

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

BRAZIL

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Report on the Audit of UNDP Brazil Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Brazil (the Office) from 4 to 15 April 2016. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, business continuity, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – “One UN”, Harmonized Approach to Cash Transfers);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security).

The audit covered the activities of the Office from 1 January 2014 to 31 December 2015. The Office recorded programme and management expenditures of approximately \$159.8 million. The last audit of the Office was conducted by OAI in 2012.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **partially satisfactory**, which means, “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.” This rating was mainly due to weaknesses identified in the areas of in organizational structure, human resources, finance, and procurement.

Key recommendations: Total = **9**, high priority = **4**

The nine recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1	High
	3, 5	Medium
Reliability and integrity of financial and operational information	4	Medium
	8	High
Effectiveness and efficiency of operations	2, 9	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	6	High
	7	High

For high (critical) priority recommendations, 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. All high (critical) priority recommendations are presented below:

Weaknesses in
organizational structure
and unclear roles and
responsibilities
(Issue 1)

The audit noted the following weaknesses: (a) there were unclear roles within the Office and the newly created Joint Operations Facility; (b) reporting lines in the Programme Unit followed a project-based rather than programme-based structure, which impacted efficiency; (c) there was insufficient operational support for programme implementation and the post of the Operations Manager remained vacant for over five years; (d) Office personnel working in the Programme Unit undertook similar functions under different contractual modalities, which caused a sense of imbalance; (e) finance and procurement lead roles were assigned to the same individual (intended as a temporary measure); (f) the Information, Communications and Technology Unit was found to be very large in relation to it being mainly focused on software development; (g) two units were managed as development projects, which was not aligned to their Terms of Reference and reporting lines; and (h) UNDP was represented by a service contractor at the United Nations House, instead of by a UNDP staff member.

Recommendation 1: The Office should undertake a review and update its organizational structure and the functions of all units in order to: (a) clarify roles, responsibilities and accountabilities, including the Joint Operations Facility requirements, and the Programme Unit; (b) ensure adequate operational support for programme activities; (c) match the Internal Control Framework with the revised organizational structure; (d) ensure that adequate segregation of duties is maintained and address any deviations from the 'UNDP Programme and Operations Policies and Procedures'; (e) review the resources assigned to the Information, Communications and Technology Unit, (f) address with the Government and the Bureau for Policy and Programme Support the financial and operating arrangements required to maintain the two units managed as development projects; and (g) address with the Government the financial and operating arrangements for the functioning of the United Nations House.

Inadequate
management of service
contract holders
(Issue 7)

At the time of the audit, there were 228 service contract holders. Of the 228, 19 were engaged servicing one project implemented by the government counterpart. These personnel, located at the project premises, were hired under the UNDP service contract modality, yet the oversight exercised by the Office over them was minimal, as: the members of the selection committees were mainly government counterpart staff, or UNDP service contractors; performance evaluations were prepared by government project officials with an acknowledgement signature of an Office staff member; and the service contract holders were provided with the institutional email address of the implementing partner, which could have created confusion, since they were hired by UNDP.

In addition, the audit found that even though 1.5 days per month of annual leave were stated in the contracts, 1.8 days were granted instead according to the local practice; and two service contract holders were granted salary advances, contrary to UNDP regulations.

Recommendation 6: The Office should enhance the management of service contracts by: (a) completing the entire recruitment process including long and shortlisting of service contractors; (b) controlling the services provided and the contract preparation as well as contract extensions; (c) aligning the annual leave included in the contracts with the practice; and (d) limiting the use of the service contract modality to non-core services rendered.

Payments processed
without invoices
(Issue 8)

As per the Office current practices, the payments were effected based on documents that did not follow the legal procedures in the Country (e.g. fiscal invoices) or UNDP rules. Such payments were identified in the review of different samples amounted to \$698,000. Furthermore, the Office transferred funds to other Country Offices to implement project activities within the South-south Cooperation framework. The budgets of the activities undertaken were used as supporting documents to justify the cash transfer amounts but, in fact, no actual payments for goods or services occurred.

Recommendation 7: The Office should strengthen the disbursement process by approving payments that are duly supported with original invoices and proper supporting documentation.

Weaknesses in
procurement
management
(Issue 9)

The Office was signing non-UNDP contracts for consultancy services provided to nationally implemented projects. Furthermore, individual project procurement plans were not prepared for 13 projects tested. The Office was also providing support services for the provision of goods for Global Environment Facility projects. However, the audit noted that the Office's representation in procurement committees varied from none in some cases, to minimal in others, without adhering to the requirement of UNDP having the majority of seats in procurement committees. Furthermore, the members of the local Contracts, Assets and Procurement Committee remained almost the same for the past three years. Lastly, the review of the procurement process of Project No. 88231 noted inconsistencies, including using direct contracting to engage the consultant experts in charge of drawing the Terms of Reference, who in turn were responsible for all procurement decisions.

Recommendation 8: The Office should revisit the whole procurement function vis-à-vis the establishment of the Joint Operations Facility in search of efficiency and effectiveness, while ensuring compliance with UNDP policies and procedures. In particular, the Office should: (a) discontinue the practice of hiring project personnel when full adherence to UNDP guidelines cannot not be attained – the Office should make government counterparts take full control over the procurement actions or adopt a Country Office Support mechanism, where the Office controls the recruitment and management in addition to signing the contracts in full adherence to UNDP Guidelines; (b) ensure adequate representation of UNDP in all procurement committees; (c) prepare and approve a comprehensive annual procurement plan based on individual project's procurement plans; (d) ensure member rotation with the local Contracts, Assets and Procurement Committee; and (e) address the gaps identified in the procurement of the particular project and capture lessons learned for similar future cases.

Implementation status of previous OAI audit recommendations: Report No. 1078, 18 January 2013.

Total recommendations: 7

Implemented: 7

Management comments and action plan

The Resident Representative accepted all nine recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate¹.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



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Office of Audit and Investigations

¹ Contextual information provided by the Government of Brazil after the issuance date of this report has been included in the relevant sections of this report.

