UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

MOROCCO

Report No. 1141

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Report on the audit of UNDP Morocco
Executive Summary

From 2 to 16 April 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in Morocco (the Office). The audit covered the activities of the Office during the period from 1 January to 31 December 2012. During the period reviewed, the Office recorded programme and management expenditures totalling $17 million. The last audit of the Office was conducted by OAI in 2007.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

OAI assessed the Office as **satisfactory**, which means "Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity." Ratings per audit area and sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				
1.1 Organizational structure and delegations of authority	Satisfactory			
1.2 Leadership, ethics, and values	Satisfactory			
1.3 Risk management, planning, monitoring, and reporting	Satisfactory			
1.4 Financial sustainability	Satisfactory			
2. United Nations system coordination				
2.1 Development activities	Satisfactory			
2.2 Resident Coordinator Office	Satisfactory			
2.3 Role of UNDP – "One UN"	Satisfactory			
2.4 Harmonized Approach to Cash Transfers	Partially Satisfactory			
3. Programme activities				
3.1 Programme management	Partially Satisfactory			
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3.3 Project management	Partially Satisfactory			
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4.3 Procurement	Satisfactory			
4.4 Information and communication technology	Satisfactory			
4.5 General administration	Satisfactory			
4.6 Safety and security	Satisfactory			
4.7 Asset management*	Partially Satisfactory			
4.8 Leave management*	Satisfactory			
4.9 Global Environment Facility*	Not Applicable			

* Cross-cutting themes

Key issues and recommendations

The audit raised six issues and resulted in six recommendations, all of which were ranked medium (important) priority, meaning "Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to address:

- Lapses in the HACT process, including delay in completing the macroassessment
- Weaknesses in outcome and project evaluations
- Weaknesses in project closure
- Weaknesses in asset management

Cross-cutting themes

As part of the OAI 2013 Annual Work Plan, all Country Office audits will include specific areas to be reviewed in more depth. Results from all audits will be compiled and analysed at corporate level, and thereafter, a consolidated report will be issued separately. For this particular audit, the following were noted:

- **Asset management**. Partially Satisfactory. Weaknesses were noted in asset management and include the Office's use of a vehicle (over several years) purchased under a nationally implemented project's budget, lack of oversight over project assets, and assets of directly implemented projects not managed in Atlas (refer to Issue 6).

- **Leave management**. Satisfactory. No reportable issues noted.

- **Global Environment Facility**. No reportable issues noted.

Management comments and action plan

The Resident Representative of UNDP Morocco accepted all six recommendations and is in the process of implementing them.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. Introduction

From 2 to 16 April 2013, OAI conducted an audit of UNDP Morocco. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit scope and objectives

OAI audits assess the adequacy and effectiveness of the governance, risk management, and control processes in order to provide reasonable assurance to the Administrator regarding the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with legislative mandates, regulations and rules, policies and procedures. They also aim to assist the management of the Office and other relevant business units in continuously improving governance, risk management, and control processes.

Specifically, this audit reviewed the following areas of the Office: governance and strategic management, United Nations system coordination, programme activities, and operations. The audit covered relevant activities during the period from 1 January to 31 December 2012. During the period reviewed, the Office recorded programme and management expenditures totalling $17 million. The last audit of the Office was conducted by OAI in 2007.

II. About the Office

The Office is located in Rabat, Morocco (the Country) and at the time of the audit, it employed 33 staff members, of which 4 were international staff members. The personnel also included seven service contract holders and four United Nations Volunteers. The Office was implementing the Country Programme covering the period from 2012 to 2016.The main outcomes were: (a) consolidating sustainable development; (b) reducing gender vulnerabilities and inequalities; and (c) consolidating democratic governance.

III. Detailed assessment

1. Governance and strategic management	Satisfactory

OAI reviewed the 2012 Integrated Work Plan, the balanced scorecard, the executive snapshot, and delegations of authority. The audit team further discussed with management and staff, the need to follow up on potential issues identified during the planning phase.

1.1 Organizational structure and delegations of authority	Satisfactory

According to the Internal Control Framework, the head of office has overall responsibility for establishing and maintaining adequate internal controls in his/her office, and for ensuring that the office internal control procedures are documented. It adds that there must be a segregation of duties in order to implement an appropriate level of checks and balances upon the activities of individuals, and therefore to minimize the risk of or to detect error or fraud.

OAI noted that one staff member held both human resources administrator and global payroll administrator roles in Atlas, which can lead to the creation of fictitious employees and the possibility of making payments to them. The Office took corrective action during the mission. Therefore, no audit recommendation was made.

