UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

Empowered lives.
Resilient nations.

AUDIT

OF

UNDP COUNTRY OFFICE

IN

HAITI

Report No. 1856

Issue Date: 26 October 2017

Table of Contents

Executive Summary	**i**
I. About the Office	**1**
II. Audit results	**1**
A. Governance	**1**
1. Corporate Oversight and Assurance	1
B. Programme	**2**
1. Quality Assurance Process	2
2. Programme/Project Design and Implementation	3
C. Operations	**4**
1. Financial Resources Management	4
2. ICT and General Administrative Management	7
3. Procurement	8
4. Human Resources Management	10
D. United Nations Leadership and Coordination	**11**
Definitions of audit terms - ratings and priorities	**13**

Report on the Audit of UNDP Haiti
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Haiti (the Office) from 22 August to 1 September 2017. 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 (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);

(b) programme (quality assurance process, programme/project design and implementation, knowledge management);

(c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and

(d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2016 to 30 June 2017. The Office recorded programme and management expenditures of approximately $74.7 million. The last audit of the Office was conducted by OAI in 2014.

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 / some improvement needed,** which means, "The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to inadequate project closure processes.

Key recommendations: Total = **11**, high priority = **1**

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	3	High
	2	Medium
Reliability and integrity of financial and operational information	5, 6	Medium
Effectiveness and efficiency of operations	4, 7, 8, 9	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	1, 10, 11	Medium

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. The high (critical) priority recommendation is presented below:

Inadequate project closure process (Issue 3)	Out of a portfolio of 42 ongoing projects in Atlas (comprising 78 outputs), 15 of the projects (comprising 22 outputs) were set as having been implemented and should have been operationally closed as per the project end dates entered in Atlas. Additionally, 15 projects had "operationally closed" status in Atlas for over 12 months but were not financially closed by the time of the audit. Furthermore, the Office had a practice of transferring funds from one project to another without approval from the donor or the budget owner. This practice was followed to cover deficits in projects' financial statements or to fund future project activities, while expecting donor contributions to be received. This practice created an additional burden when closing the project, as most of the adjustments lacked supporting documentation on the reasons for temporarily covering deficits. Recommendation: The Office should improve project closure by: (a) operationally and financially closing projects on time; and (b) refraining from transferring funds between projects without the donors' or budget owners' knowledge/written approval.

Implementation status of previous OAI audit recommendations: Report No. 1416, 13 February 2015.
Total recommendations: 12
Implemented: 12

Management comments and action plan

The Senior Country Director accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge S. Ostveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Port-au-Prince, Haiti (the Country), had 15 international staff, 28 national staff, and 143 service contractors at the time of the audit. The Office was implementing a Country Programme agreed with the Government for the period 2017-2021, which was aligned to both the national priorities as confirmed by interviewed government officials, and to the UNDP Strategic Plan 2014-2017. The United Nations Development Assistance Framework (UNDAF) and the Country Programme Document were approved in alignment with the Sustainable Development Goals, and the Office was working with the Government for the implementation of the Agenda 2030.

II. Audit results

OAI made 1 recommendation ranked high (critical) and 10 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 recommendation:
(a) Improve project closure (Recommendation 3).

Medium priority recommendations, arranged according to significance:
(a) Adopt the Harmonized Approach to Cash Transfers (Recommendation 11).
(b) Ensure that information entered in the different corporate systems is consistent (Recommendation 2).
(c) Revise payment process workflow and establish adequate time frames for payments (Recommendation 4).
(d) Ensure that all directly implemented projects have a valid authorization from the Regional Bureau (Recommendation 1).
(e) Identify deposits and allocate them to projects (Recommendation 5).
(f) Implement Direct Project Costing and enhance cost recovery (Recommendation 6).
(g) Improve vehicle management (Recommendation 7).
(h) Improve procurement processes (Recommendation 8).
(i) Ensure compliance with UNDP procurement policies and procedures (Recommendation 9).
(j) Address the deficiencies in human resources management (Recommendation 10).