I. About the Office

The Office, located in Brasilia, Brazil (the Country) had 51 staff members under fixed-term appointments, 133 service contract holders, and 7 United Nations Volunteers at the time of the audit. The Office was implementing a Country Programme agreed with the Government for the period 2012-2015 (which was extended to 2016) and was in the process of finalizing the new Country Programme for the period 2017-2021 which was aligned to both the national priorities, as confirmed by interviewed government officials, and the UNDP Strategic Plan 2014-2017. The Country Programme Document also included focus and linkages to the Sustainable Development Goals. The political situation in the Country was uncertain due to the impeachment to the President and affected a large part of the project portfolio.

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Leadership, ethics and values. Overall, staff members were aware of the Office's priorities, challenges and control objectives regarding ethical behavior. No reportable issues were identified.
- (b) Development activities. Implementing partners, United Nations agencies, and donors with whom OAI met during the audit mission expressed their appreciation of the Office as a valued development partner.
- (c) Resident Coordinator Office. The United Nations Country Team shared the common goal of improving coordination within the United Nations system in the Country.
- (d) General administration. Controls over general administration activities, including common services, fuel management, vehicle management, and travel management, were found to be adequate. Physical verifications of the Office's assets were periodically conducted.
- (e) Safety and security. UNDSS was co-located with the Office and it issued basic emergency instructions for new and emerging contingencies on a continuous basis.

OAI made four recommendations ranked high (critical) and five recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

High priority recommendations, arranged according to significance:

- (a) Undertake a review and update organizational structure and functions of all units (Recommendation 1).
- (b) Enhance the management of service contracts (Recommendation 6).
- (c) Strengthen the disbursement process by approving payments that are duly supported with original invoices and proper supporting documentation (Recommendation 7).
- (d) Revisit the whole procurement function *vis-à-vis* the establishment of the Joint Operations Facility in search of efficiency and effectiveness, while ensuring compliance with UNDP policies and procedures (Recommendation 8).

Medium priority recommendations, arranged according to significance:

- (a) Strengthen monitoring activities (Recommendation 2).
- (b) Strengthen programme management (Recommendation 4).
- (c) Strengthen project management (Recommendation 5).
- (d) Fully adopt the Harmonized Approach to Cash Transfers (Recommendation 3).
- (e) Improve the management of information and communications technology (Recommendation 9).

The detailed assessment is presented below, per audit area:

A. Governance and strategic management

1. Organizational structure and delegations of authority

Issue 1 Weaknesses in organizational structure and unclear roles and responsibilities

The 'UNDP Operational Guide of the Internal Control Framework' stipulates that each head of office has the overall responsibility for establishing and maintaining adequate internal controls, and for ensuring documentation of their office's internal control procedures. Further, the 'UNDP Programme and Operations Policies and Procedures' define the control environment as one of the components of the internal control system that sets the tone for the organization and provides the foundation for an effective internal control system. The vision and mission of an office as well as its organizational effectiveness rely on the Office's adequate organizational structure, which allows for clear roles and responsibilities, as well as reporting lines.

The 'UNDP Change Management Toolkit' indicates that Operations Managers should ensure strategic financial and human resources management, efficient procurement and logistical services, effective information and communication technology, and common services, consistent with UNDP rules and regulations.

The audit identified weaknesses in the organizational structure and unclear roles and responsibilities among the various departments and units within the Office, as follows:

- The Programme Unit's structure was horizontal, comprising eight Programme Officers/Analysts who managed a total of 130 projects. This structure was more project-based rather than programme-based, which resulted in an overload of work for the Assistant Resident Representative-Programme (ARR-P), as the eight Programme Officers/Analysts reported directly to the ARR-P. This situation hindered the ability of the ARR-P to play a more strategic role (e.g. mobilize resources), as she devoted a significant amount of time to deal with the day-to-day issues of all projects in the Office's portfolio.
- The Programme Officers/Analysts worked under different contractual modalities that ranged from permanent and fixed-term, to service contracts for similar responsibilities. The latter impacted supervision, since each contractual modality had different requirements in terms of supervision, which in turn created a sense of imbalance among personnel.
- There was a lack of sufficient operational support for programme implementation, which had increased the burden of the operational and administrative tasks on Programme Unit personnel, thus impacting programme delivery and the quality of interventions. Furthermore, the post of the Operations Manager had been vacant for over five years.

- There were undefined roles in the operations area as a result of the adoption of the Joint Operations Facility.² Despite the new roles, the Internal Control Framework of the Office was not adjusted to the new structure.
- The same individual had been assigned both finance and procurement lead roles. The Office's management noted that this was intended only as a temporary measure.
- The Information, Communications and Technology Unit comprised nine personnel (two staff members and seven service contractors), who were mostly focused on software development. This, however, did not prevent the Office from facing several issues (refer to issue 10).
- Two units were being managed as development projects, which was not aligned to the fact that their Terms of Reference were broader than those of a single project. Also, the units were being supervised by Headquarters, and not directly by the Office, as would have been the case for a development project.
- The United Nations House was managed by another United Nations agency and hosted several agencies. UNDP was represented by one service contractor, instead of a staff member. In the meantime, legal arrangements with the Government regarding the operation of the United Nations House remained pending.

According to the Government, any arrangements concerning the maintenance of the UNDP's local offices shall take into account the provisions of the Brazilian legislation and the Government's agreement with the United Nations.

An organizational structure without clear reporting lines and one that is not aligned with the respective functions of the Office may result in unclear roles, responsibilities, and accountabilities. Furthermore, inadequate segregation of duties and unclear reporting lines may jeopardize the effectiveness of the entire internal control system, which can lead to the untimely detection of errors and to financial losses for the organization.

Priority	High (Critical)
Recommendation 1:	
The Office should undertake a review and update its organizational structure and the functions of all units in order to:	
<ul style="list-style-type: none"> (a) clarify roles, responsibilities and accountabilities, including the Joint Operations Facility requirements, and the Programme Unit; (b) ensure adequate operational support for programme activities; (c) match the Internal Control Framework with the revised organizational structure; (d) ensure that adequate segregation of duties is maintained and address any deviations from the 'UNDP Programme and Operations Policies and Procedures'; (e) review the resources assigned to the Information, Communications and Technology Unit; (f) address with the Government and the Bureau for Policy and Programme Support the financial and operating arrangements required to maintain the two units managed as development projects; and (g) address with the Government the financial and operating arrangements for the functioning of the United Nations House. 	
Management action plan:	

² The Joint Operating Facility is an inter-agency operational unit which started operations in January 2016, to provide procurement and travel services to the various United Nations agencies in the Country.

