

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP ZIMBABWE**

**GRANTS FROM THE GLOBAL FUND**

**Report No. 2054**  
**Issue Date: 4 June 2019**

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## Report on the Audit of Zimbabwe Grants from the Global Fund Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 25 March to 9 April 2019, conducted an audit of two grants from the Global Fund (Output Nos. 107967 [HIV] and 88278 [HIV]) managed by UNDP Zimbabwe (the Office) as the Principal Recipient and four projects (Output Nos. 108265 [Malaria], 93055 [TB], 108266 [TB], and 93641 [Malaria]) managed by the Office as Fund Administrator.<sup>1</sup> The Office also managed Output No. 108607 (Country Coordinating Mechanism) as its Funding Recipient.<sup>2</sup> These grants were managed under the Global Fund's Additional Safeguard Policy.<sup>3</sup> 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 2018 to 31 January 2019. The Office recorded Global Fund-related expenses of approximately \$133 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2017.

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 **unsatisfactory**, which means "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." This rating was mainly due to weaknesses in the selection, assessment and contracting of Sub-recipients, and weaknesses in the supply management of medical products (inventory, warehousing and distribution).

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<sup>1</sup> Starting January 2015, UNDP entered into a series of agreements with the Global Fund to provide support services to the Principal Recipient (a government counterpart) managing the TB and Malaria grants as the Fund Administrator.

<sup>2</sup> Since the Country Coordinating Mechanism is not a legally incorporated body and cannot receive funds, it designates a Funding Recipient to be responsible for receiving funds on its behalf.

<sup>3</sup> The Additional Safeguard Policy is a range of tools established by the Global Fund as a result of its risk management processes.

**Key recommendations:** Total = 6, high priority = 5

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	3	High
Effectiveness and efficiency of operations	4, 5	High
Safeguarding of assets	6	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	1, 2	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 capacity assessments of Sub-recipients  
(Issue 1)

Capacity assessments were inadequate for four Sub-recipients. Specific issues noted included the following:

- Alternative forms of capacity assessments were used instead of the prescribed tool for the assessment of three Sub-recipients. Two of the three assessments did not address all core requirements in the assessment report. As a result, the assessments did not reflect the real capacity of the entity. One Sub-recipient assessment did not address the organization's ability to disburse to Sub-sub-recipients, while the Sub-recipient had a budget of \$9.6 million for Sub-sub-recipients. In the case of the other Sub-recipient, responsible for storage and distribution, the entity was assessed to have adequate storage, distribution and inventory management capacity while this was not the case.
- Assessments did not provide the required rating for four Sub-recipients.

**Recommendation:** To improve risk management of Sub-recipients, the Office should, in conjunction with partners: (a) undertake proper capacity assessments or update the risk ratings to accurately reflect actual capacities and risk; and (b) define mitigating measures for existing Sub-recipients commensurate with the adjusted risk.

Weakness in contracting of Sub-sub-recipients  
(Issue 2)

The Office provided advances totalling \$7 million to three of the Sub-sub-recipients. However, this was contrary to UNDP guidelines, since UNDP can only provide advances/payments with a contract in place, and UNDP only has contractual agreements with Sub-recipients. The guidelines allow for direct payments on behalf of Sub-recipients but do not provide for advances to Sub-sub-recipients.

**Recommendation:** The Office should consider engaging Sub-sub-recipients directly as Sub-recipients or have Sub-recipients advance funds to Sub-sub-recipients.

Weak inventory  
management and  
supervision  
(Issue 3)

The Office did not carry out comprehensive oversight of the in-country supply chain as required. The procurement and supply management team had not visited either the regional warehouses or the service delivery points during the audit period to oversee the pharmaceutical storage and inventory. Instead, it relied on the work done by an accounting firm contracted by a third party to undertake a bi-annual inventory verification. Moreover, the Office relied on the monthly stock reports received from the Sub-recipient responsible for warehousing and distribution, without reconciliation. This report reflected the theoretical stocks held at the six warehouses owned by the Sub-recipient.

