AUID

OF

UNDP COUNTRY OFFICE

IN

SURINAME

Report No. 2430
Issue Date: 28 April 2022
# Table of Contents

**Executive Summary**  i  
**I. About the Office**  1  
**II. Audit results**  1  
**A. Governance**  2  
1. Corporate planning system & risks register  2  
**B. Development activities**  5  
1. Project administration  5  
**C. Operations**  5  
1. Finance/Payments  5  
2. Administrative services/Common services  6  
3. Administrative services/Travel  7  
4. Information Communications and Technology  9  
**Definitions of audit terms - ratings and priorities**  10
The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Suriname (the Office) from 7 to 22 February 2022. 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
(b) Development activities
(c) Operations – procurement, finance, human resources, administrative services, information and communication technology (ICT)

In addition, OAI assessed the performance of the Office in finance.

Performance auditing is an independent, objective and reliable examination of an entity or process to assess whether economy, efficiency and effectiveness in the employment of available resources is being achieved.

OAI designed the following performance audit question:

Were financial transactions processed timely and accurately?

The audit covered the activities of the Office from 1 January 2020 to 31 December 2021. The Office recorded programme and management expenses of approximately $6.2 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 staff and personnel were carried out virtually, which limited the audit team’s understanding of the Office’s working environment.
(c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
(d) A physical verification of assets was not performed.
(e) Safe content and petty cash were not verified.
(f) The information and communication technology area was not reviewed on-site.

Overall audit rating

OAI issued an audit rating for the Office of 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 the concerns regarding the Office’s financial sustainability, and the expired agreement for the UN premises.

Conclusions on the performance audit area reviewed:

Finance:

Were financial transactions processed timely and accurately?
Payments reviewed were completed on time and in accordance with the terms and conditions. However, the Office did not have adequate controls in place to ensure that transactions were recorded under the correct expense categories.

**Key recommendations:** Total = 7, high priority = 2

The seven recommendations aim to ensure the following:

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Recommendation No.</th>
<th>Priority Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability and integrity of financial and operational information</td>
<td>3</td>
<td>Medium</td>
</tr>
<tr>
<td>Effectiveness and efficiency of operations</td>
<td>7, 2</td>
<td>Medium</td>
</tr>
<tr>
<td>Compliance with legislative mandates, regulations and rules, policies and procedures</td>
<td>4, 6</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>High</td>
</tr>
</tbody>
</table>

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

Office’s financial sustainability at risk (Issue 1)

The Office experienced deficits between the institutional revenue and the institutional expenses, amounting to $534,000 in 2020, and $425,000 in 2021. These deficits were financed by the Regional Bureau for Latin America and the Caribbean core funding. The deficits were due to the following:

- Lower than expected delivery: In 2020, the delivery target was $3 million and the actual programme delivery was $1.9 million. In 2021, the delivery target was $4 million, of which $3 million were achieved. This affected the General Management Support (GMS) income generation with shortfalls of $117,000 and $104,800 in 2020 and 2021, respectively.

- The Office’s low resource mobilization: In 2020, the Office achieved 69 percent of its $4 million resource mobilization target. In 2021, the Office achieved 63 percent of its $5 million mobilization target.

**Recommendation:** The Office should improve its financial sustainability by developing a financial sustainability strategy and action plan to accelerate programme delivery, improve resource mobilization, and identify and implement cost savings measures.

Expired agreement for UN premises (Issue 4)

In 2014, a Memorandum of Agreement (MoA) was signed between the Office, on behalf of the UN agencies, and the Government. The Government, as a lessee of a private property, provided the premises on a rent-free basis to the UN until December 2018. While this arrangement continues and the Government has a valid private agreement with the lessor until 14 December 2024, an addendum of the MoA has not been prepared to reflect the extension.

There were two incidents, in 2015 and 2019, concerning Government outstanding rental costs for the property that were communicated by the landlord to the Office. These issues were escalated and resolved by the Ministry of Foreign Affairs. The Office did not have a contingency plan in the event that the premises are no longer available.
**Recommendation:** The Office should address the issue relating to the expired agreement of the UN premises by: (a) expediting the renewal of the MoA for the premises including a review of the current arrangement and (b) reviewing business continuity plan regarding the premises.

**Management comments and action plan**

The Resident Representative accepted all 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.

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Helge
Ostdteiten
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Helge S. Ostdteiten
Director
Office of Audit and Investigations
I. About the Office

The Office, located in Paramaribo, Suriname, and its Country Programme covered the period 2017–2021 with the following development priorities:

a) democratic governance;
b) social development and

c) environment and natural resource management.

