UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

THE UNDP JOINT OFFICE

IN

CABO VERDE

Report No. 2093

Issue Date: 17 January 2020

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Report on the Audit of the Joint Office in Cabo Verde
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the Joint Office in Cabo Verde (the Office) from 18 to 29 November 2019. 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.[1]

The audit covered the activities of the Office from 1 January 2018 to 30 September 2019. The Office recorded programme and management expenses of approximately $14.8 million. The last audit of the Office took place 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 as **partially satisfactory/some improvement needed**, which means "The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to financial obligations relating to a UNDP house, and inadequate procurement management processes.

Key recommendations: Total = **11,** high priority = **2**

The 11 recommendations aim to ensure the following:

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

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

[1] This audit covered the activities under this area only for 2018.

Financial obligations relating to UNDP house (Issue 7)	In March 1989, an agreement was signed between UNDP and the Government on housing for UNDP personnel. In 1992–1993, UNDP built a house on this land to be used by the Resident Representative/Resident Coordinator. Despite the house being vacant since February 2018, the Office was still required to pay for security costs (around $15,600 per year). Furthermore, in the absence of rental income, UNDP was unable to repay the loan from Headquarters and hence recover the investment. <u>Recommendation:</u> The Office should, in coordination with the Regional Bureau for Africa and the Bureau for Management Services, identify a solution for the UNDP house to be occupied and prevent further deterioration.
Inadequate procurement management processes (Issue 8)	A number of issues were identified within procurement management, including: deficiencies within procurement planning; lack of clear accountability within contract management; weaknesses within the formulation contract specifications; lapses in the timing of the raising of requisitions and purchases and purchase orders; and unnecessary use of the direct contracting modality. <u>Recommendation:</u> The Office should prepare a comprehensive procurement plan and ensure that requisitions are created at the inception of the procurement process, and purchase orders are approved following the selection of the vendor; and that direct contracting is only used when adequately justified in accordance with the policy.

Management comments and action plan

The Joint Office Manager a.i and the Director of the Regional Bureau for Africa accepted all of the recommendations and are in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

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

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Director
Office of Audit and Investigations

I. About the Office

The Office is located in Praia, Cabo Verde (the Country). At the time of the audit, the Office was comprised of 34 staff members, 19 service contract holders and 7 United Nations Volunteers. The Country Programme Document for 2018–2022 focused on the following areas: (i) sustainable development of human capital; (ii) sustainable management of natural resources; (iii) economic transformation and sustainable and inclusive growth and; (iv) governance, public policies, partnership and justice. The Office had a portfolio of 23 development projects: 22 nationally implemented and 1 directly implemented.

II. Audit results

OAI made two recommendations ranked high (critical) and nine 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) The Office should, in coordination with the Regional Bureau for Africa and the Bureau for Management Services, identify a solution for the UNDP house to be occupied and prevent further deterioration (Recommendation 7).
(b) Adhere to the UNDP procurement policies (Recommendation 8).

Medium priority recommendations arranged according to significance:

(a) Develop a resource mobilization strategy and recover Government Contributions towards Local Office Costs (Recommendation 3).
(b) Implement the charging of direct project costs to projects (Recommendation 6).
(c) The Regional Bureau for Africa should, in consultation with UNFPA and UNICEF, prepare and sign a document (e.g., a memorandum of understanding) formalizing the role of UNDP within the Joint Office (Recommendation 2).
(d) Strengthen the management of financial resources (Recommendation 5).
(e) Enhance project design (Recommendation 4).
(f) Enhance gender equality and the empowerment of women (Recommendation 1).
(g) Comply with the requirements on the Harmonized Approach to Cash Transfers (Recommendation 11).
(h) Ensure compliance with the Business Continuity Plan policy (Recommendation 9).
(i) Improve the monitoring of the implementation of the Service Level Agreement with the Resident Coordinator Office (Recommendation 10).