Recommendation: To improve oversight of supply and inventory management, the Office should: (a) implement monthly reconciliations of stocks reported by the contracted warehousing and distribution agency to timely detect issues in stock management; and (b) have supply management staff undertake planned and routine monitoring visits to all levels of the supply chain to validate stocks against reports.

Inadequate  
management of  
temperature and  
environmental controls  
(Issue 4)

There was limited evidence that temperature was monitored, or that corrective action was taken as necessary for warehoused pharmaceuticals at all three sites visited by the audit team. In some locations, temperature data loggers had been acquired but were not used. Temperature outside of the recommended range was observed in all the three sites visited.

Recommendation: To improve the management of temperature and environmental controls of pharmaceutical products, the Office should work with Sub-recipients and partners to ensure that: (a) temperature is read and recorded daily; and (b) significant variations are addressed in a timely manner.

Inadequate storage  
capacity management  
(Issue 5)

Issues were noted in both warehouses visited by the audit team. The audit team observed that space between racks was used to store health products; products were stacked much higher than the directions indicated by the manufacturer; and no space was left between the walls and the products, whereas recommended guidance was at least 30 centimeters.

Inadequate storage capacity had been exacerbated by significant delays in the disposing of expired products. Products had not been disposed of since 2017, and as a result, \$2.8 million in expired products were being stored, thereby leaving less space available to store non-expired products."

Recommendation: To improve storage conditions, the Office should (a) secure additional storage on an interim basis; and (b) work with key partners to expeditiously dispose of all expired products and recover much needed storage space.

**Implementation status of previous OAI audit recommendations:** Report No. 1904, 24 January 2018.

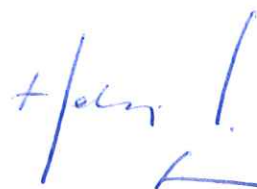
Total recommendations: 4

Implemented: 4

### **Management comments and action plan**

The Resident Representative accepted all six 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.

A handwritten signature in blue ink, which appears to read 'Helge S. Osttveiten', is enclosed in a rectangular box.

Helge S. Osttveiten  
Director  
Office of Audit and Investigations

## I. Profile of Global Fund grants managed by UNDP Zimbabwe

Since 2009, UNDP has been the Principal Recipient of Global Fund grants in Zimbabwe (the Country).

Grant No.	Output No.	Description	Start Date	End Date	Budget (in \$'000)	Funds Received as of 31 Jan 2019 (in \$ '000)	Implementation Rate (percent)	Expenses as of 31 Jan 2019 (in \$ '000)	Global Fund Rating at 27 May 2019
ZWE-H-UNDP	107967	AUP HIV	2018/01/01	2020/12/31	426,411	198,308	21	89,294	A2 <sup>4</sup>
ZWE-T-MoHCC	108266	AUP TB	2018/01/01	2020/12/31	23,775	8,532	19	4,428	NA
ZWE-M-MoHCC	108265	AUP Malaria	2018/01/01	2020/12/31	51,685	10,299	14	7,191	NA
ZIM-H-UNDP	88278	NFM HIV	2014/01/01	2017/12/31	611,375	568,775	90	549,308	Closed
ZIM-T-MoHCC	93055	NFM TB	2014/01/01	2017/12/31	38,789	22,715	60	23,358	NA
ZIM-M-MoHCC	93641	NFM Malaria	2014/01/01	2017/12/31	67,663	28,315	41	27,916	NA
CCM	108607	Country Coordinating Mechanism	2018/01/01	2020/12/31	200	200	79	157	NA

## II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance. All controls in this area were deemed to be well designed and functioning.
- (b) Programme management. The programme management function was well designed and controlled.
- (c) Financial management. All financial management controls were found to be effectively implemented.