The Office agrees with the recommendation and proposes the following action plan:

- (a),(b) A Management Consulting Team mission had been planned prior to the audit exercise and took place during the week of 16-20 May 2016 to support the Office's review of its functional structure, roles, responsibilities and accountabilities. As a result, an office transformation plan will be developed in June 2016 and a new organizational structure will thereby be implemented to increase programme and operations efficiency and effectiveness.
- (c),(d),(e) Upon implementation of the revised organizational structure, the new Internal Control Framework will be designed and implemented in accordance with the new distribution of roles and responsibilities within the office.
- (f) An analysis of the financial and operating arrangements of both units will be conducted to identify the most suitable modality for each centre, in consultation with the Bureau for Policy and Programme Support and the Regional Bureau for Latin America and the Caribbean.
- (g) A letter was sent to the Government in 2015 to request the renewal of the Office's operational agreement, pending an official answer. A follow-up letter will be sent to the Government in coordination with the managing United Nations agency and the Resident Coordinator to request once more the renewal of the agreement following the provisions of the Basic Agreement for Technical Cooperation of 1965 signed between the UN system of agencies and the Government.

Estimated completion date: December 2016

2. Risk management, planning, monitoring and reporting

Issue 2 Weaknesses in programme/project monitoring activities

Monitoring is driven by the need to account for the achievement of intended results and to provide a factual basis for decision-making. It is an essential management tool to support UNDP's commitment to accountability for results, resources entrusted to it, and organizational learning. Monitoring relates to pre-identified results in the development plan that are achieved throughout project implementation, where baselines, indicators, targets and measurements of results are clearly defined and regularly monitored. Monitoring frameworks at the project level also ensure that projects are implemented within the agreed timeframe and are timely closed to capture the lessons learned.

The audit reviewed a sample of 13 ongoing projects that comprised 13 outputs out of a total of 130 projects comprising 175 outputs and found that project documents contained a monitoring framework detailing monitoring activities to be carried out during the life cycle of each project. Such activities entailed preparing quarterly project progress reports, including the financial monitoring of project annual work plans and field visits. The Office had the practice of reviewing the project's annual work plans during meetings among the Office, government officials, and project managers once a year, where the monitoring of project results was performed. However, information for 9 out of the 13 sampled projects showed that project documents, annual work plans and Atlas (enterprise resource planning system of UNDP) used indicators that were not Specific, Measurable, Attainable, Relevant, and Time bound (SMART). More specifically, annual work plans did not include baselines, and output targets were not identified following Results Based Management programming principles. Although the Office regularly visited its implementing partners and projects, these monitoring visits were not results-oriented and the available minutes were narrative and contained no Results Based Management

approach, as required. Furthermore, there was no monitoring of programme indicators. This was due to the fact that the United Nations Development Assistance Framework annual review had not been carried out by the United Nations Country Team, and consequently there was no annual review of the Country Programme Document and of the Country Programme Action Plan.

Additionally, the Office carried out risk assessments when formulating the projects as required; however, the risk assessments were not regularly updated and recorded in Atlas as required by the monitoring framework.

The Office's management explained that this practice was considered sufficient to comply with the requirements of the government counterpart. Management indicated that annual reviews of the Country Programme Document were subsequently included in the new Country Programme Document (2017-2021).

Projects were exposed to unknown risks for which mitigating actions were not planned/carried out.

Priority	Medium (Important)
Recommendation 2:	
The Office should strengthen monitoring activities by:	
<ul style="list-style-type: none"> (a) timely carrying out the activities described in the project monitoring frameworks; (b) ensuring that field visits are results-oriented and properly documented; (c) ensuring that programme monitoring activities are carried out as required; and, (d) performing project risk assessments on an annual basis and recording them in Atlas. 	
Management action plan:	
The Global Environment Facility, Montreal Protocol and a set of other projects are already fully compliant with all monitoring activities listed above. The Office will issue an internal memo on monitoring requirements in June 2016 and ensure appropriate follow-up through the Monitoring and Evaluation Officer. A training course to refresh and strengthen programme capacity will be organized latest by October 2016. The Office will implement all four monitoring activities to 100 percent of its ongoing project portfolio.	
Estimated completion date: March 2017	

Issue 3 Pending claims by former contractors

As an international organization, the United Nations has been accorded certain privileges and immunities which are necessary for the fulfilment of the purposes of the Organization. Paragraph 1 of Article 105 of the United Nations Charter (the Charter) provides that, "the Organization shall enjoy in the territory of each of its Members such privileges and immunities as are necessary for the fulfilment of its purposes." In order to give effect to Article 105 of the Charter, the General Assembly of the United Nations adopted the Convention of the Privileges and Immunities of the United Nations (the General Convention) on 13 February 1946, to which the Country acceded without reservation on 15 December 1949.

This is further confirmed in Article V of the Revised Standard Agreement concerning assistance by UNDP to the Government of the Country, dated 29 December 1964 and approved by the Legislative Decree of Brazil No. 11 of 1966, as well as under Article VIII of the Agreement between the United Nations Special Fund and the

Government, which entered into force on 16 September 1960. As a result, the Government shall apply to the United Nations and its organs their property, funds and assets, and to their officials, including the Resident Representative and other members of the UNDP mission in the Country, the provisions of the Convention of the Privileges and Immunities of the United Nations.

Section 2.2 (Legal Framework), paragraph (f) of the 'UNDP Service Contract User Guide' states that although UNDP offices are to take into account local conditions in establishing the appropriate remuneration for the market, this must not be construed as subjecting UNDP or the service contractor to national legislation. As a service contract is a UNDP contract, it cannot be subjected to national legislation. Adherence to the 'UNDP Service Contract User Guide' by UNDP offices is essential to protecting UNDP's legal interests. Similarly, paragraph (g) indicates that the individuals engaged under a service contract are neither staff members nor "officials" for the purposes of the Convention on the Privileges and Immunities of the United Nations. They may, however, be given the status of "experts on mission" according to Section 22 of Article VI of the Convention. Such a determination is made in each case by the Secretary-General, who alone has the authority to assert immunity on behalf of the Organization. In addition, paragraph (h) establishes that the services performed by an individual engaged under a service contract do not carry any authority either directly or by delegation, to legally bind UNDP or otherwise enter into any agreements or financial obligations on behalf of UNDP with other international organizations, governments, legal entities or individuals.

