



AUDIT

OF THE

UNDP AMKENI WAKENYA PROGRAMME

IN

KENYA

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Table of Contents

Executive Summary	i
I. Introduction	1
II. About the Programme	1
III. Detailed assessment	2
1. Governance and strategic management	2
2. Programme/project management	3
3. Monitoring and evaluation (M&E)	6
ANNEX Definitions of audit terms - ratings and priorities	9

Report on the audit of UNDP Amkeni WaKenya Executive Summary

From 16 to 26 September 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the “Amkeni WaKenya” Programme (the Programme) in Kenya (the Country). The audit covered the activities of the Programme during the period from 1 January 2012 to 30 June 2013. During the period reviewed, the Programme recorded programme and management expenditures totalling \$14 million. The last audit of the Programme as part of the audit of the UNDP Country Office in Kenya (the Office) was conducted by OAI in 2011.

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 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.” This rating was mainly due to delays in the processing of grants and inadequate programme monitoring. Ratings per audit area are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				
2. Programme/project management				
3. Monitoring and evaluation				

Key issues and recommendations

The audit raised two issues and resulted in two recommendations, both 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.” These recommendations include actions to address delays in the processing of grants and to improve the monitoring of the Programme.

The high priority recommendations are as follows:

Programme/project management (Issue 1)	<u>Delays in the processing of grants.</u> There were significant delays in the contracting of and disbursement of grants to Civil Society Organizations (CSOs). As a result, some CSOs were pre-financing activities from their own sources of income (public donations, other donor funds) and the delivery of the activities was impacted with the risk that they would not be relevant anymore. The delay also resulted in administrative costs for numerous no-cost Project Cooperation Agreement (PCA) extensions processed by the Office. OAI recommends that the Office review the grant making process, particularly
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the drafting of contracts and disbursements of funds, to expedite the process and comply with the terms and conditions of the PCA.

Monitoring and
evaluation
(Issue 2)

Inadequate programme monitoring. OAI noted shortcomings in the monitoring of CSOs and grants, as follows: The frequency of project field visits was insufficient as projects were visited once or twice in a lifetime while quarterly visits were foreseen in the Programme Monitoring and Evaluation (M&E) Framework. The central progress tracking system envisaged in the Project Document in 2008 was not yet in place, making it unclear how data gathered at the CSOs level fed into the more strategic outcome at the Programme level. Baseline data was missing or insufficient to allow proper assessment of the results. OAI recommends that the Office: (a) review the Programme's structure and capacity to improve field visit coverage; (b) introduce a central tracking database which allows the consolidation of CSO data, in line with the M&E Framework at the activity, output and outcome level; and (c) develop quantitative baseline data to facilitate the measurement of the results achieved at the end of the programme cycle in 2015.

The implementation status of previous OAI audit recommendations (Report No. 861, 21 March 2012) was also validated. All three recommendations were noted to be fully implemented.

The Resident Representative accepted both recommendations and is in the process of implementing them.



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Director
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I. Introduction

From 16 to 26 September 2013, OAI conducted an audit of the “Amkeni WaKenya” 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. They also aim to assist the management of the Project and other relevant business units in continuously improving governance, risk management and control processes.

Specifically, this audit reviewed the adequacy of the management arrangements and architecture of the Programme, its effectiveness, and engagement with CSOs. The audit covered the Programme’s governance, programme and project management, and monitoring and evaluation for the period from 1 January 2012 to 30 June 2013. During the period reviewed, the Programme recorded expenditures totalling \$14 million.

The Programme was one of the 13 sample projects reviewed in OAI’s audit of the Office in 2011. The implementation status of previous OAI audit recommendations (Report No. 861, 21 March 2012) was validated and all three recommendations were noted to be fully implemented. Some of the Programme’s expenditure was also audited under the NGO/national implementation modality for fiscal years 2009, 2010 and 2011. The audit opinion for all three years was unqualified.

II. About the Programme

The Programme was directly implemented by UNDP and set up to promote democratic governance in the Country. It was established in July 2008 by development partners and UNDP in response to the post-election crisis in the Country. The project aimed to provide coordinated and harmonized support to CSOs in the democratic governance sector, as civil society responses were found to be reactive and uncoordinated, with a CSO concentration in urban areas. CSOs did not have a structured method of engaging with the Government. The overall objectives of Amkeni WaKenya were to enable citizens to benefit politically, socially and economically from a more accountable, just, transparent and democratic society, that respects human rights and fundamental freedoms and to support civic engagement which empowers all people to influence public policies, through their CSOs at all levels.

The Programme operated as a fund, with successive calls for proposals and funding windows (core, project, innovations and emerging). Under each call, the Programme aimed to respond to the following specific challenges and thematic interests:

- Call 1: Peacebuilding and reconciliation after the post-election violence of 2007 and 2008;
- Call 2: Governance, justice, law and order;

- Call 3: Pre-referendum and post-referendum activities in support of constituting making process, civic education on the draft constitution, voter education on the referendum and monitoring of the referendum process;
- Call 4: Civic education on the new provision of the constitution, especially provisions relating to access to justice, devolution and human rights; and
- Call 5: Voter education, civic education, promoting peaceful co-existence and post-referendum activities.