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

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

**High priority recommendations**, arranged according to significance:

- (a) Improve oversight of supply and inventory management (Recommendation 3).
- (b) Improve Sub-recipient contractual arrangements (Recommendation 2).
- (c) Improve storage conditions (Recommendation 5).
- (d) Improve the management of temperature and environmental controls of pharmaceutical products (Recommendation 4).
- (e) Improve risk management of Sub-recipients (Recommendation 1).

**Medium priority recommendations:**

- (a) Improve the management of assets (Recommendation 6).

<sup>4</sup> A2 rating translates to meets expectations

The detailed assessment is presented below, per audit area:

## A. Sub-recipient management

### 1. Selection, assessment and contracting

#### Issue 1 Inadequate capacity assessments of Sub-recipients

After a grant is signed, a capacity assessment should be completed for all Sub-recipients prior to contracting them and, as necessary, a capacity development plan should be developed to bridge identified gaps. The 'UNDP-Global Fund and Health Implementation Guidance Manual' provides a tool that is to be used to undertake the capacity assessments. It leads to conclusions that allow management to take informed decisions on whether to engage Sub-recipients and the modalities for financial transfers.

Capacity assessments were inadequate for four Sub-recipients. Specific issues noted included the following:

- Alternative forms of capacity assessments were used instead of the prescribed tool for the assessment of three Sub-recipients. Two of the three assessments did not address all core requirements in the assessment report. As a result, the assessments did not reflect the real capacity of the entity. One Sub-recipient assessment did not address the organization's ability to disburse to Sub-sub-recipients, while the Sub-recipient had a budget of \$9.6 million for Sub-sub-recipients. In the case of the other Sub-recipient, responsible for storage and distribution, the entity was assessed to have adequate storage, distribution and inventory management capacity while this was not the case.
- Assessments did not provide the required rating for four Sub-recipients.

While management was aware of the performance of the Sub-recipients given that the Office had worked with the Sub-recipients in previous grants, decisions on the engagements and the modalities of the engagements were not supported by evidence and could not be reviewed and assessed.

Sub-recipients contracted without an adequate capacity assessment may carry higher risk than is known.

Priority	High (Critical)
<b>Recommendation 1:</b>	
To improve risk management of Sub-recipients, the Office should, in conjunction with partners:	
(a) undertake proper capacity assessments or update the risk ratings to accurately reflect actual capacities and risk; and	
(b) define mitigating measures for existing Sub-recipients commensurate with the adjusted risk.	
<b>Management action plan:</b>	
The Office will use the prescribed Sub-recipient capacity assessment tool to assess the Sub-recipients and provide scoring to inform management decisions. Management will use findings from the assessment to inform the:	
(a) development of a capacity development plan to address any functional capacity development gap that	



- may be identified; and  
(b) development of a risk matrix showing identified risk and appropriate mitigation measures to address them (timelines for development of the matrix).

**Estimated completion date:** December 2020

## **Issue 2**      Weakness in contracting of Sub-sub-recipients

According to the agreement signed with the Global Fund, UNDP as the Principal Recipient may work with other organizations and engage them as Sub-recipients in the implementation of the Global Fund programme. The Office must formally sign a Sub-recipient agreement. Per the 'UNDP-Global Fund and Health Implementation Guidance Manual', before Sub-recipients engage third parties as Sub-sub-recipients, the Office must validate the results of the capacity assessment of the entity the Sub-recipient intends to contract and provide concurrence on its engagement.

The audit team reviewed the contracting of three Sub-recipients and four Sub-sub-recipients. The following issues were noted.

- The Office provided advances totalling \$7 million to three of the Sub-sub-recipients. However, this was contrary to UNDP guidelines, since UNDP can only provide advances/payments with a contract in place, and UNDP only has contractual agreements with Sub-recipients. The guidelines allow for direct payments on behalf of Sub-recipients but do not provide for advances to Sub-sub-recipients.
- The Office undertook audit work that should have been undertaken by the Sub-recipient as per the Sub-recipient agreement. Since UNDP does not have a legal agreement with the auditee (the Sub-sub-recipient), it would not be able to enforce any findings coming out of the audit and would have to rely on the good will of the auditee.