Despite these rules and regulations, there have been 433 labour claims filed against UNDP since 1995 by local consultants that had rendered services to UNDP in various projects. Most cases pertained to contracts perceived as being wrongfully terminated according to national labour law. Out of the total number of claims, 106 cases had been resolved by several labour courts within the Country without any financial impact on the Office's finances. However, there were still over 327 active labour claims. It was expected that these cases might take up to four years to be fully processed. Potential obligations resulting from these active labour claims could not be determined given that the 106 claims were filed without any financial obligations for the Office. As a result, the Office had not recorded in its accounting books any contingent liabilities.

In response to the draft audit report, the Office management stated that it has been closely following up with the Country's Attorney General Office on all labor claims filed and there was also the Government's Supreme Court decision in favor of UNDP, which became final in August 2015.

The audit acknowledges the efforts made by the Office's management to clarify this issue with the support of the respective government ministry and legal authorities in the Country. The audit further encourages the Office to continue asserting its privileges and immunities, in consultation with the Regional Bureau for Latin America and the Caribbean.

Comment

OAI is not issuing a recommendation, given that the issue is not entirely under the Office's control and given the actions already undertaken.

B. United Nations system coordination

1. Harmonized Approach to Cash Transfers

Issue 4 Harmonized Approach to Cash Transfers not fully implemented

To lessen the burden caused by the multiplicity of United Nations procedures and rules for its partners, the 'Framework for Harmonized Approach to Cash Transfers to Implementing Partners' requires that participating United Nations agencies (UNDP, UNICEF and UNFPA) agree on and coordinate the Harmonized Approach to Cash Transfer (HACT) activities. Compliance is achieved when the following four steps have been completed: (a) macro-assessment of the public financial system; (b) micro-assessments of implementing partners; (c) agreement with the Government on implementing the HACT; and (d) development and implementation of an assurance and audit plan for implementing partners.

As part of the preparation for the adoption of HACT during the transitional year, the United Nations Country Team established a HACT working group. An assessment carried out by the World Bank in 2009 was utilized in lieu of the required macro-assessment. The Office did not undertake a micro-assessment of any of the 31 of the Office's implementing partners. At the time of the audit fieldwork, the Office was not ready for HACT adoption because the transitional assurance plan was not completed. The HACT project dashboard showed the Office's overall rating as 33 percent compliant.

In addition, given that almost 95 percent of the Office's Country Programme was implemented through the national implementation modality funded from the Government Cost Sharing resources, and taking into account the above-mentioned limitations to conduct assessments, the implementation of HACT was delayed. It was expected that HACT would be reactivated with the signing of a new Country Programme Action Plan in 2016, covering the 2017-2020 period without any clauses restricting HACT activities.

Unless all of the HACT requirements are implemented, the objectives of harmonizing practices among United Nations agencies are at risk of not being achieved.

Priority	Medium (Important)
Recommendation 3:	
The Office should fully adopt the Harmonized Approach to Cash Transfers by:	
<ul style="list-style-type: none"> (a) completing the micro-assessments of all implementing partners; and (b) developing an assurance plan and conducting assurance activities. 	
Management action plan:	
HACT preparatory activities were initiated and, as established in its Transitional Micro Assessment Plan (TMAP), it was agreed that the Office would remain in transition during 2016 due to the United Nations Development Assistance Framework/Country Programme Document extension, and full implementation of HACT would take place in the next programme cycle (2017-2021).	
Currently, the actions taken towards implementation include:	
<ul style="list-style-type: none"> ▪ HACT focal point and alternate designated. 	

- Macro-assessment carried out by the World Bank “Federal Public Financial Management Performance” uploaded in HACT Project Platform on 08/06/2015.
- TMAP prepared and submitted to Headquarters focal point in HACT Project Platform.
- List of all implementing partners uploaded.
- HACT focal point engaged with Office key personnel on knowledge transfer and information sharing of available HACT training materials.
- Office key staff requested to complete on-line HACT course by 30 June 2016.
- HACT Inter-Agency established, comprising operations and programme staff from Resident Coordinator Office, UNICEF and UNFPA to facilitate HACT implementation in the Country; minutes of United Nations HACT working group first meeting uploaded in HACT Platform on 3 June 2016.
- UNDP HACT working group established, comprising operations and programme staff in order to plan and conduct HACT implementation for the next cycle. Internal memo designating members of UNDP HACT working group uploaded in HACT Platform on 3 June 2016.
- Completion rate of HACT platform as of 3 June 2016: 47 percent.

Ongoing activities (1st semester 2016):

- Identification of implementing partners that should compose the micro-assessment plan/assurance plan as per HACT regulations, based on the pipeline budgets agreed for the next programme cycle. The Office estimates that approximately eight implementing partners will reach HACT thresholds, covering 60 percent of the estimated Country Programme Document 2017-2021. These implementing partners will be the focus of the assurance plan, and the remaining will receive “non-assessed” status, as per HACT policy.
- Dialogue started with the Government regarding HACT assessments – further need to identify sources of financing for the completion of the assessments and future spot checks if/when applicable.
- Certification on HACT for Office key staff (UNICEF course).
- Completion of Office data in the HACT Portal.

Activities to be initiated:

- Provide information on HACT for counterparts and donors, as applicable.
- Conducting micro-assessments as applicable and depending upon agreement with national counterpart; revision of risk level and establishment of assurance activities.
- Training on HACT for Office staff in general as foreseen in the HACT transition plan.

Estimated completion date: March 2017

OAI Response

OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

C. Programme activities

1. Programme management

Issue 5 Weaknesses in programme management

The UNDP programme and project processes provide UNDP with the ability to deliver results. Within these processes, a series of actions are carried out, including the definition of a clear hierarchy of results (outcomes and outputs contributing to those outcomes) and continuous monitoring of progress towards these specified results. In general, a UNDP programme is a plan and its adequate management will determine how effective an office is when contributing to development. National implementation will be the norm for UNDP programme activities, taking into account the capacities of programme countries and the nature of UNDP programme activities where UNDP will engage implementing partners and responsible partners to that end.

