UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP's WRITE-OFF PROCESSES

Report No. 2320

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Report on the Audit of UNDP's Write-Off Processes
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP's Write-off[1] Processes from 22 February to 7 May 2021. The audit assessed the adequacy and effectiveness of the governance, risk management, and controls within UNDP's write-off processes.

The audit covered the activities from 1 January 2019 to 31 December 2020. UNDP reported write-offs of losses of cash, receivables, and property totalling $43,255 in 2019 and $1,096,292 in 2020. Further, during the audit period, UNDP reported provisions[2] (i.e., impairments) for write-off totalling $1.88 million in 2019 and $3.83 million in 2020.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

- A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned/soft copies of documents provided by the Bureau for Management Services.
- Meetings with Bureau for Management Services management and personnel were carried out virtually, which could have limited the audit team's understanding of the working environment.

Overall audit rating

OAI assessed the performance of UNDP 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 procedures for write-offs being incomplete and not finalized; weaknesses in UNDP's procedures for provisions for write-offs; accounting procedures for financial losses not being followed; and challenges in Atlas data clean-up.

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

The four recommendations aim to ensure the achievement of the organization's strategic objectives.

For the 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:

Procedures for write-off incomplete and not finalized (Issue 1)	The Bureau/OFRM issued the draft 'Procedure for Write-off Requests' in August 2020. At the time of the audit, the procedures were not finalized, and they did not include a clear description of roles and responsibilities of the Regional Bureaux. <u>Recommendation:</u> The Bureau for Management Services should strengthen the write-off process by: (a) finalizing the write-off procedure and including

[1] A write-off is the act of cancelling a bad (uncollectible) debt or loss of asset from a General Ledger account.

[2] A provision for write-off (also referred to as impairment in UNDP's financial statements) is a reserve recognized in the financial statements after assessing that a collection of a receivable is in doubt.

	a clear description of the roles and responsibilities of Regional Bureaux; and (b) uploading the final write-off procedure into the 'UNDP Programme and Operations Policies and Procedures'.
Weaknesses in UNDP's procedure for provisions for write-off (Issue 2)	There was a lack of written criteria in making provisions to doubtful amounts and the corresponding accounting entries in Atlas. There were no clear criteria or conditions established to support the Bureau's decisions on the level of provisions for write-off that should be applied against ageing multi-year GL account balances, including who was responsible to review and approve the level of financial provisions for write-off. There was no justification to support the decision for not making a provision for write-off. Recommendation: The Bureau for Management Services should formalize the criteria for provisions for write-off, including maintaining adequate documentation and uploading the procedures into the 'UNDP Programme and Operations Policies and Procedures'.
Accounting procedure for financial losses not followed (Issue 3)	The Bureau established the 'Asset Recovery Business Accounting Process', which provided guidance on the accounting entries to record fraud or loss. The review of accounting entries in Atlas showed that the required accounting steps in the 'Asset Recovery Business Accounting Process' were not followed for the three write-off cases for which a provision was applied. These three cases totalled $0.48 million. As of April 2021, the Asset Recovery Tracker had estimated financial losses relating to fraud or loss (investigation cases) totalling $8.57 million (2013–2020). Of this total, the assessed recoverable amounts totalled $7.85 million. As of the end of the audit, reported amounts recovered totalled $3.78 million (48 percent). Based on this information, the audit team assessed that an amount of $4.07 million may not be recovered (52 percent). There was no supporting documentation made available to the audit team on the rationale for not making further provisions against the estimated unrecoverable amounts totalling $4.07 million. The Bureau/OFRM indicated that the established accounting procedure for recording fraud or loss was under review. Recommendation: The Bureau for Management Services should finalize its review of procedures relating to fraud or loss, and maintain adequate documentation on provisions for write off.
Challenges in Atlas data clean-up (Issue 4)	OAI noted that there were still pre-Atlas balances (converted GL balances prior to 2004) in the sampled GL accounts reviewed. From the list of provisions for write-off for 2020, the Bureau/OFRM included pre-Atlas balances amounting to approximately $426,703. The total pre-Atlas balances had not been fully determined as of the end of the audit fieldwork due to the lack of detailed information. The Bureau agreed that data clean-

up of pre-Atlas balances had been a challenge. Although progress had been made, further action was required.

