



AUDIT

OF

UNDP COUNTRY OFFICE

IN

LEBANON

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Report on the Audit of UNDP Lebanon Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Lebanon (the Office) from 28 May to 18 June 2021. 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: ¹

- (a) Governance and programme management – Strategic objectives and assessment of results, risk management, resource inputs.
- (b) Project output design and management.
- (c) Operations processes – procurement, finance, human resources, and administrative services.

OAI designed three performance audit questions to guide the review of the following areas and sub-areas:

- (a) Governance and programme management
 - 1. Were the governance and programme management arrangements for the implementation of the Country Programme adequately established and functioning to achieve objectives?
 - 2. Were the Country Programme results at an output level measurable, were targets achieved, and was impact effectively assessed?
- (b) Operations processes
 - 1. Did the operational processes effectively and efficiently support implementation of the programme objectives?

The audit covered the activities of the Office from 1 January 2020 to 31 March 2021. The Office recorded programme and management expenses of approximately \$99 million. The last audit of the Office was conducted by OAI in 2016.

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) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
- (b) Meetings with Office personnel, beneficiaries and counterparts were carried out virtually, which limited the audit team's understanding of the Office's operating environment.
- (c) Project visits (location, site visits) were not conducted.
- (d) A physical verification of assets was not performed.
- (e) Safe and petty cash contents were not verified.

Overall audit rating

OAI assessed the Office's performance 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

¹ This version includes immaterial edits compared to the version previously shared with UNDP management and the Permanent Mission of Lebanon to the United Nations.

affect the achievement of the objectives of the audited entity/area.” This rating was mainly due to the need to strengthen project oversight, the implementation of Global Environmental Facility projects and vehicle management and utilization.

Key recommendations: Total = **6**, high priority = **3**

The seven recommendations aim to ensure the following:

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

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

Ineffective project oversight (Issue 2)

Three project extensions that ranged from 3 to 6 years and totalled \$19 million were not formalized. Delivery in 2020 was low for two projects including on COVID-19 response (22 percent) and energy and waste solutions (59 percent). Consolidated project progress was not reported to the Project Board as the annual reporting was not based on the project document results framework. For five projects, risks were not adequately identified and recorded in the corporate risk register to enable mitigation.

Recommendation 3: (a) signing a project document extension and reporting project annual results based on project document results framework; (b) timely programming all resources, identifying bottlenecks in project delivery and developing a timebound action plan to address them and boost project delivery and project reporting; and (c) recording project risks in the corporate risk register, and developing measurable actions for treatment.

Challenges in the management of Global Environment Facility funded projects (Issue 3)

The Office implemented three projects funded by the Global Environment Facility (GEF) totalling \$9.4 million. Two of the projects had low delivery of 2.5 to 69 percent mainly due to delays in start-up activities including recruitment of a project teams and establishment of contacts with government and other stakeholders. The Project Executive Boards (PEB) did not include all required stakeholders and had not reviewed the sustainability plan for one of the projects.

Recommendation 4: (a) adequately defining the capacity and timeline for the engagement of project teams and oversight mechanism; (b) enforcing adequate budget planning and recruitment including measures to boost delivery prior to the end of the implementation periods; and (c) requiring all Project Executive Board stakeholders to attend the meetings.

Inadequate vehicle management and utilization (Issue 6)

The Office used 22 cars that exceeded their replacement life of 12 years by up to 19 years. The available vehicles did not align with available drivers.

Recommendation 6: Accelerate the disposal of unsafe cars according to the policy and expedite tooling for monitoring utilization, ageing, maintenance costs and safety.

Implementation status of previous OAI audit recommendations:

Report No. 1606, 22 July 2016.

Total recommendations: 9

Implemented: 9

The OAI has also issued audit reports on specific projects under the responsibility of the Country Office, there are no outstanding recommendations related to these reports.

Management comments and action plan

The Resident Representative of UNDP Lebanon accepted all seven recommendations and is 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.

