects, workload, among other things . The Office of Audit and Performance Review (OAPR) is kept informed about audit plans.

9.1.2. The objective of the audit is to provide the UNDP Administrator with the assurance that UNDP resources are being managed in accordance with:

- (a) The financial regulations, rules, practices and procedures prescribed for the programme or project ;
- (b) The PSD or the project document and workplans, including activities, management and implementation arrangements, monitoring, evaluation, and reporting provisions ;
- (c) The requirements for execution in the areas of management, administration and finance.

9.2 Scope of audit

9.2.1. The audit of nationally executed programmes or projects must cover, but may not necessarily be limited to, the following:

- (a) Assessment of the rate of delivery;
- (b) Financial accounting, monitoring and reporting ;
- (c) Management systems for recording, documenting and reporting on resources utilization ;
- (d) Equipment use and management; and
- (e) Management structure, including the adequacy of appropriate internal control and record-keeping mechanisms.

9.2.2. The audit must confirm and certify that:

- (a) The disbursements are made in accordance with the activities and budgets of the programme support or project document ;
- (b) The disbursements are supported by adequate documentation ;
- (c) The financial reports are fairly and accurately presented ;
- (d) An appropriate management structure, internal controls and record-keeping systems are maintained ;
- (e) The executing agent and the UNDP country office have undertaken and have prepared reports for monitoring and evaluation of the substantive activities and of the management systems of the programme/project ; and
- (f) The procurement, use, control and disposal of non-expendable equipment are in accordance with the Government’s or UNDP requirements.

9.2.3 The audit is normally carried out at the level where the original documentation is held. It shall cover the funds channelled through the government by advances of funds. Expenditures incurred on behalf of the programme or project by United Nations agencies acting as implementing agents or by the UNDP country office providing support to national execution, shall be covered by the appointed auditors of these organizations. In this case, the auditors of the programme or project, as described in paragraph 9.3.3, provide a scope restriction to the audit, stating that the audit opinion is limited to the funds received and expenditures incurred by the Government, and that the opinion does not cover expenditures incurred by United Nations organizations, including UNDP.

9.3 The audit process

9.3.1. The audit must be conducted in conformity with generally accepted common auditing standards³ and in accordance with the professional judgement of the auditor. The standards applied are normally referred to in the audit report.

9.3.2. The audit may use for information the standards and terms of reference established for the United Nations Board of Auditors. (See the UNDP Financial Regulations and Rules : Article XVII and XII and Information Annex).

9.3.3. The audit is normally conducted by the legally recognized auditor of the Government. However, in instances when such arrangements are not feasible, the audit may be carried out by a commercial auditor engaged by the executing agent. The audit authority must be mentioned in the PSD or project document. It is the executing agent's responsibility to identify and appoint the auditing body, to ensure that the audit is performed in accordance with generally accepted common auditing standards and to ensure that the report, duly reviewed and responded to, reach UNDP Headquarters (OAPR) via the UNDP country office by 30 April of the following year of the audit.

9.3.4. Governments are responsible for funding the costs of audit. However, the UNDP Resident Representative may exceptionally approve the use of the programme or project funds for audit costs if the audit is carried out by a commercial auditor. In that case, adequate financial provision for the audit must be included in the programme or project budget.

9.3.5. The UNDP country office must organize briefings with the auditors before the audit exercise and upon the completion of the audit. The briefings must occur even if the auditors have prior experience of auditing UNDP programmes or projects.

9.3.6. The findings of the draft audit report must be discussed in detail with the executing agent, including appropriate programme or project management staff, the government coordinating authority and the UNDP Resident Representative. Their comments are included in the final report.

9.3.7. The executing agent is the recipient of the final audit report. The executing agent forwards it to the UNDP Resident Representative. The UNDP country office reviews the audit report from its perspective and forwards the report to UNDP headquarters. The audit report is to reach UNDP headquarters (Office of Audit and Performance Review) no later than 30th April to enable the United Nations Board of Auditors to comment on the report and incorporate their comments in their report to the General Assembly and the Executive Board of UNDP. The executing agent also shares the audit report with the government coordinating authority and other concerned parties, as appropriate.

³ "International Standards on Auditing (ISA)", published by the International Federation of Accountants (IFAC). Information may be obtained at OAPR upon request.

9.3.8. See **annex G : Guidance on audit**. This provides guidance on the audit process, such as the audit plan, standard terms of reference and contract for the auditor, standard outline audit report, as well as issues and documentation to assist the audit.

9.4 Follow-up

9.4.1. The audit report is an integral part of the monitoring and evaluation process. Its contents are taken into account in the annual progress review of programmes or projects, in programme or project evaluation and in the annual and triennial country review.

9.4.2. The executing agent must ensure that appropriate action is taken by relevant parties to implement audit recommendations.

9.4.3. The UNDP Resident Representative is responsible for following up with the executing agent and programme or project management on the implementation of the recommendations made in the audit report that pertain to them.

9.4.4. The UNDP Resident Representative, in order to ensure that appropriate and timely action is taken on adverse findings and recommendations of the auditors, must introduce a control mechanism within the UNDP country office to follow up on the recommendations until they are implemented.

9.4.5. The Office of Audit and Performance Review (National Execution Audit Section) maintains regular follow up with the UNDP country office and headquarters units to ensure that actions are taken to implement recommendations made by the auditors.

9.4.6. The auditors must follow up on the implementation of prior recommendations and must report on compliance in the current year's audit.

Annex A

CAPACITY-BUILDING FOR EXECUTION: KEY CONSIDERATIONS

INTRODUCTION

The parties concerned with formulation and design (the UNDP country office, the government coordinating authority, the executing agent and other entities involved) must review the capacity needs for the programme or project based on the list below. They first determine which of the tasks below apply to the programme or project. For each necessary task, the parties then determine what additional measures need to be taken in order to ensure that the key considerations are reflected in programme or project execution. The recommendations of the review must be documented for follow-up action. This may be done, for example, through an action plan, an annex to the PSD or project document, through minutes of a design meeting or workshop or other. At the same time, mechanisms to verify progress in building capacity must ideally be appended to the PSD or the project document or work plan.

1. TECHNICAL CAPACITY

Ability to monitor the technical aspects of the programme/project

1. Must undertake regular programme/project visits and monitor progress benchmarks.
2. Must ensure that periodic progress and/or technical reports are received and interpreted.
3. Must ensure regular consultations with beneficiaries, implementing agents and contractors.

2. MANAGERIAL CAPACITY

Ability to plan, monitor and coordinate activities

1. Must ensure annual programme/project review meeting.
2. Must be able to develop and review an annual work plan.
3. Must possess necessary adequate logistics : office facilities and space, basic equipment, utilities, communications.

3. ADMINISTRATIVE CAPACITY

Ability to procure goods, services and works on a transparent and competitive basis.

1. Must be able to assess the ability of vendors to provide the required quality, quantity and competitiveness of goods, services and works.
2. Must have the authority to enter into contracts.
3. Must have available standard contracts or access to legal counsel to ensure that contracts establish performance standards, protect UNDP and the entity's interests and are enforceable.

Ability to prepare, authorize and adjust commitments and expenditures.

1. Must have written procedures for identifying the appropriate vendor, obtaining the best price, and issuing commitments.
2. Must have a system for tracking commitments against budget to prevent overspending and for follow-up on outstanding commitments.

Ability to manage and maintain equipment.

1. Must have a property ledger (inventory) to track all important details about property and its cost, annually.

2. **Ability to recruit and manage the best qualified personnel on a transparent and competitive basis.**
3. Must have the ability to staff the programme/project and enter into contract with personnel.
4. Must have written job descriptions for consultants or experts.
5. Must have available standard contracts or access to legal counsel to ensure contracts establish performance standards, protect UNDP and the entity's interests.

4. FINANCIAL CAPACITY

Ability to produce programme/project budgets

1. Must be able to manage tracking of commitments, expenditures and planned expenditures against budget on a consolidated basis.
2. Must have a programme/project budget showing the timing of planned expenditures, for each year, by quarter.

Ability to ensure physical security of advances, cash and records

1. Must maintain a checking account in a reputable bank or a secure safe for any cash on hand.
2. Must have clear procedures on authority, responsibility, monitoring and accountability for the funds.

