UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

Empowered lives.
Resilient nations.

AUDIT

OF

THE GLOBAL MANAGEMENT FUNCTIONS

OF

UNDP AFRICA ADAPTATION PROGRAMME

Report No. 1170

Issue Date: 17 October 2013

Table of Contents

Report on the audit of the Global Management Functions of the UNDP Africa Adaptation Programme
Executive Summary

From 11 to 28 March 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme conducted an audit of the Global Management Functions of the UNDP Africa Adaptation Programme (the Programme). The audit covered programme activities at the level of UNDP Headquarters from its inception in December 2008 to the end of March 2013. The audit did not cover the activities conducted in the programme countries and the Inter-Regional Technical Support Centre based in Dakar, Senegal. This was the first time the Global Management Functions of the Programme were audited.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

OAI assessed the Global Management Functions of the Programme as **partially satisfactory**, which means "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." Ratings per audit area and sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Programme governance			X	
2. Programme management			X	
3. Donor relations			X	
4. Operations	X			

Key issues and recommendations

The audit raised 4 issues and resulted in 4 recommendations, of which 3 (75 percent) were ranked high (critical) priority, meaning "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 and may affect the organization at the global level."

The high priority recommendations are as follows:

Programme governance (Issue 1)	Suboptimal functioning of the Programme/Project Board. OAI noted that the Board meetings were infrequent and strong leadership and clear guidance by the Board over programme activity was not evident. OAI noted some examples where the Board had failed to proactively provide effective advice or make decisions on key initiatives in programme support structure and oversight. OAI recommends that the management of

the Bureau for Development Policy ensures that future Programme Boards: (a) fully understand their roles and responsibilities; (b) meet regularly and frequently enough to develop and apply timely solutions to substantive problems emanating from programme implementation; (c) are fully engaged; and (d) function in accordance with applicable UNDP rules and regulations, providing effective oversight, guidance and decisions.

Programme management (Issue 2)	Programme design inadequacies resulting in programme architecture changes and implementation delays. Some of the shortfalls noted by OAI were: results of capacity assessments were not adequately reflected in the funds allocation; suboptimal involvement of the key programme stakeholders in programme advisory and/or management activities; late introduction of new initiatives (cross-practice strategy) outside of the Programme Logical Framework; and no analysis made of the rationale for having UNOPS implementation. The Programme faced a substantial delay, which the donor had raised serious concerns about. The Bureau for Development Policy should ensure that: (a) the design and implementation arrangements of future inter-regional and global programmes and in particular fund allocations reflect the results of capacity assessments/development gap analyses of national counterparts; (b) the roles, and responsibilities of key stakeholders as well as the mechanisms and requirements for coordination and communication are clearly defined and followed; and (c) substantive Programme changes are appraised and approved by the Project Appraisal Committee.
(Issue 3)	Corporate Issue: Current management fee structure does not encourage cooperation between Bureaux. OAI noted that the current General Management Support fee distribution formula (UNDP internal distribution of management fees charged to the project) may be a disincentive for cooperation between Regional Bureaux and the Bureau for Development Policy/ Bureau for Crisis Prevention and Recovery, even though cooperation is the goal. OAI recommends that the Office of Financial Resources Management, in consultation with the relevant offices, such as the Regional Bureaux, Bureau for Development Policy, Bureau for Crisis Prevention and Recovery, and the Bureau for External Relations and Advocacy review and revise the current policy of general management support allocation to encourage optimal participation and cooperation by the different stakeholder Bureaux and offices in local, regional, inter-regional and global programmes.

Management comments and action plan

The Deputy Director of the Bureau for Development Policy accepted Recommendations 1, 2, and 4. The Deputy Director of the Office of Financial Resources Management (Budgeting and Project Management) accepted Recommendation 3. They are in the process of implementing them.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. Introduction

From 11 to 28 March 2013, OAI conducted an audit of the Global Management Functions of the UNDP Africa Adaptation Programme. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit scope and objectives

OAI audits assess the adequacy and effectiveness of the governance, risk management, and control processes in order to provide reasonable assurance to the Administrator regarding the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with legislative mandates, regulations and rules, policies and procedures. The audits also aim to assist the management of the audited office and other relevant business units in continuously improving governance, risk management, and control processes.