No other reportable issues were identified.

1.2 Leadership, ethics, and values	Satisfactory

Discussions with the Office management and Staff Association showed that there was good communication and strong working relationships in the Office. The 2012 Global Staff Survey results were above the UNDP average.

OAI reviewed the level of completion of the Ethics course and noted that only 63 percent of the staff had completed the course. Following the audit mission, the Office set a deadline for all staff to complete the mandatory training and as a result, all staff completed their mandatory training courses. Therefore, no audit recommendation was made.

No other reportable issues were identified.

1.3 Risk management, planning, monitoring, and reporting	Satisfactory

The Office identified two major risks and was monitoring them on a regular basis. The Office determined that none of the risks required escalation to Headquarters.

No reportable issues were identified.

1.4 Financial sustainability	Satisfactory

The Office had an extrabudgetary reserve of 28 months, which was well above the 12 month target and the average in the Arab States region.

No reportable issues were identified.

2. United Nations system coordination	Satisfactory

The United Nations Country Team includes the following agencies: FAO, IFAD, ILO, OIM, UNAIDS, UNCTAD, UNECA, UNESCO, UNFPA, UNHABITAT, UNHCR, UNICEF, UNDP, UNIDO, UNODC, UNOPS, World Bank, and WHO. OAI met with two United Nations agencies that assessed the cooperation within the United Nations Country Team as positive.

For the period 2008-2013, there were 19 joint programmes involving multiple United Nations agencies for a total budget of $43.8 million. Of the 19 joint programmes, 13 programmes for a total budget of $39.8 million were closed in 2012 and 6 programmes for a total budget of $4 million were new joint programmes and were initiated in 2012.

2.1 Development activities	Satisfactory

The United Nations Development Assistance Framework (UNDAF), which covers the period from 2012 to 2016, identified five main development priorities in line with national development goals and which were conceptualized in the Common Country Assessment. This was later developed based on existing national data and analyses and was officially endorsed in October 2010 during a workshop attended by resident and non-resident United Nations agencies, government, official institutions, donors, and non-governmental organizations.

The simplified UNDAF was complemented by an operational document, which is the UNDAF Action Plan. The UNDAF Action Plan is used by all agencies as the reference document in annual UNDAF reviews. It was developed in a participatory and inclusive process. Moreover, it serves as a reference for all agencies to develop the annual workplans or projects. The UNDAF Action Plan has definitely helped UN agencies avoid the divide between UNDAF outcomes and Country Programme results (outcomes, outputs).

In addition to reviewing the UNDAF Action Plan along with its annexes, OAI met with two United Nations agencies to seek their feedback. Both agencies were satisfied with the UNDAF Action Plan as a strategic document for UN work in the Country.

No reportable issues were identified.

2.2 Resident Coordinator Office	Satisfactory

OAI reviewed the Resident Coordinator Office's staffing and annual work plan, the allocation and management of funds for the Resident Coordinator Office, the UN Country Team minutes of meetings, as well as the joint programmes and the annual reports submitted to the United Nations Development Group. In OAI discussions with the United Nations agencies, all expressed satisfaction with the work performed by the Resident Coordinator Office as well as the support provided in moving forward the United Nations agenda in the Country.

No reportable issues were identified.

2.3 Role of UNDP - "One UN"	Satisfactory

Following a regional United Nations Development Group workshop on the "Delivering as One" approach in Cairo in March 2010, attended by the Resident Coordinator and some United Nations Country Team members, the United Nations agencies decided in April 2010 to adopt the Delivering as One approach for the next programme cycle (2012-2016). A number of meetings were organized to move the agenda forward between the United Nations Country Team and the Government.

OAI reviewed the progress made towards implementing the Delivering as One approach.

No reportable issues were identified.

2.4 Harmonized Approach to Cash Transfers	Partially Satisfactory

Issue 1   Lapses in the HACT process, including delays in completing the macroassessment

The Framework for Harmonized Approach to Cash Transfers (HACT) lists several minimum conditions to be met prior to transferring cash to implementing partners. These include: (a) conducting a macroassessment of the existing Public Financial Management system once per programme cycle; (b) conducting a microassessment of partners that are expected to receive cash transfers above an established annual amount; and (c) establishing an assurance plan and implementing assurance activities in the form of, inter alia, periodic on-site reviews of the implementing partner's financial records as they pertain to the cash advances received. Where the audit of the implementing partners will be conducted by a National Supreme Audit Institution, a capacity assessment of this institution should be conducted to determine if it has the adequate level of capacity to undertake these audits.