Ability to disburse funds in a timely and effective manner

1. Must have written procedures for processing payments to control the risks through segregation of duties, and transaction recording and reporting.
2. Must have monitoring controls, such as independent bank reconciliations.
3. Must have a means of verifying receipt of goods or performance of services and proper authorization.
4. Must be able to manage the status of expenditures against budget, and the remaining available budget.
5. Must have a policy of making payments by their due dates as stated on the invoice or in the contracts and be able to demonstrate performance against this standard.

Ability to ensure financial recording and reporting

1. Must have a reporting system that tracks all commitments and expenditures against budgets by line.
2. Must have a reporting system that allows programme/project expenditures to be reported to UNDP quarterly, and which accumulates programme/project-to-date expenditures against budget for management purposes.

Annex B

STANDARD LETTER OF AGREEMENT BETWEEN THE EXECUTING AGENT AND A UNITED NATIONS AGENCY SERVING AS IMPLEMENTING AGENT

HOW TO USE THIS AGREEMENT

- All agreements on implementation are formulated, negotiated and signed between the executing agent, as responsible for the overall management of the programme/project, and implementing agents.
- This agreement is intended for use when a United Nations agency serves as implementing agent for a nationally executed programme/project. A list of eligible such agencies is available in “Overview of support costs arrangements under the successor programme arrangements”, effective 1 January 1997 : Table 1 , page 6.
- This agreement replaces the letter of agreement described in Annex 7.B of the “Overview of Support Cost Arrangements under the Successor Programming Arrangements”.
- This standard letter of agreement may be modified according to the local conditions.
- This agreement covers all situations where a United Nations agency participates in implementation (including when the United Nations agency would previously be called “cooperating agency”).
- This agreement may be used as a standard, and adapted as appropriate in accordance with national law and circumstances, when the executing agent wants to enter into implementing agent agreements with entities other than United Nations agencies.
- The executing agent prepares this agreement in consultation with the United Nations agency concerned.
- The agreement must be signed by the executing agent and the United Nations agency.
- The UNDP country office may assist with formulating the agreement, liaising with the United Nations agency and transmitting the agreement for signature, if the executing agent requires such assistance.
- After signature, the executing agent keeps one original and the implementing agent the other original. The executing agent provides the UNDP country office with a copy.

Dear [*name of head of United Nations agency*],

1. Reference is made to consultations between officials of the [*insert name of the government entity responsible for the management of the programme/project*] (hereinafter referred to as "the executing agent") and officials of the [*name of United Nations agency*] (hereinafter referred to as "the implementing agent") with respect to the participation of the [*name of the United Nations agency*] in the implementation of UNDP assistance to programme/project [*number and title of programme/project*], to be executed by the Government. The latter shall be represented for the purpose of such execution by the executing agent ; [*name of the government authority so designated*].

2. The executing agent recognizes that [*insert name of the United Nations agency*] enjoys privileges and immunities under the Convention on the Privileges and Immunities of the Specialized Agencies, to which the Government of [*programme country*] became a signatory on [*insert date of signature of the Convention*].

3. In accordance with the programme support document or project document and with the following terms and conditions, we confirm our acceptance of the services to be provided by the implementing agent towards the implementation of this programme or project. Close consultations will be held between the implementing agent and the executing agent on all aspects of the services to be rendered as described in **Attachment 1 : Description of services** of this letter of agreement.

4. The implementing agent shall provide the services and facilities described in **Attachment 1 : Description of services** of this letter of agreement.
5. The executing agent shall retain overall responsibility for the implementation of UNDP assistance to the programme/project and shall designate a programme/project coordinator [*or other title of this official*].
6. The personnel assigned by the implementing agent to the programme/project, and under contract with the implementing agent, shall work under the supervision of the programme/project coordinator. The supervisory arrangements shall be determined in mutual consultation and described in the relevant terms of reference of the personnel. This personnel shall remain accountable to the implementing agent for the manner in which assigned functions are discharged.
7. In the event of disagreement between the programme/project coordinator and the programme/project personnel of the implementing agent, the matter under dispute shall be referred by the programme/project coordinator to the implementing agent for the purpose of finding a satisfactory solution. In the interim, the decisions of the programme/project coordinator shall prevail.
8. Upon signature of this letter of agreement and pursuant to the programme/project budget of the programme support/project document and the work plan, the executing agent agrees that UNDP Headquarters will advance funds to the United Nations implementing agent, according to the schedule of payments specified in **Attachment 2: Schedule of services, facilities and payments**.
9. A cumulative statement of expenditure shall be submitted by the implementing agent each quarter (31 March, 30 June, 30 September and 31 December). The statement will be submitted to the executing agent through the UNDP resident representative within 30 days following those dates. The format will follow the standard expenditure report of the implementing agent, unless otherwise agreed to between the parties [*in which case the format will be attached to the agreement as attachment 3*]. The executing agent will include the expenditure reported by the implementing agent in the financial report.
10. The implementing agent shall recast and rephrase the schedule of services and facilities, described in **Attachment 2**, as necessary, when submitting the statement of expenditure to the executing agent. The implementing agent may incur expenditures that exceed its assigned annual budget by 4 per cent or by twenty thousand United States dollars, whichever is higher, in order to cover differences between actual and pro-forma costs. The executing agent shall adjust its financial records and confirm the revision submitted by the implementing agent.
11. The implementing agent shall submit such reports relating to the programme/project as may reasonably be required by the programme/project coordinator in the exercise of his or her duties as well as for audit purposes.
12. The implementing agent shall provide the executing agent with an annual report of non-expendable equipment purchased by the implementing agent for the programme/project. The report shall be submitted within 30 days following 31 December, and shall be included by the executing agent in the main inventory for the programme/project.
13. The implementing agent shall submit job descriptions and candidates for the posts foreseen in section 1 of **Attachment 2** and obtain clearance of the executing agent for the personnel to be assigned to the programme/project.

14. Any changes to the programme support document or project document which would affect the work being performed by the implementing agent in accordance with **Attachment 1** shall be recommended only after consultation with the implementing agent. Any changes to these arrangements shall be effected by mutual agreement through an amendment to this letter of agreement.

15. The arrangements described in this agreement will remain in effect until the end of the programme/project, or the completion of activities of the implementing agent according to Attachment 2, or until terminated in writing by either party. The schedule of payments specified in Attachment 2 remains in effect based on continued performance by the implementing agent unless UNDP receives written indication to the contrary by the executing agent.

16. For any matters not specifically covered by this agreement, the appropriate provisions of the programme support/project document and revisions thereof and the appropriate provisions of the financial regulations and rules of the implementing agent shall apply.

17. All further correspondence regarding the implementation of this agreement, other than signed letters of agreement or amendments thereto, should be addressed to [*name and address of designated executing agent official*].

18. The executing agent and the implementing agent shall keep the UNDP Resident Representative fully informed of all actions undertaken by them in carrying out this agreement.

19. Except as provided in paragraph 6 above, any dispute between the executing agent and implementing agent arising out of or relating to this letter which is not settled by negotiation or other agreed mode of settlement, shall, at the request of either party, be submitted to a Tribunal of three arbitrators. Each party shall appoint one arbitrator, and the two arbitrators so appointed a third arbitrator, who shall be the chairperson of the Tribunal. If, within fifteen days of the appointment of two arbitrators, the third arbitrator has not been appointed, either party may request the President of the International Court of Justice to appoint the arbitrator referred to. The Tribunal shall determine its own procedures, provided that any two arbitrators shall constitute a quorum for all purposes, and all decisions shall require the agreement of any two arbitrators. The expenses of the Tribunal shall be borne by the Parties as assessed by the Tribunal. The arbitral award shall contain a statement of the reasons on which it is based and shall be final and binding on the parties.

20. The executing agent shall handle and be responsible for any third-party claim or dispute arising from operations under this agreement against UNDP or the implementing agent, their officials or other persons performing services on their behalf, and shall hold them harmless in respect of such claims or disputes. The foregoing provision shall not apply where the parties agree that a claim or dispute arises from the gross negligence or willful misconduct of the above-mentioned individuals.

If you are in agreement with the provisions set forth above, would you kindly sign and return to this office two copies of this letter. Your acceptance shall thereby constitute the basis for your organization's participation in the implementation of the programme/project.