Specifically, this audit reviewed the following areas: programme governance, programme management and donor relations. The audit covered relevant activities during the period from December 2008 to 28 March 2013. This was the first time the Global Management Functions of the Programme were audited.

II. About the Africa Adaptation Programme

The Africa Adaptation Programme was designed to assist 20 countries across Africa in adjusting their national development processes to incorporate climate change risks and opportunities. The discussions between UNDP and the Government of Japan at the Tokyo International Conference on African Development IV in 2008 led to the creation of the Programme. The Programme was financed through the Japan-UNDP Joint Framework for Building Partnerships and it was implemented by UNDP in partnership with UNIDO, UNICEF and WFP.

The Programme was approved in 2008 and was originally planned to be completed by the end of 2011. Due to the significant delays in implementing activities during the start-up phase, a one-year extension within the remaining budget was granted in coordination with the donor and all stakeholders, with an additional three months in 2013 allowed for operational closure of all national and regional components.

The total approved Programme budget was $92 million. The national component amounted to $70.3 million, including $2.5 million intended to enhance the capacity of African media at the local and national levels. The regional component amounted to $11.7 million. Another $4.3 million was allocated to a programme and project assurance component implemented by the Bureau for Development Policy (BDP). UNDP General Management Support accounted for the remaining $5.7 million of Programme funds.

As stated in the Terminal Report prepared by the Programme Manager, the Programme was designed to be a "game changer" and to "showcase" innovation and was considered as one of the flagship programmes designed to advance integration of climate change risks into national development planning.

III. Detailed assessment

1. Programme governance	Partially Satisfactory

OAI reviewed the Programme's governance arrangements, using the UNDP Programme and Operations Policies and Procedures as the main audit criteria.

The Programme consisted of the following components:

- The national component was implemented through a total of 20 nationally implemented projects in Burkina Faso, Cameroon, Republic of Congo, Ethiopia, Gabon, Ghana, Kenya, Lesotho, Malawi, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Tanzania and Tunisia. Each national project had its own objectives in accordance with the host country context, although they had the same outcomes as the Programme itself. Responsibility for achieving the expected results of the national component rested with the Country Offices mentioned above and with their respective host Governments. The total national component amounting to $70.3 million included $11 million which was made available to other UN agencies, such as the WFP ($5 million), UNICEF ($3 million) and UNIDO ($3 million) for implementation of wide-ranging activities under the Programme.

- The regional component or the Inter-Regional Technical Support Component was established in Dakar, Senegal in order to provide technical support, capacity building, and guidance on programme delivery to the 20 participating countries. The Inter-Regional Technical Support Component supported national project needs, but was not responsible for programme implementation or the Programme's rate of progress. The Programme Manager as well as all the Inter-Regional Technical Support Component staff were engaged through contracts administered by the United Nations Office for Project Services (UNOPS).

- The Programme and Project Assurance Support component amounted to $4.3 million. This component included overall programme oversight and project assurance, which was managed by the Bureau for Development Policy's Environment and Energy Group. As per the project document, this component was the "avenue of UNDP support to achieving the overall goals of the programme through its existing global and regional networks to provide overall programme and project assurance together as well as programme and policy support." Furthermore, the project document indicates that "Such advisory and technical support helps ensure that the Programme does not address individual, short-term adaptation needs without considering the longer-term, overarching framework." This component also included strategic policy support through the engagement of UNDP Practice Groups and Regional Technical Advisors.

The OAI audit team did not perform a detailed review of the national component of the Programme. This component was covered by separate audits of nationally implemented projects.

This audit also did not cover the regional UNOPS-managed component following the single audit principle (see section 4 below). The OAI review was thus limited to the Bureau for Development Policy-managed component for programme and project assurance support described above.