During the review of the Country Programme and project portfolio, the following weaknesses were noted:

- The Office engaged implementing partners to implement project activities without conducting prior capacity assessments, as required.
- Support to national implementation was being provided without the required Letter of Agreement. Instead of having such a Letter of Agreement, the Office was using generic management arrangements contained in the project documents, which did not have the detailed associated direct costs for the support provided by the Office. However, according to the 'UNDP Programme and Operations Policies and Procedures' and the 'NIM Corporate Guidelines' this does not replace the Letter of Agreement.
- The corporate guidelines for national implementation in critical areas, such as Country Office support to national implementation, recruitment of project personnel for nationally implemented projects, and procurement, were not implemented. The audit team took note of the existence of national laws that regulated project implementation in the Country and which prevented the full implementation of the UNDP national implementation guidelines regarding Direct Project Costing, capacity assessments, Country Office support to national implementation and standard contracts for project personnel. The Office was in close contact with the Government, but the issue was not escalated to the Regional Bureau.
- Sound financial management requires proper programming of all cost-sharing resources for current and future years so they can be spent timely on project implementation. In 2015, the Office had a total approved budget of \$93 million, with \$172 million of available resources, and total delivery by the end of the year of \$63 million (i.e. 67 percent of total budget for the year). In 2016, the total budget increased to \$116 million for development project implementation, and in 2017, the approved budget amounted to only \$70 million, which did not seem to be aligned to the previous year's total programme delivery and to the Country context.

Priority	Medium (Important)
Recommendation 4: The Office should strengthen programme management by: <ul style="list-style-type: none"> (a) conducting capacity assessments of implementing partners; (b) using a Letter of Agreement when providing support to national implementation in order to collect the related Direct Project Costs; (c) escalating individual aspects of NIM guidelines that due to national regulations cannot be implemented to correspondent Headquarters units through the Regional Bureau for Latin America and the Caribbean in order to have the required authorizations as applicable; and (d) revisiting the project portfolio to re-assess the forecast for current and future years in order to reflect more multi-year realistic budgets. 	
Management action plan: The Office agrees with the OAI recommendation and proposes the following action plan: <ul style="list-style-type: none"> (a) The Office will officially inform the implementing partner that they should include capacity assessments of all implementing partners in all new project documents. (b) The Office will follow up on the official letter 1176/2015 sent to the implementing partner on 8 June 2015, regarding Direct Project Costing and will continue negotiations to adopt the Letter of Agreement when providing support to national implementation in order to collect the related Direct Project Costs. (c) The Office will continue its negotiation efforts with the Government to propose a course of action to better comply with the UNDP national implementation guidelines, by taking into consideration the national legislation and by identifying appropriate risk mitigation measures. The latter will be shared with Headquarters as required. (d) The Office has already started revisiting the project portfolio to re-assess the forecast for current and future years in order to reflect more multi-year realistic budgets and to immediately reduce the programme budget for 2016. However, the process has been prolonged due to changes in the Government and the need to reconvene with new counterparts. 	
Estimated completion date: December 2016	

2. Project management

Issue 6 Weaknesses in project management

The 'UNDP Programme and Operations Policies and Procedures' stipulate that in order to achieve project outputs, each project should have a results and resources framework clearly formulated in the project document that contains an approved annual work plan. Sound project management starts with project document formulation, implementation of activities to achieve the agreed outputs, monitoring, evaluation, and closing of projects. Furthermore, the plan to achieve outputs for a given year is articulated in the annual work plan, which details the targets, indicators and baselines of the outputs to be achieved during the year. The outputs are produced through a set of activities, which in turn use inputs to produce the agreed upon deliverables. Project management information should be stored in Atlas, which is the corporate system used to process financial and

operational data for reporting to donors and other stakeholders and, as such, users are required to make good use of the system.

In 2015, the Office had 130 projects with 175 outputs, with a total delivery below 60 percent. The situation for 2016 looked similar, since 61 out of the 175 project outputs had registered no expenses for the first quarter of the year.

The audit reviewed a sample of 13 ongoing projects that comprised 13 outputs out of a total of 130 projects comprising 175 project outputs and found the following:

- There were weaknesses in project formulation and project annual work plans. The articulation of clear and measurable project results is the most important aspect of the definition of project results, which should be captured in the project document and its related multi-year work plan that is updated each year when the annual work plans are approved by the Project Board. The purpose of the project results framework is to assist in the definition of project results to support the planning, management and monitoring of development activities. The multi-year work plan places the project in its larger framework within the Country Programme, and ensures consistency among outcomes, outputs, activities and inputs. Out of the 13 projects tested, 7 had planned results only for the current year and had limited information on multi-year plans, with generic risk assessments that were generic and Results Based Management information that was not available.
- The review of the 13 projects showed that the Office was using the Atlas Annual Work Plan report, which only showed the budgets entered into the system, instead of an actual annual work plan, which would also include output targets with baselines and indicators, in addition to the budget.
- The audit clause used in the project documents was not the UNDP standard one, but was instead aligned to national rules granting unrestricted access to information to the National Supreme Audit Institution regardless of the implementation modality, with a potential compromise of the single audit principle.
- Information was not regularly updated in Atlas for 9 out of the 13 reviewed projects, as risks and monitoring items were entered in 2012 and not updated until late 2015. The four projects that had been regularly updated were those funded by the Global Environment Facility and the Montreal Protocol. For 9 out of 13, targets, baselines and indicators for outputs were not entered or updated on a yearly basis as required. Furthermore, the Office was using generic implementing partner Atlas codes that reflected the project implementation modality (NEX/DEX) but not the actual implementing partner, thus making it impossible to determine the number of implementing partners and the number of projects being implemented by each one of them.

According to the 'UNDP Programme and Operations Policies and Procedures', projects should be closed once planned activities are finished. The audit identified 61 out of 175 active project outputs that had no expenditures during the last quarter, the majority of which, according to the Office's management, should have been closed projects. However, there was no action taken to reflect the correct status in Atlas.

The above issues were the result of the Office's management not enforcing the use of the 'UNDP Programme and Operations Policies and Procedures' and giving priority to national requirements. Atlas information and annual work plans can, however, still be fully aligned to UNDP, without disregarding national requirements.