During the period from January 2020 to December 2021, the Office spent $4.9 million on development activities, a decrease of 2 percent compared to the previous period.

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

<table>
<thead>
<tr>
<th>Project</th>
<th>Expenditure Jan - Dec 2020 $million</th>
<th>Expenditure Jan - Dec 2021 $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate Change Adaptation Suriname phase 2</td>
<td>0.37</td>
<td>1.02</td>
</tr>
<tr>
<td>Environmental Management Mining</td>
<td>0.22</td>
<td>0.25</td>
</tr>
<tr>
<td>Strengthening capacities for REDD+</td>
<td>0.72</td>
<td>0.92</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1.31</strong></td>
<td><strong>2.20</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Donor</th>
<th>Funding for the period $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Union</td>
<td>3.45</td>
</tr>
<tr>
<td>Vertical Fund - GEF</td>
<td>2.98</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6.43</strong></td>
</tr>
</tbody>
</table>

II. Audit results

Effective controls were established and functioning in the following areas:

(a) Operations – Procurement. A review of the procurement function, including samples of procurement transactions and management of individual contractors indicated that adequate controls were in place.

(b) Operations – Human resources. The governance, risk management and control systems within human resource management, including recruitment and separations, were adequate.

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

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.
High priority recommendations, arranged according to significance:
(a) Improve financial sustainability (Recommendation 1).
(b) Address the issue relating to the expired agreement of the UN premises (Recommendation 5).

Medium priority recommendations, arranged according to significance:
(c) Improve oversight of payment processing (Recommendation 4).
(d) Ensure that project initiation plan expenditures are in line with intended objectives (Recommendation 3).
(e) Advocate for the recovery of GLOC (Recommendation 2).
(f) Improve travel management (Recommendation 6).
(g) Enhance ICT management (Recommendation 7).

The audit also included the following performance audit question:
Were financial transactions processed timely and accurately?

For 28 payment vouchers reviewed totalling $1.3 million, the payments were completed on time and in accordance with the terms and conditions of the agreement. The average processing time for payment vouchers was one working day. However, the Office did not have adequate controls in place to ensure that transactions were recorded under the correct expense categories. In 21 out of 28 payment vouchers sampled, incorrect accounting codes were used for the recording of transactions (refer to issue 3).

All issues identified are presented below, per audit area:

A. Governance

1. Corporate planning system & risks register

   Issue 1  Office’s financial sustainability at risk

Country Offices are expected to generate sufficient income to cover institutional costs. Income is generated through the General Management Support (GMS) fee, Government Contributions to Local Office Costs (GLOC), and other revenues.

In accordance with the provision of the Standard Basic Assistance Agreement that governs UNDP operations and programme countries, host governments are expected to contribute towards the local costs of Country Offices.

The Office is required to align available funding with expected expenditures to ensure financial sustainability and operational continuity.

Between 2019 and 2021, the Office experienced deficits between the institutional revenue and the institutional expenses, amounting to $88,000 in 2019, $534,000 in 2020, and $425,000 in 2021. The 2019 deficit was lower following the receipt of a GLOC payment of $335,000, while no GLOC payments were received in 2020 and 2021. These deficits were financed by the Regional Bureau for Latin America and the Caribbean core funding.

The deficits can be attributed to the following:

a) Outstanding GLOC
The GLOC arrears for the period 2008-2022 amounted to $2 million. The last cash contribution from the Government was in 2019.

b) **Office delivery challenges**

The audit team reviewed the program resources, delivery and budgets and observed the following:

- In 2020, the Office had a programme delivery target of $3 million while the actual delivery was $1.9 million, which represented 63 percent of the target. During the same period, the GMS income target was $239,000 while the actual GMS income was $122,000, a shortfall of $117,000.
- In 2021, the programme delivery target was $4 million while the actual program delivery was $3 million, which represented 75 percent of the target. During the same period, the GMS income target was $290,400 while the actual GMS income was $185,600, a shortfall of $104,800.

The Office explained that low delivery in 2020 and 2021 was due to several factors, including:

- the impact of the COVID-19 pandemic, resulting in the continued lockdown and inability to carry out activities in the field for most projects;
- the presidential election and government staff turnover in 2020 that delayed actual project implementation; and
- the devaluation of the Surinamese dollar against the US dollar.