The detailed assessment is presented below, per audit area:

A. Governance

1. Leadership

Issue 1 Absence of formalized gender equality strategy

The 2018–2021 UNDP Gender Equality Strategy embodies the organization's corporate commitment in promoting gender equality and women's empowerment. The Strategy includes components under five areas: leadership for gender equality; policy, planning and programming; accountability and oversight; gender capacities; and inclusive, diverse and safe environment for all.

The Office did not have a gender equality strategy to promote gender parity and women's empowerment. The last action taken was in 2016 when the Office created a local gender committee dedicated to the preparation of the Office's application to the Gender Seal (the application was unsuccessful). Furthermore, this committee did not have any terms of reference.

At the time of the audit, three out of six members of the Committee had left the Office and had not been replaced. Furthermore, while a staff member was acting as gender focal point, the staff member had not been appointed officially and no terms of reference existed for the position.

The exceptions identified may impede the Office from achieving gender equality and women's empowerment.

Priority	Medium (Important)
Recommendation 1: The Office should enhance gender equality and the empowerment of women by developing and implementing a gender equality strategy, including a gender accountability framework.	
Management action plan: The Office will develop and implement a gender equality strategy, including a framework of accountability, officially appoint a gender focal point, and train staff members on gender issues. **Estimated completion date:** June 2020	

2. Corporate direction

Issue 2 Corporate issue: Absence of a formalized operational framework and structure

The Office, which was initially composed of four agencies (UNDP, UNFPA, UNICEF, and the WFP), was created in January 2006. In 2008, the WFP left the Country following its change to a middle-income country.

The agencies had agreed among themselves that UNDP shall provide the common platform for the agencies to work as one and with UNDP acting as the support agency. As of the time of the audit, no instrument had been signed by the participating Agencies formalizing this agreement, detailing the characteristics of the common platform, or setting out the operational framework of the Office.

During the review of the Office's organizational structure and the terms of reference of senior management (the Joint Office Resident Representative and Deputy Joint Office Resident Representative), the audit team noted the structure and terms of reference had not been finalized.

Failure to promptly establish a document formalizing the role of UNDP within the Joint Office, detailing the characteristics of the common platform, or setting out an operational framework, may prevent the Office from delivering efficiently as one.

Priority	Medium (Important)
Recommendation 2: The Regional Bureau for Africa should: (a) in consultation with UNFPA and UNICEF, prepare and sign a document (e.g., a memorandum of understanding) formalizing the role of UNDP within the Joint Office, detailing the characteristics of the common platform and setting out the internal control framework of the Office; and (b) finalize the review of the organizational structure, including the terms of reference of the Joint Office's Resident Representative and Deputy Resident Representative.	
Management action plan: We recognize the importance of formalizing the role of UNDP in the Joint Office through the signing of some document and have been taking all necessary steps to sign a memorandum of understanding in this respect since 2006 when the Office was created. While it is appropriate for the audit to note the regularization of the UNDP role, this issue should not be placed as a regular time-bound recommendation noting the fact that UNDP is not solely responsible for its achievement.	
OAI comment: OAI acknowledges the inter-organizational nature of this recommendation and will not expect a specific UNDP completion date. OAI will be prepared to close the recommendation when UNDP can document an initiative towards UNFPA and UNICEF to formalize UNDP's role in the Joint Office.	

3. Corporate external relations and partnership

Issue 3 Unrecovered Government Contributions towards Local Office Costs and Office resource mobilization strategy not finalized

The financial sustainability of UNDP Country Offices depends on their ability to mobilize resources and develop partnerships. This implies the completion of a resource mobilization strategy, the timely recovery of the Government Contributions towards Local Office Costs.

At the time of the audit, $3.4 million in Government Contributions towards Local Office Costs for the period 2013–2019 was still pending disbursement from the Government despite the Office closely following up on this issue and liaising with the Government for a payment in instalments. In addition, the Office had not finalized a joint resource mobilization strategy for the programme.

Weaknesses in resource mobilization may jeopardize the Office's ability to mobilize necessary resources to deliver on its commitments and achieve planned objectives. Unrecovered Government Contributions towards Local Office Costs may impact the Office's financial sustainability.