The detailed assessment is presented below, per audit area:

A. Governance

1. Corporate Oversight and Assurance

Issue 1 Projects directly implemented without proper authorization

According to the 'UNDP Programme and Operations Policies and Procedures', projects that are to be directly implemented by a UNDP Country Office need to be authorized by the Regional Bureau Director. The Country Office also needs to comply with specific reporting requirements.

During the audit period, the Office was directly implementing 19 projects (comprising 32 outputs), 6 of which did not have a valid authorization for direct implementation. According to the Office's management, two of the projects were in closing phase, and thus did not require an authorization, but the audit found that both projects remained active in Atlas (enterprise resource planning system of UNDP), as the closing phase had not yet started. The Office's management explained that the pending authorizations were being reviewed by the Regional Bureau for Latin America and the Caribbean, but it was difficult to acquire all the necessary documentation required.

Implementing projects without authorization from the Regional Bureau may impact project governance and may result in reputational risks for the Office.

Priority Medium (Important)

Recommendation 1:

The Office should ensure that all directly implemented projects have a valid authorization from the Regional Bureau for Latin America and the Caribbean, throughout the project life cycle.

Management action plan:

The Office will continue to seek the necessary documents and justifications for the remaining directly implemented projects which were pending authorization at the time of the audit in order to submit the required request to the Regional Bureau for Latin America and the Caribbean. The six projects with pending authorizations will be resolved as a follow-up to the audit.

Estimated completion date: December 2017

B. Programme

1. Quality Assurance Process

Issue 2 Corporate systems with different project progress results for same projects

UNDP developed a Corporate Planning System in 2013, it supports programme/project management. The data is obtained from project progress reports and monitoring activities.

The audit team reviewed eight development projects out of a total portfolio of 42 projects and found that:

- For six projects, the results reported were different among the Corporate Planning System, Atlas, and the project progress reports. In one case, the project did not achieve one out of three results planned for 2016 as reported in Atlas, but according to the Quality Assurance assessment in the Corporate Planning System, the project was on track of achieving the agreed results, and no indication of not achieving the target was mentioned.
- For four projects, the Quality Assurance assessments lacked supporting documentation for results, thus making it difficult to assure the accuracy.

- For five projects, project documents included a monitoring framework specifying quarterly activities, such as risk assessments however they were carried out yearly.

The lack of alignment of information among the different systems may compromise monitoring efforts, since a project can fall behind schedule or fail in achieving agreed results without prompting any warning in the corporate systems.

Priority	Medium (Important)
Recommendation 2: The Office should ensure that information entered in the different corporate systems is consistent, and supported by evidence of the reported monitoring activities.	
Management action plan: Despite limited harmonization between directives provided for different corporate systems, the Office follows the respective guidance issued by Headquarters with regard to project design and implementation, the use of the Atlas project management modules and the use of the new Project Quality Assurance tools. Efforts to harmonize the different directives and content is progressive. 2016 was the first year that full compliance with the Project Quality Assurance tools was required. The Office will continue to seek higher quality inputs, particularly with regards to evidence, and will seek greater harmonization between the contents reflected in the reporting tools. **Estimated completion date:** December 2018	

2. Programme/Project Design and Implementation

Issue 3 Inadequate project closure process

A project should close operationally when the final invoices are received and final activities are completed. The implementing partners have to notify the finalization of the activities promptly to the project boards. Should the implementing partner not do so, UNDP Programme Managers must determine when the project is operationally complete. Projects should be financially closed not more than 12 months after being operationally completed.

The audit reviewed the Office's project closure process and found that out of a portfolio of 42 ongoing projects (comprising 78 outputs), 15 (comprising 22 outputs) were set as implemented and should be operationally closed, per the project end dates entered in Atlas.

Additionally, 15 projects (comprising 20 outputs) were operationally closed in Atlas for 12 months, and should be financially closed by the time of the audit. According to Office management, the main reasons for not completing the financial closure of the projects were project deficits and uncollected General Management Service fees. The Office estimated that to clear the outstanding deficits, adjustments in the amount of $2 million were required. Due to the funds required to close the projects, the Office requested advice from the Regional Bureau in August 2017.At the time of the audit fieldwork, the Regional Bureau was prioritizing their closure.

