UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

Empowered lives.
Resilient nations.

AUDIT

OF

UNDP COUNTRY OFFICE

IN

ANGOLA

Report No. 1624

Issue Date: 18 August 2016

Table of Contents

Report on the Audit of UNDP Angola
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Angola (the Office) from 11 to 24 May 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, 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 2015 to 31 March 2016. The Office recorded programme and management expenditures of approximately $15.1 million. The last audit of the Office was conducted by OAI in 2013.

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 financial sustainability, finance, and general administration

Key recommendation(s): 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	Medium
Reliability and integrity of financial and operational information	5, 6	High
Effectiveness and efficiency of operations	2, 3, 4, and 8	Medium
	7	High
Safeguarding of assets	9	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:

Inadequate controls over disbursement process (Issue 5)	The audit identified lack of a proper segregation of duties and control weaknesses in the finance workflow processes as follows: ▪ The same individual was creating and finalizing the paycycle. ▪ In 42 instances (with a total value of approximately $152,000), the same individual who finalized the paycycle also performed the bank reconciliation. ▪ Out of 46 payment vouchers reviewed, 11 vouchers amounting to $577,000 were approved by the same individual who signed/certified the Funding Authorization and Certification of Expenditure form. <u>Recommendation</u>: The Office should implement a clear workflow matrix for payment processing and disbursements, that will guarantee proper segregation of duties, by ensuring that: (a) the staff member creating the paycycle is not the same as the one finalizing it; (b) the individual finalizing the paycycle is different than the one performing the bank reconciliation; and (c) the staff member signing/certifying the Funding Authorization and Certification of Expenditure form is different from the one approving the related payment voucher in Atlas.
Weak vendor management (Issue 6)	The Office had a total of 524 active vendors and the audit identified the following weaknesses in vendor management: ▪ There was no clear procedure for filing vendor forms and the relevant supporting documents. ▪ Out of 18 vendor forms that were selected for review, the Office could only provide supporting vendor forms for 7 and they were not adequately completed, while only 2 of them had supporting verification documents. ▪ There were 16 vendors that had different Atlas vendor numbers but shared the same banking details. ▪ The Office had created two generic vendor numbers that were being used for payments of Daily Subsistence Allowance to all government staff and to all consultants. A total 237 vouchers of approximately $384,000 was paid to these vendors during the period under review. <u>Recommendation</u>: The Office should strengthen vendor management by: (a) conducting a full vendor verification exercise for all active vendors which should include a review of proof of vendor identity, bank account details and proof that vendor was checked against the United Nations banned vendor listings before contracting; (b) deactivating all duplicate vendors and adopt a naming convention for entering vendors into the database; and (c) putting in place a clear system of filing vendor forms and the relevant supporting documents.
Weak management of common services and common premises (Issue 7)	The United Nations Country Team in Angola had established two Memorandum of Understanding (MOU), one for common premises and the other for common services. The audit review performed showed the following weaknesses: ▪ There was a lack of controls over purchases of supplies and services by the three service contract holders responsible for common services, due to

inadequate supervision. The service contractors were purchasing supplies and equipment for common services and they were claiming reimbursement using the voucher for reimbursement of expenses form (F10), instead of following the regular procurement procedures.

- The two MOUs did not have the required annexures detailing the framework of services to be provided, and the method of apportionment.
- Five United Nations agencies had signed the MOU for common premises, however the budget for 2016 common premises was apportioned among 10 United Nations agencies. Similarly, the MOU for common services was signed by five agencies, while the 2016 budget was apportioned among 15 agencies.

Recommendation: The Office, through the United Nations Country Team/Operations Management Team should enhance management of common services by: (a) strengthening controls and accountability over purchases of supplies and services under common services, by applying UNDP procurement procedures, (b) updating the Memorandums of Understanding MOUs for common premises and services to include the relevant annexures and ensure that all participating United Nations agencies sign to endorse implementation; and (c) putting in place procedures that will ensure that budgets for common premises and common services are presented and agreed upon by all participating agencies and that expenditure reporting is regularly prepared and presented to agencies as part of the United Nations Country Team/ Operations Management Team meetings.

