UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP PANAMA

GRANTS FROM THE GLOBAL FUND

Report No. 1929

Issue Date: 25 May 2018

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Report on the Audit of UNDP Panama
Grants from the Global Fund
Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 26 March to 6 April 2018, conducted an audit of one grant from the Global Fund (Output No. 97297 [HIV /TB]), managed by UNDP Panama (the Office) as the Principal Recipient. 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, risk management, staffing and performance management, capacity development and transition strategy);

(b) programme management (project approval and implementation, monitoring and evaluation, grant closure);

(c) Sub-recipient management (selection, assessment and contracting, financial and programmatic activities);

(d) procurement (quantification and forecasting, procurement of health products, quality assurance of health products, individual contractors, procurement of other goods and services), supply management (inventory, warehousing and distribution), and asset management; and

(e) financial management (revenue and accounts receivable, expenses, reporting to the Global Fund, Fund Administrator Role).

The audit covered the Global Fund-related activities of the Office from 1 January 2017 to 31 January 2018. The Office recorded Global Fund-related expenses of approximately $3.7 million from the beginning of the project. This was the first audit of the Office's Global Fund-related activities.

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

Overall audit rating

OAI assessed the Office's management of the Global Fund grants 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 project implementation delays and weaknesses in inventory and warehousing management.

Key recommendations: Total = **7**, high priority = **2**

The seven recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	2	High
	1, 3	Medium
Safeguarding of assets	6	High
	7	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	4, 5	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. All high (critical) priority recommendations are presented below:

Project implementation delays (Issue 2)	The low implementation rate of 49 percent was due to the delay in a number of project activities. Specifically, as of April 2018, the total disbursement of incentive payments for the target population was only $19,730 out of a budget of $241,833 (or 8 percent). Further, the Office's institutional capacity-building activities with a budget of $150,000 was not completed and two Friendly Clinics[1] had not been opened as planned.
	Recommendation: The Office should enhance controls for the timely implementation of project activities by: (a) calculating the expected number of incentive payments to be disbursed, returning to the supplier the unused incentive vouchers, or agreeing with the government ministry and donor regarding reprogramming of the unused amounts; (b) identifying a supplier, providing the relevant training, and completing the required institutional capacity-building activities; and (c) following up with the government ministry to ensure the opening of the Friendly Clinics is within the agreed time frame.
Weaknesses in inventory and warehousing management (Issue 6)	The Office did not maintain adequate inventory records, including information of stock items received and transferred. Also, there was no evidence of physical counts and certifications of health commodities. Further, the warehouse inventory was poorly managed.
	Recommendation: The Office should strengthen inventory and warehouse management by: (a) recording and controlling inventory following the World Health Organization guidelines; (b) conducting a physical inventory count by an independent verification team; and (c) certifying the balance and value of inventory and submitting this to the Global Shared Services Unit.

Management comments and action plan

The Resident Representative accepted all seven recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into 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. Osttveiten
Director
Office of Audit and Investigations

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[1] Friendly Clinics: Dedicated areas within the government health centres, offering health-related services to the targeted population.

I. Profile of Global Fund grants managed by UNDP Panama

Since 2016, UNDP has been the Principal Recipient of Global Fund grants in Panama (the Country).

Grant No.	Output No.	Description	Start Date	End Date	Budget (in $'000)	Funds Received as of 31 January 2018 (in $ '000)	Expenses from start to 31 January 2018 (in $ '000)	Implementation Rate	Global Fund Rating at (Jan - Dec 2016)
PAN-C-UNDP	97297	Strengthening and scaling up HIV and TB prevention response in Panama	1 January 2016	31 December 2018	7,431	5,078	3,652	49%	B1

II. Audit results

Satisfactory performance was noted in the following areas:

(a) <u>Procurement of health products.</u> The Office did not procure health commodities during the audit period. There were adequate controls in place for the procurement of health commodities that was managed through approved Long-Term Agreements and support from the Global Procurement Unit.

(b) <u>Procurement of other goods and services.</u> There were adequate controls in place for the procurement of other goods and services.