Yours sincerely,
For the executing agent of [*country*]

[*name and title*]
[*date*]

Signed on behalf of the *[implementing agent]*
[name and title]
[date]

Attachment 1

DESCRIPTION OF SERVICES

Programme/project number:

Programme/project title:

Work to be performed by the implementing agent:

Provide a summary of the activities to be carried out by the implementing agent and specify the main functions to be performed by the implementing agent.

Description of services :

Provide a detailed description of the programme/projects inputs by component. This may include identifying candidates for programme/project posts based on terms of reference provided by the executing agent or recruiting already identified candidates.

Annexes :

Attach, as appropriate, job descriptions, terms of reference for international experts and consultants, terms of reference for contracts, technical specifications for equipment items, training nomination forms, etc.

Attachment 2

SCHEDULE OF SERVICES, FACILITIES AND PAYMENTS

- This attachment presents a schedule of services and facilities to be provided by the implementing agent.
- It also presents a schedule of payments to be released to the implementing agent by UNDP headquarters.
- It is normally presented in the form of a budget, as shown below.
- It may also be presented in more generic form.

Section	Budget line	Work months	Total costs	Estimated expenditure by year		Schedule of payments	
				Year 1	Year ...n	Year 1	Year ...n
Section 1 : Personnel services							
Section 2 : Subcontracting							
Section 3 : Fellowships and training							
Section 4 : Equipment							
Section 5 : Miscellaneous services							
Total							

Note :

- Expenditures for personnel services may be limited to salary, allowances and other entitlements, including the reimbursement of income taxes due and travel costs on appointment to the programme/project, duty travel within the programme country or region and repatriation costs.
- The executing agent shall be responsible for providing miscellaneous services such as secretarial assistance, postage and cable services and transportation as may be required by the implementing agent personnel in carrying out their assignment.
- Adjustments within each of the components/ sections may be made in consultation between the executing agent and the implementing agent if this is found to be in the best interest of the programme/project and if such adjustments are in keeping with the provisions of the programme support or project document.

Annex C

STANDARD LETTER OF AGREEMENT BETWEEN UNDP AND THE GOVERNMENT FOR THE PROVISION OF SUPPORT SERVICES

HOW TO USE THIS AGREEMENT

- **Purpose.** This agreement is intended for use when the UNDP country office provides support services in the implementation of nationally-executed programmes and projects. Its purpose is to provide full legal coverage for country office support services to national execution. As the services currently provided by UNDP were not foreseen at the time of the establishment of the UNDP standard basic assistance agreement with the Government (the “SBAA”), UNDP now requires protection through privileges and immunities, and protection against liability.
- **Signature.** This agreement must be signed by a governmental body or official authorized to confer full legal coverage on UNDP. (This is usually the Head of State, the Prime Minister, and/or the Minister of Foreign Affairs.)
- **Use of the agreement.** This agreement may constitute either :
 - (a) An umbrella agreement for the whole programme country. In this case, this letter agreement is signed once to cover all UNDP support.
 - (b) A case-by-case agreement as an annex to the PSD or project document, on a project by project basis. When this option is chosen, the PSD or project document must be signed, *in addition to* the usual authorities, by the authority (if different) authorized to confer immunities and privileges to UNDP. The content of this letter agreement is incorporated into section II. G “Legal aspects” of the PSD and section I. “Legal context” of the project document.
- **Exceptions.** In the event that any deviations from the standard agreement are necessary, the Regional Bureau is to be advised for onward referral to the Division for Operational Policies and Procedures, Operations Support Group (DOPP/OSG) for clearance.
- **Arrangements for on-going support.** The umbrella letter of agreement shall cover all past, current and future support services. When the letter of agreement is incorporated into an already approved PSD or project document, the content of the letter agreement is included in the next budget revision provided that the revision is signed by the authority authorized to confer immunities and privileges to UNDP, in addition to signature by the usual authorities.
- **Responsibility.** The UNDP Resident Representative is responsible for ensuring that the agreement is signed by the authority authorized to confer immunities and privileges to UNDP. The UNDP Resident Representative shall verify that the requisite authority has been properly authorized to confer immunities and privileges.
- **Procedures.** The letter of agreement is prepared by the UNDP country office. After signature by the authority authorized to confer immunities and privileges to UNDP, the government will keep one original and the UNDP country office the other original. A copy of the agreement should be provided to UNDP headquarters (OSG). The executing agents under national execution should also receive a copy.

Dear [name of government official],

1. Reference is made to consultations between officials of the Government of [the name of programme country] (hereinafter referred to as “the Government”) and officials of UNDP with respect to the provision of support services by the UNDP country office for nationally executed programmes or projects. UNDP and the Government hereby agree that the UNDP country office may provide such support services at the request of the Government through its Executing Agent designated in the relevant programme support document or project document, as described below.

2. The UNDP country office may provide support services for execution activities, such as assistance with reporting requirements and direct payment. In providing such support services, the UNDP country office shall ensure that the capacity of the Executing Agent is strengthened to enable it to carry out such activities directly. The costs incurred by the UNDP country office in providing such support services shall be recovered from the administrative budget of the office.

3. In addition, the UNDP country office may provide, at the request of the Executing Agent, the following support services for implementation activities:

- (a) Identification and assistance with and/or recruitment of project and programme personnel;
- (b) Identification and facilitation of training activities, including fellowship, short-term training and study tours;
- (c) Procurement of goods and services; and
- (d) Access to UNDP-managed global information systems, the network of UNDP country offices and specialized systems containing operations information, including rosters of consultants and providers of development services.

4. The procurement of goods and services and the recruitment of project and programme personnel by the UNDP country office shall be in accordance with the UNDP regulations, rules, policies and procedures. Support services described in paragraph 3 above shall be detailed in an annex to the programme support document or project document, in the form provided in Attachment hereto. If the requirements for support services by the country office change during the life of a programme or project, the annex to the programme support document or project document is revised with the mutual agreement of the UNDP Resident Representative and the Executing Agent.

5. The relevant provisions of the [*Insert title and date of the UNDP standard basic assistance agreement with the Government*] (the "SBAA") , including the provisions on liability and privileges and immunities, shall apply to the provision of such support services. The Government shall retain overall responsibility for the nationally executed programme or project through its designated Executing Agent. The responsibility of the UNDP country office for the provision of the support services described herein shall be limited to the provision of such support services detailed in the annex to the programme support document or project document.

6. Any claim or dispute arising under or in connection with the provision of support services by the UNDP country office in accordance with this letter shall be handled pursuant to the relevant provisions of the SBAA.

7. The manner and method of cost recovery by the UNDP country office in providing the support services described in paragraph 3 above shall be specified in the annex to the programme support document or project document.

8. The UNDP country office shall submit progress reports on the support services provided and shall report on the costs reimbursed in providing such services, as may be required.

9. Any modification of the present arrangements shall be effected by mutual written agreement of the parties hereto.

10. If you are in agreement with the provisions set forth above, please sign and return to this Office two signed copies of this letter. Upon your signature, this letter shall constitute an agreement between your Government and UNDP on the terms and conditions for the provision of support services by the UNDP country office for nationally executed programmes and projects.

Yours sincerely,

Signed on behalf of UNDP
[*name/title*]

For the Government
[*name/title*]
[*date*]

Attachment

STANDARD ANNEX TO THE PROGRAMME SUPPORT DOCUMENT OR PROJECT DOCUMENT ON
UNDP COUNTRY OFFICE SUPPORT

ANNEX ON UNDP COUNTRY OFFICE SUPPORT

1. Reference is made to consultations between [*insert name of Executing Agent*], the Executing Agent designed by the Government of [*name of programme country*] and officials of UNDP with respect to the provision of support services by the UNDP country office for the nationally executed programme or project [*insert programme or project number and title*], “the Programme” [*or “the Project”*].

2. In accordance with the provisions of the letter of agreement signed on [*insert date of agreement*] and the programme support document [*or project document*], the UNDP country office shall provide support services for the Programme[*or Project*] as described below.

3. Support services to be provided:

Support services (insert description)	Schedule for the provision of the support services	Cost to UNDP of providing such support services (where appropriate)	Amount and method of reimbursement of UNDP (where appropriate)
1.			
2.			
3.			