Weaknesses in asset management (Issue 9)	The audit review and assets verification identified that the Office did not effectively manage its assets, as there was no full control over its equipment, i.e. purchasing costs, time of purchase and current status. Furthermore, the assets physical verification and reconciliation was not properly conducted, as the verification team did not ensure that all assets were tagged and that they could be traced to the In-service Report and did not investigate discrepancies as required. Computer equipment items and material that were kept in the storeroom at the mezzanine floor of the Office premises were not recorded and their condition was not properly assessed. Recommendation: The Office should improve asset management by: (a) conducting a full asset and inventory verification exercise to establish the existence, condition of assets, cost price and purchase date, and update the Atlas Asset Management In-Service Report; (b) ensuring that all assets, regardless of value, are tagged; and (c) recording all assets in the store room at the mezzanine floor and establishing their condition with a view to dispose of these assets.

Implementation status of previous OAI audit recommendations: Report No. 1244, 14 March 2014.

Total recommendations: 6
Implemented: 6

Management comments and action plan

The Resident Representative accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate. Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Luanda, Angola (the Country) had a total of 20 staff members and a programme portfolio comprising of 15 development projects, of which 10 were directly implemented by the Office. The majority of the projects focused on environmental issues, followed by inclusive growth and sustainability and governance. During the audit period, the Office processed 250 purchase orders of approximately $4.2 million and 2,296 payment vouchers amounting to $10.2 million.

The Country's economy was heavily reliant on oil revenue and had been severely affected by the drop in global oil prices. The national currency had devaluated by 30 percent. According to the African Economic Outlook of 2016, growth rate in 2015 was around 3.3 percent and inflation rate had increased from 7 percent in 2014 to 14 percent by the end of 2015.

II. Audit results

Satisfactory performance was noted in the following areas:

(a) Partnerships and resource mobilization. The Office put in place the necessary tools for resource mobilization and partnerships.

(b) Human Resources. Controls over human resources management were adequate.

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) Implement a proper segregation of duties for payment processing and disbursements (Recommendation 5).
- (b) Strengthen vendor management (Recommendation 6).
- (c) Enhance management of common services and common premises (Recommendation 7).
- (d) Improve asset management (Recommendation 9).

Medium priority recommendations, arranged according to significance:
- (a) Monitor the implementation of the new Financial Sustainability Plan including the resource strategy, and implement of Direct Project Costing for all projects (Recommendation 1).
- (b) Organize the United Nations Partnership Framework annual review meeting (Recommendation 2).
- (c) Strengthen supervision and improve project assurance and oversight (Recommendation 4).
- (d) Continue to working with participating United Nations agencies (Recommendation 3).
- (e) Strengthen controls over fuel management (Recommendation 8).

The detailed assessment is presented below, per audit area:

A. Governance and strategic management

1. Financial sustainability

Issue 1 Office's financial sustainability at risk

The 'UNDP Strategic Plan 2014-2017' requires offices to manage their costs within available resources. Effective financial year 2016, the extrabudgetary reserve requirement is set to a minimum of nine months, instead of the previous minimum requirement of 12 months.

The Office did not have a resource strategy to support its operations for the current programme cycle. Low programme expenditure levels of 61 percent of budgeted resources and 49 percent in 2014 and 2015 respectively, affected the generation of cost recoveries. The lack of implementation of Direct Project Costing also aggravated the situation. A corporate core budget cut of 42 percent from 2014 to 2016 had also contributed to the low level of operational resources. The Office was likely to face a funding deficit in the short term and beyond, as the Office was spending more than what it was generating in extra-budgetary resources.

