



AUDIT

OF

UNDP MALI

**GRANTS FROM THE GLOBAL FUND TO FIGHT
AIDS, TUBERCULOSIS AND MALARIA**

Report No. 1432

Issue Date: 20 May 2015

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Report on the audit of UNDP Mali Grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 16 February to 3 March 2015, conducted an audit of one grant from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Output No. 84293 [HIV]) managed by UNDP Mali (the Office) as the Principal Recipient. This grant was managed under the Global Fund's Additional Safeguard Policy.¹ The Office also managed Output No. 85760 (Country Coordinating Mechanism as its Funding Recipient).² 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, capacity development and exit strategy);
- (b) programme management (project approval and implementation, monitoring and evaluation);
- (c) Sub-recipient management (oversight and monitoring);
- (d) procurement and supply management (qualification and forecasting, procurement of health products, quality assurance of health products, procurement of other goods and services, and supply management [inventory, warehousing and distribution]); and
- (e) financial management (expenditures, reporting to the Global Fund).

The audit covered the Global Fund-related activities of the Office from 1 October 2013 to 31 January 2015. The Office recorded Global Fund-related expenditures totaling \$19 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2013.

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

Overall audit rating

OAI assessed the Office's management of the Global Fund grants as **partially satisfactory**, which means, "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." This rating was mainly due to weaknesses in programme management, and procurement and supply management.

Key recommendations: Total = 5, high priority = 2

The five recommendations aim to ensure the following: achievement of the organization's strategic objectives (Recommendations 1, 2, and 3); and effectiveness and efficiency of operations (Recommendations 4 and 5).

¹ The Additional Safeguard Policy is a range of tools established by the Global Fund as a result of its risk management processes.

² Since the Country Coordinator 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.

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendations are presented below:

Challenges regarding operating context and relationship with Sub-recipients (Issue 3)

Conditions defined in the Zero Cash Policy were not accepted by some Sub-recipients, and this created a tense and untrusting relationship with the Project Management Unit. This Policy is meant to mitigate any financial risks and significantly reduce risk of loss to UNDP in a complex crisis situation. The operating context was challenged by a disagreement over the per diem rate used in the grant and was exacerbated by omissions and errors in the grant budget. This resulted in delays in implementing activities. As of December 2014, the implementation rate of activities was 57 percent and the loss of General Management Service fees amounted to \$469,000.

Recommendation: Strengthen the relationship with the Sub-recipients by: (a) timely processing operational requests; and (b) identifying important and strategic challenges and resolving them in a timely manner, and as necessary, escalating to senior management for action.

Weaknesses in distribution system and inventory management (Issue 5)

The Sub-recipient had not developed a plan for distributing medicines. The condition of the warehouses for storing medicines also did not meet the World Health Organization minimum storage and warehousing standards. Furthermore, there were insufficient monitoring controls over health product stocks and lack of insurance for medical products in transit.

Recommendation: Improve medical product distribution systems and inventory management by: (a) finalizing the distribution plan including its approval by all the relevant stakeholders; (b) conducting a follow-up mission to warehouses in four regions to determine the status of implementation of recommendations made by the Project Management Unit during prior field visits; (c) implementing the procurement and supply management capacity-building plan and upgrading storage conditions; (d) conducting spot checks on the health products in peripheral, regional and central warehouses and documenting the results; and (e) following up with the Sub-recipient responsible for the distribution of drugs on the insurance coverage of medical products during transportation to distribution sites

Implementation status of previous OAI audit recommendations: Report No. 1144, 9 December 2013.

Total recommendations: 5
Implementation rate: 100%

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 into 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. Ostveiten
Director
Office of Audit and Investigations

I. Profile of Global Fund grants managed by UNDP Mali

Since 2012, UNDP has been the Principal Recipient of one Global Fund grant in Mali (the Country). The HIV grant in the Country is divided into two components: prevention and awareness. The prevention component is assigned to UNDP, while awareness is assigned to another Principal Recipient.