Advances made to Sub-sub-recipients that are not contracted by UNDP may not be recoverable.

<b>Priority</b>	High (Critical)
<b>Recommendation 2:</b>	
To improve contractual arrangements, the Office should consider engaging Sub-sub-recipients directly as Sub-recipients or have Sub-recipients advance funds to Sub-sub-recipients.	
<b>Management action plan:</b>	
The Office is in consultations with Health Implementation Support Team, and through the Office of Financial and Resources Management and the Legal Office, will regularize the current practice of managing Sub-recipients and Sub-sub-recipients ensuring that the outstanding risks are covered in the legal agreement.	
<b>Estimated completion date:</b> September 2019	

## B. Procurement and supply management

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

#### Issue 3 Weak Inventory management and supervision

According to the standard terms and conditions of the UNDP-Global Fund grant agreement, the Principal Recipient shall seek to ensure optimal reliability, efficiency and security with regards to the supply chain for health products. As per the 'UNDP-Global Fund and Health Implementation Guidance Manual', the programme management unit should undertake periodic audits and inspections of all points in the distribution chain as well as reconciliation of the monthly stock reports. This will confirm that information is being accurately reported and help prevent diversion of valuable commodities.

The Office did not carry out adequate oversight of the in-country supply chain as required. The procurement and supply management team had not visited regional warehouses or service delivery points during the audit period to oversee pharmaceutical storage and inventory. The team did not formally delegate this responsibility to a third party either; instead it relied on the work done by an accounting firm contracted by a third party to undertake a bi-annual inventory verification. The firm did verifications on behalf of various donors working in the health sector and covered a few grant tracer items.

A stock verification report by the Local Fund Agent issued in 2018 noted significant variances between physical counts, stock balances reported in the electronic management system (Navision), and bin cards. Based on discussions with the Local Fund Agent, the stock verification reports carried out in quarter one of 2019 indicated similar variations showing that the concerns with inventory management persisted. Despite repeated requests, the requisite report showing stock movement for the months of February and March 2019 was not made available to the audit team by the Office. As such, OAI could not independently undertake similar validation.

Moreover, the Office relied on the monthly stock reports received from the Sub-recipient responsible for warehousing and distribution, without reconciliation. This report reflected the theoretical stocks held at the six warehouses owned by the Sub-recipient. A reconciliation of the stock report is necessary to give the Office an indication of the reasonableness of the data reported; it should trace back to the prior month's report to reconcile opening and closing balances, using data independently available to the Office, such as receipts to report and so on. Variances will indicate to the Office the areas warranting attention or investigation.

Inadequate supply management may lead to undetected leakages of pharmaceuticals, as well as undetected stockouts and expiries.

<b>Priority</b>	High (Critical)
<b>Recommendation 3:</b>	
To improve oversight of supply and inventory management, the Office should:	
<ul style="list-style-type: none"> <li>(a) implement monthly reconciliations of stocks reported by the contracted warehousing and distribution agency to timely detect issues in stock management; and</li> <li>(b) have supply management staff undertake planned and routine monitoring visits to all levels of the supply chain to validate stocks against reports.</li> </ul>	

### Management action plan:

Management acknowledges that the current mechanisms can be strengthened and will implement the following actions immediately:

- (a) Develop a standard operating procedure to describe all the actions to be implemented by the Office and how to document these actions for future audits.
- (b) In addition to the current oversight, the Project Management Unit will revise the 2019 Project Management Unit Work Plan and Field Visit Plan to include the quarterly support and supervision activities to National and Regional Warehouses and health facilities.
- (c) Expand the scope of third-party accounting firm audit to provide better assurance. The Office is considering the possibility of discussing with the other donors to ensure the increase in the frequency of the verification from quarterly to monthly and increase the tracer items.
- (d) The checklist for On Site Data Verification tool has been revised to cover storage conditions, expiries and stockout, consumption trends, etc., at selected health facilities and this is being used in the ongoing site visits for quarter five, with the participation of an officer from the Procurement and Supply Chain Management.
- (e) Commission an independent audit or investigation when repeat stock reconciliations and verifications result in variances.
- (f) Revise the current terms of reference with the Sub-recipient responsible for storage to allow for additional spot checks and other verification activities by the Office.