Furthermore, the Office had a practice of transferring funds from one project to another without approval from the donor or from the budget owner. This was done to cover deficits in the projects' financial statements or to fund future project activities while donor contributions were not yet received. Once the project contributions were deposited, adjustments were made to reflect the correct income and expenses for projects. Nevertheless, this practice created an additional burden when closing the projects, as most of the adjustments lacked supporting documentation.

Without adequate project closure processes, the Office may not be able to capture the true status of the projects. Not financially closing projects within 12 months after their operational closure may lead to financial risks for UNDP, as deficits will have to be covered other funds and may have reputational consequences with the donors.

Priority High (Critical)

Recommendation 3:

The Office should improve project closure by:

(a) operationally and financially closing projects on time; and
(b) refraining from transferring funds between projects without the donors' or budget owners' knowledge/written approval.

Management action plan:

With regard to the cases observed by the auditors, the Office will ensure that project status is accurate in Atlas and that it reflects the finalization of activities and inputs:

(a) The Office has a project closure strategy and dashboard, which allows for close monitoring of progress. The Office will refresh knowledge on the operational and financial closure of projects to all staff members in addition to the implementation of the solutions proposed by the Regional Bureau for Latin America and the Caribbean until the list of projects observed by the auditors is closed. With the support of the Regional Bureau for Latin America and the Caribbean, the Office is working to find timely solutions to address the pending list of projects to be financially closed.
(b) With regard to transferring funds between projects, the Country Office will follow the established Standard Operating Procedure related to project closure, which requires quality control in the process.

Estimated completion date: December 2017

C. Operations

1. Financial Resources Management

Issue 4 Delays in processing payments

According to UNDP Financial Regulations and Rules, payments should be based on proper supporting documentation, which ensures that services or goods have been received. However, delays in processing payments for goods received were observed for the audit period. This impacted the Office's commitments vis-àvis suppliers that entered into agreements with the Office. Commitments reported amounted to $8.8 million as at 31 December 2016, and to $2.7 million as of 30 June 2017.

The review of one pay cycle during the audit fieldwork identified vouchers that could not be timely / adequately processed, due to the following causes:

- Incomplete vendor information in Atlas for 15 vouchers (amounting to $12,000).
- 192 vouchers were approved and ready for payment (amounting to $327,000) but supporting documentation (e.g. invoices) had not been received at the Finance Unit. Of those, 81 vouchers were pending to be paid from June 2017 or earlier.
- 159 vouchers pending approval (amounting to $725,000), of which 43 corresponded to prior years.

A cause for delayed payments was the workflow process pertaining to the receipt of invoices to be paid. Invoices were received by project teams and different units within the Office. The approval process of each invoice varied depending on the project or unit, which impaired the effectiveness of the payment workflow process, and resulted in delays and pending payments.

Delays in processing payments may cause reputational risks, and unpaid invoices may result in overdue payables and interest charges.

Priority Medium (Important)

Recommendation 4:

The Office should revise its payment process workflow and establish adequate time frames for payments to improve efficiency. In addition, the Office should strengthen the payment process by ensuring payments are effected following UNDP requirements.

Management action plan:

Of the vouchers reviewed by the auditors, as of September 2017, the number of pending payments is now 62, and none are pending since 2016. The Office will strengthen the implementation of the established Standard Operating Procedure, particularly with regards to monitoring at the project level in order to accelerate payments.

Estimated completion date: March 2018

Issue 5 Outstanding unapplied deposits

Financial Closure Instructions refer to the process of completing the input of all accounting entries to the UNDP general ledger. Unapplied deposits are those contributions that have been received from donors but have not been applied to the appropriate donor, fund or project.

The audit team reviewed the balance of account 14075 (unapplied deposits receivable), which represented the value of deposits that were not identified and therefore not applied to relevant projects. For financial year 2016 year-end closure certification, the outstanding balance of account 14075 amounted to $143,000. This balance represented the cumulative value of unidentified deposits. As of 31 July 2017, the balance of the account increased to $171,000 while the certified value at financial year 2016 year-end remained unchanged.

