

003/2012



Contract for Professional Consulting Services
between
United Nations Development Programme
and
ERNST & YOUNG

PAID
VID #

[Handwritten initials]

Date: 15th March 2012

Dear Sir/Madam,

**Ref.: PROVISION OF AUDIT SERVICES FOR UNDP ELECTION
SUPPORT PROJECT (ESP)**

The United Nations Development Programme (hereinafter referred to as "UNDP"), wishes to engage your organization duly incorporated under the Laws of United Republic of Tanzania (hereinafter referred to as the "Contractor") in order to perform services in respect of Audit Services of Election Support Project (ESP), in accordance with the following Contract:

1. Contract Documents

- 1.1 This Contract is subject to the UNDP General Conditions for Professional Services attached hereto as Annex I. The provisions of such Annex shall control the interpretation of this Contract and in no way shall be deemed to have been derogated by the contents of this letter and any other Annexes, unless otherwise expressly stated under section 4 of this letter, entitled "Special Conditions".
- 1.2 The Contractor and UNDP also agree to be bound by the provisions contained in the following documents, which shall take precedence over one another in case of conflict in the following order:
- a) this letter;
 - b) the Terms of Reference advertised as part of the RFP dated 25th January 2012, attached hereto as Annex III;
 - c) the Contractor's technical proposal Ref. UNDP/TZA/RFP/2012/002, dated 8th February 2012.
- 1.3 All the above shall form the Contract between the Contractor and UNDP, superseding the contents of any other negotiations and/or agreements, whether oral or in writing, pertaining to the subject of this Contract.

2. Obligations of the Contractor

- 2.1 The Contractor shall perform and complete the Services described in Annex II with due diligence and efficiency and in accordance with the Contract.
- 2.2 The Contractor shall provide the services of the following key personnel:

<u>Name</u>	<u>Specialization</u>
Mr. Joseph Sheffu	Partner
Ms. Vida Ndilahna	Senior Manager
Mr. Stephen Audax	Senior Auditor
Ms. Gloria Bendera	Auditor
Mr. Michael Ngalaba	Auditor

- 2.3 Any changes in the above key personnel shall require prior written approval of Mr. Titus Osundina, Deputy Country Office/Operations, UNDP.
- 2.4 The Contractor shall also provide all technical and administrative support needed in order to ensure the timely and satisfactory performance of the Services.
- 2.5 The Contractor shall submit to UNDP the deliverables specified in the TOR.
- 2.6 All reports shall be written in the English language, and shall describe in detail the services rendered under the Contract during the period of time covered in such report. All reports shall be transmitted by the Contractor by mail to the address specified in 9.1 below.
- 2.7 The Contractor represents and warrants the accuracy of any information or data provided to UNDP for the purpose of entering into this Contract, as well as the quality of the deliverables and reports foreseen under this Contract in accordance with the highest industry and professional standards.

3. Price and Payment

- 3.1 In full consideration for the complete and satisfactory performance of the Services under this Contract, UNDP shall pay the Contractor a fixed contract price of USD 21,450.00 (U.S. Dollars Twenty One Thousand Four Hundred and Fifty only).
- 3.2 The price of this Contract is not subject to any adjustment or revision because of price or currency fluctuations or the actual costs incurred by the Contractor in the performance of the Contract.
- 3.3 Payments effected by UNDP to the Contractor shall be deemed neither to relieve the Contractor of its obligations under this Contract nor as acceptance by UNDP of the Contractor's performance of the Services.
- 3.4 UNDP shall effect payments to the Contractor after acceptance by UNDP of the invoices submitted by the Contractor to the address specified in 9.1 below, upon achievement of the corresponding milestones and for the following amounts:

<u>Milestone</u>	<u>%</u>	<u>Amount (USD)</u>	<u>Target date</u>
First installment upon submission of the Draft Audit Reports to RAC-ESA and UNDP Tanzania	60%	12,870.00	16 th April 2012
2 nd installment following OAI, RAC-ESA Acceptance as Satisfactory of the Final Audit Reports submitted.	40%	8,580.00	27 th April 2012

Invoices shall indicate the milestones achieved and corresponding amount payable.

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4. Special conditions

No special conditions apply.

5. Submission of invoices

- 5.1 An original invoice shall be submitted by mail by the Contractor for each payment under the Contract to the following address:

UNDP Office, International House, Garden Avenue/Shaabab Robert Street
Dar es Salaam, Tanzania.

- 5.2 Invoices submitted by fax shall not be accepted by UNDP.