Helge S. Ostveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Beirut, Lebanon (the Country) and its Country Programme covered the period 2017–2022 with the following development priorities:

- (a) Foster dialogues for peace to reduce conflict and create space for decision-making.
- (b) Support governance reform and improved representation of young people and women in political institutions/forums.
- (c) Bolster the resilience of affected communities.
- (d) Improve current environmental management systems.

During the period from January 2020 to March 2021, the Office spent \$89 million on development activities; a decrease by 9 percent in 2020 compared to the previous period.

The largest development projects in terms of expenses during the period covered by the audit were:

Title	Expenditure 01 Dec 2020 \$million	Expenditure 01 Mar 2021 \$million
Supporting Lebanese Host-Communities	19.6	2.9
Increasing Access to Water in Host-Communities	7.9	0.2
Palestinian Gatherings Host-Communities 2	4.7	0.4
Support to Civil Service Reform and Management	2.2	-
Support to the Economic and Social Fund for Development	1.8	0.3
Total	36.2	3.8

The largest sources of funding of the Office's development activities for the period covered by the audit were:

Donor	Funding for the period \$million
Germany	124.6
Lebanon	23.2
United Kingdom	13.6
Total	161.4

Other critical information

During the audit period, the Country faced challenges. In October 2019 nationwide demonstrations took place that impacted the economic-financial position and resulted in significant devaluation of the local currency. In August 2020 the Beirut port explosion took place amid the COVID-19 pandemic that resulted in a socio-political crisis. The United Nations Strategic Framework and Country Programme Document (CPD) were extended by two years to 2022 to enable the alignment of the next Country Programme with the new Lebanon 2030 Strategic Development Goals Strategy and World Bank Country Assessment, which were expected to address these challenges.

II. Audit results

Satisfactory performance was noted in the following areas:

(a) Governance and programme management:

- (1) Were the governance and programme management arrangements for the implementation of the Country Programme adequately established and functioning to achieve objectives?

The UNDP Country Programme was aligned to seven outcomes of the United Nations Strategic Framework and were considered national priorities. The Office adapted its programme to key risks such as changing country challenges in response to the economic-financial and socio-political challenges. The Office was awarded the UNDP Gender Equality Silver Seal. The Office also undertook research studies to gather evidence that supported the theories of change in achieving its outcomes. A total of \$382.79 million or 83 percent of the extended Country Programme resources needed for 2017 to 2022, were mobilized by May 2021. Funding was available for the pending \$66 million programming requirement through a strong pipeline.

- (2) Were the Country Programme results at an output level measurable, were targets achieved, and was impact effectively assessed?

The CPD results and resources framework clearly indicated measurable targets for achieving outputs. The Offices reported on the CPD achievements through the corporate tool and discussed annual progress with the Country Programme Board. However, the reviews reported on the status, completed or ongoing, and not on the rate of implementation of the CPD indicators (Issue 1).

(b) Operations:

- (1) Did the operational activities effectively and efficiently support implementation of the programme objectives?

Human resources processes including recruitment, performance evaluation and completion of mandatory trainings were adequately monitored and completed timely. Incidental issues in recruitment were attributed to the challenges the Country was facing and the Office was considering various options to attract suitable candidates. Travel and asset management processes were conducted in a timely manner and in accordance with UNDP policies. However, procurement and vehicle management processes needed to be strengthened to support implementation of programme objectives (Issues 5 and 6). The Office also developed an action plan to address development areas highlighted in the 2020 Global Staff Survey.

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

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

High priority recommendations, arranged according to significance:

- (a) Strengthen project oversight (Recommendation 2).
- (b) Strengthen the implementation of Global Environmental Facility projects (Recommendation 3).
- (c) Optimize vehicle utilization (Recommendation 6).

Medium priority recommendations, arranged according to significance:

- (a) Adequately monitor achievement of Country Programme objectives (Recommendation 1).
- (b) Strengthen certification of construction works (Recommendation 4).
- (c) Strengthen procurement processes (Recommendation 5).