Priority	Medium (Important)
Recommendation 3: The Office should: (a) develop a joint resource mobilization strategy; and (b) confirm with the Government a timetable for the recovery of Government Contributions towards Local Office Costs.	
Management action plan: The Office will: (a) finalize the joint resource mobilization strategy (January 2020); and (b) continue its efforts for an agreement with the Government on the Government Contributions towards Local Office Costs (obtain a schedule of payments by December 2020). **Estimated completion date:** December 2020	

B. Programme

1. Programme/project design and implementation

Issue 4 Weaknesses in project design

UNDP programme and project monitoring is required to validate the achievement of intended results and to facilitate decision-making. Monitoring relates to pre-identified results in the development plan, achieved through project implementation, where baselines, indicators, targets, risks and measurements of results are clearly defined and regularly monitored.

Through the review of 6 projects out of 23, the audit disclosed the following weaknesses:

- All the 6 projects sampled showed deficiencies in the definition of the baselines. In four of the six projects, the baselines were either not measurable or there was no clear link between baselines, indicators and targets. In one project, the Atlas (enterprise resource planning system of UNDP) progress report indicated that the baselines should have been established during the first year of the project through an initial assessment; however, this had not been completed.

- Targets were not specific in two of the projects reviewed. For another project, 2018 targets had not been established.

Failure to clearly define baselines, indicators and targets may create challenges in being able confirm the achievement of project results as well as making informed decisions.

Priority	Medium (Important)
Recommendation 4: The Office should enhance its project design by defining specific and measurable baselines and targets.	

Management action plan:

The Office will:

- review the Atlas project data; and
- operationalize the monitoring and evaluation instrument (IMEP) based on data extracted from Atlas and other platforms used by UNDP for programme and project management.

Estimated completion date: March 2020

C. Operations

1. Financial resources management

Issue 5 Weaknesses in oversight and financial management

The 'UNDP Programme and Operations Policies and Procedures' provide guidance on effective financial management.

During the period under review, the Office processed 3,195 vouchers amounting to $5.9 million. The audit team reviewed the Office's financial oversight and controls and selected a sample of 57 vouchers amounting to $1.1 million (19 percent of the total amount processed through vouchers) and noted the following weaknesses:

(a) Weaknesses in the recording and recovery of value added tax

Value added tax amounts included in invoices were recorded in expense accounts instead of being separately recorded in a value added tax advance account. This accounting treatment did not comply with International Public Sector Accounting Standards (IPSAS).

Furthermore, the Office was not claiming value added tax reimbursements in a timely manner. At the time of the audit, requests for reimbursement of value added tax incurred between July 2018 to September 2019 ($84,934) had not yet been submitted to local authorities. This weakness was due to inadequate oversight.

The Office's financial statements in 2018 were overstated by $38,971, due to recoverable value added tax being recorded as expenses.

Failure to recover value added tax receivables may negatively impact the Office's financial resources.

(b) Inappropriate treatment of project cash deficits

Under certain conditions, projects may enter into commitments in the absence of available cash during periods of temporary deficit. A commitment made during periods of temporary deficits must be covered by a budget override policy duly approved by the Controller and cleared within one month by the receipt of donor funds.

The audit team noted a practice of inter-project loans due to temporary funding deficits in seven projects. For instance, four journal vouchers totalling $67,933 were raised during the audit period to repay the inter-project loans. The Office did not track and monitor those loans; therefore, the audit team was unable to determine the total amount and assess whether all loans had been reimbursed.

The Office commented that UNDP funds were used in specific cases when there were delays in receiving donor contributions.

Priority	Medium (Important)

Recommendation 5:

The Office should strengthen the management of financial resources by:

(a) recovering outstanding value added tax and developing a monitoring system to ensure timely submission of value added tax claims; and

(b) in consultation with the Controller, implement the budget override policy for relevant projects and reverse transactions where expenditure has been charged to incorrect projects.

Management action plan:

The Office will:

(a) recover the pending value added tax and ensure that the future value added tax recovery requests will be submitted to the Government on a quarterly basis. It will also suggest to the UN Country Team to raise the value added tax management issue with the Government; and

(b) follow the recommendation on the budget override policy, which was already approved locally.