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

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

Medium priority recommendations that had been implemented as advised by the Office (and independently validated by OAI) prior to the issuance of this report are not included in this report.

High priority recommendations, arranged according to significance:
  (a) Enhance controls for the timely implementation of project activities (Recommendation 2).
  (b) Strengthen inventory and warehouse management (Recommendation 6).

Medium priority recommendations, arranged according to significance:
  (a) Improve the contracting of Sub-recipients for future grants (Recommendation 4).
  (b) Improve Sub-recipients' financial management (Recommendation 5).
  (c) Improve asset management (Recommendation 7).
  (d) Ensure the sustainability of project activities and enhance project design (Recommendation 1).
  (e) Strengthen the monitoring and evaluation activities (Recommendation 3).

The detailed assessment is presented below, per audit area:

1.   Capacity development and transition strategy

Issue 1   Unclear funding of Sub-recipient activities and project design limitations

The Global Fund's final allocation for the project was $2.7 million, which would cover the period 2019-2021. By 2021, it was expected that activities would be fully transitioned to the Government. The final allocation was one third of the previous budget of $7.4 million (2016-2018). Within the Global Fund definition, a transition is considered successful when national health programmes can maintain or improve equitable coverage and uptake of services through resilient and sustainable systems after the funding support has ended. The Office was in the process of developing an implementation plan for the final allocation.

During the fieldwork, the following risks were identified relating to the transition of activities:

Unclear funding of the Sub-recipient activities

At the time of the audit, it was not clear how Sub-recipient activities would be funded during the final phase of the grant. The HIV component of the Global Fund grants was implemented by five Sub-recipients who were dependent on the project to support the activities with the target population groups (men who have sex with men, female sex workers, and transgender). During meetings with the two largest Sub-recipients, the audit team confirmed that no funding strategy had been developed from 2019 onwards. The government ministry indicated that the funding of the Sub-recipients may have been possible under the framework of social contracting, i.e. through engaging non-governmental organizations. However, no decision had been made in this regard. The TB activities were being implemented by local consultants, for which the government ministry had included a budget for 2019, and which was pending approval.

Following the audit fieldwork, the Office indicated that they would expect service delivery to continue with donor funds in 2019. In addition, a consultant had been hired to support the government ministry to identify solutions for the funding of the Sub-recipients during the transition period.

If activities are not sustained after the transition period, the progress made in addressing both HIV and TB infections may be lost.

Limitations within project design and implementation

Lack of training of Friendly Clinic personnel

The training of all Friendly Clinic staff was not initially considered in the project design. During the field visits, and during meetings with the Sub-recipient and a review of monitoring reports, the issue was highlighted that not all government staff working at the Friendly Clinics had been appropriately trained to work with the target population, which resulted in the Sub-recipient being discouraged from bringing members of the target population to the Clinics. The project manager confirmed that not all staff, including receptionists and laboratory technicians, had received the relevant training for working with the target population, and as such stigma and discrimination continued to be a challenge.

If Friendly Clinic staff are not properly trained, the target population may be discouraged from registering for treatment.

Priority	Medium (Important)
Recommendation 1: The Office should ensure the sustainability of project activities and enhance project design by: (a) coordinating with the government ministry to ensure funding of the Sub-recipients during the transition period; (b) providing training to all staff working at the Friendly Clinics on how to work with the target population.	
Management action plan: (a) Continuing coordination with the government ministry to ensure funding of the Sub-recipients during the transition period. (b) From year one, training activities have been developed with the personnel from the Friendly Clinics. The Office will continue to train all personnel from the Friendly Clinics advocating to diminish the constant rotation of such personnel. Three trainings would be conducted in 2018 for the working staff of the Friendly Clinics. **Estimated completion date:** December 2018	

B.   Programme management

1.   Project approval and implementation

Issue 2   Project implementation delays

According to the 'UNDP Programme and Operations Policies and Procedures', programme and project monitoring is a key activity in measuring programme results at various levels to provide a basis for accountability and informed decision-making. Furthermore, according to article 2 of the Global Fund agreement, the Principal Recipient will be accountable for all resources it receives under this agreement and the results that it accomplishes. The donor agreement stipulated that all activities should be implemented by the end of the grant (31 December 2018), and that no extensions would be provided.