6. Time and manner of payment

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

- 6.2 All payments shall be made by UNDP to the following Bank account of the Contractor:

Bank Name: Akiba Commercial Bank
Branch Name: Main - Branch ID: 6700
Name of account: Ernst & Young - Account No. 055 000 1004
Bank ID 12 - DFI Qualifier: 02 - DFI ID: AKCOTZTZ

7. Entry into force. Time limits.

- 7.1 The Contract shall enter into force upon its signature by both parties.

- 7.2 The Contractor shall commence the performance of the Services on 26th March 2012 and shall complete the Services within the period specified in the attached work plan but no later than 27th April 2012.

- 7.3 All time limits contained in this Contract shall be deemed to be of the essence in respect of the performance of the Services.

8. Modifications

- 8.1 Any modification to this Contract shall require an amendment in writing between both parties duly signed by the authorized representative of the Contractor and the Deputy Country Director (Operations), UNDP.

9. Notifications

For the purpose of notifications under the Contract, the addresses of UNDP and the Contractor are as follows:

For UNDP:

International House
Garden Avenue/Shaaban Robert Street
PO Box 9182
Dar Es Salaam, Tanzania
e-mail: registry.tz@undp.org

For the Contractor:

Name: Ernst & Young, Certified Accountants
Address: Utalii House, 36 Laibon Road, Oysterbay P.O. Box 2475, Dar es Salaam, Tanzania
Tel: +255-22-2667227/7368/6853
Fax: +255-22-2666948/6869
e-mail: info.tanzania@tz.ey.com Website: www.ey.com/tz

If the above terms and conditions meet with your agreement as they are typed in this letter and in the Contract Documents, please initial every page of this letter and its attachments and return to this office one original of this Contract, duly signed and dated.

Yours sincerely,



Titus Osundina
Deputy Country Director (Operations)

For Audit Services for Election Support Project (ESP)

Agreed and Accepted:

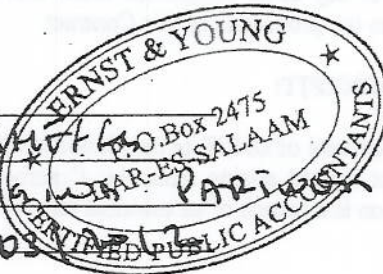
Signature: _____

Name: _____

Title: _____

Date: _____

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ANNEX I

UNDP GENERAL CONDITIONS OF CONTRACT FOR SERVICES



1.0 LEGAL STATUS:

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

2.0 SOURCE OF INSTRUCTIONS:

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

3.0 CONTRACTOR'S RESPONSIBILITY FOR EMPLOYEES:

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

4.0 ASSIGNMENT:

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

5.0 SUB-CONTRACTING:

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

6.0 OFFICIALS NOT TO BENEFIT:

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

7.0 INDEMNIFICATION:

The Contractor shall indemnify, hold and save harmless, and defend, at its own expense, UNDP, its officials, agents, servants and employees from and against all suits, claims, demands, and liability of any nature or kind, including their costs and expenses, arising out of acts or omissions of the Contractor, or the Contractor's

employees, officers, agents or sub-contractors, in the performance of this Contract. This provision shall extend, inter alia, to claims and liability in the nature of workmen's compensation, products liability and liability arising out of the use of patented inventions or devices, copyrighted material or other intellectual property by the Contractor, its employees, officers, agents, servants or sub-contractors. The obligations under this Article do not lapse upon termination of this Contract.

8.0 INSURANCE AND LIABILITIES TO THIRD PARTIES:

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

9.0 ENCUMBRANCES/LIENS:

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

10.0 TITLE TO EQUIPMENT:

Title to any equipment and supplies that may be furnished by UNDP shall rest with UNDP and any such equipment shall be returned to UNDP at the conclusion of this Contract or when no longer needed by the Contractor. Such equipment, when returned to UNDP, shall be in the same condition as when delivered to the Contractor, subject to normal wear and tear. The Contractor shall be liable to compensate UNDP for equipment determined to be damaged or degraded beyond normal wear and tear.