Recommendation: The Bureau for Management Services should develop and implement a plan to identify all the remaining outstanding pre-Atlas balances and determine the required steps to clear these balances, including ensuring availability of resources.

Management comments and action plan

The Assistant Administrator and Director of the Bureau for Management Services accepted all recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report.

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

Helge Osttveiten
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Helge S. Osttveiten
Director
Office of Audit and Investigations

I. Audit background

In accordance with the 2021 Annual Work Plan of the Office of Audit and Investigations (OAI), an audit of UNDP's write-off processes was conducted from 22 February to 7 May 2021.

UNDP's write-off processes are stipulated within UNDP's Financial Rules and Regulation 126.17. The rules require reporting any loss of assets to the Assistant Administrator, Bureau for Management Services, who may, after full investigation, authorize the writing off of assets deemed to be irrecoverable. Proposals to write-off amounts in excess of $100,000 shall be submitted to the Administrator for approval.

In 2017, UNDP management established the Asset Recovery Standing Board to facilitate proceedings in recovering financial losses to UNDP from assets (both cash and physical) that have been lost due to fraud and theft. A Centralized Tracking and Monitoring System (Asset Recovery Tracker) was established to monitor the status of recovery of assets from cases originating from ACP online[3] as well as cases investigated by OAI (the system includes cases from 2012 onwards).

In view of the increased number of write-off requests received in 2020, OAI included the review of write-off processes in its 2021 annual audit plan. In 2020, OAI received 11 write-off requests for review amounting to $2.5 million. Prior to 2020, the last review of UNDP's proposal for write-off of asset losses amounting to $14.2 million was conducted in 2012 (Report No. 903, issued on 19 April 2012). In 2021, the Bureau/OFRM indicated that about 30 write-off requests were to be submitted to OAI for review. The influx of write-off requests in 2020 and 2021 was mainly due to the organization's data clean-up in Atlas (enterprise resource planning system of UNDP) relating to the preparation for the migration to the new enterprise resource planning system, to be launched in early 2022.

The following General Ledger (GL) accounts were covered by the audit:

Account	Description
14001	Accounts receivable
14020, 14021, 14022, 14024, 14030, 14035, 14040, 14042, 14501, 14045, 14046, 14085, 14050	Staff receivables: Salary advances, overpayments, rental advance, car advance, rental advance, emergency advance, education grant, education grant for international and headquarters support staff, prepaid expenses education grant, travel advance, travel recoveries, telephone charges, and other advances.
16005, 16010, 161015, 16106, and 16108, 51035	Nationally implemented (NIM) project advances, advance due from UN agencies, project cash advance, transfer to/from funds/donors, etc.
14080	Miscellaneous receivables
14057	Petrol advance receivables
14056	Value-added tax (VAT)/Sales Tax

[3] The Advisory Committee on Procurement (ACP) online application has been developed in SharePoint as a corporate tool to review procurement actions subject to oversight by procurement review committees.

II. Audit results

OAI made four recommendations ranked high (critical).

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

High priority recommendations:

(a) Strengthen the write-off processes (Recommendation 1).
(b) Formalize the criteria for provisions for write-off (Recommendation 2).
(c) Finalize its review of procedures relating to financial losses due to fraud or loss (Recommendation 3).
(d) Finalize data clean-up of pre-Atlas balances. (Recommendation 4).

The detailed assessment is presented below:

Issue 1 Procedures for write-off incomplete and not finalized

The Bureau/OFRM issued the draft 'Procedure for Write-off Requests' issued in August 2020, which includes the following steps:

1. After identifying an asset that is potential for write-off, a Country Office notifies the Reginal Bureau focal point. If the Regional Bureau agreed on the no n-recoverability of the amount, a due diligence workplan will be completed. Regional Bureau will provide guidance as needed

2. The Country Office prepares a formal write-off memo and checklist for submission either to OAI or to the Chief of Accounts of the Bureau
   - If the write-off amount was more than $1,000, the Country Office submits the formal write-off memo to OAI.
   - If the write-off amount was below $1,000, the Country Office submits the write-off request to the Chief of Accounts of the Bureau.