Issue 1 Suboptimal functioning of the Programme/Project Board

According to the Programme and Operations Policies and Procedures, a Programme/Project Board should: provide overall leadership and direction to the Programme; review financial delivery and programme-wide progress; and advice on coordination with other relevant programmes and activities. The Africa Adaptation Programme Board consisted of: three co-chairs (representatives of the Regional Bureau for Africa, Regional Bureau for Arab States and the Environment and Energy Group of the Bureau for Development Policy); a representative of the Bureau for Crisis Prevention and Recovery, a representative of the Bureau for External Relations and Advocacy; and members of the Bureau for Development Policy Practice Groups (Gender, Capacity Development and Poverty Group). Additionally, the Board included observers, i.e. representatives of the South-South Unit and UN Volunteers that attended some of the Board sessions. OAI reviewed minutes from the Board meetings and noted inconsistent, varied participation by Board members which hampered efficient problem solving.

The Programme Board also served as a Project Board for the Inter-Regional Technical Support Component. Therefore, it was responsible for reviewing and appraising the annual work plans and reports, commissioning evaluations and making Programme revisions as necessary.

OAI reviewed the establishment and performance of the Programme/Project Board and assessed whether it had carried out its functions as required by the Programme and Operations Policies and Procedures, and noted the following shortfalls:

- As noted by the 2011 light-touch[1] mid-term review, "contrary to the guidance implied in the Programme Document, the Board members did not see their role as operational partners accountable for programme performance, but instead as providers of oversight and advisory policy functions" (see Issue 2). For example, the decision to withdraw the Regional Technical Advisors, which had a role of supporting the Programme was not questioned and/or discussed by the Programme/Project Board. In another instance, the Board had not discussed or issued a recommendation in regard to a rather significant remark made by the Programme Manager to the effect that Country Offices were redirecting funds toward activities that would ensure fast disbursement. In response to this OAI observation, the BDP management stated that this particular matter was mentioned by the Programme Manager in the context of securing the one-year extension. OAI is of the view that the content of the remark of the Programme Manager should have been properly discussed and the discussion documented. Further, the Board had not adequately fulfilled its role when it did not provide clarification of relationships, responsibilities and reporting lines between the key parties, either when the cross-practice strategy[2] component was introduced into the Programme or when the support previously provided by the Regional Technical Advisors was withdrawn.

- Designing 20 projects within a short project implementation window was a challenging assignment. Most countries did not have their project documents approved by the Board until the latter part of 2009 or early 2010. Despite the fact that this resulted in the remaining period for project implementation being only two years, many countries prepared a full three-year work plan and budget, indicating a

[1] The light-touch review was a desk review rather than a full-fledged Programme evaluation as envisaged by the project document and as required by the UNDP Programme and Operations Policies and Procedures. It was performed by an external consultant as a desk review with a mission to the regional office in Dakar.

[2] Cross-practice approaches are defined as development approaches that are multi-disciplinary, multi-sector, and tackle related/integrated development challenges (e.g., poverty/environment) (UNDP/OSG document: Cross-practice approaches: Preliminary analysis).

general lack of communication and coordination. Delays in moving into the approval stage were such that the final seven countries did not receive approval of their project documents until April/May 2010, 17 months after the Programme had been approved. In October 2009, the Programme Board decided that national projects could be approved on the assumption that further project appraisal and design validation would take place during the inception planning workshops in countries. As confirmed by the Final Programme Evaluation, "Due to the short time frame, country project formulation was led by consultants recruited by BDP and carried out over a short time span. As a result, the designs did not fully take national capacity and context into account and stakeholder involvement in the formulation process was somewhat limited." Hence, full design and validation processes did not occur in all countries, resulting in design flaws.

- In accordance with the Programme and Operations Policies and Procedures requirements, the Programme Board should meet at least annually, but quarterly meetings are recommended, especially when the Programme faces delays, difficulties, and others. During the Programme's implementation (between 2009 and 2012), the Board had a total of four meetings in September 2009; February 2011; December 2011; and May 2012 and a fifth one was held upon programme completion in March 2013. There was a significant gap between the first and second Board meetings during the early stage of the Programme. In addition, due to competing priorities of the Board's members, the same members had not attended all the Board meetings. Thus, there was variation in Board participation, which affected continuity and the Board's collective memory on Programme-related matters. Given the initial delay in Programme implementation of more than 12 months and the extremely low programme delivery of less than 10 percent of available funds in December 2010 and less than 50 percent in December 2011, Programme Board meetings should have been more frequent to provide direction, guidance and more active management of development results. In response to this OAI observation, BDP management stated that in addition to the Board meetings, the Operations Sub-committee met on a monthly basis, with inter-sessional communications via email where Board members made decisions and responded regarding critical issues. OAI is of view that the creation of the Operations Sub-committee rectified the inadequacies of the Board's structure and mandate.

