UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

GUYANA

Report No. 1752

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(REDACTED)

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Report on the Audit of UNDP Guyana
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Guyana (the Office) from 30 January to 10 February 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 2015 to 31 December 2016. The Office recorded programme and management expenditures of approximately $11.1 million. The last audit of the Office was conducted by OAI in 2012.

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

Overall audit rating

OAI assessed the Office as **partially satisfactory / major improvement needed**, which means, "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." This rating was mainly due to weaknesses in organizational structure and management of corporate activities, the financial sustainability of the Office being at risk, weaknesses identified in payment processes through the E-banking web application, and the incorrect use of cash advances for project activities.

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

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

Weaknesses in organizational structure and management of corporate activities (Issue 1)

The audit identified weaknesses in the organizational structure of the Office, which included key vacant posts since June 2016, overlapping roles and lack of segregation of duties within the Finance Unit, decentralized procurement functions in the Office, failure to implement established plans related to the Global Staff and Pulse Surveys of 2014 and 2015, and the lack of reports documenting management and staff meetings held to address the challenges faced by the Office.

Recommendation: The Office should strengthen the organizational structure and management of corporate activities by: (a) undertaking the planned restructuring process as soon as possible so that any weaknesses in structure and unclarified roles and responsibilities can be adequately addressed, including procurement activities that should be centralized; and (b) completing any pending actions to fully address the concerns disclosed in the Global Staff and Pulse Surveys should be completed, while managerial reports that document management and staff meetings should be prepared.

Office's sustainability at risk (Issue 3)

The financial sustainability of the Office in 2016 remained a concern for senior management, both at the Office and at the Regional Bureau levels, due to a reduction in the Office's available resources, low programme expenditure, an insufficient number of future projects compounded by the absence of measures to contain the Office administrative costs. The Office under-achieved on its targets in 2016 as only 30 percent of the year's approved budgets were expended and there was a noticeable reduction in extrabudgetary reserves from 24 months in 2015 to 7 in 2016. The Office's resource mobilization efforts were found to be insufficient. Further, the Office had not taken measures to reduce administrative costs and expenses that also contributed to the depletion of its extrabudgetary resources.

Recommendation: The Office should develop and implement a plan to ensure financial sustainability. The plan should: (a) explore mechanisms to achieve its targeted projects expenditure and expand its projects portfolio; (b) take measures to reduce administrative costs; and (c) enhance its resource mobilization strategy.

No link between Atlas and the E-banking web application used for processing payments (Issue 5)

During the audit period, the Office effected payments totalling $5.7 million using an E-banking web application provided by the local bank, which was not linked to Atlas (the enterprise resource system of UNDP). The procedures for the use of the E-banking web application had not been reviewed and cleared by Treasury. In addition, the agreement with the bank for the web banking services had not been cleared by the Legal Office. Inefficiencies and lack of controls in the payment process when using the E-banking web application were identified during the audit. In the absence of an online transmission option for making payments, duplication of work was observed, as well as manual interventions for the completion of payment transactions.

Recommendation: The Office should review the payment process when using the E-banking web application for processing bank payments, and incorporate effective controls to reduce the risk of misuse of funds.

Incorrect use of cash advances for project activities (Issue 6)	During the audit period, 23 individuals received project cash advances (PCAs) amounting to \$600,000. The audit observed that the Office granted 16 PCAs to service contractors amounting to \$41,000, exceeding the threshold of \$1,000 allowed by the policy. Further, the Office staff were granted PCAs to implement activities for nationally implemented projects without a Letter of Agreement specifying the activities to be implemented by the Office. Additionally, four PCAs amounting to \$28,000 were granted before the prior PCA was cleared. Recommendation: The Office should review and strengthen the management of project cash advances and adhere to the corresponding UNDP policies and procedures.