The low implementation rate of 49 percent (see Profile of Global Fund grants on page 1) was due to the delay in a number of activities from the start of the project. The status and underlying reasons are included within the table below:

Activity	Budget	Activities	Status
Incentive payments for target population	$241,833	The incentive payments in the form of cash vouchers were due to be paid to the target population from 2016. As of April 2018, $19,730 (8 percent) of the budgeted amount had been disbursed. The reason for the low disbursement is that	In March 2018, an agreement was reached with the donor and the Government on how the incentive payments would be disbursed beginning from May 2018. The Office will deliver the corresponding incentive payments of year two and three of the programme.

		agreement could not be reached on how payments would be administered.	
Institutional capacity-building	$150,000	Institutional capacity-building activities of civil society were not completed as planned due to delays in identifying a suitable supplier.	A supplier was identified in 2018, and the corresponding training will be completed in August 2018. A budget of $100,000 remains unused and the project has yet to identify a supplier to utilize the remaining funding.
Friendly Clinic health centres to support target population	N/A - government ministry activity	Two Friendly Clinics were to be opened by the government ministry in 2016. The government ministry explained the Clinics were not opened due to a lack of available budget, which meant the necessary staff could not be hired. While there is no budget impact, the Principal Recipient has a responsibility to ensure all project activities are completed. The Clinics are an important component of the project, as they were set up to receive patients from the key population groups for testing.	The government ministry confirmed the Friendly Clinics would be opened by the end of June 2018.

Following the audit, the Office prepared a tracking table to monitor the critical activities and was in regular contact with the Headquarters Global Fund team to seek support should further bottlenecks occur.

A lack of timely follow up of planned activities contributed to delays in their implementation. In the event planned activities are not completed, the funding and corresponding programme results will not be achieved.

Priority	High (Critical)
Recommendation 2: The Office should enhance controls for the timely implementation of project activities by: (a) calculating the expected number of incentive payments to be disbursed, returning to the supplier the unused incentive vouchers, or agreeing with the government ministry and donor regarding reprogramming of the unused amounts; (b) identifying a supplier, providing the relevant training, and completing the required institutional capacity-building activities; and	

(c) following up with the government ministry to ensure the opening of the Friendly Clinics is within the agreed time frame.

Management action plan:

(a) The linking promoters, hired from May 2018, will provide accurate information. The Office's Project Management Unit will set a joint strategy with the government ministry to deliver incentives to the population reached by the project during years two and three.
(b) The Project Management Unit is already having conversations with two Public Universities to establish a capacity-building process for those health operators of the government ministry related to the target population for the grant.
(c) The Project Management Unit will give close follow-up to the process, advocating for the fulfilling of the agreed commitment.

Estimated completion date: September 2018

2. Monitoring and evaluation

Issue 3 Weaknesses within monitoring and evaluation activities

According to the 'UNDP Programme and Operations Policies and Procedures', project monitoring is a key activity in measuring programme results at various levels to provide a basis for accountability and informed decision-making.

The Office implements the project activities throughout the Country, through local consultants for the TB component, and through Sub-recipients for the HIV component. There was evidence of regular monitoring visits by the Office throughout 2017. The frequency of monitoring visits increased following the recruitment of a consultant in October 2017.

However, the Office did not have a comprehensive annual monitoring plan that identified areas to be visited, the frequency, by whom and the type of monitoring to be completed. Also, the monitoring reports prepared by the project personnel consisted of a summary of the visits but did not include information regarding verification of results achieved, weaknesses identified, actions required, person responsible and time frame. The reports prepared by the consultant included information on weaknesses identified during the visits, but the corresponding action, person responsible and time frame was not documented. In addition, there was no documented process for the follow up of issues that had been identified.