The Office and other United Nations agencies introduced the HACT modality in 2008 and have been considered HACT compliant since then. However, OAI noted the following weaknesses which may impact this level of compliance:

- A macroassessment was not conducted prior to United Nations Development Assistance Framework approval, back in 2012. A draft was submitted to the United Nations Country Team on 10 April 2013.
- Microassessments of implementing partners were not conducted for the new programming cycle.
- Only two spot checks were organized for the entire year in 2012.
- The Supreme Audit Institution's capacity assessment was not conducted by an external partner but by the institution itself. However, following the audit mission, the Office was able to commission an updated capacity assessment, which was conducted by an independent consultant.

Failure to fully satisfy the minimum conditions of the HACT framework would result in the Office being considered as not in compliance with HACT.

Priority	Medium (Important)
Recommendation 1:	
To continue to be considered HACT-compliant, the Office should strengthen the HACT process and ensure that: (a) a macroassessment and microassessments are conducted for the new programming cycle;	

(b) an assurance plan is established and adhered to, and should include conducting spot checks, programmatic visits, special audits, and scheduled audits; and

(c) the result of an independent capacity assessment indicates that the Supreme Audit Institution has the adequate level of capacity to perform the audit of implementing partners.

Management comments and action plan: __√__ Agreed   ____ Disagreed

(a) Discussions are under way with the two concerned UN Executive Committee Agencies to develop a consolidated plan for the microassessment of pre-identified implementing partners. This exercise will be finalized before year end.

(b) An assurance plan has been finalized; the first spot check took place in June 2013. The remaining missions will be carried out during the 4th quarter of the year according to the schedule agreed upon.

(c) The draft of the macroassessment was validated by the three agencies on 10 April 2013, and the final report was submitted on 2 May. This report includes an assessment of the capacity of the Supreme Audit Institution.

3. Programme activities	Partially Satisfactory

OAI reviewed the Country Programme Document which covered the period from 2012 to 2016. The main outcomes were derived from national priorities and from the UNDAF Action Plan as follows:

(a) achieving the Millennium Development Goals;

(b) strengthening decentralization and the fight against corruption in support of human development; and

(c) supporting national strategies for sustainable development.

The total budget required for achieving these goals was estimated to be $18.2 million, of which $16.3 million was from core resources. In addition, 66.5 percent of the total budget was allocated to achieving goal 3.

OAI reviewed the design, approval and monitoring of the Country Programme Document and noted that a considerable amount of participation and consultation took place with the main government counterpart and other national partners. OAI also noted that adequate monitoring of the Country Programme and regular meetings with the government counterparts were taking place.

3.1 Programme management	Partially Satisfactory

Issue 2   Weak outcome and project evaluations

According to the UNDP Handbook on Planning, Monitoring and Evaluating for Development Results, the most common decentralized evaluations are project and outcome evaluations. It adds that the conduct of outcome evaluations during the programme cycle is mandatory for all programme units in UNDP. The Handbook strongly recommends commissioning project evaluations, particularly of pilot programmes, before replication or up-scaling of projects that are going into a next phase, and projects of more than five years in duration.

OAI noted that two of the three outcome evaluations that were planned in the previous Country Programme Document (2007-2011) were not carried out. Furthermore, two out of five projects planned for evaluation were

not conducted. Finally, the Office implemented a second phase of a local governance project (ID 47187) called ART GOLD (Appui aux Réseaux Thématiques et Territoriaux pour la Gouvernance et le Développement Local) without conducting any evaluation. For the programme cycle (2012-2016), the Office was planning to conduct seven project evaluations in 2012, however, none were completed. The Office reported that the lack of a French-speaking consultant was one of the challenges it faced.

Failure to carry out the evaluations, as planned, places the Office's reputation at risk. Evaluations allow the Office to identify changes in the development environment and to update the Country Programme Document and the Country Programme Action Plan, as required, in order to obtain the desired development results.

Priority	Medium (Important)
Recommendation 2: The Office should perform its outcome/project evaluations as planned and upload all evaluation reports into the Evaluation Office's database.	
Management comments and action plan: __√__ Agreed ____ Disagreed As part of a United Nations Country Team-wide commitment to strengthen monitoring and evaluation functions underpinning the 2012-2016 UNDAF, and in complement to a full-time Monitoring and Evaluation Officer in the Resident Coordinator's Office, the UNDP Country Office has established a post for a full-time Evaluation Officer, filled on 1 August 2011. With refocused management attention, this additional resource will enable the Office to meet corporate evaluation requirements at the expected standards of quality and timing, and to strengthen development results and impact.	