Management comments and action plan

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

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

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Georgetown, Guyana (the Country) had 20 staff members and 6 service contract holders at the time of the audit. The Office, together with other United Nations agencies, was implementing a Multi-State Development Framework (MSDF) agreed upon with the Government for the period 2017-2021 in lieu of the United Nations Development Assistance Framework (UNDAF). The MSDF covered the following strategic priorities, defined as: (i) An Inclusive, Equitable, and Prosperous Caribbean; (ii) A Sustainable and Resilient Caribbean; (iii) A Healthy Caribbean; and (iv) A Safe, Cohesive, and Just Caribbean.

II. Audit results

Satisfactory performance was noted in the following areas:

(a) Governance/Corporate Direction. Adequate controls were in place to ensure governance and risk management for the Office's corporate direction.

(b) Governance/Corporate Oversight and Assurance. Controls were in place aiming to ensure that inputs from evaluation and audits are taken into account, in order to improve the Office's operations.

(c) Programme/Knowledge Management. Controls were in place to promote institutionalized knowledge management and learning as part of its performance culture.

(d) Operations/Human Resources Management. Adequate controls were found to be in place.

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

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

High priority recommendations, arranged according to significance:
(a) Strengthen organizational structure and management of corporate activities (Recommendation 1).
(b) Develop and implement a plan to ensure financial sustainability (Recommendation 3).
(c) Review the payment process when using the E-banking web application for processing bank payments (Recommendation 5).
(d) Review and strengthen the management of project cash advances (Recommendation 6).

Medium priority recommendations, arranged according to significance:
(a) Clarify the activities to be undertaken for each NIM project (Recommendation 2).
(b) Improve project risk management and project monitoring (Recommendation 4).
(c) Fully adopt the Harmonized Approach to Cash Transfers in 2017 (Recommendation 9).
(d) Improve the efficiency of the procurement process (Recommendation 8).
(e) Comply with the 'UNDP Information Security Policy' (Recommendation 7).

The detailed assessment is presented below, per audit area:

A. Governance

1. Leadership

Issue 1 Weaknesses in organizational structure and management of corporate activities

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

The audit identified weaknesses in the organizational structure and activities, as follows:

- The Programme Unit had undergone changes due to staff turnover. At the time of the audit, four key posts within the Programme Unit (out of a total of 13 posts) remained vacant since mid-2016, while the post of the Operations Manager had been vacant for over four years.
- The audit observed that staff members within the Programme Unit worked in a silo approach that did not promote cooperation or enhance team spirit among units.
- There were overlapping roles and lack of segregation of duties within the Finance Unit. The Finance Associate was creating payment vouchers in the Atlas system, while at the same time holding the administrator role within the E-banking web application.
- Procurement activities were split between the Procurement Unit for office-related matters, and projects personnel for the hiring of consultants and project-related supplies. Procurement for travel was undertaken by two other staff members: The Human Resources Associate for Office-related travel and the receptionist for United Nations agencies services.
- Following the 2014 Global Staff and the 2015 Pulse Surveys, the Office's senior management had established a plan of action to address weaknesses noted with respect to intra-office cooperation. The audit found that, at the time of the fieldwork, agreed upon actions, timelines, and responsibilities were still pending.
- The Resident Representative had requested the preparation of a management report documenting the periodic management team meetings held to address the challenges faced by the Office. There was no evidence of such a report.

The Office's management informed OAI of a planned restructuring of the Office being discussed with the Regional Bureau for Latin America and the Caribbean since late 2016, which was expected to be in effect soon.

An organizational structure that is not aligned with the operations of the Office may result in unclear roles, responsibilities, and accountabilities. Furthermore, inadequate segregation of duties and duplication of activities may lead to inefficiencies as well as the untimely detection of errors and to financial losses for the organization. In addition, the failure to address the results from staff surveys may have a negative impact on staff morale.