3. OAI reviews the write-off request and informs the Country Office on whether an investigation is required or not.
   - OAI may investigate and send conclusion to the Country Office asking for further due diligence
   - OAI may investigate and send conclusion to the Country Office clearing the write-off request
   - OAI informs the Country Office that no further investigation is required.

4. The Country Office, after receiving advice/clearance from OAI, submits the write-off request to the Chief of Accounts of the Bureau for approval.
   - If the amount is below $1,000, the Chief of Accounts of the Bureau approves the write-off.
   - If the amount is more than $1,000 but less than $100,000, the Chief of Accounts of the Bureau submits the write-off request to the Assistant Administrator of the Bureau for approval.
   - If the amount is more than $100,000, the Chief of Accounts of the Bureau submits the write-off request to the Administrator for approval.

Source: Bureau for Management Services/Office of Financial Resources Management

The Bureau/OFRM indicated the draft procedure was being used by Country Offices for write-offs. However, there was no formalized procedure for write-off processes except the text in UNDP's Financial Rules and Regulation (No. 126.17). OAI had not been informed or requested to provide feedback when the procedure was being developed.

The audit team reviewed supporting documents for 11 ($2.1 million) out of 30 ($6 million) cases from the lists of write-offs completed and provisions for write-offs for the year ending 2020. The audit team observed a lack of clarity in the roles and responsibilities of the Country Offices and Regional Bureaux

when addressing write-offs. This was due to the write-off procedures not being finalized and included within the 'UNDP Programme and Operations Policies and Procedures'. Specifically:

- The draft 'Procedure for Write-off Requests' requires Country Offices to notify and obtain clearance from their respective Regional Bureaux on the proposed write-off. However, a review of supporting documents noted that Regional Bureaux were not being notified in 4 out of 11 write-off requests sampled. The write-off requests that were not submitted to Regional Bureaux amounted to $211,030, which pertained to pre-Atlas balances from two Country Offices ($198,654), outstanding staff receivables ($2,770), and outstanding petrol advance balances ($9,606).

- Two Country Offices indicated that there were no available funds to cover the write-off amounts, and no corresponding guidance or funding source had been provided by the Regional Bureaux because they were not involved in the process.

- The draft 'Procedure for Write-off Requests' requires performing due diligence of write-off cases. In addition, Country Offices are required to implement mitigating measures to prevent similar write-offs from arising in the future. In 4 out of 11 write-off requests sampled, the required due diligence and preventative measures corresponding to the write-off requests were not completed.

- The audit team's discussions with Regional Bureaux focal points disclosed that different procedures were being followed in the review of write-off requests. For example, one focal point indicated that the Regional Bureau was only providing chart of accounts when the write-off amounts were less than $1,000. In early 2021, two Regional Bureaux focal points indicated that they received write-off requests for unrecoverable staff advances from the Bureau (and not from Country Offices) for review. Furthermore, a Regional Bureau focal point indicated that Country Offices were not notifying them of write-off cases.

- For write-off requests relating to unrecoverable financial losses due to fraud, the Bureau/OFRM established procedures to record the entries in Atlas. The procedures excluded due diligence requirements including review and clearance of supporting documentation.

During the exit meeting, the Regional Bureaux emphasized the importance of defining roles and responsibilities of all units involved in the write-off processes. The involvement of the Regional Bureaux is important to provide oversight to Country Offices and to ensure that additional controls are in place, including providing guidance in identifying the funding source for the write-off.

Lack of clarity within the roles and responsibilities of Regional Bureaux in the write-off process may lead to Regional Bureaux not providing the required oversight.

Priority	High (Critical)
Recommendation 1: The Bureau for Management Services should strengthen the write-off processes by: (a) finalizing the write-off procedure and including a clear description of the roles and responsibilities of Regional Bureaux; and (b) uploading the final write-off procedure into the 'UNDP Programme and Operations Policies and Procedures'.	