Weak project and work plan formulation exposes the Office to risks of not being able to achieve the agreed project results. It may also engage UNDP in projects that are not feasible to implement, resulting in reputational risks for the organization. By not closing projects in a timely manner, there is a risk of overstating the project portfolio size and the overall delivery and projects distribution.

Priority	Medium (Important)
Recommendation 5: The Office should strengthen project management by: <ul style="list-style-type: none"> (a) improving the formulation process of project documents and related annual work plans, ensuring that they have output targets, indicators and baselines; (b) using the standard audit clause in project documents; (c) ensuring timely project closure after activities have finished; (d) updating Atlas data with regard to project information, including risks and monitoring items, output targets, baselines and indicators; and (e) creating and using individual implementing partner codes to reflect the correct institution that is implementing each project. 	
Management action plan: The Office will further strengthen its project management capacity through the following activities: <ul style="list-style-type: none"> (a) Will issue an internal memo on quality assurance requirements, with a detailed check, and offer a training course to refresh and strengthen capacity of programme staff. Further, strategic planning and monitoring and evaluation functions will be strengthened under the new office structure, as recommended by the Management Country Team Mission. (b) Will introduce the new project document template with national counterparts, and provide training to programme staff on the new project document template. Moreover, in coordination with the national counterpart, the Office will implement a standard audit clause in all new project documents as well as adjust clauses when elaborating project revisions, if needed. (c) The Office will update all operationally closed projects in Atlas and ensure the timely project closure after activities have finished. The Finance Unit will produce regular monitoring reports. (d) The Global Environment Facility, Montreal Protocol and other projects have already adopted the practice of updating Atlas according to corporate requirements. The Office will issue an internal memo informing programme staff that project information must be updated in Atlas (including risks, monitoring items, output targets, baselines and indicators) as a pre-condition for the signature of the annual work plan by senior management. Updating Atlas project management data will be regularly monitored by the Monitoring and Evaluation Officer and a completion report will be produced quarterly. (e) Implementing partner codes will be reviewed across projects and adjusted as required. 	
Estimated completion date: March 2017	

D. Operations

1. Human resources

Issue 7 Inadequate management of service contract holders

The 'National Implementation by the Government of UNDP Supported Projects: Guidelines and Procedures' state that project personnel who need to carry out activities described in the project document under national

implementation, must be recruited by the implementing partner. The 'UNDP Service Contract Guide' requires that payments to service contract holders be based on services satisfactorily provided, which must include the reporting structure. Consequently, UNDP's service contractors should report to UNDP and their assessments should be completed by UNDP. In addition, service contractors are not intended to cover core services and annual leave should be accrued in accordance with the local practice and with the contracts. Furthermore, only UNDP staff members are eligible to receive salary advances.

At the time of the audit, there were 228 service contract holders. Of the 228, 19 were engaged servicing one project implemented by the government counterpart. These personnel, located at the project premises, were hired under the UNDP service contract modality, yet the oversight exercised by the Office over them was minimal, as indicated below:

- The members of the selection committees were mainly government counterpart staff, or UNDP service contractors. The Office stated that this practice had recently stopped.
- Performance evaluations were prepared by government project officials with an acknowledgement signature of an Office staff member.
- These service contract holders were provided with the institutional email address of the implementing partner, which could have created confusion since they were hired by UNDP.

According to the comments from the Government of Brazil, the team of consultants hired by the Office has been working at Brazilian Cooperation Agency's (e.g. ABC) facilities because its main assignment is to provide direct support to the implementation of the largest Brazilian South-South technical cooperation project in Africa. To be effective, such support needs to be provided in close interaction with ABC's South-South cooperation staff. The consultants have to prepare annual activity reports to UNDP. ABC believes that the main criteria to evaluate the work of the consultants is the performance of South-South cooperation initiatives carried out under the referred project in Africa. In this sense, ABC believes that it is in a better position to evaluate the performance of the consultants. However, such evaluation may be conducted in association with UNDP own standards. In regards to the e-mail addresses, as the consultants are related to a project managed by a public institution, such addresses were conceded in order to facilitate expediting contact with other national public partners. As the messages must identify the sender, the consultants become recognizable.

In addition, the audit found that:

- Even though 1.5 days per month of annual leave were stated in the contracts, 1.8 days were granted according to the local practice.
- Two service contract holders were granted salary advances; this had also been identified in the previous audit and the Office had recovered the advances at the time.

There were reputational risks for the Office due to a lack of control of the activities undertaken by the service contract holders. In addition, by entitling service contract holders to staff benefits, the Office set a precedent beyond the United Nations staff rules and regulations.

Priority	High (Critical)
Recommendation 6:	
The Office should enhance the management of service contracts by:	
(a) completing the entire recruitment process, including long and shortlisting of service contractors;	

- (b) controlling the services provided, the contract preparation, as well as contract extensions;
- (c) aligning the annual leave included in the contracts with the practice; and
- (d) limiting the use of the service contract modality to non-core services rendered.

Management action plan:

- (a) Evidences of completed recruitment processes including longlisting and shortlisting were sent to OAI on 30 May 2016, comprising contract holders selected for the project BRA12/002. The Office will therefore continue to use longlisting and shortlisting in the service contractor recruitment process.
- (b) During the period under review, the Programme Officer in charge of the South-South Cooperation project had systematically been involved in the recruitment process, as follows: the Programme Officer participated in the interview panel along with one HR personnel, and since June 2015, the Government representative was just an observer in the panel. Performance evaluations and contract extensions are and will continue to be done in a collegial manner with the counterpart, under the Office's oversight.
- (c), (d) As of 1 June 2016, the Conditions of Service Annex B of the service contract was adjusted to 1.83 in order to reflect the local practice. An internal memorandum was circulated to confirm that service contract holders earn 1.83 days of annual leave and to inform about the use of the adjusted Annex B with immediate effect.

Estimated completion date: December 2016

2. Finance

Issue 8 Payments processed without invoices

According to UNDP's financial regulations and rules, all payment transactions must be substantiated with supporting documents that assess the authenticity of payments, so that they can be verified and an audit trail can be established. Requests for direct payments must enclose any necessary background documentation/information such as duly completed Funding Authorization and Certification of Expenses (FACE) forms.