Subsequent to the audit, the Office prepared a new Financial Sustainability Plan for the period 2016 – 2018, which included a resource strategy and initiated the implementation of Direct Project Costing, starting with projects funded by Global Fund and Global Environmental Fund.

Priority	Medium (Important)
Recommendation 1: The Office should improve its level of actual expenditure against budgeted resources and monitor the implementation of the new Financial Sustainability Plan including the resource strategy and implement Direct Project Costing for all projects.	
Management action plan: The Office will continue to monitor implementation of the Financial Sustainability Plan including the resource strategy, making adjustments when needed; implement Direct Project Costing for all projects; and ensure continuous review and monitoring of the delivery rates. **Estimated completion date:** June 2016	

B. Programme activities

1. Programme management

Issue 2 Inadequate monitoring of progress on the United Nations Partnership Framework

The United Nations Development Group guidelines require the United Nations Country Team to put in place systems for monitoring progress on the implementation of the United Nations Partnership Framework (UNPAF) and progress to be reviewed annually with government partners.

The United Nations Country Team had not held a UNPAF review meeting with the Government in 2015. It also had not established a system to monitor progress on the implementation of the UNPAF. Outcome groups had not been established for each UNPAF outcome to monitor progress, as required by the United Nations Development Group guidelines. According to the Resident Coordinator's Office, the discussion on how to formulate outcome groups was on going.

The lack of a monitoring and progress review system on the implementation of UNPAF may result in sub-optimal results and may prevent timely remedial action on poor performance.

Priority	Medium (Important)
Recommendation 2: The Office, through the Resident Coordinator's Office, should organize the United Nations Partnership Framework annual review meeting by: (a) establishing UNPAF outcome groups and hold regular meetings to monitor progress; and (b) having regular annual review meetings with government partners to review progress and address arising concerns.	
Management action plan: The Resident Coordinator's Office will: (a) ensure the completion of the UNPAF work plans and the reactivation of the outcome groups; and (b) work with government partners to organize the annual UNPAF meeting to review progress and address concerns. **Estimated completion date:** December 2016	

C. United Nations system coordination

1. Harmonized Approach to Cash Transfers

Issue 3 Harmonized Approach to Cash Transfers not fully implemented

For the implementation of the Harmonized Approach to Cash Transfers (HACT) Framework, the 'UNDP Programme and Operations Policies and Procedures' recommend undertaking a macro-assessment at the beginning of each programme cycle. Additionally, micro-assessments of implementing partners (IPs) are to be undertaken prior to the start of cash transfers. Based on the assessments, a HACT Assurance Plan should be developed jointly with the HACT participating agencies which will detail the spot checks and assurance functions that will need to be implemented for each IP based on the result of the micro-assessment.

A macro-assessment had not been undertaken in the current programme cycle 2015-2019. The last macro-assessment was dated in 2008. Furthermore, micro-assessments had only been undertaken for 7 out of 15 eligible implementing partners with whom the Office was engaged in the implementation of projects. Out of the remaining eight, four had been receiving cash transfers contrary to the requirement that cash transfers could only be made to implementing partners whose systems had been assessed. The Office's project portfolio was implemented through a heavy support provided from the Office to national implementation. The total programme delivery in 2015 was $8.4 million, of which $322,000 was through planned cash transfers. IPs included both government institutions and NGOs. In addition, the HACT Assurance Plan was not up-to-date with respect to the risk outcomes or status of IPs that had already been assessed.

Failure to ensure that cash transfer operations take into account macro- and micro- level risks may result in financial loss.