Priority	High (Critical)
Recommendation 1: The Office should strengthen the organizational structure and management of corporate activities by: (a) undertaking the planned restructuring process as soon as possible so that any weaknesses in structure and unclarified roles and responsibilities can be adequately addressed, including procurement activities that should be centralized; and (b) completing any pending actions to fully address the concerns disclosed in the Global Staff and Pulse Surveys, while managerial reports that document management and staff meetings should be prepared.	
Management action plan: The Office is finalizing a Management Change Team mission to look into optimizing organizational structure and will follow audit and mission recommendations. Further, human resources support is being provided to the Office to complete a list of pending recruitments. **Estimated completion date:** September 2017	

Issue 2 Unclear segregation of activities when providing Country Office support to nationally implemented projects

In accordance with the 'National Implementation by the Government of UNDP Supported Projects: Guidelines and Procedures' (guidelines for NIM projects), such projects are to be implemented following one of two scenarios: (a) full national implementation, in which the national implementing partners directly assume responsibility for the related outputs and carry out all activities towards the achievement of those outputs; or (b) national implementation, in which the national implementing partner assumes full responsibility for the related outputs, but where, at the request of the Government through a standard Letter of Agreement for support to national implementation, UNDP serves as a responsible party that undertakes specific, clearly defined activities for the implementing partner.

The audit reviewed four nationally implemented projects. There was only one case where a Letter of Agreement was signed outlining the support to be provided by the Office for project implementation. Due to the lack of Letters of Agreement, responsibilities were not defined between the Office and the implementing partners. There was no reference to activities, budgets and related cost-recovery processes, making it difficult to determine what was implemented by each implementing partner and by the Office and consequently, to determine whether all direct costs were recovered.

The lack of adherence to the appropriate guidelines for NIM projects may result in unclear roles and responsibilities among the Office's staff and implementing partners, which exposes UNDP to legal and reputational risks.

Priority	Medium (Important)
Recommendation 2: The Office should clarify the activities to be undertaken for each NIM project. Specific roles should be clearly stated in the project agreements and the Letters of Agreement.	
Management action plan: The Office will establish Letters of Agreement with the implementing partners to clarify roles and the cost-recovery process for all NIM projects. **Estimated completion date:** June 2017	

2. Corporate External Relations and Partnership

Issue 3 Office's financial sustainability at risk

The 'UNDP Programme and Operations Policies and Procedures' require offices to establish effective partnerships, develop a resource mobilization strategy, as well as to implement a corresponding resource mobilization action plan.

For financial year 2016, the Office had a total programme budget approved in Atlas of $14.6 million against which a total programme expenditure of only $4.4 million was incurred, or 30 percent. The main cause was the delay in implementing activities for one of the key projects of the Office. From an approved budget of $9.3 million for 2016, the project recorded expenditures of only $700,000. This delay was due to various challenges regarding land titles of communities and interaction among government agencies.

The reduction in the Office's projects expenditure in 2016 caused a noticeable reduction in extrabudgetary resources. The extrabudgetary reserves declined from 24 months in 2015 to 7 in 2016. The financial situation of the Office continued to be a matter of concern considering the Integrated Work Plan was approved with a target expenditure on development projects of $14.6 million, which was considered the level necessary to justify the Office costs. However, the Office's actual expenditure in 2016 was recorded at only $4.4 million.

Despite this context, the Office had not taken measures to contain its administrative costs, which further contributed to the depletion of its extrabudgetary resources. For the year 2017, the Office projected its extrabudgetary resources of $834,000, which was well below an approved administrative budget of $1.16 million.

Regular review and analysis of a project pipeline portfolio allows an office/unit to more accurately project the availability of resources, both for programme and operational requirements. The review of the Office's pipeline[1] indicated that there was only one project under category A, three under B, and one under C with budgeted amounts of $17 million, $11.5 million, and $15.5 million, respectively.

1. "Pipeline" refers to the totality of planned projects, programmes, and initiatives that UNDP is expected to pursue within a foreseeable time in the future. There are three classes of pipeline, as follows: A - Hard Pipeline; B -Soft Pipeline; and C - Ideas.