11.0 COPYRIGHT, PATENTS AND OTHER PROPRIETARY RIGHTS:

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

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

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

13.0 CONFIDENTIAL NATURE OF DOCUMENTS AND INFORMATION:

Information and data that is considered proprietary by either Party and that is delivered or disclosed by one Party ("Discloser") to the other Party ("Recipient") during the course of performance of the Contract, and that is designated as confidential ("Information"), shall be held in confidence by that Party and shall be handled as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

14.0 FORCE MAJEURE; OTHER CHANGES IN CONDITIONS

14.1 In the event of and as soon as possible after the occurrence of any cause constituting force majeure, the Contractor shall give notice and full particulars in writing to the UNDP, of such occurrence or change if the Contractor is thereby rendered unable, wholly or in part, to perform its obligations and meet its responsibilities under this Contract. The Contractor shall also notify the UNDP of any other changes in conditions or the occurrence of any event that interferes or threatens to interfere with its performance of this Contract. On receipt of the notice required under this Article, the UNDP shall take such action as, in its sole discretion, it considers to be appropriate or necessary in the circumstances, including the granting to the Contractor of a reasonable extension of time in which to perform its obligations under this Contract.

14.2 If the Contractor is rendered permanently unable, wholly, or in part, by reason of force majeure to perform its obligations and meet its responsibilities under this Contract, the UNDP shall have

the right to suspend or terminate this Contract on the same terms and conditions as are provided for in Article 15, "Termination", except that the period of notice shall be seven (7) days instead of thirty (30) days.

14.3 Force majeure as used in this Article means acts of God, war (whether declared or not), invasion, revolution, insurrection, or other acts of a similar nature or force.

14.4 The Contractor acknowledges and agrees that, with respect to any obligations under the Contract that the Contractor must perform in or for any areas in which the UNDP is engaged in, preparing to engage in, or disengaging from any peacekeeping, humanitarian or similar operations, any delays or failure to perform such obligations arising from or relating to harsh conditions within such areas or to any incidents of civil unrest occurring in such areas shall not, in and of itself, constitute force majeure under the Contract.

15.0 TERMINATION

15.1 Either party may terminate this Contract for cause, in whole or in part, upon thirty (30) days notice, in writing, to the other party. The initiation of arbitral proceedings in accordance with Article 16.2 ("Arbitration"), below, shall not be deemed a termination of this Contract.

15.2 UNDP reserves the right to terminate without cause this Contract at any time upon 15 days prior written notice to the Contractor, in which case UNDP shall reimburse the Contractor for all reasonable costs incurred by the Contractor prior to receipt of the notice of termination.

15.3 In the event of any termination by UNDP under this Article, no payment shall be due from UNDP to the Contractor except for work and services satisfactorily performed in conformity with the express terms of this Contract.

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

16.0 SETTLEMENT OF DISPUTES

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

16.2 **Arbitration:** Any dispute, controversy, or claim between the Parties arising out of the Contract or the breach, termination, or invalidity thereof, unless settled amicably under Article 16.1, above, within sixty (60) days after receipt by one Party of the other Party's written request for such amicable settlement, shall be referred by either Party to arbitration in accordance with the UNCITRAL Arbitration Rules then obtaining. The decisions of the arbitral tribunal shall be based on general principles of international commercial law. For all evidentiary questions, the arbitral tribunal shall be guided by the Supplementary Rules Governing the Presentation and Reception of Evidence in International Commercial Arbitration of the International Bar Association, 28 May 1983 edition. The arbitral tribunal shall be empowered to order the return or destruction of goods or any property,

whether tangible or intangible, or of any confidential information provided under the Contract, order the termination of the Contract, or order that any other protective measures be taken with respect to the goods, services or any other property, whether tangible or intangible, or of any confidential information provided under the Contract, as appropriate, all in accordance with the authority of the arbitral tribunal pursuant to Article 26 ("Interim Measures of Protection") and Article 32 ("Form and Effect of the Award") of the UNCITRAL Arbitration Rules. The arbitral tribunal shall have no authority to award punitive damages. In addition, unless otherwise expressly provided in the Contract, the arbitral tribunal shall have no authority to award interest in excess of the London Inter-Bank Offered Rate ("LIBOR") then prevailing, and any such interest shall be simple interest only. The Parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such dispute, controversy, or claim.

17.0 PRIVILEGES AND IMMUNITIES:

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

18.0 TAX EXEMPTION

18.1 Section 7 of the Convention on the Privileges and Immunities of the United Nations provide, inter alia that the United Nations, including its subsidiary organs, is exempt from all direct taxes, except charges for public utility services, and is exempt from customs duties and charges of a similar nature in respect of articles imported or exported for its official use. In the event any governmental authority refuses to recognize the United Nations exemption from such taxes, duties or charges, the Contractor shall immediately consult with the UNDP to determine a mutually acceptable procedure.