Priority	Medium (Important)
Recommendation 3: The Office should continue working with participating United Nations agencies to ensure that: (a) Macro-assessment is conducted as soon as possible; (b) Micro-assessments are conducted for all eight eligible implementing partners; and (c) HACT Assurance Plan is up to date with risk outcomes for implementing partners that have been assessed.	
Management action plan: The Office will do the following: (a) work closely with the HACT participating United Nations agencies to ensure that macro-assessment is conducted by preparing a letter from the Resident Coordinator's Office to the Government and a Terms of Reference for the exercise; (b) review all the implementing partners that have not been micro-assessed in accordance with HACT guidelines and take the necessary actions; and (c) update the HACT Assurance Plan. **Estimated completion date:** December 2016	

D. Programme activities

1. Project management

Issue 4 Inadequate project assurance and oversight

The 'UNDP Programme and Operations Policies and Procedures' require signing Letters of Agreement between UNDP and the respective government entities for the implementation of projects, convening of regular Project Board meetings, as well as planning and implementation of field visits for the ongoing projects. For project closure, documentation of terminal reports and final project review meetings are required.

The audit identified the following:

- Out of the 4 projects that were reviewed, 3 projects did not have Letters of Agreement for the Provision of Support Services signed between UNDP and the Government, which define the types of support services to be provided by UNDP, which organization's rules and procedures are applicable, as well as the privileges and immunities, reporting requirements and cost recovery modalities. The total value of the projects' budgets for which Letters of Agreement for the Provision of Support Services were not in place in 2015, stood at $3 million and expenditure was approximately $2.5 million. Additionally, 2 projects had no Project Board meetings in 2015, and 1 project had no records of field visits during 2015.

- For all five projects that were closed in 2014 and 2015, the Office did not prepare terminal review reports and did not undertake final review meetings.

These were due to inadequate guidance and supervision demonstrated by the Office management.

The absence of a Letter of Agreement for the Provision of Support Services may entail legal and liability risks for UNDP. Inadequate guidance and supervision may lead to circumvention of policies and procedures. Failure to put into place adequate controls for project assurance and oversight may expose UNDP to financial and reputational risks. The Office may also miss opportunities to improve future programming.

Priority	Medium (Important)
Recommendation 4: The Office should strengthen supervision and improve project assurance and oversight by ensuring that: (a) Letters of Agreement between UNDP and the Government for the Provision of Support Services for project implementation are signed for all projects under implementation; (b) Project Board meetings are held and regular site visits are undertaken for all projects being implemented; and (c) Terminal reports are produced and Project Boards undertake final review meetings for all projects as part of procedures for project closure.	
Management action plan: The Office will undertake the following: (a) sign all Letters of Agreement for existing projects; (b) hold Project Board meetings and ensure this is regularly undertaken; and (c) ensure measures are in place for terminal reports and final review meetings for projects undergoing closure. **Estimated completion date:** September 2016	

E. Operations

1. Finance

Issue 5 Inadequate controls over disbursement processes

The 'UNDP Programme and Operations Policies and Procedures' recommend the disbursement workflow where finance staff should select the payments to be included in a batch for payments processing, and a senior finance officer reviews and finalizes the paycycle. The 'UNDP Internal Control Framework' requires segregation of duties between first and second level of authority in payments processing.

The following control weaknesses were found in the finance workflow processes:

- The Office's practice was that the same individual was creating and finalizing the paycycle.

- In some instances, the same person was also performing bank reconciliation. For the period under review, there were 42 instances (with a total value of approximately $152,000), where the same staff member finalized the paycycle and also performed the bank reconciliation.

- The same individual was signing/certifying the Funding Authorization and Certification of Expenditure form (FACE) and approving the related payment voucher in Atlas. Out of 46 payment vouchers with a total value of $1.3 million that were sampled for review, 11 vouchers (or 24 percent) amounting to $577,000 were identified, where the same staff member signing FACE, also approved the payment.

There was a risk of fraud not being detected and possible loss of funds.