As a result of the low delivery, the Office was unable to achieve its GMS revenue targets and was at risk of becoming reliant on additional core funding to remain financially sustainable. The audit team noted that the lockdown imposed due to the COVID-19 pandemic was being gradually lifted, which is expected to support an increase in project delivery.

c) **Resource mobilization challenges**

The Office experienced low resource mobilization, as follows:

- In 2020, the Office achieved 69 percent of its $4 million resource mobilization target.
- In 2021, the Office mobilized 63 percent of its $5 million resource mobilization target.
- There was limited donor interest and government cost-sharing in the Country. The pipeline included two Class “A” projects (defined as projects with high probability of receiving funding) for $0.5 million. The existing pipeline was insufficient to support the financial needs of the Office.

d) **High management efficiency ratio**

The management efficiency ratio (management expense/programme expense) indicates how efficient a UNDP Country Office is in using its resources to implement its programme. It is expected that smaller offices, such as Suriname’s Country Office, have higher management efficiency ratios due to the coverage of the fixed costs needed to operate. However, for the prior three years, the Office’s ratio was significantly higher than the regional average ratio, mainly due to the Office’s low delivery (refer to the table below).

<table>
<thead>
<tr>
<th>Management Efficiency Ratio</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>22%</td>
<td>37%</td>
<td>21%</td>
</tr>
<tr>
<td>Regional Bureau average</td>
<td>8%</td>
<td>7%</td>
<td>5%</td>
</tr>
</tbody>
</table>
The improvement in the management expense efficiency ratio between 2020 and 2021, was due to delivery increasing by 58 percent and management expenses decreasing by 9.7 percent. Despite this improvement, the Office’s management efficiency ratio remained much higher than the average ratio in the region.

A strategy for addressing the financial sustainability of the Office was not in place.

Insufficient income generation and cost management may compromise the financial sustainability of the Office.

<table>
<thead>
<tr>
<th>Priority</th>
<th>High (Critical)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendation 1:</td>
<td>The Office should improve its financial sustainability by developing a financial sustainability strategy and action plan to accelerate programme delivery, improve resource mobilization, and identify and implement cost-saving measures.</td>
</tr>
<tr>
<td>Management action plan:</td>
<td>The Office will formulate the preparation of a financial sustainability strategy and a plan of action that incorporates specific measures to achieve delivery targets, resource mobilization, GLOC recovery, direct project costing, and cost contention.</td>
</tr>
<tr>
<td>Estimated completion date:</td>
<td>March 2023</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendation 2:</td>
<td>The Office should continue to advocate for the recovery of GLOC by engaging with the Regional Bureau for Latin America and the Caribbean and raise the issue with the Permanent Mission of Suriname to the United Nations.</td>
</tr>
<tr>
<td>Management action plan:</td>
<td>The Office will engage with the Regional Bureau for Latin America and the Caribbean to escalate the matter to the Permanent Mission of Suriname to the United Nations towards the collection of the outstanding GLOC.</td>
</tr>
<tr>
<td>Estimated completion date:</td>
<td>March 2023</td>
</tr>
</tbody>
</table>
B. Development activities

1. Project administration

**Issue 2**  
**Inadequate use of project initiation plan**

A project initiation plan is prepared when resources are required to finalize project design, initiate the start-up of pilot activities or respond immediately to a crisis. The plan should state its purpose, planned activities and budget. The Programme Manager/Resident Representative approves the plan.

The Office prepared an initiation plan in July 2019 with a budget of $47,501 to draft a situation report, review and update priority actions in the Country’s National Action Plan, and to access potential partners and sources for the ‘Integrated chemical management’ project. However, the audit team noted that the initiation plan was used to fund the participation of a government official in an overseas master’s degree programme with total expenditure of $21,161 and representing 45 percent of the initiation plan budget. This activity was not directly associated to the initiation plan’s purpose and budgeted activities.

The incorrect use of programming instruments may prevent UNDP from delivering development results that are aligned with national priorities, and may lead to the inefficient use of resources as well as create reputational risks for the organization.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
</table>

**Recommendation 3:**

The Office should ensure that project initiation plan expenditures are in line with the intended objectives.

**Management action plan:**

The Office will request refresher training for all Office staff members from the Regional Bureau for Latin America and the Caribbean and the Regional Hub in Panama, on the proper use of UNDP programming instruments.