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

19.0 CHILD LABOUR

19.1 The Contractor represents and warrants that neither it, nor any of its suppliers is engaged in any practice inconsistent with the rights set forth in the Convention on the Rights of the Child, including Article 32 thereof, which, inter alia, requires that a child shall be protected from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical mental, spiritual, moral or social development.

19.2 Any breach of this representation and warranty shall entitle UNDP to terminate this Contract immediately upon notice to the Contractor, at no cost to UNDP.

20.0 MINES:

20.1 The Contractor represents and warrants that neither it nor any of its suppliers is actively and directly engaged in patent activities, development, assembly, production, trade or manufacture of mines or in such activities in respect of components primarily utilized in the manufacture of Mines. The term "Mines" means those devices defined in Article 2, Paragraphs 1, 4 and 5 of Protocol II annexed to the Convention on Prohibitions and Restrictions on the Use of Certain

Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects of 1980.

20.2 Any breach of this representation and warranty shall entitle UNDP to terminate this Contract immediately upon notice to the Contractor, without any liability for termination charges or any other liability of any kind of UNDP.

21.0 **OBSERVANCE OF THE LAW:**

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

22.0 **SEXUAL EXPLOITATION:**

22.1 The Contractor shall take all appropriate measures to prevent sexual exploitation or abuse of anyone by it or by any of its employees or any other persons who may be engaged by the Contractor to perform any services under the Contract. For these purposes, sexual activity with any person less than eighteen years of age, regardless of any laws relating to consent, shall constitute the sexual exploitation and abuse of such person. In addition, the Contractor shall refrain from, and shall take all appropriate measures to prohibit its employees or other persons engaged by it from, exchanging any money, goods, services, offers of employment or other things of value, for sexual favors or activities, or from engaging in any sexual activities that are exploitive or degrading to any person. The Contractor acknowledges and agrees that the provisions hereof constitute an essential term of the Contract and that any breach of this representation and warranty shall entitle UNDP to terminate the Contract immediately upon notice to the Contractor, without any liability for termination charges or any other liability of any kind.

22.2 The UNDP shall not apply the foregoing standard relating to age in any case in which the Contractor's personnel or any other person who may be engaged by the Contractor to perform any services under the Contract is married to the person less than the age of eighteen years with whom sexual activity has occurred and in which such marriage is recognized as valid under the laws of the country of citizenship of such Contractor's personnel or such other person who may be engaged by the Contractor to perform any services under the Contract.

23.0 **AUTHORITY TO MODIFY:**

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

ANNEX II

TERMS OF REFERENCE OF AUDIT SERVICES

1. AUDIT OBJECTIVES – Purpose of audit

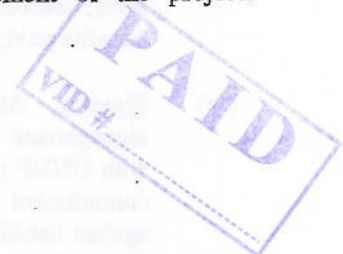
The selected firm shall conduct an audit in accordance with International Standards of Auditing to determine the regularity of the receipt, custody, expenditure, and accounting for UNDP resources and assess the overall operational and internal control system for management of the project. Specifically the auditors shall:

- 1.1 Express an opinion on whether the Combined Delivery Report (statement of expenditure), including disbursements and encumbrances of the 2010 Election Support Project for the period from 30/06/2009 to 31/10/2011 presents fairly, in all material respects, expenditures incurred on the projects; and whether these expenditures were incurred: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; (iv) in accordance with donor grant terms; and (v) supported by properly approved vouchers and other supporting documents.
- 1.2 Express an opinion on whether the projects' statement of assets as at 31/10/2011 presents fairly, in all material respects, the balance of inventory of the projects.
- 1.3 Provide an overall assessment of the operational and internal control systems that are in place for the management of the 2010 Election Support Project so that related transactions are processed in accordance with UNDP policies and procedures and for the achievement of the projects objectives.

2. SCOPE OF AUDIT

2.1 The audit shall:

- (i) Cover all activities of the project(s) during the period from 30/06/2009 to 31/10/2011.
- (ii) Review all project reports and records located at the UNDP Tanzania office in Dar es Salaam. This includes:
 - a) The Combined Delivery Report (CDR)/ Statement of Expenditure of the 2010 Election Support Project for the period from 30/06/2009 to 31/10/2011, as reported by UNDP office in Tanzania.
 - b) The Statement of Assets of the 2010 Election Support Project as at 31/10/2011.