4. Description of functions and responsibilities of the parties involved :

Annex D

STANDARD ANNEX TO THE PROGRAMME SUPPORT OR PROJECT DOCUMENT ON UNDP COUNTRY OFFICE SUPPORT

HOW TO USE THIS ANNEX

- **Purpose.** This agreement is used when the UNDP country office provides support services in the implementation of nationally executed programmes and projects. Its purpose is to ensure clear functions, responsibilities and accountability of the parties involved and to improve the monitoring and the evaluation of such services.
- **Procedures.** The annex is prepared by the UNDP country office at the programme/project design phase, in consultation with the executing agent. It is attached to the programme support or project document.
- **Arrangements for on-going support.** Already approved project documents/PSD are supposed to contain a generic identification of support services by UNDP. Where this description reflects the elements in the annex on country office support, UNDP country offices need *not* prepare an annex to already approved programme support or project documents on. Where the project documents/PSD do *not* contain a description of support services by UNDP in line with the annex, UNDP country offices should prepare the annex together with the next budget revision (considered as a revision of the project document/PSD).
- **Amendments.** If requirements for support change during the lifetime of the programme or project, the annex is amended as part of the programme or project budget revision.

1. Reference is made to consultations between [*insert name of Executing Agent*], the Executing Agent designed by the Government of [*name of country*] and officials of UNDP with respect to the provision of support services by the UNDP country office for the nationally executed programme or project, [*insert programme or project number and title*] “the Programme” [*or “the Project”*].

2. In accordance with the provisions of the letter of agreement signed on [*date of signature*] and the programme support document [*or project document*] the UNDP country office shall provide support services for the Programme [*or Project*] as described below.

3. Support services to be provided:

Support services (insert description)	Schedule for the provision of the support services	Cost to UNDP of providing such support services (where appropriate)	Amount and method of reimbursement to UNDP (where appropriate)
1.			
2.			
3.			

4. Description of functions and responsibilities of the parties involved :

Annex E

INSTRUCTIONS FOR THE FINANCIAL REPORT

Introduction

The new Financial Report (FR) simplifies the national execution reporting requirements for Governments who receive advances of funds from UNDP. Its features are :

- (a) The Financial Report replaces the Government Disbursement Report (GDR), and the Reconciliation of Outstanding Advances (ROA).
- (b) It also replaces the Request for Advance by incorporating it into the Financial Report.
- (c) The Financial Report requires only summarized quarterly reporting rather than the month-by-month reporting of the GDR.
- (d) Advances of funds are requested in a lump sum rather than by budget lines.
- (e) The reporting requires only a total by budget sub-line and a grand total; subtotals by budget line and component are eliminated.
- (f) The Financial Report is submitted in two components - Table A in the currency of the advance, and Table B in US dollars.
- (g) Completion of only the first column of the Financial Report is mandatory.

The Financial Report helps the executing agent to manage the budgets and expenditures of programmes and projects, and to review and approve the CDRs by providing a format where programme or project expenditures are reflected in US dollars. The column (iii) "Period amount" of Table B of the Financial Report (US dollars) should match exactly the "Government" column of the CDR.

The Financial Report (FR) presents several modifications to the previous procedures:

- (a) Financial reporting is cumulative for the quarter instead of monthly reporting that is summarized into quarterly figures. This aims to simplify record keeping by the executing agent.
- (b) The FR incorporates the requests for advances of funds, the government disbursement report and the reconciliation of advances. The FR, including the request for advance, is submitted at the end of the quarter. Planning of cash requirements must take account of this change in timing. The UNDP country office must provide the advance within two weeks of receipt of the FR. Each UNDP country office and Government should discuss how to manage this change during the transitional period.
- (c) The executing agent must produce the FR in both local currency and US dollars. The UNDP country office must establish a system to inform the executing agent of United Nations exchange rates.
- (d) The calculation of exchange gains and losses to UNDP has been simplified to reflect the actual use of UNDP funds. When the advance is given, the local currency amount is set in US dollars at the exchange rate in effect. All expenditures made from that advance during the quarter will be recorded at that rate. At the end of the quarter, any outstanding advances are revalued at the exchange rate in effect at the end of the quarter and gains or losses calculated.

The executing agent should begin using the Financial Report as soon as possible, and stop using the GDR/ROA reporting format and the separate request for advances. Reporting for the first quarter of 1998 will be accepted in either format. *Reporting for the second quarter of 1998 (June period) must follow the new Financial Report.*

The executing agent must submit the Financial Report as soon as possible after the end of the quarter/period to ensure that the next advance may be provided on a timely basis. The FR must be submitted to the UNDP country

office no later than 15 days after the end of the quarter. The executing agent must submit the Financial Report to the UNDP country office whenever a new advance is required, and for every calendar quarter as a minimum. More frequent reporting is encouraged if agreed to by the UNDP country office and the executing agent.

The template for the Financial Report is available in Microsoft Word from Country Programme Accounting, and on the BFAS web page of the UNDP Intranet.

INSTRUCTIONS FOR THE EXECUTING AGENT

How to fill out the top of the FR

- Field (a) : Fill in the name of the programme country after “Government of “.
- Field (b) : Fill in the number and title of the programme or project.
- Field (c) : Fill in the period for which expenditures are being reported. The period can be the quarter or a different period if advances are made on a more frequent basis.
- Field (d) : Fill in the code of the budget revision in effect.
- Field (e) : Fill in the Source of Funds according to the PSD/project document and budgets.
- Field (f) : Fill in the Fund Classification according to the PSD/project document and budgets.
- Field (g) : Fill in the currency in which the advance from UNDP is requested. If the advance is received in US dollars, write US dollars in this field (then Table B need not be completed). If the executing agent receives advances in more than one currency for the same programme/project, complete Table A for each advance and then combine the different Table A Financial Reports together in the US Dollar Financial Report (Table B)
- Field (h) : For ongoing programmes/projects, this is the Closing United Nations exchange rate (field i) from the last Financial Report. For new programmes/projects, this is the Opening United Nations exchange rate in effect when the initial advance is given.
- Field (i) : The Closing United Nations exchange rate is the rate in effect when the Financial Report is completed. The rates in fields (h) and (i) are normally identical to the rates at the beginning and end of the quarter.

How to fill out Table A - in the Currency Advanced

Column (III) “Period amount” : This is the only column of the Table A that is mandatory to fill out. Under column (III) “Period amount”, the lines are completed based on the accounting books and records of the executing agent, as follows:

Field (j) “Opening balance” : Fill in the local currency amount of the advance outstanding at the beginning of the period. It *must* agree with the Closing Balance (field n) of the last Table A Financial Report. For new programmes or projects, this amount will be zero (See Requesting an Initial Advance below).

Field (k) “Advance received” : Fill in the local currency amount of the advance received this period. Only one advance received is recorded for each Financial Report.

Field (l) “Available funds “: This is the sum of (j) Opening Balance and (k) Advance Received.

Expenditures by Subline: Based on its accounting books, the executing agent records the total expenditures against each sub-line for the quarter/period. This includes all expenditures incurred since the last Financial Report to the date of the end of the quarter/period. All sub-lines in the approved budget must be included under Description (Column I) and CMBL (Column II) even if there are no expenditures against the subline this

quarter/period. This is done in order to complete columns (IV) Annual budget, (V) Year-to Date expenditure, and (VI) Available budget to reflect the full financial status. No subtotals are required.

Field (m) “Total expenditures”: Add up all the expenditures by budget sub-line recorded above.

Field (n) “Closing balance”: Calculate (l) Available Funds minus (m) Total Expenditures.

Field (o) “Outstanding obligations”: Record here all expenditures that the executing agent has a legal obligation to pay but that have not yet been paid at the end of the quarter/period. This will include any contract amounts to be paid for service rendered, any goods ordered and/or received, invoices not paid, that will be paid in the next quarter.

Field (p) “Planned expenditures”: Record here all cash expenditures planned for the next quarter/period according to the latest programme or project work plan. Do not include expenditures already reflected in (o) Outstanding Obligations.

Field (q) “Total requirements”: This is the sum of (o) Outstanding Obligations and (p) Planned Expenditures.