**Estimated completion date:** December 2019

### Issue 4 Inadequate management of temperature and environmental controls

The 'UNDP-Global Fund and Health Implementation Guidance Manual' recommends the use of WHO guidelines for the storage of medical products. Products should be stored within the temperature range defined by the manufacturer. Temperature should be regulated and monitored; significant variations should be dealt with in a timely manner and products should be subjected to emergency testing as necessary.

There was limited evidence that temperature was monitored, or that corrective action was taken as necessary for warehoused pharmaceuticals at all three sites visited by the audit team. In some locations, temperature data loggers had been acquired but were not used. Temperature outside of the recommended range was observed in all the three sites visited.

Not properly managing the temperature and environmental controls of pharmaceutical products may result in such products being rendered useless and may place patient lives at risk.

<b>Priority</b>	High (Critical)
<b>Recommendation 4:</b>	
To improve the management of temperature and environmental controls of pharmaceutical products, the Office should work with Sub-recipients and partners to ensure that:	
<ul style="list-style-type: none"> <li>(a) temperature is read and recorded daily; and</li> <li>(b) significant variations are addressed in a timely manner.</li> </ul>	

### Management action plan:

Management acknowledges that temperature recording, and monitoring is not being implemented consistently across all health facilities and storage warehouses. The Office will implement the following measures:

Temperature is read and recorded:

- (a) Review and strengthen the current Sub-recipient Agreement with the entity responsible for storage and make the submission of monthly temperature recording and monitoring reports for all six warehouses mandatory for payment of invoices submitted for storage and distribution.
- (b) Expand the scope of agreement with the entity that validates storage invoices to include checking and reporting on temperature recordings and monitoring at the national and regional warehouses.
- (c) Expand the scope of On-Site Data Validation to capture pharmaceutical and supply management issues, including temp recordings'
- (d) Support implementation of the standard operating procedures for temperature monitoring at the national and regional warehouses.
- (e) Make provisions in the Quality Assurance budget to retrain staff on proper recording and monitoring of temperatures at facilities.

Significant variations addressed timeously:

- (a) Immediately commission an independent audit when variances are reported and/or observed by the Office and identify underlying cause of the variances.
- (b) Once confirmed, determine with the entity responsible for quality control the need for *ad hoc* testing of products.
- (c) Implement measures to address the underlying causes of the variances.

**Estimated completion date:** September 2019

### Issue 5      Inadequate storage capacity management

The 'UNDP-Global Fund and Health Implementation Guidance Manual' recommends the use of WHO guidelines for the storage of medical products. Capacity for storage should be adequate to allow for products to be stored appropriately in line with manufacturer specifications.

Issues were noted in both warehouses visited by the audit team. The audit team observed that space between racks was used to store health products; products were stacked much higher than the directions indicated by the manufacturer; no space was left between the walls and the products, whereas recommended guidance was at least 30 centimeters.

Inadequate storage capacity had been exacerbated by significant delays in the disposing of expired products. Products had not been disposed of since 2017, and as a result, \$2.8 million in expired products were being stored, thereby leaving less space available to store non-expired products.

Financial losses may be incurred if products are not adequately stored.