The Office confirmed the monitoring process would be enhanced, including the reporting templates. The lack of a documented follow-up process may result in issues identified during monitoring not being addressed in a timely manner.

The TB component of the grant was supported by 32 consultants working at the community level throughout the Country. These consultants did not have monthly or yearly targets relating to their activities (e.g., households to visit, number of sputum samples to take), and while the work of the consultants was sometimes monitored by the nurses in the Clinics they were assigned to, the roles of the nurses had not been formally

established. The Office recognized this issue and explained that a decision had been taken initially not to establish targets due to the complexity of each location (e.g., insecurity and migration of target audience).

In the event the consultants are unsupervised and do not have monitoring targets established, programmatic objectives may not be met.

Priority	Medium (Important)
Recommendation 3: The Office should strengthen the monitoring and evaluation activities by: (a) preparing a comprehensive annual monitoring plan; (b) updating the template for back to office reports, and establishing a follow-up process to ensure the implementation of actions; and (c) establishing targets for the TB consultants, and formalizing the role of the nurses in monitoring the activities completed by the TB consultants.	
Management action plan: (a) The Plan has been prepared and its strategies are already being implemented. (b) A new 'back to office report' template for the monitoring team has been developed and will be implemented and follow-up actions will be identified and monitored. (c) The Project Manager will work on a short Standard Operating Procedure with the TB programme to formalize the role of all personnel involved in the TB activities, including monitoring. **Estimated completion date:** June 2018	

C.   Sub-recipient management

1.   Selection, assessment and contracting

Issue 4   Weaknesses in agreements signed with Sub-recipients

The 'UNDP-Global Fund and Health Implementation Guidance Manual' prescribes that following the selection process, UNDP engages Sub-recipients by entering into legal agreements with them. The Sub-recipient agreement template is consistent with the terms of the Global Fund grant agreement and is based primarily on the proposal submitted by the Sub-recipients. Any substantive departures from the model Sub-recipient agreements should be approved by the UNDP Global Fund/Health Implementation Support Team for programmatic issues and by the Legal Office for legal issues.

The review of the agreements signed with four Sub-recipients during the audit period showed the following:

- There were substantial modifications to the financial arrangement and reporting requirements in the agreements, which was signed with Sub-recipients in 2016 and was valid until March 2017. In the financial arrangement, the Office did not specify any of the three options provided within the template stipulating the disbursement modality being followed (advances, reimbursement of costs or direct payment) although

advances and reimbursements were used. Within the reporting article, there were inconsistencies regarding the reporting frequency. In addition, the agreement did not include the period of the report coverage and the date of submission as required in the template.

▪ The Office used the UNDP Responsible Party Agreement instead of the Global Fund Sub-recipient agreement during the period June 2017-December 2018.

▪ The Terms of Reference (TORs) for the selection of Sub-recipients, defining the services, disbursement and reporting requirements, were considered part of the agreements. The agreements, however, did not make any reference to the TORs.

The Office did not obtain clearance from UNDP Global Fund/Health Implementation Support Team for programmatic issues and by the Legal Office for the deviation from the standard templates. The Office explained that based on the experience and results in 2016, it changed the model of the agreement with Sub-recipients in 2017 to improve the management of contracts. The Office decided to implement monthly reports to improve the monitoring of activities, and to reduce financial risks and indicated that Sub-recipients had been compliant with this requirement.

By not using the standard Sub-recipient agreement and not having the standard clauses, the Office might not be able to properly oversee the Sub-recipient's implementation of project activities.

Priority	Medium (Important)
Recommendation 4: The Office should improve the contracting of Sub-recipients for future grants by: (a) using the standard Sub-recipient agreement template when contracting Sub-recipients; and (b) obtaining clearance from the UNDP Global Fund/Health Implementation Support Team for programmatic issues, and the Legal Office for legal aspects, if substantial modifications to the model Sub-recipient agreements occur.	
Management action plan: (a) The Office will ensure the standard templates are used. (b) The Office, including the Project Management Unit have close support from UNDP Global Fund/Health Implementation Support Team. The Office does not foresee any changes to legal templates, but will seek clearance from Legal Office if such changes appear to be needed. **Estimated completion date:** May 2018	

| 2. | **Financial and programmatic activities** |

Issue 5   Inadequate management of funds to Sub-recipients

A Sub-recipient is a recipient of grant funds that performs programme activities that would otherwise be expected to be directly undertaken by the Principal Recipient within the scope of its responsibilities as implementer of the programme. UNDP's Sub-recipient agreements set out three modalities for financing Sub-recipient activities: advance disbursement (Direct Cash Transfers), cost reimbursement, and direct payment.