Management action plan:

While the draft procedures clearly indicate a review by the Regional Bureaux prior to the submission to OAI, OFRM will elaborate on this in the final version to further clarify and emphasize the role of Regional Bureaux for monitoring Country Offices and to endorse all write-off requests, including the availability of funds, before submission to OAI. Similarly, for other Central Units, the endorsement is to be obtained by their respective Bureau as part of their overall monitoring.

The revised write-off procedure will be sent to OAI for its review and feedback by 31 October 2021 and uploaded to the 'UNDP Programme and Operations Policies and Procedures' after feedback is received.

Estimated completion date: 30 November 2021

Issue 2 Weaknesses in UNDP's procedure for provisions for write-off

A provision for write-off (also referred to as impairment in UNDP's financial statements) is a reserve recognized in the financial statements after assessing that a collection of a receivable is in doubt. On an annual basis, the Bureau/OFRM must determine the level of financial provisions for write-off that should be reflected in UNDP's financial statements. The 'Year-end Closure Instructions' require offices/business units to review and certify General Ledger (GL) receivable account balances at the end of the year and this certification is the basis for making provisions.

Criteria for provisions for write-off not formalized

When reviewing GL account balances, business units are required, among other things, to assess collectability or recoverability of receivables remained outstanding at year-end. As per the 'UNDP's Programme and Operations Policies and Procedures', receivables will be measured at fair value less any allowance for estimated irrecoverable amounts (i.e., provisions for write-off). An allowance is established when there is objective evidence, based on a review of outstanding amounts at the reporting date, that UNDP will not be able to collect all amounts due according to the original terms of the receivable.

The audit team noted the lack of a clear criteria for provisions for write-off. The 'Year-end Closure Instructions' state "if, however, collection of an amount is in doubt, kindly submit a request for write-off…". However, there was a lack of documented criteria when making provisions for doubtful amounts, including the corresponding accounting entries in Atlas. In addition, there were no clear criteria or conditions established to support the Bureau/OFRM's decisions when determining the level of provisions to be applied, including the corresponding entries in Atlas.

The Bureau for Management Services explained that the final assessment on the provision of accounts receivable were made by them. Therefore, guidance on provision was not required in the 'Year-end Closure Instructions'. In OAI's view, written criteria for provisions were necessary because the Bureau/OFRM needed inputs and coordination with the various offices/business units (e.g., Country Offices and Regional Bureaux) in determining the level of financial provisions for write-off to be reported in the financial statements.

As the Bureau/OFRM indicated, the basis for making provisions was the GL account certifications and Country Office reviews of GL account balances. Therefore, procedures for provisions for write-off should be established and documented, so that offices/business units would be guided and gain a better understanding of the importance of the review and certification of GL account balances.

Inadequate provisions for write-off of aging GL account balances

The audit team reviewed the lists of provisions for write-off for 2019 and 2020 totalling $1.86 million and $3.83 million, respectively. Further, the audit team reviewed Atlas queries for a sample of GL accounts and the Bureau/OFRM's reconciliation records on GL account balances, as of 31 December 2020.

There was no justification to support the decision for not making a provision for write-off.

The Bureau/OFRM explained that provisions were based on its assessment of recoverability and materiality of the receivables. It was not solely based on a function or ageing of the outstanding balances. The Bureau/OFRM further explained that in the past, business units generally stopped exerting efforts to recover receivables after provisions for write-off were recorded in Atlas. Therefore, the Bureau/OFRM was not making provisions for write-off to encourage business units to continue following up on outstanding receivables. The Bureau indicated that the audit team would be provided with evidence supporting the assessments completed; however, these had not been provided.

The audit team also identified additional contributing factors to the weaknesses noted. These included lack of staff capacity, resources and changes in staffing following restructuring and turnover. Further, the Bureau/OFRM flagged in its risk register that the reduction in capacity and resources had an adverse impact on the monitoring of financial risks through reconciliation of GL accounts.