Grant No.	Output No.	Description	Start Date	End Date	Budget (in \$)	Funds Received as of 31 January 2015 (in \$)	Implementation Rate	Expenditures as of 31 January 2015 (in \$)	Global Fund Rating at 31 January 2015
MAL-812-G09-H	84293	Fighting HIV/AIDS in Mali	1 Nov 2012 (phase 2)	31 Oct 2015 (phase 2)	71,386,669 (phase 2)	42,757,631	44%	19,147,721	B1

The Office also managed grants (Output No. 85760) from the Country Coordinating Mechanism. UNDP is only responsible to make payments on behalf of and at the request of the Country Coordinating Mechanism.

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Sub-recipient management. Sub-recipients submitted adequate quarterly financial and progress reports and the Office reviewed them.
- (b) Financial management. Expenditures were incurred and reported in accordance with the policies and procedures of UNDP and the Global Fund.

OAI made two recommendations ranked high (critical) and three recommendations 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) Strengthen the relationship with the Sub-recipients (Recommendation 3).
- (b) Improve medical product distribution systems and inventory management (Recommendation 5).

Medium priority recommendations, arranged according to significance:

- (a) Expedite the implementation of monitoring and evaluation capacity-development activities (Recommendation 2).
- (b) Strengthen project monitoring by conducting supervision and training visits (Recommendation 4).
- (c) Optimize the staffing of the Project Management Unit (Recommendation 1).

The detailed assessment is presented below, per audit area:

A. Governance and strategic management

1. Organizational structure

Issue 1 Staffing not commensurate with the workload of the project

The 'UNDP Strategic Plan 2013-2017' calls for an appropriate mix of high quality talent directly aligned with the operational requirements for implementation of activities, albeit within a smaller staffing envelope. Effective and efficient financial and human resource management requires that offices be adequately staffed in terms of both quality and quantity. The number of people recruited should be commensurate with the workload of the project.

At the time of the audit, the Finance Section of the Project Management Unit was staffed with 1 international Finance Specialist, 1 Finance Analyst, and 2 Finance Associates. The key task included in the job descriptions of the Finance Analyst and the two Finance Associates was the processing of payment vouchers in Atlas (enterprise resource planning system of UNDP). The Finance Analyst and two Finance Associates processed an average of two vouchers per day during the audit period. The Finance Specialist was not included in this analysis as the incumbent had overall accountability for the Unit and was responsible for management reporting including preparation of cash balance reporting, Enhanced Financial report and financial components of the Progress Update and Disbursement Request. The Project Management Unit clarified that the existing staffing in the Finance Section had been agreed upon with the Global Fund and that, in an environment of Zero Cash Policy, the three posts were needed to support the Sub-recipients by making payments to participants for project activities (workshops, missions, etc.). A subsequent analysis showed that the Unit processed on average of six payments of this kind per month, which did not justify the level of staffing observed.

In OAI's view, four staff in the Finance Section were not justified considering that its functions did not include the standard finance tasks such as pay cycle run, bank reconciliation, and accounts analysis. Moreover, in comparison with the profile of other Global Fund Project finance sections in the region that operate under Zero Cash Policy and handle comparable workload, the Finance Section had more staff.

The Project Management Unit also had three Sub-recipient focal points that were recruited primarily to assist in the implementation of the grant's programme activities. According to their job descriptions, they were responsible for: (a) developing and maintaining an organizational, financial and programmatic profile for each Sub-recipient; (b) centralizing and reviewing conformity of documents supporting payment requests sent by Sub-recipients; and (c) assisting the project's Internal Controller in the analysis of supporting documents and making recommendations after this analysis. However, the Finance Section was responsible for reviewing documents supporting payment requests.

Moreover, the post of Internal Controller had been vacant since November 2014 and the Project Management Unit had no plan to fill it, as it was not needed. Thus, the third key task that was to be done in conjunction with the Internal Controller was not undertaken.