Priority	High (Critical)
Recommendation 5: The Office should implement a clear workflow matrix for payment processing and disbursements, that will guarantee proper segregation of duties by ensuring that: (a) the staff member creating the paycycle is not the same as the one finalizing it; (b) the individual finalizing the paycycle is different than the one performing the bank reconciliation; and (c) the staff member signing/certifying the Funding Authorization and Certification of Expenditure form is different from the one approving the related payment voucher in Atlas.	
Management action plan: The Office has put in place measures to ensure that there is adequate segregation of duties regarding the finalization of the paycycle and signing/certifying of Funding Authorization and Certification of Expenditure forms and will continue to monitor the process. **Estimated completion date:** June 2016	

2. Procurement

Issue 6 <u>Weak vendor management</u>

The ‘UNDP Programme and Operations Policies and Procedures’ require Offices to exercise due diligence when creating and approving vendors, especially on verification of vendors banking information and proof of vendor identity.

The audit identified the following weaknesses in vendor management:

- There was no clear procedure for filing vendor forms and the relevant supporting documents. The Office had a total of 524 active vendors as of the audit fieldwork.

- Out of 18 vendor forms that were selected for review, the Office could only provide supporting vendor forms for 7 and they were not adequately completed, while only 2 of them had supporting verification documents.

- There were 16 vendors that had different Atlas vendor numbers but shared the same banking details. This was mainly due to the lack of a naming convention as the same vendors were captured under different names.

- The Office had created two generic vendor numbers that were being used for payments of Daily Subsistence Allowance to all government staff and to all consultants. A total 237 vouchers of approximately $384,000 was paid to these vendors during the period under review. The Office management informed OAI that the use of generic vendor identification numbers for all government staff and consultants was discontinued subsequent to the audit.

Lack of due diligence when creating and approving vendors may lead to erroneous payments made to the fictitious vendors and/or may lead to fraud.

Priority	High (Critical)

Recommendation 6:

The Office should strengthen vendor management by:

(a) conducting a full vendor verification exercise for all active vendors which should include a review of proof of vendor identity, bank account details and proof that vendor was checked against the United Nations banned vendor listings before contracting;
(b) deactivating all duplicate vendors and adopt a naming convention for entering vendors into the database; and
(c) putting in place a clear system of filing vendor forms and the relevant supporting documents.

Management action plan:

The Office has commenced the full vendor verification exercise for all active vendors. This will include the deactivation of all duplicate vendors. The Office is also working on establishing a proper filing system for vendors.

Estimated completion date: November 2016

3. General administration

Issue 7 Weak management of common services and premises

For the effective management of common services, the 'United Nations Development Operations Coordination Office guidelines' recommend agencies' commitment through signing a standard MOU.

The United Nations Country Team in Angola had two MOUs, one for common premises and the other for common services.

The audit noted that there was a lack of controls over purchases of supplies and services by the three service contract holders responsible for common services, due to inadequate supervision. The service contractors were purchasing supplies and equipment for common services and they were claiming reimbursement using the voucher for reimbursement of expenses form (F10), instead of following UNDP procurement procedures. There was no documented evidence pertaining to the unit/staff member requesting the services (whether repairs and/or maintenance), and what assessment had been completed of the request and what expenditure was authorized.
The review of the two MOUs showed the following weaknesses:

- Both MOUs did not have the annexures detailing the framework of services to be provided and the method of apportionment as referred to in the main documents.

- Five United Nations agencies had signed the MOU for common premises. However, the budget for 2016 common premises was apportioned among 10 agencies. Similarly, the MOU for common services was signed by five agencies, while the 2016 budget was apportioned among 15 agencies.

Weak controls and framework over management of common services/premises may lead to disputes, poor quality of services and loss of funds.