As per the current practices of the Office, payments were effected based on documents that did not follow the legal procedures in the Country (e.g. fiscal invoices) or UNDP rules. Such payments identified in the review of different samples amounted to \$698,000 and were linked to the following instances:

- Individual consultants were paid based on a certification provided by the consultants that the tasks were performed, which could not be considered legal documents.
- Payments of Daily Subsistence Allowance to workshop participants were made lacking evidence of travel, but instead based on the calculation of the number of days of the workshops.
- Payments for other services, such as translations or intellectual services, were paid based on documents that could not be considered invoices.

Additionally, the Office transferred funds to other country offices to perform project activities within the South-south Cooperation framework (e.g. Mali, Togo, and Guinea-Bissau). These transactions were booked as payments in the projects' financial statements. The budgets of the activities undertaken were used as supporting documents to justify the cash transfer amounts but, in fact, no actual payments for goods or services occurred. Two projects were identified with such payments, amounting to approximately \$880,000.

From the review of 10 non-purchase order vouchers amounting to \$1.7 million, 29 percent of the expenses (\$0.5 million) corresponded to South-South Cooperation projects. The funds transferred should have been considered as cash transfers, since no payments to suppliers were involved. This was based on the agreement between the Office and the implementing partner.

According to the Government of Brazil comments', the transfers to UNDP offices in Mali, Togo and Guinea-Bissau, even though they were classified as "transfer of resources", there was one single payment and, consequently, a debit to the project's (UNDP) account. This procedure is similar to the case when the Brazilian Government transfers "cost-sharing" resources to UNDP: first there is the commitment, then the settling of the payment, followed by the transfer itself. However, the disbursement of the resources and its reporting takes place at a later time, according to the Project's execution, with the proper accountability procedures.

Inadequate payment processes and lack of supporting documents may increase the risk of fraud or the inappropriate use of UNDP resources. Incorrect accounting entries may impact year-end closure and distort UNDP financial reporting.

Priority	High (Critical)
Recommendation 7:	
The Office should strengthen the disbursement process by approving payments that are duly supported with original invoices and proper supporting documentation.	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office will establish a threshold to require "legal documents" as requested by OAI in order to comply with UNDP requirements. (b) Regarding South-South Cooperation, the Office will review with the implementing partner the most appropriate modality in order to comply with the OAI recommendation, especially considering the complexity of South-South arrangements and the number of countries involved. 	
Estimated completion date: March 2017	

3. Procurement

Issue 9 Weaknesses in procurement management

The 'UNDP Programme and Operations Policies and Procedures' stipulate that during the definition stage of the project cycle, consideration must be given to the acquisition of goods, services and civil works for successful project implementation. In addition, all procurement actions are to be conducted in a fair and transparent manner and in the interests of UNDP. Procurement should be done through a competitive process to provide best value for money; therefore, direct contracting should only be used on an exceptional basis.

Until December 2015, the Office was the signatory of all contracts for the Office and projects regardless of the implementation modality and was making payments directly to suppliers. Effective January 2016, the Office was transitioning to a Joint Operations Facility (refer to Issue 1). Nevertheless, there was no clarity on the level of responsibility the Office would retain on the procurement business function.

The review of the procurement sample selected showed the following weaknesses:

- During the audit period, the Office was signing non-UNDP contracts for consultancy services provided to nationally implemented projects. The Office signed 928 such contracts known as National Professional Project Personnel (NPPP). These contracts were similar to UNDP individual contracts, as payment for both types of contracts were based on delivery of results. The Office informed OAI that NPPP was bound to the disposition of the national legislation on national implementation (Decree 5151 and Regulation 717). Nevertheless, national legislation cannot override UNDP policies and procedures when UNDP is a signatory.
- Individual project procurement plans were not prepared for 13 projects tested.
- The Office was providing support services for the provision of goods for Global Environment Facility projects. However, the audit noted that the Office's representation in procurement committees varied from none in some cases, to minimal in others, without adhering to the requirement of UNDP having the majority of seats in procurement committees.
- The members of the local Contracts, Assets and Procurement Committee remained almost the same for the past three years, and therefore not observing the requirement of rotating the members every two years.

According to the comments received from the Government of Brazil, the association of Brazilian public administration procedures vis-a-vis UNDP's procedures for the selection of consultants have the purpose of increasing transparency and controls in the whole process. The intention is not to ease or make flexible the standard procedures of UNDP in this matter. Although national implementing agencies from the public sector in Brazil have to observe national regulations for specific stages of the hiring process of experts, the UNDP Office keeps the prerogative to check the eligibility of the individual contracts before its signing. It is worth mentioning that auditors from the Brazilian Federal Government may be held accountable any project manager that circumvents the rules in force, strengthening compliance of this process as a whole.

Additionally, the review of the procurement process of one project (No. 88231 – World Indigenous Games), which carried out the largest procurement process in 2015 valued at \$7.4 million, showed the following inconsistencies:

- The project document was signed on 27 April 2015 and due to the time constraints in organizing (in an expeditious manner) the requirement to support the relevant government ministry in organizing the first edition of the World Indigenous Games, the Office triggered Fast Track Procedures on 19 June 2015. The first relevant procurement action (a pre-bid meeting) did not occur until 19 August 2015, while the World Indigenous Games should have started on 23 October 2015. The Office adopted a turnkey process, which according to the Office's management, was most suitable for the specifics of this event. This decision was taken after a series of meetings with the Government, in consultation with experts, as well as in coordination with the Advisory Committee on Procurement. Although the project was in the closing phase at the time of the audit review, the Office was working on finalizing and submitting a post-facto contract amendment for additional activities undertaken by the contractor amounting to \$1.2 million, which had not been included in the original contract.
- Direct contracting was used to engage the consultant experts in charge of drawing the Terms of Reference, who in turn were responsible for all procurement decisions. These consultants were hired under UNOPS regulations, since the Office and UNOPS had signed a Letter of Agreement for the provision of human resource management services for the event. Even though the project was executed under the direct implementation modality, and the Office was fully in charge of all operational and programmatic decisions, the principal consultant was not hired directly by UNDP.

By not addressing the weaknesses described above, the Office is at risk of failing to conduct its procurement processes in a fair, competitive and transparent manner.