Without formalized and documented criteria for provisions for write-off, business units concerned may not be able to adequately monitor recoverability of receivable balances and ensure availability of resources to fund write-offs.

Priority High (Critical)
Recommendation 2: The Bureau for Management Services should formalize the criteria for provisions for write-off, including maintaining proper documentation and uploading the procedure into the 'UNDP Programme and Operations Policies and Procedures'.
Management action plan: The Bureau/OFRM will document the criteria it uses for its assessment of various categories of aged items and will estimate a provision using these criteria at year-end. The criteria will be made available on the SharePoint. **Estimated completion date:** 30 November 2021
OAI Response: The Bureau/OFRM indicated that adding the procedure for provision for write-off is solely the responsibility of the Bureau. Therefore, it is not deemed necessarily for the procedure to be added in the 'UNDP Programme and Operations Policies and Procedures'. In the view of OAI, the procedure for provisions for write-off should be made available in the 'UNDP Programme and Operations Policies and Procedures', being the main source of UNDP's policies and procedures, rather than making the procedure available on SharePoint only. Accordingly, OAI is keeping the recommendation to upload the procedure into the 'UNDP Programme and Operations Policies and Procedures'.

Issue 3 Accounting procedure for financial losses not followed

A. Financial losses - due to fraud

In February 2017, the Bureau established the 'Asset Recovery Business Accounting Process', which provided guidance on the accounting entries to record fraud or loss of a receivable. If the amount is determined irrecoverable, approval should be obtained to write-off the recorded receivable.

The 'Asset Recovery Business Accounting Process' requires that asset losses should be immediately recorded in UNDP financial records following the accounting procedure described below:

Step 1: Proven Fraud or Confirmed Loss A receivable (Account14099) is recorded and the credit side posted against the original GL Expenses or Asset account using the original Chart of Account (COA) of the transactions:

Debit/ Credit	Account	OU	Fund	Department	Business Unit	Project	Activity	Implementing Agent	Donor
Debit	14099	H17	00001	14401	UNDP1	00039902	ACTIVITY1	001981	00012
Credit	7xxxx	BLR	30000	54001	BLR10	00072010	ACTIVITY1	001981	10954

Step 2: HQ immediately assesses the receivable for impairment in consultation with legal, the Bureau and other parties and books an impairment allowance using GL Account 74405 (Charge for Doubtful Accounts) and GL Account 17007 (Allowance for Exchange Receivables):

Debit/ Credit	Account	OU	Fund	Department	Business Unit	Project	Activity	Implementing Agent	Donor
Debit	74405	BLR	30000	54001	BLR10	00072010	ACTIVITY1	001981	10954
Credit	17007	H17	00001	14401	UNDP1	00039902	ACTIVITY1	001981	00012

Step 3: Any amount that is subsequently recovered is applied to the receivable (GL Account 14099) and a corresponding amount reversed from the impairment account 170007.

Step 4: Any amount that is NOT recovered should be written-off after due diligence has been exercised as per the FRRs Rule 126.17. Upon approval of write-off, the balance in the receivable account (GL Account 14099) and impairment (GL Account 17007) should be reversed.

Source: Bureau for Management Services/Office of Financial Resources Management

The review of accounting entries in Atlas showed that the above steps were not followed for the three write-off cases for which a provision was applied in the 'Asset Recovery Business Accounting Process'. These three cases totalled $0.48 million.

As of April 2021, the Asset Recovery Tracker had estimated financial losses relating to fraud or loss (investigation cases) totalling $8.57 million (2013–2020). Of this total, the assessed recoverable amounts totalled $7.85 million. As of the end of the audit, reported amounts recovered totalled $3.78 million (48 percent). Based on this information, the audit team assessed that the amount of $4.07 million may not be recovered (52 percent).

There was no supporting documentation made available to the audit team on the rationale for not making further provisions against the estimated unrecoverable amounts totalling $4.07 million.