Estimated completion date: March 2020

Issue 6 Direct project costs not charged to projects

The 'UNDP Programme and Operations Policies and Procedures' state that direct project costs (DPC) are levied for costs incurred in the implementation of a development activity or service that can be directly traced and attributed to that development activity (projects & programmes). These costs are included in the project budget and charged directly to the project budget for the development activity and/or service. The DPC guidelines indicate that services that will result in DPC need to be disclosed transparently, agreed to by all concerned parties, and included in the project document and annual work plan.

There are two forms of DPC:

(a) Programme implementation and implementation support activities: Costs incurred by UNDP to support project implementation by operations units including services relating to finance, procurement, HR, admin, security, travel, assets, general, and ICT.

(b) Development effectiveness: Activities and costs that support programme, quality, coherence and alignment. In the Office, these are costs associated with programme units and programme support units (e.g., strategic country programme planning/quality assurance, programme pipeline development, and programme policy advisory services).

The Office had not charged DPC to any projects during the audit period. The Office explained that it would be challenging to start charging DPC on existing projects as it was not mentioned in agreements signed with donors. The Office disclosed that DPC would be discussed upfront with donors and disclosed in the new project documents and annual work plans.

Failure to fully implement DPC may adversely impact the Office's sustainability.

Priority Medium (Important)
Recommendation 6: The Office should initiate the charging of direct project costs by ensuring that all elements of charges are clearly defined, included in the new project documents and annual work plans, and agreed with all relevant parties.
Management action plan: The Office will negotiate with the donors to include direct project costs in the new project documents. **Estimated completion date:** March 2020

Issue 7 Financial obligations relating to UNDP house

In March 1989, an agreement was signed between UNDP and the Government on housing for UNDP personnel. The document specified that: (a) the Government granted, free of charge, a piece of land to provide accommodation for internationally recruited personnel made available to assist the Government under UNDP financed programmes or other programmes of agencies with the UN system; (b) the land shall at all times remain vested in the Government; (c) if UNDP was to decide to return the land to the Government, the agreement stipulates options for the Government to compensate UNDP for the housing accommodation based on the prevailing market value but excluding the value of the land.

In 1992–1993, UNDP built a house on land to be used by the Resident Representative/Resident Coordinator, which was financed by Headquarters through the reserve field accommodation facility.
Despite the house being vacant since February 2018, the Office was still required to pay for security costs (around $15,600 per year). Furthermore, in the absence of rental income, UNDP was unable repay the loan from Headquarters and hence recover the investment. At the time of the audit, a tenant had shown interest in renting the house, but nothing had yet been formalized.

Failure to address this may impact the Office's financial situation and create reputational risks for the Office.

Priority	High (Critical)
Recommendation 7: The Office should, in coordination with the Regional Bureau for Africa and the Bureau for Management Services, identify a solution for the UNDP house to be occupied and prevent further deterioration.	
Management action plan: The Office will continue to work with the Regional Bureau for Africa and the Bureau for Management Services to address the issue. **Estimated completion date:** December 2020	

2. Procurement

Issue 8 Inadequate procurement management processes

The 'UNDP Programme and Operations Policies and Procedures' provide guidance on effective procurement practices and contract management.

The Office issued 820 purchase orders totalling $3.5 million during the period under audit. The audit team reviewed 23 purchase orders valued at $0.6 million, and the controls within the bidding and evaluation processes.
The following weaknesses were noted through the review of procurement activities:

(a) Deficiencies resulting in ineffective procurement planning

The Office was not provided with all the procurement plans by the project teams at the start of the year in order to prepare a consolidated procurement plan. The total procurement planned for 2019 was $0.5 million (as of June 2019) while the procurement processed as at the time of the audit was $1.5 million.

As a result, the plan could not be used as a strategic tool to identify economies of scale, streamline procurement activities and prevent duplicate processes. For example, the Office conducted 11 different procurement processes for the procurement of computers during the period under review totalling $143,738.