OAI noted that the creation of the Operations Sub-committee in December 2011, as recommended by the light-touch mid-term review, had been effective in facilitating delivery within the extended timeframe, as one of the remedial measures.

Priority	High (Critical)

Recommendation 1:

The Bureau for Development Policy ensures that future Programme Boards:
(a) fully understand their roles and responsibilities;
(b) meet regularly and frequently enough to develop and apply timely solutions to substantive problems emanating from programme implementation;
(c) are fully engaged; and
(d) function in accordance with applicable UNDP rules and regulations, providing effective oversight, guidance and decisions.

Management comments and action plan: __√__ Agreed _____ Disagreed

Lessons learned and best practices will be identified for effective functioning of Programme/Project Boards as part of a larger effort to take stock of lessons from the Africa Adaptation Programme.

2. Programme management — Partially Satisfactory

OAI reviewed programme management, including the context within which the Programme was designed and implemented, and assessed this area as "partially satisfactory" given the issues discussed below.

Issue 2 Programme design inadequacies resulting in programme architecture changes and implementation delays

According to the Programme and Operations Policies and Procedures, programme management arrangements and oversight of UNDP programming activities need to be appropriately established at both the programme and project levels to ensure UNDP accountability for programming activities, results and use of resources. During the early stage of programme/project design (i.e. 'defining a project'), it must be determined if the programme scope is realistic regarding the expected outputs and the specified timeframe for achieving those outputs. It must also be determined how expected outputs can be achieved most effectively to ensure they can contribute to the related outcomes.

OAI noted several shortfalls in the Programme's design and management arrangements which resulted in programme implementation delays and suboptimal delivery of expected results. The shortfalls are discussed below:

- According to the Programme and Operations Policies and Procedures, the project implementation capacity of all potential partners needs to be assessed. OAI noted that in a majority of the cases, capacity assessment of national counterparts and/or an assessment of the development gaps in individual countries were performed. However, OAI also noted that programme budgets were generally allocated evenly across participating countries, without taking into consideration the differences in national capacities and development levels. For example, Sao Tome and Principe, a country with roughly 200,000 inhabitants, received the same amount of project funds as Ghana with 25 million inhabitants and Tanzania with 45 million inhabitants. OAI is of the view that the even allocation of the budget across 20 countries shows the lack of substance in the risk assessment formalities undertaken. In response, BDP stated that the fund allocation was agreed upon with the donor prior to project implementation.

- The Programme and Operations Policies and Procedures require that programmes prepare an "exit strategy", in order to ensure attainment of one of the main goals of UNDP "developing national capacity for programme implementation." While Outcome 4 (Financing options to meet national adaptation costs have been expanded at the local, national, sub-regional and regional levels) of the project document was considered as an element for ensuring countries were capable of future follow-up, this outcome was only partially met. Those funds that were secured were limited and the expected variety of financing options was not achieved. According to the information presented by BDP, OAI noted that financing options were indeed created in some countries; however, only 15 proposals were approved or implemented out of the total of 36 proposals made as at the date of the audit.

- OAI reviewed the minutes of Programme Board meetings and the Programme Terminal Report which indicated a lack of involvement by the Regional Centres in programme advisory and/or management activities, even though the Regional Centres had been established as cross-practice units. The Programme suffered from a lack of coordination and cooperation between important stakeholders. Instead of involving the Regional Centres, which has been an accepted practice in similar programmes, the Programme relied on the BDP groups which were mainly based in UNDP Headquarters. In response to the OAI observations, BDP replied that Regional Centres were heavily engaged with the exception of one and that the Regional Centres were not expected to oversee or manage the Africa Adaptation Programme. OAI fully understands the role of the Regional Centres and the OAI observations were further confirmed through interviews of concerned managers and staff based in selected Regional Centres. OAI noted, however, that the cooperation between BDP and the Regional Bureaux had improved once the Operations Sub-committee was founded in December 2011 in response to the light-touch mid-term review.