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2.2 In order to achieve the audit objectives in paragraph 1.1 to 1.4 and the review of the operations mentioned in paragraph 2.1, the audit shall cover the following areas:

- (i) Organization and Staffing: Assess the organization structure of the project in terms of its effectiveness and efficiency for the management of the project, taking into account the framework of authorities, workflows, staffing levels and necessary internal controls including the different levels of delegated authority for different operational functions and distribution of project management responsibilities to achieve project goals while ensuring appropriate segregation of duties in general so as to minimize risks.
- (ii) Programme and project management: Assess the management aspects in terms of project approvals *including incorporating Local Project Appraisal Committee recommendations into the project document), work plans, budget formulation, project resources, monitoring and evaluation of implementation towards achievement of project objectives including constitution and functioning of project Board, field visits, review meetings and the coordination and consultation mechanisms with the stakeholders, and periodic project progress reporting against planned objectives and work plans; In addition, the areas of coverage of such authorization; (ii) business unit capacity assessment for implementation of DIM projects; (iii) Exit strategy and national capacity building; (iv) identifying and recovering costs attributable to implementing the project.
- (iii) Human Resources: Assess timeliness of recruitment of competent personnel for clearly defined tasks and responsibilities through a competitive and transparent process and the continued management of project personnel including review of their performance, and the payment of salaries and allowances in accordance with UNDP HR policies. In respect of casual or other staff not subject to UNDP HR policies and who are temporarily loaned or seconded from the local authorities for engagement at the field level, control of their assignments and the appropriateness of the salary, allowances and benefits paid;
- (iv) Finance: Assess the adequacy of the accounting and reporting systems used for the management of project resources; and the adequacy of internal controls for compliance with UNDP policies with respect to the safe custody and adequate management of cash, commitment of expenditures against approved budget, disbursement or payments against liabilities and cash advances to field offices, project staff, etc..
- (v) Procurement: Assess whether goods (supplies, equipment) and services for the project are procured competitively and in a transparent manner in accordance with UNDP policies and procedures; and these are of a quality and quantity that are actually required for the projects. The review shall cover the integrity of the entire procurement process from the initial identification of needs, the formulation of specifications, solicitation of bids/tenders/proposals from vendors, evaluation of vendor offers in response to solicitations, the award of contracts, the appropriate assessment of goods or services delivered and the payment for received goods or services and monitoring performance of the contractors.

- (vi) Assets Management: Assess whether project assets are adequately recorded, safeguarded, monitored, including periodic physical verification of their use and existence, and controlled to ensure that the assets are adequately used and only for project purposes. Assets are defined as all items with an acquisition value exceeding \$1,000 (such as vehicles and office equipment), or, for attractive items, exceeding \$400¹, the costs of which are charged to the project expenditure or which are received in kind as donations from third parties.
- (vii) Cash Management: Review the safeguarding of all cash (including bank accounts) held separately for the purposes of the project either in the UNDP country office or at the project field offices, including cash held as advances or imprest in any sub-office or field office.
- (viii) Information Systems: Assess the efficiency and security of the information systems established and maintained from project funds and their adequacy to meet the management and reporting requirements of the projects.
- (ix) General Administration: These include areas of operations not specifically covered above and for which expenditures are charged to the project covering such areas as: travel of project staff, use and maintenance of project vehicles, shipping services, lease and maintenance of office premises and facilities, communications, and records maintenance.
- (x) Follow up on previous audits: Assess the status of implementation of the previous audits' recommendations done within the last three years.

3. AUDIT PLANNING AND FIELDWORK

- 3.1 The auditors will conduct the audit on behalf of UNDP Office of Audit and Investigations (OAI) and will be under the general supervision of the Chief of OAI's Regional Audit Centre for Eastern and Southern Africa (RAC- ESA). Any major changes in the terms of reference shall be cleared with the Chief, who will notify OAI Director/Deputy Director, as deemed necessary.
- 3.2 The timelines for fieldwork and reporting shall be agreed with the Chief of the RAC-ESA.
- 3.3 Any audit-related issue during fieldwork shall be reported to and resolved with the Chief of the RAC-ESA.