Without adequate delivery results, the Office's financial sustainability may be at risk. Failure to plan and monitor the Office's resources effectively may negatively impact the achievement of UNDP's overall mandate in the Country.

Priority	High (Critical)

Recommendation 3:

The Office should develop and implement a plan to ensure financial sustainability. The plan should:

(a) explore mechanisms to achieve its targeted projects expenditure and expand its projects portfolio;
(b) take measures to reduce administrative costs; and
(c) enhance its resource mobilization strategy.

Management action plan:

The Office will strengthen project management internally and within counterpart institutions through better feasibility and risk analysis. It will establish a monthly financial resource tracking system to improve financial planning and monitoring, and will work with the Management Change Team mission to undertake more comprehensive financial sustainability planning. The Office will also actively pursue resource mobilization with the Government, donor partners, and vertical funds.

Estimated completion date: October 2017

B. Programme

1. Quality Assurance Process

Issue 4 Weaknesses in project monitoring

According to the 'UNDP Programme and Operations Policies and Procedures', programme outcomes and project outputs should be defined at an appropriate level, consistent with the theory of change, and should contain SMART (specific, measurable, achievable, relevant and time-bound) and results-oriented indicators with specific baselines, targets and data sources. In addition, a comprehensive monitoring and evaluation plan should be drafted and implemented to support evidence-based management, monitoring and evaluation. Risks and opportunities should be identified, with appropriate plans and actions to mitigate risks and support opportunities. The risk register should be updated once a year for programmes and projects. Social and Environmental Screening Procedures (SESP) should be applied to projects above $500,000. Furthermore, UNDP's Financial Regulations and Rules require that the financial closure of projects take place within 12 months of their operational closure.

The Office had a total of 31 projects comprising 71 project outputs. The audit reviewed monitoring and risk management activities for the Country Programme and the Integrated Work Plan and noted the following:

(i) Weaknesses in the update of project indicators

The information on projects was inconsistent, as it varied from project to project and was not regularly updated in Atlas. The following issues were identified for all six projects reviewed:

- The risks and monitoring items were not entered in the system consistently for all projects reviewed.
- Targets, baselines and indicators for outputs were not completed or updated on a yearly basis as required for all projects reviewed.
- Programme manager names were out-of-date as they reflected former staff in all projects reviewed.
- The status of projects and outputs were not up to date. For instance, projects with closed outputs still reflected "initiating" status.

(ii) Risks not updated as required

The Office created risk registers when formulating projects and entered some of them into Atlas, but not all. In the case of two projects out of six ongoing projects reviewed, the Office did not record any risks in Atlas.

(iii) SESP for UNDP projects not implemented before 2015

The Office only adhered to the application of the SESP to projects approved from 2015 onwards due to a misunderstanding in the application of the SESP policy since 2012. As a result, six projects out of seven reviewed lacked the SESP after 2012.

(iv) Project closure actions insufficient

UNDP's Financial Regulations and Rules state that the financial closure of projects should take place within 12 months of their operational closure; however, OAI found four projects that were operationally closed for more than 12 months, but that had not been financially closed.

The lack of effective project monitoring may impede the Office from determining whether intended results are being achieved and reported to the main stakeholders, and whether corrective actions are necessary to ensure the delivery of intended results.

Priority	Medium (Important)
Recommendation 4: The Office should improve project risk management and project monitoring controls regarding: (a) updating the risk register and project indicators; and (b) ensuring the identified operationally closed projects are financially closed on time.	
Management action plan: The Office will take the necessary actions described in the recommendation above, including the setting up of a Programme Support Unit as part of a revamped structure. **Estimated completion date:** September 2017	

C. Operations

1. Financial Resources Management

Issue 5 No link between Atlas and E-banking web application used for processing payments

According to the Treasury Advisory to all Operations Managers and Deputy Resident Representatives issued on 13 May 2016, the following requirements should be in place in Country Offices: (a) there must be segregation of duties among staff who have access to the E-banking web application system; (b) payment instructions may never be entered manually in the bank's system; and (c) procedures for use of the interface should be documented through a Standard Operating Procedure reviewed and cleared by Treasury.