Annex 1 presents a summary of the audit results. The detailed assessment is presented below, per audit area:

A. Governance

1. Planning and risk management

Issue 1 Achievement of Country Programme objectives not adequately monitored

The 'UNDP Programme and Operations Policies and Procedures' require an annual programme board to provide oversight over the implementation of the UNDP Country Programme Document (CPD). Offices report on the achievement of the CPD outcomes and output indicators through the Atlas (enterprise resource planning system of UNDP) corporate tool.

Annual meetings of the Country Programme Board focused on strategic progress for the seven CPD outcomes and discussed key achievements for the year and plans for the coming year. The Office adjusted its programming to accommodate economic-financial socio-political challenges since October 2019. However, the progress reviews reported on the status, completed or ongoing, and not on the rate of implementation of the CPD indicators. For instance, for outcome 1, the rate of implementation of five out of eight outcome and output targets assessed against initial CPD indicators from 2017 to 2020 was delayed by 33, 40, 60, 74 and 99.7 percent as at August 2021 but were listed as ongoing.

The indicators were monitored under four Country Office programme portfolios. However the managerial positions for two portfolios were vacant from October 2018 and June 2020, which may impact adequacy of monitoring activities. Without adequate and realistic monitoring of CPD implementation, delays in delivery cannot be addressed in a timely manner.

Priority	Medium (Important)
Recommendation 1:	
The Office should adequately monitor the achievement of Country Programme objectives by including Country Programme Document indicator targets and cumulative progress in discussions with the Country Programme Board.	
Management action plan:	
The Country Programme Document was discussed by the Office's management at the strategic level with partners, and the results at the indicator level were also presented for each programme. The Country Programme Board, comprising the main government counterpart of UNDP, the Council for Development and Reconstruction, has accepted the annual progress of the UNDP Country Programme Document, which is documented in the minutes of the meeting. The percentage of cumulative Country Programme Document progress will be included in future programme meetings.	
Estimated completion date: December 2021	

B. Development activities/Project administration

Issue 2 Ineffective project oversight

The 'UNDP Programme and Operations Policies and Procedures' require adequate governance through regular Project Board meetings and monitoring at the Country Office and project level. Project budgets

should be based on available capacity. The implementation of budgeted activities should be monitored to ensure bottlenecks are timely addressed.

The review of nine projects totalling \$60.7 million out of \$88.9 million, or 68 percent of the programme delivery, during the audit period noted the following:

- Three project extensions that ranged from 3 to 6 years and totalled \$19 million were not formalized through the signing of project documents but by donor agreements and Project Board authorizations.
- Two projects had low delivery of 22 and 59 percent as follows:
 - A project on COVID-19 response had a delivery of 22 percent from inception in November 2020 to June 2021 with expected completion in September 2021. However, the planned procurement activities included \$3.1 million in procurement that was not initiated by June 2021.
 - A project on energy and waste solutions had a delivery of 59 percent in 2020, and 24 percent as of June 2021 partly due to the COVID-19 lockdowns. The Office was expecting an increase in delivery based on \$1.2 million in ongoing procurement activities.
- For five projects, risks were not adequately identified and recorded in the corporate risk register to enable mitigation.
 - Risks reported in the corporate risk register for four projects were missing critical data such as mitigation measures, risk owner, and impact or likelihood and effect of treatment. There was therefore no updated indicator of implementation of mitigating measures.
 - In one out of the five cases, no risks had been recorded in the corporate risk register.
 - Risk statements for all five projects were generalized and thus continued to be valid for more than seven years without actionable measures. For instance, a risk was defined as "One of the partners engages in unethical practices" and the mitigating measure was "Programme and project continue to screen potential partners."

These issues occurred because the project oversight function had not been effectively performed, to monitor and timely detect inefficiencies and inconsistencies in project management. The vacancy of two key positions of programme managers from October 2018 and June 2020, may also have impacted oversight. Without adequate oversight and monitoring of project design and implementation, the projects may not achieve the overall objectives.