3.2   Partnerships and resource mobilization   Satisfactory

The main contributors to the current or previous Country Programme were: the Government (through the Ministry of Foreign Affairs), local authorities, and the Global Environment Facility. In addition, the Government continued paying the Local Contributions to the Office on a yearly basis. OAI met with the government counterpart, who expressed satisfaction with the results achieved and the quality of programmes.

No reportable issues were identified.

3.3   Project management   Partially Satisfactory

The Office was implementing a new Country Programme for the period 2012-2016.

OAI reviewed six projects, as indicated below, representing 57 percent of the programme budget and 63 percent of the programme delivery for 2012. The OAI review included project initiation and monitoring.

Four other projects were also reviewed to assess their proper operational and financial closure.

Atlas reflects the project status at any given point in time. Its data is useful for decision-making regarding effectiveness of project management controls and other management decisions. OAI noted some exceptions in

the way projects were entered or managed in Atlas and the Office addressed these issues promptly and therefore no recommendation was made. These included:

- A total of 32 projects had an end-date prior to 2012, and yet were still listed as ongoing.
- A total of 90 projects showed exceptions in Atlas, such as: No Associated Award, No Institution Entered, No Project Department, Invalid Project Type, No Project Manager.
- A total of 188 projects were not linked to the Office programme tree, thus not reflecting the corporate distribution of UNDP resources by thematic area.

In addition, OAI identified one medium priority issue as follows:

Issue 3   <u>Weaknesses in project closure</u>

According to the Programme and Operations Policies and Procedures, the steps that offices are required to perform for the purpose of closing a project include: preparing minutes of the final project review; preparing a final project review report/final lessons learned report; preparing a final combined delivery report; and agreeing on the transfer or disposal of project assets.

In four financially closed projects selected for testing, the following were missing:

- Minutes of the Final Project Review (Project ID: 00013692)
- Final project Review Report/Final Lessons Learned Report (Project IDs: 00070346, 00013692)
- Final Combined Delivery Report (Project IDs: 00070346, 00013692)
- Agreement for the transfer of assets (Project IDs: 00070272, 00070346, 00056766, 00013692)

Weak project closure activities may result in the organization losing track of achieved results, the loss of assets, and continued liability if outstanding obligations remain.

Priority	Medium (Important)
Recommendation 3: The Office should enhance project closure activities and ensure that all actions that are required for project closures are properly implemented.	
Management comments and action plan: __√__ Agreed ____ Disagreed All missing pieces listed above will be completed and the Office will revisit its business processes to ascertain whether all critical steps of project closure are properly implemented.	

4. **Operations**	**Satisfactory**

4.1 Human resources	**Satisfactory**

The audit field work included the review of 8 out of 10 recruitments, 3 separations during the period under review, staff entitlements, and the management of service contracts. OAI found that in general, human resources

activities were well managed and there were good internal controls in place to ensure that related tasks were carried out in an effective manner.

Good practice identified: The Office developed a checklist on how to use e-services in Atlas to ensure that staff understand and use it as required. The Office confirmed that 100 percent of staff used e-service.

No reportable issues were identified.

4.2 Finance	Satisfactory

During the period under review, the Office processed about 6,200 payments totalling $18 million. OAI reviewed 42 payments totalling $5.2 million or 29 percent of the total expenditures.

Good practices identified: The Office developed a checklist for processing the reimbursement of the value-added taxes on purchases to ensure that reimbursement is submitted to the relevant government authority in a timely manner. The checklist identified steps, deadlines and the persons responsible.

In addition, OAI noted that the Office developed a special voucher stamp which showed the requisition number, purchase order number, and dates of approvals. This helped track the original request, and ensured that a requisition and purchase order were created prior to creating the voucher.

One issue of medium importance was noted in regard to the recording of nationally executed project expenditures.

Issue 4   Lapses in the recording of nationally executed project expenditures

The correct use of the Chart of Accounts is critical for accurate financial management and donor reporting. It ensures that transactions are recorded in the appropriate account to facilitate effective analysis and information for decision making.

In the review of a sample of 59 transactions totalling $6.3 million, OAI noted that there were at least five instances where the account codes seemed inappropriate and/or different from the one on the Funding Authorization and Certificate of Expenditures report. These totalled $906,900. In four out of five, the account '72105, Svc Co-Construction & Engineer' was used while the activity description on the Funding Authorization and Certificate of Expenditures form was for animal farming and student fellowships.