Following the issue highlighted by the audit team during the audit fieldwork, as of 31 August 2017, the outstanding balance of unidentified deposits dropped to $139,000, as the Office identified some deposits and applied them to relevant projects.

There is the risk of not being able to identify deposits and timely allocate them to projects, which may in turn exacerbate the risk of misrepresentation of the financial statements.

Priority	Medium (Important)

Recommendation 5:

The Office should identify deposits and allocate them to projects or seek advice from the Office of Financial Resources Management on how to book outstanding balances on unidentified deposits.

Management action plan:

The Office will be more systematic in the monitoring and documentation of outstanding unapplied deposits, including any exceptions which have been observed during the monitoring period. For any cases requiring additional guidance, the Office will seek advice from the Office of Financial Resources Management or from the Regional Bureau for Latin America and the Caribbean.

Estimated completion date: June 2018

Issue 6 Insufficient cost recovery from projects

UNDP is committed to providing administrative services to United Nations agencies and programmes through its global office network. All costs associated with services provided are to be fully reimbursed. Recovering project costs, including the application of the Direct Project Costing methodology, to programme/project activities enhances financial sustainability. Direct project costs are organizational costs incurred in the implementation of a development activity or service that can be directly traced and attributed to that development activity (projects & programmes) or service.

At the time of the audit, cost recovery from projects was for activities performed by the Office for operations units only (e.g., human resources, finance and procurement), which were charged to the various projects twice a year based on the Universal Price List. The audit reviewed charges to 8 national projects being implemented under the Country Office support to national implementation modality out of 45 ongoing projects. Based on the audit review, the charges for financial year 2016 were lower than what should have been charged, by $60,000. Additionally, the Direct Project Costing methodology to recover costs from projects had not been implemented by the Office.

Insufficient cost recovery may negatively impact project implementation and the achievement of the Office's overall mandate in the Country.

Priority	Medium (Important)

Recommendation 6:

The Office should implement Direct Project Costing and enhance cost recovery.

Management action plan:

The Office will apply the Direct Project Costing policy in line with the targets established by the Regional Bureau and in the recently adopted Transformation Plan.

Estimated completion date: June 2018

2. ICT and General Administrative Management

Issue 7 Weaknesses in vehicle management

All assets used and controlled by UNDP must be managed in compliance with the UNDP Financial Regulations and Rules. This implies periodic verification of the existence of assets; assessing assets for impairment; reconciling physical verification results to the records; as well as internal controls and checks to ensure completeness and accuracy of records. Once the asset has been physically removed from the premises, it should be immediately retired from the system to avoid counting of disposed assets during the physical verification exercise. UNDP official vehicles must be administered as a pool, a vehicle not required by the UNDP senior management, will be available for other office activities.

The audit team reviewed the management of vehicles and identified the following:

- The Atlas In-Service report was found to be outdated. Thirteen vehicles were disposed of in 2016, but were still listed in the In-Service report, which listed a total of 85 vehicles
- For vehicles owned by the Office, there was a staff member in charge of monitoring vehicle-related activities, such as their use, petrol expenses, consumption, maintenance, and insurance, whereas the vehicles that were acquired for 51 directly implemented projects were not subject to the same controls.

The incorrect reporting and controls over assets may impact the accuracy of financial statements reporting.

Priority Medium (Important)

Recommendation 7:

The Office should improve vehicle management by:

(a) aligning the In-Service report to assets in use; and
(b) centralizing all vehicle management.

Management action plan:

(a) For the disposed vehicles, the sales notice was published on 1 December 2016 and the bids for the 13 vehicles were opened on 15 and 16 December 2016. Payments received by the awarded bidders took place from May to June 2017. Therefore, disposal was to take place only by end of June 2017, at which point the Office would have been able to remove the vehicles from the inventory.
(b) The Office's management is working on reorganizing the fleet management on a pool basis.