During the audit period, the Office effected payments totalling $5.7 million using an E-banking web application provided by the local bank.

The following weaknesses in the E-banking payment process were identified:

- The procedures for the use of the E-banking web application had not been reviewed and cleared by Treasury. In addition, the agreement with the bank for the web banking services had not been cleared by the Legal Office.
- Duplication of work in data entry was observed, as, apart from Atlas, the Office also utilized an E-banking web application to process payments. As a result, the information for each payment was re-entered by the Finance Clerk in the E-banking web application as no link between Atlas and the E-banking web application existed. For data entry in the E-banking web application, the Finance Clerk selected the vendor name, wrote a reference for the payment and manually entered the amount to be paid. The re-typing of payment details increased the risk of discrepancies and clerical errors.
- The Office did not match payment information from Atlas against the information entered into the E-banking web application prior to the disbursement of funds. The control was carried out on a post-facto basis through the bank reconciliation.
- Vendor creation and approval in the E-banking web application was different from Atlas. Vendors were created and approved by staff members within the Finance Unit, and none of these staff members had been assigned to either create or approve vendors.
- There were four users with an administrator role. After this issue was raised with the Office's management, the roles were partially revised and the number of administrators was reduced to three.

Inefficiencies and lack of controls over the payment process may lead to unauthorized or unapproved payments going undetected.

Priority High (Critical)
Recommendation 5: The Office should review the payment process when using the E-banking web application for processing bank payments, and incorporate controls to reduce the risk of misuse of funds.

Management action plan:

The Office will take action as recommended by OAI in consultation with Headquarters. A meeting was already held with the bank official post audit to ascertain whether an upgrade will facilitate compatibility, as the banking platform in its current form is not compatible with Atlas. There is a need for further follow up with the bank on the latter.

Estimated completion date: September 2017

Issue 6 Incorrect use of cash advances for project activities

According to the 'UNDP Programme and Operations Policies and Procedures', project cash advances (PCAs) are one-time advances issued to a PCA Custodian for specific one-time project activities. The Deputy Resident Representative appoints as PCA Custodians staff with UNDP fixed-term contracts or service contractors. The amount limit of PCAs is up to $1,000.

During the audit period, 23 individuals received PCAs amounting to $600,000. The audit observed the following:

- There were no appointments of PCA Custodians.
- Sixteen advances to service contractors amounting to $41,000 were granted, exceeding the threshold of $1,000 allowed by the policy.
- Office staff were granted PCAs to implement activities for nationally implemented projects lacking a Letter of Agreement specifying the activities to be implemented by the Office.
- For a sample of 20 PCAs amounting to $183,000, it was observed that in 4 instances PCAs amounting to $28,000 were granted before the prior PCA was cleared.

Due to the risks involved, and in an effort to reduce the amount of cash advances granted to Office staff members and consultants, the Office entered into an agreement in early 2017 with the responsible national authority for the distribution of cash to participants in workshops as part of the implementation of several projects. This arrangement was cleared by UNDP Treasury and the Legal Office.

The lack of adherence to cash management principles may lead to financial mismanagement or losses, and may have a negative impact on the Office's reputation.

Priority High (Critical)

Recommendation 6:

The Office should review and strengthen the management of project cash advances and adhere to the corresponding UNDP policies and procedures.

Management action plan:

The Office will take necessary actions.

Estimated completion date: September 2017

2. ICT and General Administrative Management

[**NOTE**: Part of this section has been redacted as it is deemed to contain sensitive information.]