Priority	High (Critical)
Recommendation 8: The Office should revisit the whole procurement function <i>vis-à-vis</i> the establishment of the Joint Operations Facility in search of efficiency and effectiveness, while ensuring compliance with UNDP policies and procedures. In particular, the Office should: <ul style="list-style-type: none"> (a) discontinue the practice of hiring project personnel when full adherence to UNDP guidelines cannot not be attained – the Office should make government counterparts take full control over the procurement actions or adopt a Country Office Support mechanism, where the Office controls the recruitment and management in addition to signing the contracts in full adherence to UNDP Guidelines; (b) ensure adequate representation of UNDP in all procurement committees; (c) prepare and approve a comprehensive annual procurement plan based on individual project's procurement plans; (d) ensure member rotation with the local Contracts, Assets and Procurement Committee; and (e) address the gaps identified in the procurement of the particular project and capture lessons learned for similar future cases. 	
Management action plan: Overall, the Office agrees on the need to review the procurement function by including the Joint Operations Facility in its business processes as part of the Office's restructuring mentioned in Recommendation 1. <ul style="list-style-type: none"> (a) The selection processes for NIM project consultants - NPPP is bound to the dispositions of national legislation on NIM (Decree 5151 and Regulation 717). As observed, the selection process is conducted by the projects, based on a series of requirements that observe the basic principles of procurement such as transparency, objectiveness, competition and fairness. Given that compliance with this recommendation involves government counterparts, the Office will explore proposals with the national counterpart and Headquarters to further mitigate risks for the organization when signing consultants' contracts. (b) The Office will intensify procurement planning by developing joint awareness with counterparts on the importance of the preparation of annual procurement plans. Trainings on procurement planning will be offered to the projects, in collaboration with the Joint Operations Facility. (c) The Office agrees with the recommendation and participation of UNDP staff (programme and operations) in the Evaluation Committees will be intensified, especially Global Environment Facility projects. (d) The Office requests from the implementing partners at year-end the next year's procurement plans for all projects. With this information, a comprehensive procurement plan is prepared for the Office. In this sense and as also mentioned in item (b), the Office will reinforce this practice with all projects as well as train project teams for this purpose with Joint Operations Facility support. (e) The Office will immediately review the Contracts, Assets and Procurement Committee membership in order to ensure rotation by including new staff members. However, in light of the forthcoming adoption of the Joint Operations Facility harmonized manual, it is expected that the inter-agency Joint Procurement and Contract Committee will replace the UNDP Contracts, Assets and Procurement Committee before the end of 2016. (f) A post-facto case for a contract amendment amounting \$1,224,881 has been submitted to the Advisory 	

Committee on Procurement for review/approval on 23 May 2016. Considering that the project is approaching its operational closure phase, the Office will observe OAI comments as lessons learned in similar projects.

Estimated completion dates: January 2017

4. Information and communication technology

Issue 10 Weaknesses in information and communication technology management

Information systems operated by UNDP are critical assets for the organization to fulfil its mission. There are always threats, both natural and human in nature, which can damage or disable critical information systems. Therefore, adequate planning, management, data backup, equipment replacement and disaster recovery planning becomes fundamental for any Country Office.

The Office suffered an important loss of data caused by a server hardware failure, and although the Office contacted the provider's support to resolve the failure and restore the information from their backup tapes, part of the information stored in the tapes was corrupt and therefore unusable. The Office explained that in addition to the provider, they contacted another company for backup and software support, but after trying to recover the data, they were unable to do so due to an incompatibility between the hardware and software. The Office had an approved Disaster and Recovery Plan but a complete test of data restoration had never been performed until after the hardware failure, exposing the Office to the risk of data loss that ultimately happened.

As a solution to the problem, the Office bought a new data server, updated the backup software and contracted an in-country cloud service to store a copy of the file server data and prevent future data loss. Nevertheless, the Office explained that the cloud solution was not the corporate OneDrive for Business since the in-country contracted services provided more storage space and additional backup options that the corporate one did not have.

The audit also noted that the Office was still using a local email exchange server which was contrary to the corporate standards that state that no local email servers should be kept after the migration to cloud services. According to the Office, the local email server was used for local consultants under service contract modality and for sharing files and folders within units inside the Office.

In addition, the Office was using locally developed applications, such as extranet, intranet, travel and leave management modules, among the most relevant. The Office agreed with the Office of Information Management and Technology (OIMT) to continue using locally developed applications since Atlas external access 1.0 did not provide the same level of reporting for projects. Nevertheless, OIMT was working with the Office as a pilot for the implementation of Atlas external access 2.0, which was expected to provide similar functionalities to the existing locally developed applications through corporate solutions.

Without adequate management of information and communication technology, the Office is exposed to possible interruptions of services and data loss, which may affect the ability to use corporate systems and resources.

Priority	Medium (Important)
Recommendation 9: The Office should improve the management of its information and communication technology by: <ul style="list-style-type: none"> (a) performing yearly tests of the Disaster and Recovery Plan as required, specifically focusing on data restoration tests; (b) migrating local email users to the corporate solution and refraining from managing local email accounts; and (c) creating and implementing a transition plan to migrate to corporate solutions such as Atlas external access 2.0 in order to discontinue the use of locally developed applications. 	
Management action plan: The Office will undertake the following actions: <ul style="list-style-type: none"> (a) In order to mitigate ICT risks, a Disaster and Recovery Plan drill took place on March 2016. In addition, another Disaster and Recovery Plan test is scheduled for the second semester 2016, after the installation of the corporate solution for ICT infrastructure and PBX (ICT Box). The Office is committed to improving the usage of the Corporate One Drive for Business, ICT Registry and ISK (Intranet), among other corporate initiatives. (b) The migration of local consultants' non-compliant e-mail accounts to the corporate solution is scheduled for the last quarter of 2016. (c) The Office is working in collaboration with OIMT at Headquarters on moving to corporate standards various ICT solutions, such as: the Office's website (migration to the new website started in April 2016), service contractor leave control, UN House Infrastructure (ICT BOX), Atlas data feed and implementing Atlas EA 2.0. The Office, with OIMT support, will present a complete analysis for Transitional Systems of locally developed application to corporate solutions, including a cost-benefit analysis as well consideration of national counterparts' specific requests. A transitional plan will then be prepared. 	
Estimated completion date: December 2016	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **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.
- **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.
- **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.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **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.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value 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.