Estimated completion date: June 2018

3. Procurement

Issue 8 Weaknesses within procurement management

As per the 'UNDP Programme and Operations Policies and Procedures' the general procurement principles of (i) best value for money, (ii) fairness, integrity and transparency, (iii) effective international competition, and (iv) the protection of the interests of UNDP, must be applied to all types of procurement modalities and phases of the procurement process. As non-staff, a service contractor can conduct pre-award and post award procurement functions, but not core procurement functions related to the award phase of a procurement process (i.e., opening of bids, evaluations). For recurring procurement activities, an agreement between UNDP and a supplier may be established for a minimum duration of one year, during which UNDP may place repeated orders for varying ranges and quantities of the same type of services.

The review of a selected sample of procurement processes and of the procurement dashboard identified topics that would merit efficiency mechanisms to be put in place to improve procurement business processes, as follows:

- Approximately 1,300 purchase orders corresponding to the period from 2012 to 2017 were pending closure. The Office indicated that the Procurement Unit practice was to not close purchase orders until the project notified the Procurement Unit, even though the receipt of goods or services had already been processed.
- The Office was soliciting local bank services to process field payments, without a contractual agreement to carry out these services. The Office's management indicated that this type of service was needed by all United Nations agencies, and that it was currently under discussion by the Operations Management Team.
- The Office had not established Long-Term Agreements for repetitively procured services (e.g., catering, events, printing and courier services).
- The Procurement Unit was employing a service contractor conducting full scope procurement functions (including core functions).
- In addition, the Procurement Unit had not implemented e-tendering. The non-participation of procurement staff in the e-tendering training was cited as the primary reason.
- Finally, physical access to the Procurement Unit was not restricted, despite the sensitivity and confidentiality of the procurement information and documentation retained within.

The Office's procurement activities may not improve efficiencies and enhance capacities, to ensure the fairness, integrity, and transparency of procurement business processes.

Priority Medium (Important)

Recommendation 8:

The Office should improve procurement processes by:

(a) closing open purchase orders;
(b) contracting a local bank for field payment services;
(c) adopting e-tendering to the extent possible; and
(d) restricting access to the Procurement Unit.

Management action plan:

(a) The Office made efforts to close all open purchase orders for the elections project in June and July 2017. A new report for open purchase orders was run on 30 August and the closure of purchase orders is ongoing. By the end of 2017, all open purchase orders will be closed.
(b) As explained to the audit team, in order to "piggy-back", the Office is waiting for finalization of the process launched by WFP for the same purpose. This is a decision taken by all agencies in the Operations Management Team. The current arrangements with the bank are temporary and on an ad-hoc basis.
(c) The Procurement Unit team is currently being trained by the Surge Specialist supporting the Office on a detail assignment, including e-tendering.
(d) Agreed, and appropriate measures are being planned to restrict access to the Procurement Unit.

Estimated completion date: June 2018

Issue 9 Non-compliance with procurement policies and procedures regarding the Contracts, Assets and Procurement Committee

To ensure procurement activities are conducted in line with accepted professional purchasing practices and appropriate rules and regulations, UNDP requires an independent review of the procurement process prior to a contract award. The review confirms that offers received are the result of a fully compliant process, that sufficient funding exists, and that risks have been adequately assessed and mitigated. The Contracts, Assets and Procurement Committee renders independent written advice and recommendations on a procurement action to the individual approving the procurement action. As such, members of independent review committees are required to remain independent while skilled and up to date on UNDP procurement rules and regulations.

The audit identified the following weaknesses:

- Three procurement processes that reached the vendors' cumulative amount and time thresholds (above $150,000 and over two years for individual contractors), were not submitted to the Regional Advisory Committee on Procurement during 2016.
- The Contracts, Assets and Procurement Committee members lacked formal individual appointments and the Chairperson and members lacked procurement certifications.

Failure to address weaknesses noted may be an indication that procurement is not conducted in the best interests of UNDP.

Priority Medium (Important)

Recommendation 9:

The Office should ensure compliance with the UNDP procurement policies and procedures by:

(a) timely submitting to the Regional Advisory Committee on Procurement the cases that are subject to their review and clearance and ensuring quality standards are always met; and
(b) improving the Contracts, Assets and Procurement Committee functioning by properly selecting their members and encouraging members to obtain the first level procurement certification.