Cash advances issued to the Government or civil society organizations as Sub-recipients should be charged to the advance account code 16005. The work plan must detail the financing modality that will be used to fund the Sub-recipient activities. The correct use of the Chart of Accounts is critical for accurate financial management and donor reporting. It provides the fundamental building blocks of the Atlas (enterprise resource planning system of UNDP) financial systems for control, budgeting and reporting.

The Office released the first instalment of the yearly budget and used the cost reimbursement modality for the remaining portion of the budget. However, the funding modality to Sub-recipients was not established in the Sub-recipient agreement but in the TOR (see above issue 4).

The audit disclosed the following:

- The Office advanced to Sub-recipients 20 percent of the budget in 2017 ($94,035) and 10 percent of the budget in 2018 ($71,939). These disbursements were recorded to the expense accounts instead of charging them to the advance account 16005.

- Although the advanced amounts were linked to a specific programmatic milestone (submission of the Sub-recipient work plan), they were not matched to any budgeted activity of the Sub-recipients.

- The Office's annual work plan did not specify the financial modality (procedure for advances of funds and reimbursements of costs) to fund the Sub-recipient activities. Further, the procedure for liquidating advances was not established. In the review of reimbursements to two Sub-recipients, it was noted that in one case, the advanced payment was liquidated in two instalments while in the other case, it was completed in five instalments.

- The review of reports generated from Atlas disclosed inaccurate classifications of Sub-recipient expenses. In 2017, the Office recorded Sub-recipients' expenditures amounting to $276,871 against rent account code 73105. However, these expenditures included other transactions related to the implementation of activities. The amount of $84,551 relating to consulting, transporting, and printing services was recorded as 'Construction & Engineer' expenses (account 72105). The Office explained that the project budget in Atlas was already allocated to the respective accounts and they could not be changed to appropriate accounts based on the nature of transactions.

Inadequate management of funds and recording of advances may limit the Office's capacity for monitoring and oversight of disbursements to Sub-recipients. Incorrectly using the Chart of Accounts adversely affects the accuracy of financial reports.

Priority	Medium (Important)

Recommendation 5: The Office should improve Sub-recipients' financial management by: (a) ensuring that the funding modality for financing Sub-recipient activities are clearly defined in the Sub-recipient agreement and aligned to the annual work plan and Atlas budget; (b) recording and monitoring cash advances in line with UNDP policies and procedures; and (c) charging expenditures to the correct Atlas account codes.
Management action plan: (a) Sub-recipient agreements will be strengthened to face the new grant (2019-2021). Revisions to annual work plan and Atlas budget will be done. (b) Sub-recipient agreements will include more accurate monitoring procedures, according UNDP policies and procedures. (c) The Project Management Unit is working with the Finance Analyst to correct the budget codes and charge expenditures to the correct Atlas codes. All corrections will be made in the next Combined Delivery Report. **Estimated completion date:** March 2019

1. Supply management of medical products (inventory, warehousing, and distribution)

Issue 6 <u>Weaknesses in inventory and warehousing management</u>

The Principal Recipient and its Sub-recipients are required by the standard terms and conditions of the agreement signed with the Global Fund to comply with the World Health Organization's guidelines for adequate storage, distribution practices as well as stock records and physical inventory for medicines and other health products.

The 'UNDP Programme and Operations Policies and Procedures' prescribe that Global Fund medical supplies qualify as inventories and therefore require physical counting, valuation and reporting. Country Offices are also responsible for the certification of balance and value of inventories reported on the inventory control report and submission to the Global Shared Services Unit.