- While a large part of the Programme was implemented nationally, management of the Inter-Regional Technical Support Component with a budget of $11.7 million was outsourced to UNOPS in the form of an agency implementation. When OAI inquired as to the rationale for having UNOPS implement the Programme, the management of BDP indicated that UNOPS procurement and recruitment rules were generally considered more efficient than UNDP and that "the pros and cons were considered for each option (i.e. direct implementation, UNOPS implementation and NGO implementation) and that UNOPS implementation was very common and had been very successful" at the time of Africa Adaptation Programme inception. OAI was not provided with documentation to show that an analysis had been performed. OAI noted that the UNOPS implementation of the Inter-Regional Technical Support Component was questionable from a best value for money perspective as, besides the already mandated UNDP General Management Support recovery of 7 percent, UNOPS had charged an additional 7 percent management fee for programme implementation.

- The cross-practice strategy was not linked to the logframe[3] and it was introduced two years after the Programme started.

To address some deficiencies in the Programme's design, the following changes in its architecture were introduced during the implementation:

- The Programme Document clearly defined the roles of specific Bureau for Development Policy services and more specifically those of the UNDP Global Environment Facility Regional Technical Advisors. The Regional Technical Advisors were based in Regional Centres and were to assist the 20 Country Offices to ensure that the Programme delivered on time, on scope and on budget, and provided oversight and monitoring of national project formulation and implementation. In addition, Regional Technical Advisors were to support: sourcing of technical expertise and institutional partners; verification, and quality assurance of technical reports; project design, indicators and results and; general advisory services. These roles were consistent with the Regional Technical Advisors' broader Global Environment Facility project responsibilities. Once programme implementation started, however, it became clear that the Regional Technical Advisors could not perform their functions within their business model as they were UNDP Global Environment Facility staff whose roles and functions were specifically linked to the programmes and projects that are Global Environment Facility-funded. Consequently, the Regional Technical Advisors were withdrawn from the Programme in May 2010 after completion of the country project design phase. Following their withdrawal, different strategies were applied, such as restructuring the Inter-Regional Technical Support Component to absorb the monitoring and evaluation and reporting responsibilities and creating a consultants network to support the in-country interface, including planning and troubleshooting.

- The Programme's design was complex, and its schedule was ambitious. It involved multiple actors at the Headquarters, regional and Country Office levels. Complexity was further increased with the introduction of the cross-practice strategy and its corresponding approach (see Issue 3, as four

[3] Logical framework, a logframe - is a way of structuring the main elements of the project and highlighting the logical linkages between them.

additional BDP groups joined the Programme). Some of the funds initially intended for the Regional Technical Advisors function ($1.35 million) were reallocated to support the new initiative: the cross-practice strategy. This shift was approved by the Programme Board in September 2010 as an opportunity to integrate cross-practice ideas into the Programme.

None of the above-mentioned substantive changes to the Programme's design, architecture and/or activities had been presented to, discussed by or approved by the Programme/Project Boards serving as a Project Appraisal Committee, as required by the Programme and Operations Policies and Procedures and described in the Management Arrangement section of the Programme Document. In response to this OAI observation, BDP management emphasized that adjustments were made to better deliver the project and should not be considered as a fundamental changes. The Programme and Operations Policies and Procedures state that:" A formal change in the design of the project is called a substantive revision. Substantive revisions are made in response to changes in the development context or to correct flaws in the design that emerge during implementation. Examples of such flaws justifying revision are, inter alia: difficulty to measure progress of the project due to unclear definition of expected results or absence of indicators; unrealistic assumptions or conditions that are not likely to materialize; activities that are insufficient to produce the planned outputs." There was more than one instance when a substantive programme revision should have been performed, and documented following the Programme and Operations Policies and Procedures requirements. Hence, OAI advised that such changes, in the future, should always be introduced through the formal mechanism (Project Appraisal Committee) as required by the Programme and Operations Policies and Procedures.