(b) Unclear accountability over contract management

In three instances valued at $129,414, expired contracts were not extended on time even though the contract management platform had sent notifications on the expiration of the contracts.

This issue resulted from unclear accountability within the Office regarding contract management responsibilities.

(c) Inadequate formulation of terms of reference

Eight out of the 23 contracts reviewed totalling $239,525 were extended due to weaknesses in the formulation of the terms of reference. On average, the additional time requested as part of contract amendments represented an increase of 82 percent in the duration stipulated within the contracts. In five instances, the contract extensions resulted in additional costs that the Office explained by additional services that were not foreseen upfront.

The exceptions mentioned above disclosed weaknesses in the initial specifications prepared when developing the terms of reference.

(d) Lapses in conducting procurement processes

The procurement of goods and services are initiated with a requisition in Atlas. This is a formal request originated by the business unit or project staff. It is submitted to the procurement staff, who use the procurement process to convert the requisition into a purchase order.

However, the audit team noted the following:

- 42 percent of the requisitions totalling $509,170 were created in Atlas at the same time of approval of the purchase orders.

- In 14 instances valued at $53,822, both the requisitions and purchase orders were created and approved on the same day of the receipt of the goods/services procured.

- In four instances valued at $28,247, requisitions and purchase orders were created and approved on the same day payments were processed in Atlas.

(e) Unnecessary use of the direct contracting modality

- In two cases valued at $72,023, the Office justified the absence of a competitive procurement process by the urgency to implement related activities. The audit team concluded effective planning would have allowed the completion of a competitive procurement processes.

Completing procurement activities prior to the creation of a formal request may lead to errors in items being purchased. In addition, lack of effective oversight over procurement may lead to value for money not being achieved.

Priority	High (Critical)
Recommendation 8: The Office should adhere to the UNDP procurement policies by: (a) preparing a comprehensive procurement plan and ensuring that requisitions are created at the inception of the procurement process, and purchase orders are approved following the selection of the vendor; (b) ensuring the terms of reference include realistic timeframes and reinforcing accountability over contract management; and (c) ensuring that direct contracting is only used when adequately justified in accordance with the policy.	
Management action plan: The Office will closely follow up on it, including by organizing a training on the PROMPT system for all staff members.	

Estimated completion date: June 2020

3. Staff and premises security

Issue 9 Business Continuity Plan should be reviewed, updated and tested

Each office must prepare and maintain a Business Continuity Plan to ensure that the organization can continue to function following an emergency. The Plan should be reviewed and tested annually. The testing and review should include the purpose and scope of the testing, simulation events for testing, emergency communication plans, critical data backup and retrieval and recovery of critical business functions. Testing results should be evaluated and used to improve the Business Continuity Plan where necessary.

The audit team noted that the Business Continuity Plan was approved in April 2017 but had not been reviewed or tested since then.

Non-compliance with the Business Continuity Plan requirements may lead to a delay in the resumption of operations following an emergency.

Priority	Medium (Important)
Recommendation 9: The Office should ensure compliance with the Business Continuity Plan policy, including annual testing and review.	
Management action plan: The Office will update and test the Business Continuity Plan**.** **Estimated completion date:** March 2020	

D. United Nations leadership and coordination

Issue 10 Monitoring of the support provided to the Resident Coordinator Office needs to be improved

The Service Level Agreement signed between UNDP in and the UN Resident Coordinator Office in the Country on 8 August 2019 stipulates that costs related to services rendered by UNDP to the Resident Coordinator Office should be recovered in a timely manner. It also stipulates that UNDP should report to the Resident Coordinator Office, on a quarterly basis, on the services provided, including a corresponding service fee. Surveys should be conducted by UNDP to collect feedback on services provided.

The review of the Service Level Agreement and its execution disclosed the following weaknesses:

- Not all costs incurred in connection with the services rendered under the Service Level Agreement had been reimbursed by the Resident Coordinator Office (including certain costs relating to human resources, general administration, ICT) as they had yet to be invoiced by UNDP.