Field ® “Less Closing Balance”: Repeat here the Closing Balance amount (field n). The amounts of fields (n) and ® must be identical.

Field (s) “Advance requested”: This is the amount of funds needed for the next quarter/period. It consists of (q) Total Requirements minus (n) Closing Balance. After review and approval, the UNDP country office will provide this amount as advance to the executing agent through a cheque/bank draft/wire transfer.

The columns (IV) “Annual Budget”, (V) Year-to-Date expenditure and (VI) Available budget may be completed by the executing agent to facilitate financial management, to track all expenditures and to provide a basis of discussion with the UNDP country office on the financial status.

How to fill out Table B - in US Dollars

Once Table A of Financial Report is completed, Table B - the US Dollar Financial Report - is used to convert the local currency figures in Table A into US dollars and calculate any exchange gains or losses. The US Dollar Financial Report (Table B) facilitates review and approval of the CDR by the executing agent, and ensures that the approved US dollar programme/project budget is not exceeded.

Most of the fields in Table B correspond to the same fields in table A, with the figures converted into US dollars. Take the amount of the corresponding field in Table A and multiply it with the Opening United Nations exchange rate. Fill the resulting figure in Table B. The executing agent should do this for the following fields :

- Field (j) “Opening balance” ;
- Field (k) “Advance received” ;
- Field (l) “Available funds” ;
- Expenditures by Subline;
- Field (m) “Total expenditures”;
- Field (n) “Closing balance”. This is the value of (n) in Table A times the Opening United Nations exchange rate.

Some fields are specific to Table B :

Field (t) : “Revalued Closing Balance” : This is the field (n) “Closing Balance” in local currency in Table A revalued at the Closing United Nations exchange rate.

Field (v) “Exchange Gain (Loss)” : This is field (n) of Table B “Closing Balance” minus field (t) “Revalued Closing Balance”. This amount will subsequently be recorded by UNDP headquarters.

The following columns may be completed by the executing agent to track all expenditures against budget ;

Column (IV) : The Annual Budget is the approved annual budget as established at the beginning of the year in US dollars.

Column (V) : Year-to-date expenditures are the sum of the year-to-date US dollar expenditures (field m) from the Table B in US Dollar in the last Financial Report and the US dollar amounts reflected in the first column of the current US Dollar Financial Report (field m, column III) in Table B.

Column (VI) : The Available Budget consists of the line-by-line figures in column (IV) “Annual budget “ minus the lines in (V) “Year-to-date expenditures”.

The responsible government official of the executing agent must sign and date the Financial Report before sending it to the UNDP country office.

Requesting an initial advance

When the executing agent wants to request an initial advance for a new programme or project, it fills out the top of the report and fields (p) Planned Expenditure, (q) Total Requirements, ® Less Closing Balance (put zero), and (s) Advance Requested of the Table A Financial Report. All other lines and columns are left blank.

INSTRUCTIONS FOR THE UNDP COUNTRY OFFICE

Upon receipt of the Financial Report (Tables A and B), the UNDP country office performs the following steps before submitting the Financial Report to UNDP headquarters no later than 30 days after the end of the quarter:

- Ensure that the Opening Balance agrees with the Closing Balance in the last Financial Report ;
- Verify that the Advance Received agrees with the UNDP country office records ;
- Validate the arithmetic of the report ;
- Check the reasonableness of the Outstanding Obligations, Planned Expenditures and Advance Requested to the programme/project budget, work plans and other documentation available ;
- Validate that the appropriate UN exchange rates were used ;
- Prepare and provide advances to the government executing agent ; and
- Sign and date the Country office approval/signature.

Financial Report

- (a) Government of _____
 (b) Programme/Project number ____
 Programme/Project title _____
 (c) For the period _____ to _____

Budget Revision: _(d)_ Source of Funds: _(e)_ Fund Classification: _(f)_

Currency: _(g)_ Opening UN Exchange Rate: _(h)_ Closing UN Exchange Rate: _(i)_

Table A (in Currency Advanced)

	(I)	(II)	(III)	(IV)	(V)	(VI)
			Period Amount:	Annual Budget:	Year-to-Date Exp:	Available Budget:
(j) Opening Balance:						
(k) Advance Received:						
(l) Available Funds:			(j) + (k)			
<u>Expenditures by Subline:</u>						
<u>Description</u>		<u>CMBL</u>				
Experts		11.01				
		11.02				
Consultants		11.50				
Administrative Support		13.01				
UNVs		14.01				
Duty Travel		15.01				
Mission Costs		16.01				
National Professionals		17.01				
Subcontracts		21.01				
Subcontracts		22.01				
Training - Fellowships		31.01				
Training - Group		32.01				
Training - In Service		33.01				
Miscellaneous		51.01				
Sundry		53.01				
Micro-Capital Credit		71.01				
Micro-Capital Grants		72.01				
(m) Total Expenditures						
(n) Closing Balance:			(l) - (m)			
(o) Outstanding Obligations:						
(p) Planned Expenditures:						
(q) Total Requirements :			(o) + (p)			
Ⓢ Less Closing Balance:			= (n)			
(s) Advance Requested:			(q) - (n)			

Continued on next page

Table B (in U.S. Dollars)

(I)	(II)	(III)	(IV)	(V)	(VI)
		Period Amount:	Annual Budget:	Year-to-Date Exp:	Available Budget:
(j) Opening Balance:					
(k) Advance Received:					
(l) Available Funds:					
<u>Expenditures by Sub-line:</u>					
<u>Description</u>	<u>CMBL</u>				
Experts	11.01				
	11.02				
Consultants	11.50				
Administrative Support	13.01				
UNVs	14.01				
Duty Travel	15.01				
Mission Costs	16.01				
National Professionals	17.01				
Subcontracts	21.01				
Subcontracts	22.01				
Training - Fellowships	31.01				
Training - Group	32.01				
Training - In Service	33.01				
Miscellaneous	51.01				
Sundry	53.01				
Micro-Capital Credit	71.01				
Micro-Capital Grants	72.01				
(m) Total Expenditures					
(n) Closing Balance:					
(t) Revalued Closing Balance :					
(v) Exchange Gain (Loss):					

Government approval/signature :
 Title:
 Date:

Country office approval/signature:
 Title:
 Date:

Annex F

REQUEST FOR DIRECT PAYMENT

Programme/project title :

Programme/project number :

The Resident Representative
UNDP
P.O. Box 1111
Anywhere in the world

Dear Sir/Madam,

In accordance with UNDP requirements, we hereby request that UNDP make the following payment to the payee listed below :

Amount : _____ For : *[insert name of the payee/supplier]*

This payment is being requested to procure/pay for : *[short description]*

Payment method : Cheque

Bank transfer

Budget line to charge : _____

Payee information: _____

For bank transfer only :

Name : _____

Bank : _____

Address : _____

Address : _____

Invoice No. _____

Account No. _____

Certification :

The undersigned authorized government official hereby certifies:

- that this payment has not previously been made ;
- that this payment is in accordance with the programme support document/project document;
- that this payment is covered by funds available in the programme support document/project budget ;
- that this payment is for goods and services that have been delivered to the satisfaction of the Government ;
- that copies of invoices and other supporting documentation will be available for audit verification.

Yours sincerely,

[Name and signature of authorized government official]

PAYMENT CONFIRMATION

[to be completed by UNDP and returned to the executing agent]

Payment details :

Amount paid : _____ Date : _____

Copies of supporting documents attached (where relevant) : _____

Signature :

Annex G

GUIDANCE ON AUDIT

This annex provides guidance to the executing agent, UNDP country offices and auditors on how to ensure and conduct audits for UNDP-supported programmes and projects, whether the audit is conducted by government audit authorities or independent, contracted audit firms. The concerned parties should in each case adapt the proposed instruments as necessary. These instruments are :

1. Audit plan;
2. Standard terms of reference for audit;
3. Standard contract for auditors;
4. Standard audit programme;
5. Checklist of documentation;
6. Checklist of issues for auditors;
7. Outline for the standard audit report.

1. AUDIT PLAN

The government coordinating authority, in consultation with the UNDP country office, draws up an annual audit plan by November. The audit plan lists the programmes and projects scheduled to be audited on that given year, considering whether the programme or project has previously been audited, the volume of funds, number of programmes and projects, workload, among other things.