Priority	High (Critical)
Recommendation 7: The Office, through the United Nations Country Team/Operations Management Team, enhance management of common services by: (a) strengthening controls and accountability over purchases of supplies and services under common services, by applying UNDP procurement procedures. (b) updating the MOUs for common premises and services to include the relevant annexures and ensure that all participating United Nations agencies sign to endorse implementation; and (c) putting in place procedures that will ensure that budgets for common premises and common services are presented and agreed upon by all participating agencies and that expenditure reporting is regularly prepared and presented to United Nations agencies during the United Nations Country Team/ Operations Management Team meetings.	
Management action plan: The Office will update the MOUs for common services. Measures are also in place to ensure that agreements of budgets are properly documented in Operations Management Team meeting minutes as well as regular presentation and discussion of budgets, contributions and expenditures, and strengthen controls over the procurement of supplies and provision of services in accordance with UNDP procurement procedures. **Estimated completion date:** January 2017	

Issue 8 <u>Weak controls over fuel and vehicle management</u>

The 'UNDP Programme and Operations Policies and Procedures' require offices to implement controls necessary for vehicle management. It also provides guidelines for the efficient use of vehicles.

Vehicle logbooks were not adequately completed and fuel consumption not monitored against the vehicle mileage to ensure efficiency.

The Office used one fuel supplier and a coupon system to manage fuel consumption, however the following weaknesses were noted:

- The fuel supplier was not selected through a competitive procurement process.
- Total fuel purchases made from this supplier from 1 January 2015 to 31 March 2016 were approximately $35,300. However, there was no service agreement signed with the fuel supplier to ensure accountability.
- Fuel coupons were not pre-numbered to ensure completeness and control over their issuance.

There was a risk of financial losses to UNDP.

Priority	Medium (Important)
Recommendation 8: The Office should strengthen controls over fuel management by: (a) establishing regular review of logbooks to ensure that they are adequately completed; (b) conducting a procurement process to identify fuel suppliers and entering into a formal contract, and documenting a service agreement with the existing fuel supplier.; and (c) putting in place controls for the issuance of fuel coupons.	
Management action plan: (a) The Office will ensure that logbooks are reviewed regularly. Discussions will be held with drivers on how to properly complete the logbooks. (b) The Office is currently part of the newly established United Nations Procurement Working Group on common or joint service provider initiatives of which the fuel will be one of them. In the meantime, the Office is exploring the possibility of piggybacking on the existing Long Term Agreements with other UN agencies. (c) All efforts will be made to ensure adequate measures are in place. **Estimated completion date:** December 2016	

Issue 9 Inadequate asset management controls

The 'UNDP Programme and Operations Policies and Procedures' require offices to implement controls that ensure safeguarding of assets.

The Atlas Asset Management In-Service Report showed 85 asset items at a total cost of approximately $734,000. The audit selected 26 assets for physical verification. The audit review and assets verification identified that the Office had no full control over its equipment, i.e. purchasing cost, time of purchase and current status. Furthermore, the assets physical verification and reconciliation was not properly conducted. The verification team did not ensure that all assets were tagged and could be traced to the In-service Report and did not investigate discrepancies as required. More specifically:

- Out of the 26 assets randomly selected for review, 12 were selected from the Office floor without an established value, and 14 were selected from the Atlas Asset Management In-Service Report, amounting to $131,137:
  - In 8 cases, the items were not tagged for identification, and therefore they could not be traced to the Asset Management In-Service Report. For 6 of these items the cost was not available, as the Office could not provide their purchasing invoices/receipts. The remaining 2 items had an original cost of $7,889.
  - In 2 cases, the items, at an original cost of $8,366, were damaged, however this condition was not reported as part of the year-end certification.

- Computer equipment items and material that were kept in the storeroom at the mezzanine floor of the Office premises were not recorded and their condition was not properly assessed.

There was a risk of incorrect reporting and loss of assets.

Priority	High (Critical)
Recommendation 9: The Office should improve asset management by: (a) conducting a full asset and inventory verification exercise to establish the existence, condition of assets, cost price and purchase date, and update the Atlas Asset Management In-Service Report; (b) ensuring that all assets, regardless of value, are tagged; and (c) recording all assets in the store room at the mezzanine floor and establishing their condition with a view to dispose of these assets.	
Management action plan: The Office commenced the process of assets verification in June 2016 and will make all efforts to complete the exercise. **Estimated completion date:** September 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 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 <u>not included in this report</u>.