4. REPORTING

- 4.1 As a result of the audit work performed, the audit reports and certifications for each of the DIM projects that have been audited shall include:
 - (i) A certification of, and audit opinion on the Combined Delivery Report (CDR)/ statement of expenditure of each of the UNDP DIM projects for the period from 30/06/2009 to 31/10/2011 that are listed in Attachment II and referred to in 1.1;

¹ Refer to UNDP policies and procedures for more clarification and details

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- (ii) A certification of, and audit opinion on the Statement of Assets as at 31/10/2011, held each of the directly implemented project in accordance with paragraph 1.2.; and

The above certifications shall be substantially in the form required by UNDP, outlined in Appendix C to this Attachment. The certifications shall be attached to the related financial statements of each of the directly implemented UNDP projects which should include, as applicable, relevant notes to the statements being certified.

4. 2 A management letter that identifies, as a result of the financial audit, observations regarding areas of improvements in the overall operational and control systems of the DIM projects. It should cover all the areas specified in the objectives and scope mentioned in paragraphs 1 and 2 above. Where an area of audit specified in paragraph 2.2 is either not included in the work undertaken or not covered in the management letter, the reasons for not doing so must be clearly provided in an appropriate section.

The management letter shall contain:

- (i) An Executive Summary that captures the important issues raised in the management letter.
- (ii) Detailed assessment of each audit area that captures the audit issues and recommendations as follows:
- Issue Title: A summarized version of the "audit condition" should be stated in a phrase, not a complete sentence.
 - Observation: This should present a brief background statement, then describe the criteria (The criteria could be any of the following: regulations, rules, policies, procedures, generally accepted standards, stated programme objectives, Office-defined expectations, best practices, or basically what measures the audit team used in making an evaluation and/or verification); the condition (= what is, or the situation that exists); the cause or the reason for the difference between the expected and actual conditions; and lastly describe the consequence or effect or impact/risk should the issue(s) remain unresolved.
 - Cause: Identify the root causes of the current condition, and classify them in accordance with the definition of causes in Appendix A to this Attachment;
 - Risk: Identify and classify the risks in accordance with the definition of risks in Appendix A to this Attachment;
 - Priority: State the priority of recommendation as High or Medium, in accordance with the definition of priority in Appendix A to this Attachment;
 - Recommendation: Spell out the next steps or actions in order to resolve the issue. The recommendation should address the root causes identified as causing the current condition
 - Management comments: Incorporate management's response to the audit findings and recommendations
 - Responsible manager: the management should identify a staff member responsible for the implementation of the audit recommendations
 - Expected completion date: the management should indicate when the audit recommendation will be completed.

- Auditors' response: If management agrees with the recommendation, then there is no need for an Auditors response. When management does not agree with the recommendation and the auditor decides to retain the recommendation, a response should be stated here, elaborating on the reason why the recommendation is considered valid.
- (iii) Provide an overall rating for each of the ten areas specified in paragraph 2.2 scope of audit. Each audit area should be rated in accordance with the definition of standard audit ratings contained in Appendix B to this Attachment.
- 4.3 The draft audit report and certifications shall be prepared and submitted simultaneously to the UNDP Office in Tanzania for comments and to OAI RAC-ESA for review within 20 working days after the completion of the audit fieldwork.
 - 4.4 The selected firm shall ensure that the comments of the management of the UNDP Office in Tanzania on the audit observations and recommendations are obtained in writing prior to their inclusion in the final audit report and certifications.
 - 4.5 The final audit report shall focus on matters considered significant for the UNDP CO in Tanzania and/or UNDP as a whole.
 - 4.6 The English language shall be used for all related reports and correspondence.
 - 4.7 In addition to the general supervision provided by the Chief RAC-ESA, OAI reserves the right to review the supporting audit working papers as part of the review of the draft audit report. The review may be done on-site or through remote access to the electronic working papers. Alternatively, the auditors may be required to submit working papers to the RAC-ESA for desk review. In addition, OAI may at its discretion seek feedback from concerned units on the quality of the audit services rendered by the selected firm.

5. AUDITORS' PROFESSIONAL QUALIFICATIONS

The Principal of the audit firm should have at least 10 years of audit experience. The audit of the each project shall be led by a Professional Accountants such as Chartered Accountant (CA), Chartered Certified Accountant (CCA) or Certified Public Accountant (CPA) or Expert Compatible.

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

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

Curriculum vitae (CVs) should be provided to the client by the principal of the firm of auditors who would be responsible for signing the opinion, together with the CVs of managers, supervisors and key personnel proposed as part of the audit team. The Principal of the audit firm should have at least 15 years of post-qualification audit experience.

6. FACILITIES PROVIDED BY UNDP

Office space including internet access and telephone facilities for official use and activities related to the assignment.