The Bureau/OFRM indicated that the established accounting procedure for recovery of financial losses was being reviewed. Given the success in recovering potential losses, the Bureau believed that immediate provisioning of all items subject to recovery would be inappropriate. Nevertheless, the Bureau/OFRM's

assessment and subsequent decisions for making provisions for write-off should be properly documented and should be in line with established procedures.

B. Financial losses – aged receivables

The list of provisions for write-off for 2020 provided to the audit team showed two provisions entered in 2012 totalling $191,053, which had not been written off as of the end of the audit fieldwork.

Reason for Write-off	Amount	Account Credited	Account Debited	Year of Entry
Pre-Atlas balance in account 14001 and 14002	$153,836	17001	14002	2012
Previous impairment on deferred dispensary account that needs to be written off	$37,217	17007	19030	2012

Source: Bureau for Management Services/Office of Financial Resources Management

Delays in writing-off uncollectible amounts may result in an overstatement of UNDP's assets within the financial statements.

The Bureau/OFRM indicated that this issue would be addressed as part of its review of GL accounts in preparation for the migration to the new enterprise resource planning system. Accordingly, OAI did not make a recommendation (refer to issue 4)

The lack of proper documentation may result in confusion and may not facilitate making subsequent provisions for write-off for unrecoverable amounts due to fraud.

Priority High (Critical)
Recommendation 3: The Bureau for Management Services should finalize its review of procedures relating to fraud or loss, and maintain adequate documentation on provisions for write off.
Management action plan: Given the successes achieved in recovering potential losses, the Bureau/OFRM agrees with the recommendation to review its accounting procedures for recording financial losses due to fraud as reported in the Asset Recovery Tracker. **Estimated completion date:** 30 November 2021

Issue 4 Challenges in Atlas data clean-up

As of 31 December 2003, UNDP was using a now legacy system called WinFOAS[4] at Country Offices and Integrated Management Information Systems (IMIS) at Headquarters. This was replaced with Atlas (enterprise resource planning system) on 1 January 2004. During that time, the data conversion took place from IMIS to Atlas for the GL data and on 1 June 2008 for the payroll related data. During the conversion period, the level of details and the supporting documents were not available and as a result, certain balances were converted as a lump sum because the legacy systems did not contain adequate or accurate details.

OAI issued its report (No. 903) in April 2012 on the review of the due diligence exercised by the Bureau to investigate pre-Atlas converted balances for 25 balance sheet accounts, which led to the proposal to write-off asset balances totalling $14.2 million, of which $14 million was written off. OAI concluded that the Bureau (formerly Office of Finance and Administration) was able to reconcile and investigate the pre-Atlas opening balances for the 25 balance sheet accounts.

However, for the current audit, OAI noted that there were still pre-Atlas balances in the sampled GL accounts reviewed. From the list of provisions for write-off for 2020 alone, the Bureau/OFRM included pre-Atlas balances of approximately $426,703, although the total balance had yet to be determined at the time of the audit. The total pre-Atlas balances had not been fully determined as of the end of the audit fieldwork due to lack of available supporting documentation and limited institutional memory due to the time elapsed.

The Bureau agreed that data clean-up of pre-Atlas balances had been a challenge. Although progress had been made, further data clean-up was required. The Bureau indicated that a data preparedness strategy has been developed to address priority issues based on assessment of risks.

There is a risk that pre-Atlas balances may be carried over to the new enterprise resource planning system.

Priority High (Critical)
Recommendation 4: The Bureau for Management Services should develop and implement a plan to identify all the remaining outstanding pre-Atlas balances and to determine the required steps needed to clear these balances, including ensuring availability of resources.
Management action plan: The Bureau/OFRM is working on a data preparedness plan, including a multi-phased strategy for Atlas data clean-up for migration to the Oracle Cloud Enterprise Resource Planning system. This work includes pre-Atlas balances. A cost-benefit analysis will be undertaken during data clean-up and post-migration to assess whether further provisioning or write-offs are necessary. **Estimated completion date:** December 2021

[4] WinFOAS – Windows based Field Office Accounting System (used to process and record financial transactions in UNDP Country Offices).

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Fully 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.
- **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.