The Project Management Unit pointed out that the existing level of staffing was below what was initially planned, and that it had reduced the staffing relative to what was approved during grant negotiations. Nevertheless, the prevailing staffing complement was not aligned with the workload of the units. As such, not all personnel were being used to their full capacity, which was not cost-effective.

Priority	Medium (Important)
Recommendation 1:	
Optimize the staffing of the Project Management Unit by:	
<ul style="list-style-type: none"> (a) conducting a workload study to measure productivity of the Unit and to determine optimum staff complement; and (b) streamlining the staffing of the Project Management Unit consistent with the results of the workload study. 	
Management action plan:	
Discussions are underway with the new grant scheduled to start in January 2016. To this end, the Office will conduct a review and restructuring of the Project Management Unit to make optimal use of staff resources.	
Estimated completion date: October 2015	

2. Capacity development and exit strategy

Issue 2 Challenges in implementing capacity-development activities

While serving as Principal Recipient, UNDP is responsible for developing the capacity of national partners so that they may eventually take over the role of Principal Recipient. The Principal Recipient should prepare a plan and ensure that 5-10 percent of the grant budget is reserved for capacity development. The objective of the capacity-building plan is to strengthen the Sub-recipient's role in programming, finance, procurement, and monitoring and evaluation.

The implementation of the funded capacity-development activities identified during the Monitoring and Evaluation Systems Strengthening Workshop had been delayed. Out of 14 activities, 4 had started and only 1 had been completed since the approval of the work plan in October 2013. All activities were expected to be completed by 31 October 2015. As of February 2015, the actual implementation rate was only 22 percent.

According to the Project Management Unit, the delays in implementing the Monitoring and Evaluation Systems Strengthening Work Plan were due to the following:

- Unsuccessful sourcing of a capacity-building and development consultant. The recruitment of the national consultant, to help develop a procedure manual for data quality control and to undertake an inventory of local capacities, had not been successful despite two attempts in June and October 2014. The Office was unable to identify a qualified candidate on those two attempts and a third recruitment process had been launched in February 2015. Given prior unsuccessful attempts, no alternative plan had been developed in case the third attempt would also not be successful.
- Delays in the approval of the national Monitoring and Evaluation Plan. The implementation of the activities to strengthen the monitoring and evaluation capacity was dependent on the approval of the draft National Monitoring and Evaluation Plan. The workshop to approve the plan had been postponed several times since the first quarter of 2014. According to the Project Management Unit, the Sub-recipient responsible for implementing the activities preferred to seek alternate funding from other

donors because it disagreed with the allocation of the per diem rate in the budget. Given the importance of this activity and the fact that it was funded through the Global Fund, this issue should have been escalated to the highest levels of management for resolution. No documented evidence was made available to OAI to show that the issue had been escalated to the Office's senior management and to the Bureau for Policy and Programme Support.

Taking into consideration all of the above, the successful completion of the activities leading to the development of critical capacities for monitoring and evaluation within the remaining eight months of the grant (ending in October 2015) was at risk.

Priority	Medium (Important)
Recommendation 2:	
Expedite the implementation of monitoring and evaluation capacity-development activities by:	
<ul style="list-style-type: none"> (a) identifying alternative solutions if a qualified national consultant cannot be found; and (b) engaging the Office's senior management and the Bureau for Policy and Programme Support to ensure that the National Monitoring and Evaluation Workshop is held and the National Monitoring and Evaluation Plan is approved. 	
Management action plan:	
<ul style="list-style-type: none"> (a) In the event that this new process is unsuccessful, the Office will propose alternative solutions to the Global Fund and the national party to move forward. (b) Post audit fieldwork the National Monitoring and Evaluation Workshop took place and the National Monitoring and Evaluation Plan was approved. 	
Estimated completion date: June 2015	
OAI Response	
OAI will review evidence of implementation of part (b) the audit recommendation as part of its follow-up process.	

B. Programme management

The Office became the Principal Recipient of the HIV grant in November 2012. The total budget for the grant amounted to \$71 million and was implemented through three government Sub-recipients and one non-governmental organization.