- UNDP did not report back to the Resident Coordinator Office on all the services provided on a quarterly basis. Not all fees were charged upon services rendered, following the Service Level Agreement.
- No feedback survey had been completed regarding the quality of services provided.

Failure to comply with the terms and conditions of the Service Level Agreement could lead to performance issues remaining unresolved as well as financial losses.

Priority	Medium (Important)
Recommendation 10: The Office should improve the monitoring of the implementation of the Service Level Agreement with the Resident Coordinator Office by: (a) ensuring that all costs incurred in connection with the services rendered under the Service Level Agreement are invoiced to the Resident Coordinator Office in a timely manner; (b) reporting back to the Resident Coordinator Office on the services provided on a quarterly basis with the inclusion of the corresponding service fee; and (c) conducting regular surveys to obtain feedback on the quality of service provision.	
Management action plan: The Office will, in close collaboration with the Resident Coordinator Office, apply the charges as per the Service Level Agreement. **Estimated completion date:** March 2020	

Issue 11 <u>Weaknesses within Harmonized Approach to Cash Transfers implementation</u>

The Framework for Harmonized Approach to Cash Transfers (HACT) lists several minimum conditions to be met prior to transferring cash to implementing partners. These include establishing an assurance plan and implementing assurance activities. The 'UNDP Programme and Operations Policies and Procedures' provide guidance on the monitoring of payments to implementing partners.

The audit team reviewed the Office's compliance with the HACT Framework and noted the following:

(a) <u>Incorrect treatment of advances</u>

Requests for advances can only be approved if at least 80 percent of the previous advances have been accepted, and all previous advances in the execution of the project have been cleared. While the Office complied with the policy for cash transfers funded by UNDP, the audit team noted 25 exceptions ($590,095) where advances funded by UNICEF and UNFPA continued to be given to implementing partners for the same project without ensuring that 80 percent of the previous advance had been cleared.

(b) <u>Weaknesses within assurance activities</u>

The purpose of conducting spot checks is to assess the accuracy of the financial records for cash transfers to the partner and the status of programme implementation (through a review of financial information). The audit team noted that in two of the five 2018 spot check reports reviewed, the visit was completed while the implementing partner had not started reporting financial transactions.

The template used for spot checks did not provide sufficient information on what was tested, the issues identified, the risks associated with these issues, and the recommendations made.
While 10 spot checks and 9 programmatic assurance activities were planned to take place in 2019, none of them had been conducted as at the time of the audit mission. In 2018, two out of five spot checks were conducted while no programmatic visits took place. The weaknesses above were due to a lack of adequate oversight.

(c) <u>Lapses in the tagging of payments for implementing partners</u>

The Office of Financial Resources Management requires offices to label payments to partners based upon cash disbursements and project implementation modality to improve financial reporting of project expenditures.

Payments for implementing partners were not labeled as required by the Office of Financial Resources Management to facilitate tracking and reporting of cash transfers.

(d) <u>Inactive HACT Advisory Committee</u>

The HACT Advisory Committee was set up in 2016 to establish annual work plans, prepare a quality assurance plan and inform the Government and partners about the implementation of HACT. The audit team noted that neither the terms of reference of the Committee nor the work plans had been prepared. The Committee did not meet on a regular basis or prepare meeting minutes.

Failure to fully satisfy the minimum conditions of the HACT Framework could result in the Office using an inappropriate cash transfer modality, which could result in financial losses.

Priority	Medium (Important)
Recommendation 11: The Office should comply with the requirements on Harmonized Approach to Cash Transfers by: (a) ensuring that cash transfers to implementing partners and responsible parties adhere to 'UNDP Programme and Operations Policies and Procedures'; and (b) reviving the HACT Advisory Committee and implementing the assurance plan in accordance with the HACT guidelines.	
Management action plan: The Office will take action to improve the application of the HACT requirement by reviving the HACT Advisory Committee, preparing the annual work plan of the Committee and implementing the HACT assurance plan for 2020. **Estimated completion date:** March 2020	

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 <u>not included in this report</u>.