7. FACILITIES PROVIDED BY THE CONTRACTOR

All other facilities will be provided by the Contractor including transportation to and from the project site, stationary etc.

Appendix A to ANNEX II (TOR)

Priorities of Audit Recommendations, Causes and Categories of Risk

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

The following categories of priorities are used:

- High** Action is considered imperative to ensure that UNDP is not exposed to high risks. Failure to take action could result in major consequences and issues.
- Medium** Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.
- Low** Action is considered desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the Auditors directly with the Country Office management, during the exit meeting and through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in the management letter.

The following categories of causes are used (most are self-explanatory, hence no definition is necessary):

- Lack of or inadequate corporate policies or procedures
- Lack of or inadequate country office policies or procedures
- Lack of or inadequate guidance or supervision at country office level
- Inadequate oversight by Headquarters bureaux
- Lack of or insufficient resources (specify: financial, human, or technical resources)
- Inadequate planning
- Inadequate training
- Human error
- Intentional overriding of internal controls
- Inadequate management structure

The audit issues, if not resolved, constitute a risk. The following categories are used to classify the risks:

- **Environmental** This pertains to natural disasters, pollution incidents and social and cultural, security and safety, and economic risks.
- **Financial** This pertains to external economic factors (such as interest rates, exchange rate fluctuation, inflation) and internal economic factors (such as co-financing difficulties, use of financing mechanisms, funding, reserve adequacy, currency, receivables, accounting/financial reporting, budget allocation and management, cash management/reconciliation, pricing/cost recovery).

- **Organizational** This pertains to institutional arrangements; institutional/execution capacity; implementation arrangements; country office capacity; governance; culture, code of conduct and ethics; accountability and compensation; succession planning and talent management; human resources processes and procedures.
- **Operational** This pertains to process efficiency, operations-related human error/incompetence, internal controls, internal and external fraud, compliance and legal, procurement, technology, physical assets, infrastructure failure, and safety being compromised.
- **Programmatic** This pertains to risks relating to complex project design (size, larger/multi-country projects, technical complexity, innovativeness, multiple funding sources), project management, programme-/project-related human error/incompetence, poor monitoring and evaluation, delivery, and programme management.
- **Political** This pertains to corruption, government commitment, political will, political instability, change in government, armed conflict and instability, adverse public opinion/media intervention.
- **Regulatory** This pertains to new unexpected regulations and policies; critical policies or legislation fails to pass or progress in the legislative process.
- **Strategic** This pertains to partnerships failing to deliver; strategic vision, planning and communication; leadership and management; programme alignment; competition; stakeholder relations; UNDP reputation; UN coordination; UN reform.

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Appendix B to Attachment III

Definition of Standard Audit Ratings

Definition of Performance:

Within the operational audit context, performance refers to the economy, efficiency, and effectiveness of operations under management's control. Operational audits assess the extent to which resources are acquired and utilized with due regard to economy and efficiency and whether management has put in place mechanisms to accurately monitor and assess whether programs are meeting planned objectives. Operational audits do not report on the achievement of results.

Performance also refers to the manner in which activities are conducted – i.e. whether they are conducted in accordance with UNDP values. UNDP values encompass the notions of prudence and probity, as well as the necessity of taking acceptable risks.

Standard Rating

Definition

Satisfactory

Internal controls and risk management practices were adequately established and functioning well. No high risk areas were identified. Overall, the office objectives are likely to be achieved.

Partially Satisfactory

Internal controls and risk management practices were generally established and functioning, but needed improvement. One or more high and medium risk areas were identified that may impact on the achievement of office objectives

Unsatisfactory

Internal controls and risk management practices were either not established or not functioning well. The majority of issues identified were high risk. Hence, the overall office objectives are not likely to be achieved.



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Appendix C to Attachment II (TOR)

Format for Financial Certifications

I. Sample Certification for Statement of Expenditure

We have audited the accompanying statement of expenditure ("the statement") of the UNDP project [insert project number], [insert official title of project] for the period from dd/mm/yyyy to dd/mm/yyyy. The statement is the responsibility of the management of <name/title> project. Our responsibility is to express an opinion on the statement based on our audit.

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

Option 1: (Unqualified)

In our opinion, the attached statement of expenditure presents fairly, in all material respects, the expenditure of [insert amount in US\$] incurred by the project [insert official title of project] for the period from dd/mm/yyyy to dd/mm/yyyy in accordance with the accounting policies set out in the note to the statement. The expenditures incurred were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.