The annual audit plan will be established based on the following :

- (a) Application of Financial Regulation 17.2, which states that a programme/project has to be audited at least once in its lifetime ;
- (b) Inclusion in the current year's audit of large programmes/projects, particularly if they were not included in the prior year's audit ;
- (c) Identification of problem programmes/projects ;
- (d) Identification and selection of programmes/projects for audit, if they are at the peak of their life-long delivery ;
- (e) The annual national execution audit plan must cover all expenditure incurred by the Government.

The annual national execution audit plan must reach UNDP headquarters (OAPR/NEXAS) by 15 January for review by the UNDP External Auditors. A listing of estimated total national execution expenditures must be sent to UNDP headquarters (OAPR/NEXAS) together with the annual audit plan for review purposes.

2. STANDARD TERMS OF REFERENCE FOR AUDIT

These terms of reference are to be used locally and adapted for each audit as necessary.
These terms of reference are attached to the audit contract/agreement.

1. Background

The General Assembly of the United Nations has established the United Nations Development Programme to support and supplement the national efforts of developing countries at solving the most important problems of their economic development and to promote social progress and better standards of life.

UNDP receives funds from donors, for which it is accountable, and allocates these funds to programme countries in support of sustainable human development programmes. National execution is an arrangement whereby UNDP entrusts these resources to national government authorities to undertake and manage UNDP-supported programmes/projects. The national government authority responsible for the overall management of the programme/project is called the executing agent.

Governments are responsible for the management, including audits, of all UNDP resources of nationally executed programmes/projects, and they are accountable to UNDP for the entirety of UNDP resources under their management. Each nationally executed programme/project must be audited at least once in its lifetime. The timing of an audit of a specific programme/project is determined by an audit plan established annually for each programme country.

2. Purpose

Under the overall supervision of the executing agent and in close collaboration with other concerned entities (the UNDP country office, the government coordinating authority, the implementing agents), the auditors will conduct audits of the programme/projects. The overall objective for the audit of nationally executed programmes/projects is to provide the UNDP Administrator with reasonable assurance and audit opinion that UNDP resources are being managed in accordance with:

- (a) The Government financial regulations, rules, practices and procedures ⁴;
- (b) The terms and conditions of the programme support document (PSD) or project document, including the delivery of planned outputs, the management and implementation arrangements, and the provisions for monitoring, evaluation, and reporting ; and
- (c) The UNDP procedures and standards for accounting, financial management and reporting of nationally executed programmes/projects.

3. Audit scope

The audit of nationally executed programmes/projects must cover, but is not necessarily limited to, the following:

- (a) Assessment of the rate of delivery;
- (b) Financial accounting, monitoring and reporting ;
- (c) Management systems for recording, documenting and reporting on resources utilization ;
- (d) Equipment use and management; and
- (e) Management structure, including the adequacy of appropriate internal control and record-keeping mechanisms.

4. Audit certification

The audit of nationally executed programme/project, as a minimum, must review the following aspects. If appropriate, the audit will confirm and certify that :

- (a) The disbursements are made in accordance with the activities and budgets of the PSD or project document ;
- (b) The disbursements are supported by adequate documentation ;

⁴ When the application of these regulations and rules cannot be undertaken by the Government, the Government may want to use the general policies and procedures set out in the relevant UNDP manuals and the UNDP procedures and Financial Regulations and Rules.

- (c) The financial reports are fairly and accurately presented ;
- (d) An appropriate management structure, internal controls and record-keeping systems are maintained ;
- (e) The executing agent and the UNDP country office have undertaken and have prepared reports for monitoring and evaluation of the substantive activities and of the management systems of the programme/project ; and
- (f) The procurement, use, control and disposal of non-expendable equipment are in accordance with the Government's or UNDP requirements.

5. Methodology and timetable

The audit is conducted in accordance with the professional judgement of the auditor, and with appropriate reference to:

- (a) The International Standards on Auditing (ISA), namely the standards on auditing promulgated by the International Federation of Accountants ;
- (b) Generally accepted common auditing standards in the programme country ;
- (c) The standards and terms of reference established for the United Nations Board of Auditors, which are described in the annex to the UNDP Financial Regulations and Rules.

The auditors must undertake the following activities, among others :

- (a) Consult with relevant units as necessary (the executing agent, the UNDP country office, implementing agents, the government coordinating authority, other concerned parties) ;
- (b) Obtain and analyse existing documentation ;
- (c) Review the procedures and systems currently in use (a standard audit programme is proposed in **annex G.4 of the UNDP Procedures for national execution**) ;
- (d) Perform test-checks on accounts and documents ;
- (e) Write the audit report with recommendation for action ;
- (f) Present the findings of the report to the parties concerned and submit five copies to the executing agent.

The timetable of the audit depends on the complexity of the programme/project to be audited. *[The executing agent should indicate duration of audit in these terms of reference or in the audit contract.]*

6. Sources of information

The executing agent and the UNDP country office, and other concerned entities as appropriate, must provide the auditors with all relevant information required by them for conducting the audit. A checklist of documentation is attached in **annex G.4 of the UNDP Procedures for national execution**.

7. The audit report

The auditors must produce an audit report, and shall do so to the extent possible, in the suggested format presented in **annex G.7 of the UNDP Procedures for national execution**.

The audit report must contain comments, observations and an opinion on each of the audit scopes above, as well as a general opinion on the programme/project.

Before finalizing the audit report, the auditors must discuss their findings with the executing agent, the government coordinating authority and the UNDP Resident Representative. The auditors will present or incorporate the responses in the audit report.

The auditors must submit the final audit report to the executing agent in five copies. The auditors must also stamp the latest annual financial report of programme/project dated 31 December, certified by the executing agent and attach it to the audit report.

The audit report must be forwarded by the UNDP country office to reach UNDP headquarters by 30 April following the year of audit.

3. STANDARD CONTRACT FOR AUDITORS

1. Identification of audit authority

It is primarily the responsibility of the executing agent to identify the auditing body, to fund the cost of audit out of its resources and to ensure that the audit is performed in accordance with generally accepted common auditing standards, while complying with UNDP audit requirements.

The audit is conducted by the Government's audit authority or by commercial auditors. The audit authority (government or independent) must be indicated in the PSD or project document. When the audit is performed by a commercial auditor, the executing agent establishes a contract with the auditing firm. On request of the executing agent, the UNDP country office may provide support for the identification of the commercial auditor.

2. Contracting auditors

(a) Legally recognized auditor of the Government

For audits undertaken by the government audit authority, the executing agent enters into an agreement with the audit authority. This agreement will reflect the national rules and regulations governing such audits. The modalities and the format of this agreement will vary from one country to another, depending on national rules and regulations.

(b) Commercial auditor

In the case of audit by a commercial auditor, audit firm, public accountant or other independently contracted audit authority, the format of the agreement and the terms of reference to be attached, must reflect the following basic information :

- (a) Audit objectives ;
- (b) Scope of audit;
- (c) Conduct of the audit;
- (d) The audit report;
- (e) Obligations and responsibilities of the parties (Government, UNDP, auditor);
- (f) Audit schedule;
- (g) Fees and payment schedule.

4. STANDARD AUDIT PROGRAMME

The auditors are responsible for organizing and conducting the audit. The focal point of the audit is the executing agent, and in particular the staff responsible for the programme/project management. The auditors must

also collaborate and consult with the UNDP country office, the Government coordinating authority and the implementing agents. The following are some of the steps that are normally followed for an audit of a nationally executed programme/project.

Step 1. Briefings with the concerned parties

The Government. Briefings with :

- The government coordinating authority, for general information on national execution in the programme country, to discuss any impediments to the smooth functioning of national execution, and information on the experience of the programme/project being audited ;
- The executing agent, including the staff responsible for programme/project management, for a detailed briefing on the objectives and activities of the programme/project, and to obtain for review documentation relating to the issues to analyze when conducting the audit ;
- The implementing agents, represented locally, to obtain information on the objectives and activities of the programme/project.