Clarity in the architecture and design of the programme and of the roles and responsibilities of the key stakeholders is fundamental to any programme's success, and even more so when the programme is inter-regional in nature and under a significant time constraint. There were multiple changes to the architecture and in the roles of key stakeholders subsequent to project inception, without the benefit of having the information normally provided through regular monitoring and evaluation. This in turn impeded efficient implementation and achievement of planned results. As noted in the draft of the final evaluation of the Programme, even with the one-year extension, the Programme had not fully achieved any of the intended outcomes, and had instead only "laid the foundation for the achievement of its intended outcomes."

Priority	High (Critical)

Recommendation 2:

The Bureau for Development Policy should ensure that:
(a) the design and implementation arrangements of future inter-regional and global programmes and in particular fund allocations reflect the results of capacity assessments/development gap analyses of national counterparts;
(b) the roles, and responsibilities of key stakeholders as well as the mechanisms and requirements for coordination and communication are clearly defined and followed; and
(c) substantive Programme changes are appraised and approved by the Project Appraisal Committee.

Management comments and action plan: __√__ Agreed _____ Disagreed

BDP will assure that the BDP Project Appraisal Committee processes will address these recommendations.

Issue 3 Corporate Issue: Current management fee structure does not encourage cooperation between Bureaux

OAI was not able to determine the reasons for the lack of coordination and cooperation between BDP and the Regional Bureaux. However, OAI noted that the process for the distribution of the UNDP General Management Support fee may provide less incentive for the Regional Bureaux to become involved in inter-regional/global programmes and more incentive to become active in regional programmes. Similarly, BDP and the Bureau for Crisis Prevention and Recovery have little incentive to support regional programmes of the Regional Bureaux. As an example, Regional Bureaux receive a General Management Support allocation of "everything above 2 percent" (i.e. normally around 5-6 percent General Management Support of the project volume) for implementation of regional projects, but only 0.33 percent for global or inter-regional projects. Likewise, BDP and the Bureau for Crisis Prevention and Recovery do not receive any General Management Support allocation for regional projects, but receive "everything above 2 percent" for inter-regional ones. The distribution of the General Management Support fee should be designed to encourage different management units to align their level of intervention to optimally support the Programme.

In response to the OAI observation, BDP management emphasized that: (a) BDP fully compiled with current UNDP procedures on General Management Support; and (b) that this issue is based on the assumption that a different General Management Support distribution enhances cooperation, which is not necessarily the case. BDP requests that this corporate issue not be included under the Programme Management section of the present report, thus impacting the rating. OAI had discussed this with BDP management and would like to reiterate again that, corporate issues are normally covered in reports, and they are dealt with by relevant corporate units. In response to the draft audit report, the Office of Financial Resources Management replied that it fully supports the audit recommendation and will revise the General Management Support internal allocation percentages to ensure that they are appropriate for their purpose and provide the right incentives to internal stakeholders.

Priority	High (Critical)

Recommendation 3:

The Office of Financial Resources Management, in consultation with the relevant offices, such as the Regional Bureaux, Bureau for Development Policy, Bureau for Crisis Prevention and Recovery, and the Bureau for External Relations and Advocacy should review and revise the current policy of general management support allocation to encourage optimal participation of the different stakeholder Bureaux and offices in local, regional, inter-regional and global programmes.

Management comments and action plan: __√__ Agreed _____ Disagreed

The Office of Financial Resources Management fully supports the audit recommendation.

Issue 4 Cross-practice strategy introduced too late and inadequately managed

Approved by the Programme Board in September 2010, the Africa Adaptation Programme cross-practice strategy was introduced in 2011 with requirements that the planning and budgeting activities involve the Environment and Energy Group, Knowledge Innovation and Capacity Group (formerly Capacity Development Group), Poverty Reduction Group and Gender Team. This initiative had already been prepared by the Bureau for Development Policy Environment and Energy Group prior to 2011, but no budget was available previously. Upon withdrawal of the Regional Technical Advisors from the Programme, the Programme Manager, with the endorsement of the Programme/Project Board, decided that the available funds should be invested in this new approach.