Priority	High (Critical)
Recommendation 2:	
The Office should strengthen project oversight by:	
(a) signing a project document extension following the authorization from the Project Board and using a standardized template for reporting project annual results, which should be aligned with the project document results framework;	
(b) timely programming all resources, identifying bottlenecks in project delivery and developing a timebound action plan to address them and boost project delivery; and	
(c) recording project risks in the corporate risk register including all critical data, updating the registry to reflect current realities, and developing measurable actions for treatment.	

Management action plan:

- (a) Projects were extended based on Project Board decisions and letters of exchange. The Office will, in addition, sign project document extensions for direct implementation modality projects.
- (b) Timely programming of project resources will be implemented.
- (c) The Office will take the necessary actions to update the risks in the corporate risk register.

Estimated completion date: January 2022

Issue 3 Challenges in the management of Global Environment Facility funded projects

Country Offices require sufficient capacity to implement Global Environment Facility projects with effective governance structures that will allow the achievement of the project objectives and outputs, while at the same time ensuring accountability and oversight.

The audit team reviewed all three projects funded by the Global Environment Facility for a total of \$9.4 million and noted the following:

- Two projects were late by more than 18 months, instead of within the agreed two months, due to delays in the establishment of a project team amid a political crisis, and the COVID-19 pandemic..
- Two projects had low delivery from 2.5 percent to 69 percent as follows:
 - A project on 'Land Management of Qaraoun' with a budget of \$1.5 million had a delivery of 69 percent or \$1 million in 2020. The delay was partly due to the COVID-19 pandemic lockdowns and the Beirut port explosion.
 - For another project expected to end in 2024, with available resources of \$4.6 million, the Office budgeted \$115,000 in 2020 and \$524,760 in 2021 or 2.5 percent and 11 percent, respectively, of available resources, whereas the project document expected delivery of \$355,830 and \$932,840 respectively. The low budget utilization was attributable to delays in recruiting the project manager, the unavailability of a focal point from the relevant government ministry, and delays in contracting public resources.
- The 2020 Project Executive Boards (PEB) did not include a government counterpart and other entities as required in the project document due to the COVID-19 pandemic. In addition, the Office's senior management had not attended the PEB meetings for any of the three Global Environment Facility projects. The Office explained that participation in the PEB meetings had been delegated to the Programme Manager.

These issues occurred because of insufficient capacity and lack of timely engagement of the project teams to commence the implementation of activities. The project implementation delay was further exacerbated by events out of the control of the Office, including national lockdowns, weaknesses in the availability of government, and the Beirut port explosion. The Office has, since the audit, developed a checklist to establish capacities including experts, oversight, execution and support personnel, prior to submission of projects for Global Environment Facility endorsement/approval.

Without adequate capacity assessments and timely implementation of Global Environment Facility projects, UNDP could face reputational risks, impacting donor confidence and funding.

Priority	High Critical)
Recommendation 3:	
The Office should strengthen the implementation of Global Environmental Facility funded projects by:	
<ul style="list-style-type: none"> (a) implementing the newly-established checklist and adequately defining the capacity and timeline for the engagement of project teams and oversight mechanism prior to the initiation of future projects; (b) enforcing adequate budget planning and recruitment including measures to boost delivery prior to the end of the implementation periods; and (c) requiring all Project Executive Board stakeholders to attend the meetings, including senior management. 	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office's established checklist will continue to be implemented to strengthen the oversight mechanism and adequately define capacity and timeline for the engagement of project teams. (b) All projects have proper budget planning, including procurement and recruitment plans. For 2020, 100 percent delivery was not met due to highly exceptional circumstances. In all cases, the Global Environment Facility has very exceptionally agreed with the Country Offices to shift from national implementation modality (NIM) to direct implementation modality (DIM) to overcome the challenges faced with government counterparts, while trying to promote national ownership. The Office through its DIM modality will expedite the delivery and project implementation rates. (c) The key board stakeholder participates in the annual board meetings, as does the UNDP Programme Manager, who reports to the Office's senior management. The Office will continue to invite all stakeholders and document properly for the absentees. 	
Estimated completion date: June 2022	

Issue 4 Weaknesses in the certification and inadequate supporting documentation of construction works

According to the 'Operational Guide of the Internal Control Framework' for UNDP, project managers are responsible for the timely verification of satisfactory receipt of deliverables.