The UNDP country office. Briefings with :

- The country office management (Resident Representative, Deputy Resident Representative, programme and administration staff) on the nationally executed programme/project: its scope, the experiences with the programme/project, strengths and weaknesses of the national execution in the programme country and audit history;
- The Programme unit on the UNDP country office systems and procedures in support of the nationally executed programmes/projects ;
- The Programme/project Management and/or Programme Support Unit (PMU/PSU) for familiarization with the system, procedures and monitoring, evaluation and reporting activities ;
- The Administration and Finance units for familiarization with the financial accounting and reporting systems, the procurement systems, and controls, including the processing of payments.

Step 2 : Conduct of audit

Audit covering financial accounting, documenting and reporting

- Review accounting controls : general controls, internal accounting controls, certification and approval processes ;
- Review the UNDP provision of funds in response to requests for advances of funds and requests for direct payment by UNDP ;
- Review the expenditures of implementing agents, including those of United Nations agencies, according to the expenditure statements, the financial report and the combined delivery report ;
- Review the process for documentation and record-keeping of expenditures of implementing agents and of the executing agent ;
- Review disbursements made by the executing agent and the UNDP country office for conformity with programme/project activities, work plans and budgets, for validity and for compliance with the Government's (or UNDP) financial regulations, rules, practices and procedures ;
- Review financial reporting : Financial report and other relevant reports, with special emphasis on the process, timeliness and ability to produce the reports ;
- Review whether financial accounting, monitoring and reporting were undertaken according to the UNDP requirements for execution, according to the key considerations for execution (**annex A of the UNDP Procedures for national execution**).

Audit covering monitoring, evaluation and reporting

- Review whether programme/project monitoring, review and reporting according to the UNDP requirements and the PSD or project document were planned in writing and undertaken and that written reports were produced.

Audit covering non-expendable equipment

- Review the acquisition of equipment in accordance with the established procedures ;
- Review the procedures for recording acquisition and disposal of non-expendable property and obtain and review the non-expendable inventory ;
- Review ownership of equipment and ascertain whether transfer formalities have been carried out ;
- Compare the value of the inventory with the budget and transfer documents ;
- Review the use and control of the logbook of programme/project's vehicles ;
- Review the adequacy of the management and use of non-expendable equipment.

Audit covering management issues

- Review the management structure and the procedures for the staffing, internal controls and record-keeping systems to ensure that they are timely, adequate, and meet the needs of the programme/project in an effective and efficient manner ;
- Review the pace of expenditure and, where appropriate, determine and assess the causes of delays;
- Review the capacity of the executing agent to manage the programme/project ;
- Review the procedures and systems maintained by the executing agent regarding the implementation of the activities ;
- Verify the use of the key considerations for execution (**annex A of the UNDP procedures for national execution**) in the formulation and implementation phases of the programme/project ;
- Review the provision of implementation services provided by United Nations agencies ;
- Verify the existence of management support units, their location and functions. Check whether an exit strategy has been prepared, is up to date, realistic and observed ;
- Assess all of the above and, in the audit report, provide comments, observations and opinion on the delivery rate, the systems, the capacity and the quality of the programme/project management.

Audit covering UNDP country office support

- Review the records maintained; obtain list of government officials, together with their specimen signatures, authorized to sign the financial report, request for direct payment;
- Verify use of procedures in providing support services, and supporting documentation (requests, disbursement vouchers, inter-office vouchers, reports of the local contracts committee, personnel files, as appropriate) ;
- Verify the existence of the annex to the PSD or project document regarding country office support, and verify how support services were carried out according to the annex ;
- Verify the existence of the legal agreement on the provision of support services, and the existence of and documentation on capacity building measures and exit strategy ;
- Review timeliness of support services provided by UNDP ;
- Assess all of the above as well as the findings and provide comments, observations and opinion on the management and support services of the UNDP country office.

Step 3: Audit report

- Produce the audit report.
- Include in the audit report any comments, observations and an audit opinion on each of the following audit scopes:
 - (a) Status of implementation and rate of activities ;
 - (b) Adequacy of the management structure ;
 - (c) Financial operations and controls ;
 - (d) Monitoring, evaluation and reporting ;
 - (e) Equipment use and control.
- The audit report must draw attention to any exceptions not resolved satisfactorily with the UNDP country office, the executing agent or the government coordinating authority.
- The audit report must include recommendations for strengthening the management in any or all of the audit scope areas, or other areas.
- Before finalizing the audit report, discuss it with the following parties, and reflect their comments in the report :
 - (a) the executing agent, including the staff responsible for programme/project management ;
 - (b) the UNDP country office, including the Resident Representative and staff concerned with the programme/project ;
 - (c) the government coordinating authority.
- The final audit report will be submitted in five copies to the executing agent.

5. CHECKLIST OF DOCUMENTATION

To conduct the audit in an efficient manner, the auditors require access to the originals or copies of all relevant documents and files on the programme/project. The executing agent and the UNDP country office are responsible for ensuring that the following documentation, at a minimum, is available to the auditors for their work :

Document	Documentation should be available at	
	UNDP country office	Executing agent
Programme support document or project document	X	X
All budget revisions	X	X
The original and revised work plans	X	X
Financial ledgers of the UNDP programme	X	
Requests for advance of funds	X	X
Requests for direct payment by UNDP	X	X
Implementing agents' expenditure statement	X	X
The financial report	X	X
Combined delivery report	X	X
Disbursements and payment vouchers (DVs) with supporting documentation	X	X
Inter-office vouchers (IOVs)	X	X
Advances recoverable locally (ARL)	X	
Annual programme/project reports (APR)	X	X
Tripartite review reports	X	X
Evaluation reports, other review reports, the terminal report	X	X
Annual inventory of equipment	X	X
Logbooks for vehicles		X
Documents transferring ownership of equipment	X	X
List of government officials with specimen signatures, authorized to sign financial reports	X	X
United Nations operational exchange rates for the period audited	X	X
CPMP or other planning tool	X	X
UNDP Procedures for national execution	X	X
Procedures covering UNDP inputs to programmes/projects (Sections 30400 through 30403 of PPM)	X	X

6. CHECKLIST OF ISSUES FOR AUDITOR

Scope a : Assessment of the rate of delivery of the outputs

- Verify the regularity in updating the work plan.
- Verify if programme/project activities were undertaken on schedule and according to work plan.
- In case of implementation delays, review whether delays are due to:
 - (a) Difficulties with the recruitment of programme/project personnel ;
 - (b) Difficulties in the delivery of non-expendable equipment ;
 - (c) Difficulties in arranging subcontracting ;
 - (d) Other reasons, including emergencies or delayed action by the UNDP country office, implementing agents or other partners.
- Verify the level of expenditures incurred by:
 - (a) The executing agent through advances of funds ;
 - (b) The UNDP country office ;
 - (c) UNDP headquarters ;
 - (d) United Nations agencies serving as implementing agents.

Scope b : Financial accounting, monitoring and reporting

- Verify that the programme/project budget revisions were carried out regularly; that the annual mandatory budgets and rephasing was finalized no later than 10 June ;
- Ascertain the status of interest earned on advances of funds ;
- Verify that United Nations operational exchange rates have been applied to all financial transactions.

Scope c : Management systems for recording and reporting on resources and substantive activities

- Verify if the provisions in the PSD or project document meet the UNDP requirements with regard to programme/project review, reporting and evaluation.
- Verify if monitoring and evaluation activities were undertaken by the executing agent according to the PSD or project document, the UNDP requirements for execution as described in Capacity-building for execution: key considerations (**annex A of the UNDP Procedures for national execution**).
- Verify if management actions were planned and carried out by the UNDP country office.
- Verify if monitoring visits were planned and undertaken by UNDP country office staff and the executing agent .
- Verify if reports on monitoring visits and/or notes to the file were produced by UNDP country office staff and the executing agent.
- Verify if evaluations were performed as required.
- Discern difficulties encountered from programme/project reports, tripartite review reports, notes for file, evaluations and any other related document.
- Review follow-up of recommendations of reports by the executing agent and the UNDP country office.

Scope d : Equipment use and control

- Verify the management of the non-expendable equipment including the record-keeping systems for use and control.
- Verify if a detailed inventory of non-expendable equipment was maintained and physical verification carried out.
- Verify the formalities of transfer of ownership of non-expendable equipment.