Each practice was required to produce a separate work-plan and budget around the agreed upon areas of assistance for the Board's endorsement. Each practice team was structured differently, therefore, aligning and coordinating the activities of different teams during implementation was a challenge. Official reporting lines of each focal point of the cross-practice strategy remained within their specific practice structure, that is, they reported to their Practice Director, with no official accountability to the Programme. Without officially accountable reporting lines, the requests for reports or inputs relied on good will from the other practice teams that they would provide the inputs. In some cases, this resulted in late reports, or the provision of information not being updated. Further, each practice team associated with the Programme's cross-practice strategy had a different structure, with different focal points based in different offices (HQ, Regional Office in Dakar, Regional Office in Johannesburg, Nairobi, home-based consultants), and individual work-plans. This has resulted in the approach not being fully integrated, as intended.

In 2011, many of the countries had just finished signing their project documents and holding inception workshops. The management of the cross-practice strategy had to align with the existing structures and systems, as dictated in the project documents, which did not include the cross-practice strategy.

The Africa Adaptation Programme cross-practice strategy reporting lines did not align with the official reporting lines of the practice focal points.

Each practice provided isolated inputs and the final product was a compilation of all practice reports, and did not reflect an integrated analysis and report.

At a February 2012 cross-practice coordination meeting, the approach to support services at the national level was agreed upon and documented. The document was shared with several Programme countries in an attempt to identify pilot countries for implementing the cross-practice model. By the time country consultations were held in regard to integrating the cross-practice model, the Programme was approaching the closure date. As such, only one country, Lesotho, was chosen as a pilot. Coordination challenges and time constraints made it impossible to fully develop, test and refine the approach, for the pilot country.

In addition, some Country Offices indicated that because the cross-practice strategy was introduced so late into the Programme, it was seen as an additional activity and too much for project management to handle.

Piloting the cross-practice strategy in a high profile programme such as the Africa Adaptation Programme represented a programmatic and reputational risk for UNDP. In response to the OAI observation, BDP management disagreed that utilizing the expertise of multiple UNDP practice areas represented a significant programmatic and reputational risk. The BDP management also indicated that the cross-practice strategy was not that relevant, as it was a minor component of the Programme, comprising of only 2 percent of the total budget. However, given the situation as described above, OAI was concerned with late introduction of the cross-practice strategy that made it impossible to fully develop, test and refine the approach, thus exposing UNDP to significant risks. Furthermore, cross-practice work, if done properly, can contribute to greater programme efficiency and therefore is indeed an important factor for the Programme, and the work of UNDP in general.

Priority	Medium (Important)
Recommendation 4: For future programmes, the Bureau for Development Policy should consider introducing new approaches, such as the cross-practice strategy at the project design phase to ensure full integration in a well-prepared and structured manner.	
Management comments and action plan: __√__ Agreed ____ Disagreed BDP will carry out an exercise to take stock of lessons learned and incorporate the lessons learned and best practices into a structural review exercise.	

3. Donor relations — Partially Satisfactory

The Programme was governed by the Japan-UNDP Partnership Fund Agreement signed in October 2003. A Letter of Approval for the Africa Adaptation Programme was sent from the Japanese Ministry of Foreign Affairs to the UNDP Assistant Administrator and Director of the then UNDP Partnerships Bureau on 5 December 2008 stating that "the Government of Japan has agreed to release a total of $92.1 million from the Japan-UNDP Partnership Fund for the programme proposal."

The Bureau for External Relations and Advocacy indicated that the Programme prepared regular quarterly and annual reports, in compliance with the requirements of the Programme and Operations Policies and Procedures. However, due to implementation delays, the initial reports lacked substance. This caused the donor to be concerned, and it triggered the "UNDP Joint Mission, by the Partnerships Bureau with Bureau for Crisis Prevention and Recovery and Regional Bureau for Africa/Tokyo International Conference on African Development" that took place from 3-7 October 2011.