Completed work was not adequately certified by the projects for 10 of 63 sampled payment vouchers totalling \$0.9 million out of \$49.3 million, as follows:

- Four vouchers totalling \$317,064 for a public garden project indicated completed works increased by 22 percent in three days. Such an increase is extraordinary for the nature of the certified works including thermal protection, mechanical and electrical. The contractor reported on the completion date according to agreed payment milestones, instead of actual completion date. The UNDP site engineer certified the completion date per payment milestone. The contractor was not aware that actual completed works could be reported for certification separately from the payment milestone date.
- Six vouchers totalling \$570,796 for the rehabilitation of shelters in settlement camps were supported by a list of beneficiaries and percentage of work completed for each. No additional evidence was provided, such as detailed bill of quantities with actual progress or photographs.

Weaknesses in certification of completed work occurred because the Office had not yet defined appropriate and sufficient supporting documents for different construction works. This may not provide assurance that funds have been utilized as intended and may lead to inaccurate or excessive payments.

Priority	Medium (Important)
Recommendation 4: The Office should strengthen certification of construction works by: <ul style="list-style-type: none"> (a) requiring certifying and approving officers to verify that supporting documents represent the actual milestones of completed construction works and projects; and (b) defining appropriate and sufficient supporting documentation needed for construction work payments. 	
Management action plan: The supporting documents that are required by the Office to issue payments are determined on the basis of the terms and conditions of the contract. The scope of works of a contract has detailed information on required supporting documents for reporting and invoices. Additionally, the nature of the work differs from one project to another and is reflected beforehand in the invitation to bid and subsequently in the milestones of the contract. The payment process follows four levels of approval: site engineer, project manager, programme and then finance. The Office will further strengthen certification of construction works and projects by making sure certificate of completion reflects the detailed milestones as per the contract signed.	
Estimated completion date: June 2022	
OAI Response: OAI acknowledges that milestones are reflected in the contract and the process of approval is observed. However, the approval process through which the completed works are certified does not provide assurance that the documentation provided in the process corresponds to the actual project completion at the time of payment.	

C. Operations processes/Procurement processes/Individual contractors

Issue 5 Inadequate procurement processes

The 'UNDP Programme and Operations Policies and Procedures' require procurement processes to obtain the best value for money. The audit team reviewed 24 out of 1,221 purchase orders totalling \$9.5 million out of \$75 million, and another 35 out of 164 purchases reviewed by the Procurement Committees totalling \$10.7 million out of \$39 million. No issues were noted on the review of purchase orders. For the cases reviewed by Procurement Committees, the following was noted:

Direct contracting not adequately justified

The 'UNDP Programme and Operations Policies and Procedures' allow direct contracting for genuine exigency, to support emergency intervention and therefore cannot be delayed. At least three offers should be evaluated for non-exigency cases where limited international competition is applied. The UNDP 'COVID-19 Special Procurement Measures' reduced the minimum bidding period to one week and authorized direct review by the Contracts, Assets and Procurement Committee.

The review of 8 out of 31 cases totalling \$0.9 million using the direct contracting method disclosed that in all 8 cases, the Office justified exigency due to the COVID-19 pandemic. However:

- The Office developed a senior management fast track memo, not aligned with the “COVID-19 Special Procurement Measures”, which authorized direct contracting for procurement activities related to all COVID-19 crisis activities from June 2020 to December 2020. The Office did not provide further guidance to effectively assess the cases for direct contracting and timelines or competitive method as required by policy.
 - The 8 COVID-19 related purchases were not processed efficiently and a purchase of personal protective equipment delayed by up to 81 days. Since the Office used direct contracting, it requested quotations from one bidder.