Option 2: (Qualified - a negative audit opinion)

In our opinion, the attached statement of expenditure, except for the reasons indicated above in paragraphs (1), (2), (3), etc., presents fairly in all material respects the expenditure of [insert amount in US\$] incurred by the project for the period from dd/mm/yyyy to dd/mm/yyyy in accordance with the accounting policies set out in the note to the statement.

Option 3: (Disclaimer - a negative audit opinion)

We were unable to obtain (explanation and reasons for disclaimer stated here) and accordingly are unable to express an opinion on the statement of expenditure of [insert amount in US\$] incurred by the project and audited by us for the period from dd/mm/yyyy to dd/mm/yyyy.

Option 4: (Adverse - a negative audit opinion)

We noted (explanations for adverse opinion to be clearly stated). As such, we do not express an opinion on the statement of expenditure, of [insert amount in US\$] incurred by the project and audited by us for the period from dd/mm/yyyy to dd/mm/yyyy.

II. Sample Certification for Statement of Assets

We have audited the accompanying schedule of assets ("the schedule") of the UNDP project number [insert project number], [insert official title of project] as at dd/mm/yyyy. This schedule is the responsibility of the management of the project. Our responsibility is to express an opinion on the statement based on our audit.

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

Option 1: (Qualified)

In our opinion, the attached statement of inventory presents fairly, in all material respects, the balance of inventory of the UNDP project number [insert project number], amounting to [insert amount in US\$] as at dd/mm/yyyy in accordance with the accounting policies set out in the note to the schedule.

Option 2: (Qualified - a negative audit opinion)

In our opinion, the attached statement of inventory, except for the reasons indicated above in paragraphs (1), (2), (3), etc., presents fairly in all material respects the balance of inventory of [insert amount in US\$] incurred by the project for the period as at dd/mm/yyyy in accordance with the accounting policies set out in the note to the schedule.

Option 3: (Disclaimer - a negative audit opinion)

We were unable to obtain (explanation and reasons for disclaimer stated here) and accordingly are unable to express an opinion on the statement of inventory of [insert amount in US\$] incurred by the project and audited by us as at dd/mm/yyyy.

Option 4: (Adverse - a negative audit opinion)

We noted (explanation and reasons for adverse opinion stated here). As such, we do not express an opinion on the statement of inventory, of [insert amount in US\$] incurred by the project and audited by us as at dd/mm/yyyy.

Auditor's Signature

Date

Address



Receipt
14673

Purchase Order

Renalda

Dispatch via Print

PO Number TZA10-0000012004	Date 30/03/2012	Revision	Page 1
Payment Terms Immediate	Freight / Incoterms DES	<i>FYA</i>	Ship Via Common
Buyer Fina Masaro fina.masaro@undp.org	Phone Tel: Fax:	<i>A</i>	Currency USD
Approver Gertrude LYATUU		<i>2/6</i>	

Tanzania
LOT 134-140
KINGSWAY/MAFINGA STREET
(OFF KINONDONI ROAD)
P.O. BOX 9182
DAR ES SALAAM
Tanzania
Tel: 266-8000
Fax: 266-8749



Vendor: 0000005423
ERNST & YOUNG
TALII HOUSE
6 LAIBON ROAD OYSTERBAY
P.O. BOX 2475
DAR ES SALAAM
Tanzania

Ship To: PLOT 134-140
KINGSWAY/MAFINGA STREET
(OFF KINONDONI ROAD)
P.O. BOX 9182
DAR ES SALAAM
Tanzania
Tel: 266-8000
Fax: 266-8749

V# 59469

Bill To: PLOT 134-140
KINGSWAY/MAFINGA STREET
(OFF KINONDONI ROAD)
P.O. BOX 9182
DAR ES SALAAM
Tanzania
Tel: 266-8000
Fax: 266-8749

Ln-Sch Item	Description	Quantity	UOM	Due Date	Unit Price	Line Total
1-1 84111601S	Consultancy fee, First installment upon submission of the draft Audit Reports to RAC-ESA and UNDP Tanzania - 60% installment upon submission of the draft audit reports >>	1.00	LS	23/03/2012	12,870.00	12,870.00
2-1 84111601S	Consultancy fee, 2nd installment following OAI, RAC-ESA. Acceptance as satisfactory of the final audit reports submitted	1.00	LS	23/03/2012	8,580.00	8,580.00



Please note, payments to be effected as per the contract for professional consulting services
0.003/2012

Total PO Amount USD 21,450.00

Authorized Signature