<b>Priority</b>	High (Critical)
<b>Recommendation 5:</b>  To improve storage conditions, the Office should: <ul style="list-style-type: none"> <li>(a) secure additional storage on an interim basis; and</li> <li>(b) work with key partners to expeditiously dispose of all expired products and recover much needed storage space.</li> </ul>	
<b>Management action plan:</b> <ul style="list-style-type: none"> <li>(a) UNDP will monitor closely the ongoing disposal of expired health products to ensure proper disposal of Global Fund funded products and will monitor proper usage of the additional space for the storage of health products.</li> <li>(b) With the completion of Masvingo Warehouse, excess health products can be transported quickly from Harare to Masvingo.</li> </ul> <p>Should the above actions remain insufficient to deal with the storage issues, UNDP will work with the partners to identify options for interim storage capacity – though such options will always be subject to funding availability.</p> <p><b>Estimated completion date:</b> December 2019</p>	

## 2. Asset management

### Issue 6 Ineffective monitoring of Sub-recipient assets

The Office should have procedures in place to safeguard and effectively monitor the use of project assets in line with UNDP policies and procedures and the Global Fund operational manual. Effective monitoring of Sub-recipient assets entails periodic spot checks and physical verification of assets by the Principal Recipient. There should be a mechanism to ensure the that movement of assets within the Sub-recipient is communicated to the Principal Recipient.

The list for Global Fund assets held by six Sub-recipients included 7,899 items (inclusive of items below the UNDP capitalization threshold tracked by the Office) distributed to locations country wide. The audit found that the Office tracked 880 bicycles purchased at a unit cost of \$120, which was unnecessary. This was due to a lack of clarity on the definition of what constitutes a fixed asset in the context of implementing Global Fund grants, where UNDP is the Principal Recipient.

Reconciliation between the UNDP asset list maintained in Excel and the Sub-recipient quarterly asset management reports (submitted in hard copy) were done on a quarterly basis to update for movements, additions and disposals and/or losses. However, this was a manual process with up to a three-month time lag. Further, there were six instances during the audit period where Sub-recipients submitted their quarterly asset management reports to the Principal Recipient later than one month after the submission due date.

A review of Back-to-office reports compiled by the Office after the physical verifications noted the following:

- (i) new equipment at health facilities was not included in the Sub-recipient or UNDP asset register because the provincial and central offices were not notified when new equipment was received;
- (ii) asset locations in the central asset register were not updated to reflect new location after inter-unit movements; and
- (iii) assets taken to other locations for repair were not returned to their original centres.

The Office had already communicated the weaknesses identified to the respective Sub-recipients, and the Sub-recipients were in the process of addressing them.

There is a risk of misuse and/or loss of grant assets if not adequately monitored.

Priority	Medium (Important)
<b>Recommendation 6</b>  To improve the management of assets, the Office should: <ul style="list-style-type: none"> <li>(a) consult with UNDP Global Fund-Health Implementation Support Team to determine if the UNDP asset capitalization threshold of \$1,500 may be applied to define Sub-recipient fixed assets in the context of Global Fund assets where UNDP is the Principal Recipient,</li> <li>(b) confirm the definition of “attractive items” below the capitalization threshold that should be tracked; and</li> <li>(c) ensure regular and consistent reporting on assets by Sub-recipients and reconciliation with the UNDP-maintained asset list.</li> </ul>	
<b>Management action plan:</b>  The Office will consult with the UNDP Global Fund-Health Implementation Support Team to determine if the UNDP asset capitalization threshold of \$1,500 may be applied to define Sub-recipient fixed assets in the context of Global Fund assets in the Country.  To strengthen regular and consistent reporting on assets by Sub-recipients, the Office will implement the following measures: <ul style="list-style-type: none"> <li>(a) Perform timely reconciliations and updates of both Sub-recipients and UNDP asset registers and make this a standing agenda item at the monthly Sub-recipient progress update meetings.</li> <li>(b) Recruit an additional officer to support asset management of the Global Fund assets.</li> </ul>	
<b>Estimated completion date:</b> December 2019	

## 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.