OAI noted two issues in the review of the programme management of the grants, which are detailed below.

1. Project approval and implementation

Issue 3 Challenges regarding operating context and relationship with Sub-recipients

According to the 'UNDP Operations Manual for Projects Financed by the Global Fund to Fight AIDS, Tuberculosis and Malaria', a positive working relationship with Sub-recipients and other partners responsible for the implementation of programmatic activities is key to the successful implementation of the grant activities. Thus, the extent to which the Principal Recipient is attuned to and addresses operational barriers increases the likelihood that programmatic activities will be implemented and that project targets will be met.

The conditions defined in the Global Fund's Zero Cash Policy were not accepted by some of the Sub-recipients, and this created a tense and untrusting relationship with the Project Management Unit. Under this Policy, the Principal Recipient makes direct payments to vendors of goods and services rather than transferring funds to the Sub-recipients. Sub-recipient representatives expressed their concerns about their relationship with the Principal Recipient in meetings with the audit team and considered the Principal Recipient to be unresponsive to issues impacting them.

The operating context was also challenged by a long-standing disagreement (since 2013) over the per diem rate used in the grant. Some of the Sub-recipients demanded to be offered the same per diem rate that partners were offered for UNDP funded projects. For Global Fund projects, the unit costs, including the per diem rates, are defined in the grant budget. To change the rates, this has to be negotiated with the Global Fund and in some instances, it has to be approved by the Country Coordinating Mechanism. The Principal Recipients of the AIDS, tuberculosis, and malaria grants prepared a proposal for new per diem rates that was submitted to the Country Coordinating Mechanism for discussion and approval on 17 December 2014. It was not clear from the discussions with the Sub-recipients whether they would accept the new rate.

There were instances of long delays noted on procurements or requested payments, which contributed to the existing tension between the Sub-recipients and the Project Management Unit. Examples included:

- The Sub-recipient submitted a request for vehicle tires in May 2014, but the process was still ongoing at the time of the audit fieldwork. The Project Management Unit explained that the delay was due to the time it took to obtain authorization for the expenditure from the Global Fund Secretariat (received on 6 November 2014) and clarifications from Sub-recipients to agree on the specifications and quantity of tires required. As of the end of the audit fieldwork, the order for the tires had not been placed, even though the request for proposal had been published in February 2015. Subsequent to the audit, the Project Management Unit placed an order for the tires and delivery commenced.
- The refund for warehousing and distribution fees to a Sub-recipient amounting to \$112,000 took nine months to process. This payment was based on a percentage of the value of goods distributed, which should have been available with the Procurement and Supply Management Unit. The Project Management Unit explained that the delays in processing the payment were due to clarification and additional supporting documents required from the Sub-recipient. Nevertheless, the explanation provided did not justify taking nine months to process such a payment.

The challenges were exacerbated by omissions and errors in the grant budget that negatively impacted the implementation of grant activities. Furthermore, a comprehensive revision of the budget was not initiated by the Principal Recipient to make the implementation of activities more efficient. This necessitated the piecemeal approval of expenditures by the Global Fund, which was inefficient and delayed implementation of activities. For example:

- The budget did not anticipate a budget line for antivirus software even though this was a basic requirement for computers. This omission necessitated prior approval of expenditures by the Global Fund, thus potentially delaying implementation. One Sub-recipient refused to submit programmatic reports, pending the purchase of antivirus software, stating that their computers were no longer functional. This issue was subsequently resolved when the Project Management Unit procured the antivirus software for the Sub-recipient.
- The budget did not anticipate maintenance and repair of the Sub-recipient's vehicles. It only anticipated vehicle service, which did not include vehicle repair. In addition, the subsequent approval of a vehicle repair budget itself did not cover spare parts for vehicles, such as tires, which again necessitated approaching the Global Fund for approval.