**Estimated completion date:** December 2022

C. Operations

1. Finance/Payments

**Issue 3**  
**Incorrect recording and oversight of financial transactions**

Offices must ensure that financial transactions are recorded using the appropriate account codes to ensure accurate financial reporting. Also, the Office must ensure the required information in Funding Authorization and Certificate of Expenditures (FACE) forms is complete.
Out of a sample of 29 payment vouchers totalling $1.3 million, the audit team identified 21 cases in which they were not recorded in accordance with UNDP’s policies, as follows:

- Three payments totalling $123,533 to grant beneficiaries were recorded as Construction & Engineer and Local Consultants expenses.
- One payment of $14,868 for the purchase of a “satellite and monitoring system” was recorded as Food & Textile Products expenses.
- Three payments totalling $139,075 for the acquisition of vehicles and equipment for a project directly implemented by the Office were incorrectly expensed, instead of being capitalized.
- For 14 payments totalling $617,807, the FACE forms were not completed properly since the information including the programme code and project title were excluded.

Inaccuracies in the recording of expenditures increases the risk of financial misstatements and may lead to reputational risks with project counterparts and donors.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
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</thead>
</table>

**Recommendation 4:**

The Office should improve its oversight of payment processing by:

(a) ensuring project information is included in the FACE forms and transactions use the correct account codes; and

(b) capitalizing the cost of vehicles that were expensed incorrectly with the support of Global Shared Services Centre.

**Management action plan:**

The Office will carry out following actions:

(a) Request refresher training for all Office staff members from the Regional Bureau for Latin America and the Caribbean and Regional Hub in Panama on the correct use of FACE forms and account codes, and additionally Office management will send a memo to all staff with a reminder on the proper use of account codes.

(b) Ensuring that supporting documents are complete.

(c) Seek advice from the Global Shared Services Centre on how to correct inaccurate accounting entries to account for the vehicles as assets.

**Estimated completion date:** March 2023

2. **Administrative services/Common services**

**Issue 4**  
Expired agreement for UN premises

As per ‘UNDP’s Programme and Operations Policies and Procedures’ all UNDP-signed leases must be submitted to the Global Shared Services Centre and General Operations of the Bureau for Management Services. Lease agreements are legal documents that lapse in line with the termination clauses within the agreements.

In 2014, a Memorandum of Agreement (MoA) was signed between the Office, on behalf of the UN agencies, and the Government. The Government, as a lessee of a private property, provided the premises on a rent-free basis to the UN until December 2018. While this arrangement continues and the Government
has a valid private agreement with the lessor until 14 December 2024, an addendum of the MoA has not been prepared and signed since 2018, to reflect the extension.

There were two incidents, in 2015 and 2019, concerning Government outstanding rental costs that were communicated by the landlord to the Office. These issues were escalated and resolved by the Ministry of Foreign Affairs. The Office did not have a contingency plan in the event that the premises are no longer available.

While the share of the rent-free premises constitutes an in-kind contribution to the Office's local costs, the lack of an updated MoA increases the risk of a potential eviction, with financial implications for the Office and the other agencies occupying the premises.

<table>
<thead>
<tr>
<th>Priority</th>
<th>High (Critical)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 5:</strong></td>
<td></td>
</tr>
<tr>
<td>The Office should address the issue relating to the expired agreement of the UN premises by:</td>
<td></td>
</tr>
<tr>
<td>(a) expediting the renewal of the MoA for the premises including a review of the current arrangement and</td>
<td></td>
</tr>
<tr>
<td>(b) reviewing the business continuity plan regarding the premises.</td>
<td></td>
</tr>
<tr>
<td><strong>Management action plan:</strong></td>
<td></td>
</tr>
<tr>
<td>The Office will take the following actions:</td>
<td></td>
</tr>
<tr>
<td>(a) Renew the premises lease with the Government.</td>
<td></td>
</tr>
<tr>
<td>(b) Review current contingency plans to ensure continuity of operations.</td>
<td></td>
</tr>
<tr>
<td><strong>Estimated completion date:</strong> March 2023</td>
<td></td>
</tr>
</tbody>
</table>

### 3. Administrative services/Travel

#### Issue 5  Weaknesses in travel management

The ‘UNDP Programme and Operations Policies and Procedures’ require all business travel organized and paid for by UNDP to be processed and approved through the Atlas Travel and Expense (T&E) Module. Travel request creation and approval should take place within the Atlas T&E Module prior to travel. Daily Subsistence Allowance (DSA) is not paid for overnight travel on a plane. If a traveller arrives at their place of accommodation prior to check-in, they are entitled to claim reimbursement of actual costs for early check-in, up to a maximum of 50 percent of applicable DSA. Travel claims must include supporting documentation and overpayments should be recovered through the expense claim.