As a result of the mission's findings, the donor expressed serious concern about UNDP's slow implementation of the Programme. While BDP management considered initial low delivery as common and expected in the programmes in Africa, initial delays of more than one year are too much even for a programme of such complex nature. This might also indicate poor planning, as achievement of policy changes in 20 countries within three years could be considered an extremely challenging task.

As indicated in the Programme Document, the Programme was supposed to condition the environment for follow-up investments by the World Bank and other national, regional and multilateral financial institutions. It was also supposed to forge cooperation with other ongoing adaptation programmes at the national, regional and global level, including programmes supported by the European Commission, the Global Environmental Facility and bilateral donors. While efforts had been made on both the country and the global level, at the end of the Programme, most of the planned cooperation had not materialized and only some limited partnerships were made, such as: formal and/or informal cooperation with GEF Small Grant Projects, German Development Agency, Stockholm Environment Institute, African Centre of Meteorological Application for Development and the World

Meteorological Organization. The lack of follow-up investments may result in the inability to sustain activities initiated by the programme upon cessation of the current funding.

At the time of the audit, a proposal for the next phase covering the 2013 to 2014 period was being prepared by the Regional Bureau for Africa and had been discussed with the donor. The total amount of the funding request for the next phase was $4.2 million, which was to be funded entirely from the interest income from the original Programme.

OAI reviewed the draft proposal that would be presented to the donor at the Tokyo International Conference on African Development V and noted that it incorporated the lessons learned and recommendations from the previous Programme's reports and the final Programme evaluation.

Donor relations were not managed in an efficient manner. While reports were prepared and various updates and communications shared with the donor, measures were taken to accelerate implementation only after the donor expressed strong concern about the low programme delivery (10 percent). Creation of the Operations Sub-committee facilitated better delivery, but the Programme could have been more effective in meeting the donor's expectations proactively rather than reacting to donor concerns.

OAI did not issue any recommendation regarding donor relations given that the Programme had ended.

4. Operations — Not Assessed

OAI performed a high level financial analysis of the Bureau for Development Policy-managed programme operations. As of early 2013, the Programme had expensed a total of $11.7 million for the Inter-Regional Technical Support Component in Dakar, Senegal (these funds were allocated to UNOPS, see Issue 1) and thus fell outside of the OAI mandate.

Of the roughly $3.8 million of expenditures under the Programme and Project Assurance Support (including for Environment and Energy Group's Programme Oversight and Support Team and the practice teams), about $2.6 million or approximately 70 percent were comprised of salaries and related expenditures in the various units. A balance of $0.5 million remained at the end of 2012.

With the exception of the UNOPS-implemented component, the Programme largely relied on existing personnel, office infrastructure and controls at the Headquarters level, and this infrastructure was partially charged against the Programme's budget.

In general, the high level analysis showed expenses were reasonable and within the budget.

As a result, OAI assessed this area to be of low risk and no further fieldwork was performed.

ANNEX. Definitions of audit terms - Ratings and Priorities

A. AUDIT RATINGS

In providing the auditors' assessment, the Internal Audit Services of UNDP, UNFPA, UNICEF, and WFP use the following harmonized audit rating definitions. UNDP/OAI assesses the Country Office or audited HQ unit as a whole as well as the specific audit areas within the Country Office/HQ unit.

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity. *(While all UNDP offices strive at continuously enhancing their controls, governance and risk management, it is expected that this top rating will only be achieved by a limited number of business units.)*

- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity. *(A partially satisfactory rating describes an overall acceptable situation with a need for improvement in specific areas. It is expected that the majority of business units will fall into this rating category.)*

- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised. *(Given the environment UNDP operates in, it is unavoidable that a small number of business units with serious challenges will fall into this category.)*

B. PRIORITIES OF AUDIT RECOMMENDATIONS

The audit recommendations are categorized according to priority, as a further guide to UNDP management in addressing the issues. The following categories are used:

- **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 and may affect the organization at the global level.

- **Medium (Important)** Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP.

- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are <u>not included in this report</u>.