The incorrect use of account codes may result in inaccurate financial statements.

Priority	Medium (Important)
Recommendation 4: The Office should strengthen the controls for the recording of expenditures for nationally implemented projects and ensure that the correct account codes are used in the Funding Authorization and Certificate of Expenditures forms and in recording expenditures.	

Management comments and action plan:	__√__ Agreed	____ Disagreed

Comment well taken. This issue will be specifically reflected in training workshops that the Office will conduct for programme and project counterpart staff.

4.3 Procurement   Satisfactory

The Office recorded 292 purchase orders with a value of $1.8 million during the period under review. The Office had a standard delegation of authority for procuring goods and services up to $100,000. OAI reviewed the procurement process by interviewing the procurement staff and testing a sample of 28 purchase orders valued at $0.6 million, or about 33 percent of the total value of items procured using purchase orders during the audit period.

OAI noted that in 2012, the Office's procurement of travel services from one vendor exceeded the $100,000 threshold even though no valid long-term agreement existed with the vendor. However, the procurement of travel services was not submitted to the Regional Advisory Committee on Procurement as required by the Programme and Operations Policies and Procedures. Furthermore, the Office did not request a quote from at least three vendors for travel services. The Office explained that the selection of a new long-term agreement for travel was in its final stage, and agreed to ensure that quotes from at least three suppliers would be obtained until finalization of the long-term agreement.

Issue 5   Inadequate use of purchase orders

The Programme and Operations Policies and Procedures give guidance on the use of purchase orders as well as non-purchase order procurements, including small value purchases of under $2,500, advances to implementing partners or payment services on behalf of other United Nations agencies.

OAI noted the following weaknesses:

- There were five travel related transactions totalling $116,000, where the Office did not systematically raise purchase requisitions and purchase orders as required by the Programme and Operations Policies and Procedures.
- There were five instances where the Office procured goods and services amounting to $117,000, but had not raised the corresponding purchase order until the final invoice was received from the vendors for products already delivered or services already rendered. By not creating a purchase order when a commitment was made with the vendor, the necessary funds needed to honor the contractual obligation were not encumbered, thus increasing the risk that funds would not be available at the time of payment.
- Purchase orders were created for non-procurement activities. The Office raised purchase orders for activities such as execution of agency service requests and direct payment requests from projects. A purchase order was not necessary since the action did not constitute a procurement activity, but merely the execution of a third party request to pay.

The incorrect use of purchase orders provides an inaccurate picture of the procurement volume, and could lead to inadequate managerial decisions based on incorrect data.

Priority	Medium (Important)

Recommendation 5: The Office should strengthen its procurement practices by adhering to existing policies and guidance for the use of purchase orders by: (a)   complying with the Programme and Operations Policies and Procedures regarding the creation of purchase orders for all travel related procurement and purchases greater than $2,500; and (b)   creating purchase orders when commitments are made with vendors rather than at the time of payment.

Management comments and action plan: __√__ Agreed   ____ Disagreed Well noted. The Office will trace back the concerned transactions to see how to strengthen procurement practices so as to prevent any recurrence.

4.4 Information and communication technology   Satisfactory

This area was assessed as low priority during the planning stage. Limited review was conducted during fieldwork and included a follow-up on the disaster and recovery plan as well as a physical inspection of the server room.

No reportable issues were identified.

4.5 General administration   Satisfactory

OAI reviewed general administration activities, including travel and transportation, common services, and premises related matters. A review of a sample of 22 travel payments amounting to $71,000 showed two instances where travel entitlements were misinterpreted by the Office. For example, the penalty for an itinerary change was paid by the Office, while the reason for the changes could not be verified as being business related. Furthermore, one travel claim did not have the appropriate certification to support the payment of supplementary Daily Subsistence Allowance. The Office did not consider that a certification letter was necessary since the traveler provided the original hotel invoice. These issues were discussed with Office management who agreed to take action to ensure that the travel policy is consistently applied according to the Programme and Operations Policies and Procedures.

No other reportable issues were identified.

4.6 Safety and security   Satisfactory

Security level 2 was in effect for the Country during the audit fieldwork. The UNDP Resident Representative was the Designated Official responsible for managing the security of the United Nations in the Country. The Office was compliant with the Minimum Operating Security Standards according to the last compliance evaluation completed on 23 January 2013.