The relationship issues arising from the difficult operating environment remained unresolved to the satisfaction of all stakeholders at the time of the audit. This resulted in delays in the implementation of activities. As of December 2014, the implementation rate of activities was 57 percent. This implementation rate represented 11 percent of target expenditures (\$6.7 million) that were not implemented as of December 2014, resulting in a loss of \$469,000 in General Management Services fees.

Priority	High (Critical)
Recommendation 3:	
Strengthen the relationship with the Sub-recipients by:	
<ul style="list-style-type: none"> (a) timely processing operational requests; and (b) identifying important and strategic challenges and resolving them in a timely manner, and as necessary, escalating to senior management for action and guidance. 	
Management action plan:	
The Office will support a review of the internal workflows of the Project Management Unit and the Standard Operating Procedures to take into account the processing time and to show how strategic issues could be identified and escalated.	
Estimated completion date: June 2015	

2. Monitoring and evaluation

Issue 4 Inadequate onsite supervision and training by Sub-recipients

According to the 'Global Fund approved Monitoring and Evaluation Plan', Sub-recipients must conduct periodic visits to the regions to: (a) supervise the delivery of services by Sub-sub-recipients; (b) collect data; and (c) provide training in using data collection tools.

As of December 2014, only 65 percent of planned supervision and training activities were implemented nationally. Two out of the four Sub-recipients made some supervision and training field visits in all of the areas they were implementing the grants, however, the third Sub-recipient had not made any supervision and training

visits outside of the capital city of Bamako (not including areas under security restrictions) since the project started. This was primarily due to the rejection of per diem rates, and operational issues discussed under Issue 3. The fourth Sub-recipient was not responsible for making supervisory and training visits.

Failure to conduct supervision and training visits affects the quality of service as well as the quality of data. In this regard, the 'number of people tested and counselled on HIV and who have received their test results' (a top ten indicator) decreased from 59 percent in September 2013 to 49 percent in December 2014. Due to the poor performance of this indicator, the Global Fund rated it at B2 (Inadequate but potential demonstrated) in its assessment of the September 2013 results that resulted in an overall grant rating of B1 (Adequate). Continued poor performance of this indicator could negatively impact the successful implementation of the grant.

The Project Management Unit's 'Routine Data Quality Audit Report' (June 2014) indicated that the lack of training on the use of data collection tools and non-availability of harmonized data collection tools in the field were among the causes of low performance for the indicator, 'number of people tested and counselled on HIV and who have received their test results'. This situation could have been detected and corrected through the supervision and training visits by the Sub-recipients and adequately followed up on by the Principal Recipient.

In response to the draft report, management explained that the low performance was due to the delay in implementing activities of the Co-Principal Recipients (this refers to the HIV grant with two components, with each assigned to a different Principal Recipient). However, given that supervision and training visits had not been conducted, in OAI's view, the low performance of the indicator is not entirely beyond the control of the Office.

Priority	Medium (Important)
Recommendation 4:	
Strengthen project monitoring by conducting supervision and training visits.	
Management action plan:	
The Office will work with the Sub-recipients to implement supervision missions as indicated in the Project Monitoring and Evaluation Plan.	
Estimated completion date: Ongoing	

C. Procurement and supply management

During the period under review, the Office issued 419 purchase orders valued at approximately \$12.3 million. The total procurements of health and non-health products amounted to approximately \$11.2 million (91 percent) and \$1.1 million (9 percent), respectively.

1. Supply management (inventory, warehousing and distribution)

Issue 5 Weaknesses in distribution system and inventory management

According to the 'UNDP Operations Manual for Projects Financed by the Global Fund', adequate storage and distribution systems are key elements to ensuring that quality medical products reach the intended users. In this respect, Principal Recipients are expected to verify the existence and effectiveness of these systems.

The following weaknesses were noted:

Absence of a distribution plan

Effective management of stock requires that medicines be distributed according to a distribution plan. In the Country, one of the Sub-recipients was assigned the responsibility of drafting and obtaining approval of the distribution plan. However, the Sub-recipient had not developed a plan, even though the grant started in 2012. OAI was not able to determine the underlying reasons as to why the plan was not developed and approved in a timely manner.