Scope e : Management structure, including the adequacy of appropriate internal control and record-keeping mechanisms

- Test the adequacy of the financial record keeping system of the executing agent.
- Ascertain if the financial reports are prepared by the executing agent or by the UNDP country office.
- Test-checks of the books and records, the internal controls in the accounting and reporting process for propriety and adequacy including, but not limited, to the following:
 - (a) Authorization of transactions ;
 - (b) Proper certification and approval ;
 - (c) Proper supporting documentation ;
 - (d) Proper recording of transactions, including maintenance of payment history records ;
 - (e) Adequacy of procedures for budgetary classification of transactions ;
 - (f) Report preparation and review procedures.
- Review the originals or copies of the following documents to ensure regularity and propriety thereof. This includes the reconciliation between the records of the executing agent, the UNDP country office, UNDP headquarters and United Nations agencies:
 - (a) Financial reports ;
 - (b) Request for advance of funds ;
 - (c) Request for direct payments by UNDP ;
 - (d) Combined delivery reports ;
 - (e) Operating fund account statements prepared by UNDP headquarters ;
 - (f) Expenditure statements by United Nations agencies serving as implementing agents.
- Existence of an up-to-date list of government officials authorised to request advances or direct payment and their specimen signatures.
- Compliance by the UNDP country office with the authorized list of signatories.
- Cost recovery arrangements.
- Ascertain the adequacy of record keeping system :
 - (a) Management (PSD or project documents, budget revisions, reports and other) ;
 - (b) Financial operations (payment vouchers, supporting documents, books of accounts and reports) ;
 - (c) Property management (inventory reports, vehicle logs, physical inventory records and property identification);
 - (d) That the UNDP country office keeps the executing agent informed by providing it with copies of all documents generated by UNDP or received for the programme/project, including supporting documentation such as payment vouchers.
- Ascertain the adequacy of staffing :
 - (a) Timely recruitment and starting work ;
 - (b) Sufficient in numbers ;
 - (c) Qualified and competent for the duties and responsibilities.
- Ascertain ability to perform of budget revision tasks.
- Ascertain ability to perform monitoring and evaluation tasks.
- Ascertain the effectiveness of the collaboration with the UNDP country office.
- Ascertain the transfer of knowledge to the executing agent by UNDP.

Other

- Review the cover page of the PSD or project document to verify that :
 - (a) All concerned parties have signed ;

- (b) Government, UNDP, cost-sharing and other inputs are specified ;
- (c) The executing agent and implementing agents are named ;
- (d) The duration is specified.
- Review the PSD or project document to ascertain that :
 - (a) The development and immediate objectives, work plan, activities, outputs and benchmarks are stated clearly and, wherever possible, in measurable/observable (qualitative or quantitative) terms.
 - (b) The prior obligations and prerequisites to be undertaken by the Government, prior to the commencing of programme/project activities, have been met by the Government.
 - (c) Non-UNDP inputs, e.g., government and cost-sharing in cash and/or kind, as stipulated in the PSD/project document, have been made in a timely manner that did not delay implementation of the programme/project activities.
- Verify that the programme/project inputs are being managed in accordance with the provisions of the PSD or project document and related provisions in the PPM:
 - (a) Personnel, including consultants, experts, both national and international, and administrative support personnel. ;
 - (b) Subcontracts, performance and reporting by contractors ;
 - (c) Training (fellowships, group training, in-service training, workshops, seminars).
- Verify that Capacity-building for execution : key considerations were applied and the findings recorded (**Annex A of the UNDP Procedures for national execution**).
- Verify if management support units exist, where they are located, and how they are managed, and whether an exit strategy has been prepared, is up to date, realistic and observed.
- Review the provision of support services by the UNDP country office, including the existence of the letter of agreement and annex to the PSD or project document regarding country office support, how support services were carried out according to the annex, the use of procedures in providing support services, and supporting documentation (list of government officials, requests, disbursement vouchers, inter office vouchers, reports of the local contracts committee, as appropriate).

Completion of the programme/project

- For programmes/projects that have come to the end of their activities, the audit will, in addition to above issues, ascertain if :
 - (a) The programme/project has been declared operationally completed.
 - (b) The programme/project has been declared financially closed.
- If not, obtain an update from the UNDP country office and the executing agent.
- If yes, ensure that following final reports have been prepared by the executing agent and forwarded to the UNDP country office:
 - (a) Financial report;
 - (b) Combined delivery report ; and
 - (c) Budget revision (FINREV).
- Budget revisions were prepared for operationally completed programmes/projects and final revisions were done in a timely manner for financially closed programmes/projects.
- Any unspent balances of advances of funds have been or are being returned at the financial completion of the programme/project.
- The formalities for disposal of non-expendable equipment have been carried out.
- The value of equipment on the final revision (FINREV) is identical to the value on the last inventory.
- The final tripartite review meeting occurred and was documented in a report.
- The terminal report was prepared.

7. OUTLINE OF STANDARD AUDIT REPORT

The executing agent shall retain one copy for itself, one copy for the programme/project management, and forward three copies to the UNDP Resident Representative; one copy for the UNDP country office and two copies for submission to the UNDP/OAPR prior to but not later than 30 April following the year of audit. The government coordinating authority shall also receive a copy.

The audit report shall include, but not be limited to, the following elements :

I. INTRODUCTION

In terms of the scope of work identified in letter [*number of letter*]/Terms of reference/contract dated [*date of letter to auditors*] and also in terms of the provisions contained in programme support document/project document [*programme/project number and title*] financed by UNDP, and the Government of [*programme country*] we carried out an audit of the transactions pertaining to this programme/project for the period ending 31 December [*year*].

II. BACKGROUND

The programme support [*or project*] document was signed on [*date of approval of document*] with the following contributions :

(a)	Government of [<i>programme country</i>]	USD
(b)	UNDP	USD
(c)	Other inputs	USD
	TOTAL	USD

The programme/project commenced its operations as from [*day, month, year*] with an estimated duration of [*insert number of years or months*] years/months; with a detailed workplan of activities and target dates against which outputs are to be produced.

III. SCOPE OF AUDIT

The audit was conducted in conformity with the provisions of the programme support/ project document, generally accepted common auditing standards, and the principles and procedures prescribed for the United Nations with respect to funds obtained from or through UNDP. The audit accordingly included such tests of accounting records, internal controls and other procedures as were considered essential for due performance of this audit. Discussions on management and accountability were held with the Resident Representative and his/her staff, the government coordinating authority, executing agent and [*insert other parties consulted*].

The audit opinion is limited to the funds received and expenditures incurred by the Government, and the opinion does not cover expenditures incurred by United Nations organizations. [*This is called a scope restriction and is used for expenditures incurred on behalf of the programme or project by United Nations agencies acting as implementing agents or by the UNDP country office providing support to national execution. Audit of these expenditures are carried out by the appointed auditors of those organizations.*]

IV. THE AUDIT REPORT WITH OVERALL OPINION ON: [*insert opinion for points a-d below*]

- (a) Financial operations and controls:
- (b) Adequacy of the management structure:
- (c) Equipment use and control:
- (d) Monitoring, evaluation and reporting:

V. EXECUTIVE SUMMARY

[Insert a brief summary on the main findings and recommendations]

VII. OBSERVATIONS, FINDINGS AND RECOMMENDATIONS

[Insert a detailed description of the main findings and recommendations, and indicate who is responsible for follow-up of each recommendation. Incorporate responses from the parties concerned after consultation with them.]

Except for the matters referred to in paragraphs *[insert appropriate paragraphs from section 4]* above, we, based on the audit work carried out by us, believe that:

- (a) The rate of programme/project delivery is as per the workplan ;
- (b) The disbursements have been made in accordance with the programme support document/project document; financial rules, regulations, practices and procedures of the Government; and, in the absence of financial governance of the Government, are in accordance with UNDP rules and regulations;
- (c) The programme/project disbursements are valid and supported by adequate documentation;
- (d) The programme/project financial statements present fairly and accurately the financial position at the end of the period audited ;
- (e) The equipment management is proper ;
- (f) An appropriate financial management structure, internal controls and record keeping systems are maintained by the programme/project management.

Name and signature of auditor

Enclosures :

Report with observations, findings, and recommendations ;

Combined delivery report ;

Financial report *[stamped/certified by auditors]*