The audit disclosed the following control weaknesses:

(a) Inadequate inventory records

 ▪ The Office kept an inventory record that tracked information of stock items received and transferred without the inclusion of a closing or year-end balance. Following the audit team's request, the Office

provided the closing balances in quantities for each item of the inventory. However, the audit team noted some inaccuracies in quantities.

- During the audit, the Office started organizing the warehouse, thus, the stock of rapid test kits was counted and reconciled with the records. However, for the two remaining items (condoms and lubricants), stock records were under review. Therefore, the audit team could not verify them.

- There was no system in place to control and follow up on the inventory delivered to Sub-recipients. Subsequent to the audit, the Office indicated that it was currently evaluating the indicators to be included in the inventory control system for the Sub-recipients.

(b) No physical count and certifications

- There were no periodic physical counts or controls (such as detecting expired or damaged products, reconciliation against records) to the inventory of health commodities.

- There had been no independent verification and certification of the inventory balance and amounts since the start of the project in 2016.

- The project Combined Delivery Report for 2017 did not include the value of the inventory under the Funds Utilization section. As of the date of the audit, the Office did not provide the total value of the inventory.

(c) Poor warehouse management

- Storage space was not adequate in relation to the volume of products

- Not all boxes were on palettes.

- Different stock items were mixed together.

- The warehouse included inventories from other projects and were not clearly segregated.

- There were no bin cards, inventory labels, expiry date and batch numbers for each commodity type.

- There was no thermometer for monitoring the warehouse temperature.

Inadequate inventory records and the lack of physical counts and periodic certifications could lead to stock losses and errors in the quantification and forecasting of stock levels as well as misrepresentation of inventory in the financial reports. Poor storage conditions and inadequate monitoring could damage or reduce the quality of health products.

Priority	High (Critical)
Recommendation 6: The Office should strengthen inventory and warehouse management by: (a) recording and controlling inventory following the World Health Organization guidelines; (b) conducting physical inventory counts by an independent verification team; and (c) certifying the balance and value of inventory and submitting this to the Global Shared Services Unit.	

Management action plan:

(a) Although actions to strengthen inventory and warehouse management have been taken since the audit, the Office will implement the recommendation.
(b) The Office's Operations Manager will conduct an independent verification of physical inventory of project assets.
(c) The Office will implement the recommendation.

Estimated completion date: June 2018

2. Asset management

Issue 7   Inadequate management of assets under custody of Sub-recipients

According to the standard terms and conditions of the agreement signed with the Global Fund, UNDP is ultimately responsible for all assets procured using the grant funds. Where UNDP procures assets on behalf of a government Sub-recipient and transfers the titles of those assets to that Sub-recipient, UNDP must ensure that all assets are used for programme activities, unless specifically agreed otherwise with the Global Fund.

At the time of the audit, the assets transferred to the Sub-recipient had a total value of $0.2 million. However, the Sub-recipient did not provide a validation of the existence and conditions of assets under its custody. Further, there was no evidence the that Office conducted a verification of assets during the monitoring visits.

The lack of Sub-recipient reporting on the existence and conditions of assets increased the risk of assets not being used for programme activities.

Priority	Medium (Important)
Recommendation 7: The Office should improve asset management by: (a) requiring periodic reporting on the existence and conditions of assets under the custody by the Sub-recipients; and (b) conducting verification of assets during planned and *ad hoc* visits to Sub-recipient facilities.	
Management action plan: (a) The Project Management Unit will ask to be part of Country Coordinating Mechanism Strategic Monitoring & Evaluation Committee visits to the government ministry in order to be part of the periodic report already in use by this Committee. Also, as part of the Sub-recipient agreement with the government ministry, the Project Management Unit will require a quarterly report on assets used by government ministry units. (b) The Office will implement the recommendation of the audit team. The government ministry's planned and *ad hoc* visits will be included in the monitoring plan of the Project Management Unit. **Estimated completion date:** June 2018	

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 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 not included in this report.