OAI noted that the screening of visitors' vehicles did not include opening the trunk and hood, and searching inside the vehicle for suspicious packages. After the field work, the Office took action by issuing a memorandum addressing the full screening of visitors' vehicles prior to entering the office compound.

No other reportable issues were identified.

4.7 Asset management	**Partially Satisfactory**

Issue 6   <u>Weaknesses in asset management</u>

The Programme and Operations Policies and Procedures require that assets under use and control of UNDP be capitalized, including all assets acquired for projects implemented through Country Office support to national implementation modality and direct implementation modality.

In 2009, the Office purchased a vehicle on a nationally implemented project's budget (award 43456) for its own use. The Office stated that it did not have the funds to purchase the vehicle, hence the project agreed to this arrangement. However, the Office was unable to provide any signed agreement with the government counterparts to use the project's funds in this way. The Office finally transferred the vehicle to the project in 2012; however, the transfer was incorrectly labeled in the transfer documents as Office support to the project.

Furthermore, there was a lack of oversight over project assets. As a result, OAI noted assets not included in the asset listing despite the mid-year and annual physical inventory count done in 2011 and 2012. For example, eight laptops purchased by project ART GOLD (ID 47187) were neither included in the asset listing, nor tracked as attractive items as stated in the Programme and Operations Policies and Procedures and Internal Control Framework. According to the voucher, each laptop cost more than $1,000 (capitalization threshold in 2011), and should have been included in the asset listing or at least tracked as attractive items. Additional assets purchased in 2012 and not in the asset listing included two desktops and two servers.

Since 1 January 2012, all directly implemented project assets acquired and that apply to the "used-and-controlled by UNDP" principle should be managed in Atlas. At the time of the audit fieldwork, the assets of directly implemented projects were not managed in Atlas.

Failure to properly record all assets in Atlas will lead to a misrepresentation of the total value of UNDP assets and can lead to assets being lost or misused.

Priority	Medium (Important)
Recommendation 6: The Office should strengthen its asset management process by: (a) discontinuing the use of budgets of nationally implemented projects to fund Office-related expenditures; and (b) ensuring all assets are properly recorded in Atlas. This should include assets of directly implemented projects that are used and controlled by the Office.	
Management comments and action plan: __√__ Agreed ____ Disagreed Comments well taken. (a) The use of a nationally implemented project budget to fund an office-related activity was an exceptional situation created well before the start of the audit. Office management put an end to it as a matter of priority. The process of transferring the vehicle back to the project was initiated in May 2012. (b) Assets related to the ART GOLD programme (directly implemented project) are already included in our 2013 mid-year certification.	

4.8 Leave management	**Satisfactory**

The OAI review of leave management included the management of attendance records, calculation of home leave entitlements, accuracy of leave balances and the extent to which e-services was used by the Office.

No reportable issues were identified.

4.9 Global Environment Facility	**Not Applicable**

The Office was implementing seven projects funded partially or fully from the Global Environment Facility with a total contribution of $9.7 million and a total budget of $18 million. OAI reviewed the following projects:

1. 53906 - Energy Efficiency Codes in Res
2. 59653 - Gestion PCBs -Pilier

The OAI review included project formulation and initiation, project oversight, financial management, resource mobilization, project closure, and knowledge management.

The Office was able to provide all required documents and demonstrated good monitoring of project implementation.

No reportable issues were identified.

ANNEX.   Definitions of audit terms - ratingsand priorities

A.   AUDIT RATINGS

In providing the auditors' assessment, the Internal Audit Services of UNDP, UNFPA, UNICEF, and WFP use the following harmonized audit rating definitions. UNDP/OAI assesses the Country Office or audited HQ unit as a whole as well as the specific audit areas within the Country Office/HQ unit.

- **Satisfactory**   Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity. *(While all UNDP offices strive at continuously enhancing their controls, governance and risk management, it is expected that this top rating will only be achieved by a limited number of business units.)*

- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity. *(A partially satisfactory rating describes an overall acceptable situation with a need for improvement in specific areas. It is expected that the majority of business units will fall into this rating category.)*

- **Unsatisfactory**   Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised. *(Given the environment UNDP operates in, it is unavoidable that a small number of business units with serious challenges will fall into this category.)*

B.   PRIORITIES OF AUDIT RECOMMENDATIONS

The audit recommendations are categorized according to priority, as a further guide to UNDP management in addressing the issues. The following categories are used:

- **High (Critical)**   Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP and may affect the organization at the global level.

- **Medium(Important)**   Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP.

- **Low**   Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.