Management action plan:

(a) Since January 2017, a cumulative report is a mandatory part of the evaluation and is required prior to the approval and awarding of a contract to a vendor. This explains why no cases were identified in 2017. The Office will continue with this best practice to monitor the threshold to be submitted to the Contracts, Assets and Procurement Committee and Regional Advisory Committee on Procurement.
(b) The Contracts, Assets and Procurement Committee members continued to be trained after their appointment.

Estimated completion date: March 2018

4. Human Resources Management

Issue 10 Deficiencies in the management of human resources

The 'UNDP Programme and Operations Policies and Procedures' stipulate the justification for granting advances to personnel, as well as the policy on validating the number of leave days through a survey of entitlements for service contract holders. The results, once completed should be forwarded to the Office of Human Resources for approval and included in a revised salary scale and entitlements for service contract holders.

The audit review of a sample of 15 salary advances amounting to $44,902 identified four advances amounting to $10,907 and processed on behalf of other United Nations agencies personnel, which were found to be of a recurrent nature, and thus not serving the purpose of a salary advance. Service contract templates stipulated 2.5 days of leave per month for service contractors, without any validation from the Office of Human Resources through a survey, and instead based on a note issued by a previous Deputy Country Director in 2011.

The deficiencies identified put the Office at risk of non-compliance with the responsibilities and accountability delegated by the Office of Human Resources in the management of benefits and entitlements of staff members and service contract holders, respectively.

Priority Medium (Important)

Recommendation 10:

The Office should address the deficiencies in human resources management by ensuring that:

(a) salary advances are approved based on established criteria; and
(b) the number of 2.5 leave days for service contract holders is validated during the salary survey submitted to the Office of Human Resources for approval.

Management action plan:

(a) A memo issued in 2015 restricting salary advances was circulated to United Nations agencies whose payroll is handled by UNDP. The Office agrees that due diligence will be exercised to avoid future occurrence of the approval of salary advances that do not meet the established criteria.

(b) The Office will seek validation by Office of Human Resources of the 2.5 leave days per month for service contract holders.

Estimated completion date: December 2017

D. United Nations Leadership and Coordination

Issue 11 Harmonized Approach to Cash Transfers not fully implemented

To lessen the burden caused by the multiplicity of the United Nations procedures and rules for its partners, the 'Framework for the Harmonized Approach to Cash Transfers (HACT) to Implementing Partners' has been established. 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. According to the Framework, United Nations agencies will adopt a risk management approach and will select specific procedures for transferring cash based on the joint assessment of the financial management capacity of implementing partners. For direct payments, expenses are recognized when reported to UNDP using the Funding Authorization and Certificate of Expenditures forms, after delivery of goods or services.

At the time of the audit fieldwork, HACT was pending to be fully adopted despite several efforts made by the Office. A macro-assessment had not been carried out; 45 micro-assessments of implementing partners had been carried out between 2015 and 2017 and the use of Funding Authorization and Certificate of Expenditures forms was introduced for processing direct payments in October 2016. A comprehensive assurance plan and spot checks had not been put in place at the time of the audit.

Unless all HACT requirements are fulfilled, the objectives of harmonizing practices among United Nations agencies may not be achieved.

Priority Medium (Important)

Recommendation 11:

The Office, in coordination with the national implementing partners and other participating United Nations agencies, should fully adopt the 'Framework for the Harmonized Approach to Cash Transfers (HACT) to Implementing Partners' by completing the pending activities, such as macro-assessments, development of an assurance plan including spot checks, as well as the full adoption of Funding Authorization and Certificate of Expenditures form.

Management action plan:

The Office has conducted the required spot checks during the period covered by the audit. This practice will continue for the projects for which this is applicable, and the Office will finalize its assurance plan. The Office will refresh training for colleagues on the use of the Funding Authorization and Certificate of Expenditures form for instances where it is appropriate, and will recirculate the relevant management instructions in this regard. The Terms of Reference for the macro-assessment have been finalized and it will take place with the support of the ExCom agencies and the Office of the Resident Coordinator.

Estimated completion date: December 2017

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

Satisfactory	The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
Partially Satisfactory / Some Improvement Needed	The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
Partially Satisfactory / Major Improvement Needed	The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
Unsatisfactory	The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

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