Issue 7 Weaknesses in information and communication technology management

The 'UNDP Information Security Policy' sets out the basis for protecting the confidentiality, integrity, and availability of data, for classifying and handling confidential information, and for dealing with breaches of this Policy. Information systems operated by UNDP are critical assets for the organization to fulfil its mission.

The following weaknesses were identified during the review of information and communication technology activities:

- The Business Continuity and Disaster Recovery Plans were not fully tested during the past 12 months as required by the policy. Additionally, the Disaster Recovery Plan was incomplete since an alternative facility was not defined, and the document was not shared with incumbent individuals.
- Only seven staff members were using corporate cloud services. The Office relied on local personal computer drives, which were then backed up to the server on a weekly basis.
- [redacted]
- [redacted]

Without a regularly tested Business Continuity Plan and Disaster Recovery Plan, the Office may not be able to recover its information systems in the event of a systems failure or natural disaster. The absence of effective management of information safeguards puts at risk the efficient and cost effective conduct of business operations and delivery of results.

Priority	Medium (Important)
Recommendation 7: The Office should comply with the 'UNDP Information Security Policy' specifically by: (a) testing the Business Continuity and Disaster Recovery Plans; [redacted]	
Management action plan: The Office will take action as recommended. **Estimated completion date:** August 2017	

3. Procurement

Issue 8 Weaknesses in procurement management

Procurement involves acquiring goods, works and services. General procurement principles of best value for money, and fairness, integrity and transparency, must be applied to all types of UNDP procurement modalities.

The audit identified the following weaknesses in the procurement process:

- There was no roster for consultants in place. The Office was in the process of launching a procurement process for building a roster for consultants for all United Nations agencies in the Country.
- There were no Long Term Agreements for travel services. In 2015 and 2016, $2 million was recorded as expenditures related to travel.
- Out of a total of 1,132 active vendors, a sample of 62 vendor forms reviewed showed the following:
  - For 10 vendors, no vendor form or documentation, such as certified bank account numbers, were obtained for creation and approval.
  - For seven vendors, the bank account number recorded in Atlas was incorrect.
  - Seven vendors were duplicates.

The lack of rosters and Long Term Agreements along with vendor management deficiencies may prevent the Office from obtaining best value for money.

Priority	Medium (Important)
Recommendation 8: The Office should improve the efficiency of the procurement process by: (a) establishing a roster for consultants and a Long Term Agreement for travel services; and (b) strengthening vendor management by requesting supporting documentation for vendor profile creation and reviewing vendors' information in Atlas to remove duplicate entries.	
Management action plan: (a) and (b) Agreed. The Office's management will take action as recommended. **Estimated completion date:** October 2017	

D. United Nations Leadership and Coordination

1. HACT

Issue 9 Harmonized Approach to Cash Transfers not fully implemented

To lessen the burden caused by the multiplicity of United Nations procedures and rules for its partners, the 'Framework for Harmonized Approach to Cash Transfers to Implementing Partners' 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.

At the time of the audit mission and despite efforts made, the adoption of HACT was still pending. A macro-assessment had been carried out in 2011 based on inputs from the International Monetary Fund report for the Country; however, due to the introduction of a new programme cycle for the period from 2017 to 2021, a new assessment needed to be completed. At the time of the audit fieldwork, a government institution was conducting the micro-assessment for all HACT partners, which started in 2016 and was expected to be completed in 2017. A comprehensive assurance plan and spot checks had not been defined for all United Nations agencies involved.

The readiness HACT indicator showed an 85 percent completion rate for the Office, while the expected rate of completion for 2016 was 100 percent.

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

Priority	Medium (Important)
Recommendation 9: The Office, in coordination with the government implementing partners and other participating United Nations agencies, should fully adopt the Harmonized Approach to Cash Transfers in 2017.	
Management action plan: The Office has since sought assistance from Headquarters, following results of micro-assessment, for bringing relevant implementing partners up to speed on HACT. **Estimated completion date:** August 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.