Insufficient processes to ensure best value for money

The ‘UNDP Programme and Operations Policies and Procedures’ require effective international competition by supplementing advertisements with market research to directly notify possible vendors and requesting acceptable construction periods and costs.

A review of 17 out of 133 ACP cases totalling \$2.9 million that used the competitive procurement method disclosed that for 14 cases totalling \$2.8 million advertised through the e-tendering system only 1 bid was received. In reviewing these 14 bids, the audit team noted the following:

- In four cases, the cost estimates were not realistic as the awarded offer exceeded the Office’s cost estimates by 30 to 288 percent or \$ 8,930 to \$166,280. The Office explained that the Country’s economic crisis attributed to the material deviation with UNDP internal estimation. However, the evaluation report indicated different reasons for the variance, such as higher quality of the specification provided.

The audit team also noted that for one case reviewed by the Regional Advisory Committee on Procurement (RACP), the Office was also advised to obtain competitive bids for future similar cases, through the selection of potential partners.

Without adequate contracting and competitive processes, the Office may not achieve procurement efficiencies and best value for money.

Priority	Medium (Important)
Recommendation 5: The Office should strengthen its procurement processes by: <ul style="list-style-type: none"> (a) adequately justifying direct contracting in the evaluation report according to UNDP policy, ensuring that genuine exigency is timely initiated and executed and strengthening the procurement standard operating procedure to include direct contracting timeframe; and (b) implementing effective measures to increase vendor response, including market research to facilitate new vendor identification and defining realistic delivery timeline and costs. 	

Management action plan:

- (a) The Office will further strengthen the standard operating procedures to include direct contracting timeframes.
- (b) The Office will further expand its outreach by organizing general training to attract new potential contractors.

Estimated completion date: March 2022

D. Operations/Admin services/Vehicles

Issue 6 Vehicle management and utilization not optimal

The 'UNDP Programme and Operations Policies and Procedures' require vehicles to be replaced after 12 years, to mitigate accident risks and maintenance costs.

- The Office had 57 operational vehicles, of which 22 exceeded the replacement life of 12 years by up to 19 years. Five of the 15 sampled aged vehicles had maintenance costs in 2020 and 2021 totalling \$8,450. The Office had purchased 25 vehicles since 2015 but had not decommissioned older vehicles as it considered them useable and necessary for programme activities pending availability of replacement budgets.
- The Office's vehicle fleet of 61, including four vehicles for disposal, was not matched to its 31 drivers. The Office recognized the need for better vehicle utilization. In preparation for relocation to new premises in the second half of 2021, the Office conducted a functional analysis of its fleet and planned to establish two vehicle pools under the Country Programme and Country Team. An online tool would be used for optimal management of vehicles. However, the analysis was based on 54 vehicles and 22 drivers and thus needed to be updated.

The suboptimal use of the vehicles occurred because the Office had not effectively monitored management of its vehicles. Lack of optimal management and utilization of vehicles could lead to a waste of organizational resources and may lead to safety risks.

Priority	High (Critical)
Recommendation 6:	
The Office should finalize its plans to optimize vehicle utilization by:	
<ul style="list-style-type: none"> (a) updating its vehicle assessment for the car-pooling arrangements and accelerating disposal of unsafe vehicles in accordance with UNDP policy; and (b) expediting completion of the online vehicle management tool to include functions for monitoring utilization, ageing, maintenance costs and safety. 	
Management action plan:	
The Office has already started the disposal process for its obsolete vehicles in need of repairs and will continue to review the remaining for appropriate action. The Office has already confirmed through the Country Team Operations Management Team-Business Operations Strategy their interest in joining the fleet sharing initiative. This sharing initiative will necessitate the purchase of a tracking system	

enabling the monitoring of the fleet, which would help with optimizing resources in terms of vehicles. The Office was conducting a feasibility study and was awaiting the move to new premises to finalize the participation in this project and review vehicle usage. A tailored Office option has been discussed and was being implemented.

Estimated completion date: June 2022

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.

Annex 1: Summary of audit results in the performance auditing logical framework