At the time of the audit, the Project Management Unit had developed and submitted a draft distribution plan, with a view to expedite the process, to the relevant Sub-Recipient for their review and approval. The approval of the plan was still pending.

Delayed validation of the plan compromised the implementation of the project and was flagged by another Sub-recipient in charge of storage and distribution as a major constraint to its activities. This issue had recently been discussed by the Country Coordinating Mechanism and was being pursued by the senior management. The latter added that this issue would be raised with the Global Fund during their forthcoming mission to the Country.

Inadequate storage conditions

In the first half of 2014, the Project Management Unit conducted monitoring missions in four regions. The main weakness noted by those missions was the condition of the warehouses, which did not meet the World Health Organization minimum storage and warehousing standards. Specifically, the warehouses had inadequate capacity to store required quantities, the shelves were insufficient, electricity or refrigerators to maintain appropriate temperatures were not available and pharmacists were not posted to various warehouses. At the time of the audit fieldwork (February 2015), follow-up missions to two of the four regions had taken place and reported significant improvements. However, the two remaining regions were not visited to determine if corrective actions were implemented to remedy the weaknesses noted above.

During a visit to the central warehouse, it was noted that the reception area did not have a cooling system to ensure that medicines were kept at an acceptable temperature while waiting for transfer to the temperature-controlled area of the warehouse. For instance, the day preceding the visit, the temperature reached 34 degrees centigrade, whereas some medicines should have been stored at a temperature of below 25 degrees centigrade.

The Project Management Unit had developed a capacity-building plan for procurement and supply management which had been accepted by the Global Fund in March 2015. Although the plan included the procurement of equipment to improve storage conditions, full compliance with minimum standards would

require investments in renovation and expansion, which was not included in the plan. The Project Management Unit further explained that additional funding from the national counterpart or other donors would be required to meet the minimum warehousing standards throughout the supply chain. As of the audit fieldwork, the cost had not been determined.

Insufficient monitoring controls over health products

In the prior audit (Report 1144, 9 December 2013), OAI reported inadequate monitoring controls over health product stocks, including lack of spot checks by the Project Management Unit at regional warehouses and distribution sites to verify the accuracy of the stock level declared. Furthermore, there was no verification of mid-year and annual inventory counts at the central and regional warehouses.

The above matter was discussed with the Sub-recipient in charge of storage and distribution, as well as the pharmacist at the Project Management Unit. The Project Management Unit claimed that the stock-taking activities took place but were just not documented. However, OAI noted no other evidence that could substantiate this claim.

Lack of insurance for medical products during transit in the country

The review of insurance policies and discussions with the Project Management Unit and the Sub-recipient in charge of storage and distribution of medical products revealed that none of the existing insurance policies covered the pharmaceutical products during transport from the central warehouse to the regions or distribution sites. As such, there was an unmanaged risk in case a large value consignment of medical products would be lost in transit from the central to the regional warehouses.

The Project Management Unit and the Sub-recipient acknowledged this risk and indicated that discussions with the insurance company were ongoing to mitigate the related risks.

The weaknesses illustrated above neither guarantee good storage conditions for health products, nor allow effective and efficient stock management. Therefore, overstocking, and stock-outs might not be detected in a timely manner.

Priority	High (Critical)
Recommendation 5:	
Improve medical product distribution systems and inventory management by:	
<ul style="list-style-type: none"> (a) finalizing the distribution plan including its approval by all the relevant stakeholders; (b) conducting a follow-up mission to warehouses in four regions to determine the status of implementation of recommendations made by the Project Management Unit during prior field visits; (c) implementing the procurement and supply management capacity-building plan and upgrading storage conditions; (d) conducting spot checks on the health products in peripheral, regional and central warehouses and documenting the results; and (e) following up with the Sub- recipient responsible for the distribution of drugs on the insurance coverage of medical products during transportation to distribution sites. 	

Management action plan:

The Office will implement the recommendation.

Estimated completion date: December 2015

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.