The audit team reviewed a sample of 10 travel requests entered in the T&E Module during the audited period totalling $23,946 (total expenditure within the T&E Module was $29,064) and identified the following instances where the policy was not adhered to:

- In one case, the DSA was advanced for an overnight flight resulting in an overpayment of $204.
- There was an overpayment of entitlements amounting to $411 to a traveller due to the following: (a) one day of DSA was incorrectly advanced while the traveller was still on route to the destination;
and (b) additional terminal expenses were advanced for a stopover, where it was unclear if the traveller left the terminal.

- In two cases where travel was cancelled due to the COVID-19 pandemic restrictions, the Office did not obtain a refund from the travel agent. Subsequent to the audit, the Office informed that a refund was received. OAI will assess this as part of the follow-up of recommendations.

A review of travel claims within the T&E Module showed the following:

- There were 13 travel requests without claims: 7 dating to 2019; 5 dating to 2020; and 1 dating from 2021.
- There were 3 travel requests from 2020 that were pending payment. After the audit, the Office informed that the travel requests were cancelled due to the COVID-19 travel restrictions. OAI will assess this as part of the follow-up of recommendations.

In addition, the audit team noted the following:

- The travel processor role in Atlas was only assigned to one staff member, which created delays if that individual was unavailable.
- The Office did not have a Long-Term Agreement with a travel agency.

**Recorded travel expenses outside the T&E Module**

The audit team observed that the Office incorrectly processed travel expenses via the Accounts Payable (AP) Module instead of the T&E Module, totalling $65,585.

Weaknesses in travel management may lead to the inefficient use of resources and increased administrative burdens, and creates financial risks for the Office.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 6:</strong></td>
<td></td>
</tr>
<tr>
<td>The Office should improve travel management by:</td>
<td></td>
</tr>
<tr>
<td>(a) ensuring that all travel requests and travel claims are processed in the T&amp;E Module, and all outstanding transactions are cleared;</td>
<td></td>
</tr>
<tr>
<td>(b) entering into a Long-Term Agreement with a travel service provider for the provision of travel services; and</td>
<td></td>
</tr>
<tr>
<td>(c) ensuring that all staff involved in processing travel are trained on the travel policy and that there are at least two staff members with the travel processor role in Atlas.</td>
<td></td>
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</tbody>
</table>

**Management action plan:**

The Office will undertake the following actions:

(a) Develop a standard operating procedure for travel management and ensure all staff are familiar with it.
(b) Take all necessary actions to recover the funds paid in excess.
(c) Continue engagement through the Operations Management Team in the Country for the renewal of the Long Term Agreement with the travel service provider.
(d) Request the Regional Bureau for Latin America and the Caribbean or the Regional Hub in Panama to provide training for staff processing travel.
4. Information Communications and Technology

Issue 6  Weaknesses in the management of Information, Communications and Technology

The UNDP Standards for Information Technology Infrastructure and Services provides guidance for strengthening business practices within the Information, Communications and Technology (ICT) function. The standards are designed to ensure:

- Unified user experience regardless of location.
- Experience/knowledge sharing among offices, for support and troubleshooting.
- Systematic monitoring of standardized ICT systems.
- Simplification of the work of ICT staff.
- Computability of ICT infrastructure.

The ICT Unit provided support to the UN agencies located in the UN premises as part of the common services agreement.

An ICT assessment carried out by the UNDP Regional Hub of Panama identified risks with the infrastructure and network equipment, as (i) it was not compliant with UNDP’s standards, and (ii) the wireless access points, or routers, were not suitable for a business premises. In addition, the audit team confirmed the secondary internet supplier was not connected to the firewall.

After the audit, the Office informed that corrective measures were taken under issue (i) concerning noncompliance with UNDP’s standards. OAI will assess this as part of the follow-up of recommendations.

Inadequate network infrastructure may increase the risk of service disruption.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendation 7:</td>
<td></td>
</tr>
<tr>
<td>The Office should enhance ICT management by strengthening the ICT infrastructure to ensure compliance with corporate standards.</td>
<td></td>
</tr>
</tbody>
</table>

| Management action plan: |
| The network renovation plan is already included in the implementation plan of the Business Operations Strategy agreed at the United Nations Country Team. |

| Estimated completion date: March 2023 |
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**.