Since its establishment, the Programme announced five calls, and a total amount of \$13.7 million in grants were issued to 224 CSOs. Call 5 was ongoing at the time of the audit.

A Quick Response Fund was also established, with an additional 60 grants issued for a total amount of \$1.2 million.

During the period covered by this audit, intense pre-election political activities were carried out. The 2013 general elections in Kenya were the first to be held under the New Constitution and the most complex ever undertaken.

Development partners involved in the Programme besides UNDP were the Netherlands, Norway and Sweden, and the European Union. The Programme's budget had grown from an initial \$4 million in 2008 to \$12 million in 2012. The Programme's total budget was \$29 million. As reported in the draft Assessment of Development Results report, out of the Programme's budget, 85 percent of funds were directed to grants, capacity building and learning forums, and the remaining 15 percent was utilized for support costs.

III. Detailed assessment

1. Governance and strategic management

Satisfactory

The governance structure of the Programme was a participative one, and included the following:

- a Stakeholder Reference Group (SRG) with representatives of civil society, donors and UNDP, provided the strategic direction and priorities of the Programme; and
- a Civil Society Democratic Governance Donor Group (CSDGDG) that regularly monitored the progress of the Programme.

The Programme was managed by a Programme Management Unit (PMU).

OAI reviewed the roles, responsibilities, coordination and dynamics between the Office, the PMU, the SRG, and the CSDGDG. OAI also interviewed key representatives of all groups, reviewed minutes from the various meetings and other key documents of the Programme such as contribution agreements and PCAs, assessed the quality of reports and related documentation, and reviewed risk assessment practices and general oversight of the Programme.

Staffing

The PMU consisted of 18 service contract holders led by an international Programme Manager. The Unit was located away from the Office until 2013, when it moved to the UN Complex for security reasons. Further integration of the Programme into the Office was achieved when a direct reporting line was established between the Finance and Procurement Officers in the PMU and the Finance and Procurement Units of the Office.

A review of the PMU structure was conducted by the UNDP Office of Human Resources in 2013, which resulted in the downgrading of 5 of the 17 service contract positions in the Unit. Further, at the time of the audit, it was envisaged that a new programme manager would be recruited at the national level.

Exit Strategy

A Mid-Term Evaluation was conducted in 2011 and most of its recommendations were being addressed at the time of the audit. Based on its conclusions, and a benchmarking exercise of the beneficiary CSOs, the Programme designed a sustainability strategy. An analysis of the key issues for the Programme's sustainability was conducted, and the following three options were proposed for going forward: (a) transforming the Programme into a non-UNDP Programme Management Unit after the expiration of the UNDP Kenya Country Programme (2018); (b) embedding the Programme into the Office; and (c) closing the Programme by the end of 2015. The final decision on which option to take will be made jointly by the Office by the end of 2013. The Office together with the PMU also initiated work on the Programme's exit strategy that was expected to be finalized after the completion of the 2011-2015 Programme Strategic Plan.

Legal agreements with the CSOs

All CSOs signed PCAs with the Office. Article VIII of each agreement stated that funds would be advanced within 14 days following the signature of the PCAs.

In reviewing the PCAs signed between UNDP and the CSOs, OAI noted some deviations from the standard UNDP agreement on general responsibilities of the Parties, specifically on the involvement of the Government, and audit requirements. While deviations from the standard agreement require clearance from the Regional Bureau partnership focal point, no such clearance was available. The Office followed up with the Regional Bureau for Africa after the audit mission. As a result, a waiver was granted with reference to the Government's involvement and the Office reverted to the standard clause on audit requirements. In view of the actions taken by the Office, no recommendation has been made.

Stakeholder Reference Group

The terms of reference for the SRG provide that the members' representation is in their personal capacity. Four SRG members interviewed during the audit mission were beneficiaries of the Programme, but had not signed a declaration of impartiality. This declaration would have provided additional assurance/attestation that the representatives understood that their roles within the SRG should be carried out objectively, and with integrity. As suggested by OAI, the declaration was introduced and so far 8 out of 10 members have signed it. In view of the actions taken by the Office, no recommendation has been made.

2. Programme/project management

Partially Satisfactory

The Mid-Term Evaluation of the Programme concluded that the Programme has made a significant contribution to the governance outcomes and reforms in the Country. An Assessment of Development Results carried out by the Evaluation Office was being finalized at the time of the audit. The Assessment analysed the Programme's contribution to UNDP's Outcome No. 46: Gender equality, women's empowerment and human rights¹. Overall, good progress was noted, as the Programme's delivery was in accordance with the Annual Work Plan, and the

¹ UNDP Kenya implemented a total of five projects that made contributions to the achievement of Outcome No. 46, one of those being Amkeni WaKenya.

Office's Annual Report indicated that the Programme had supported the Government well in its governance reform process. For example, under Call 4 alone, the Programme had reached out to 39,141 people through awareness raising campaigns (21,073 women and 18,068 men).

The Programme is implemented using three delivery methodologies: (a) capacity building; (b) learning and knowledge management; and (c) grant making, which OAI reviewed.

The audit reviewed projects of 19 CSOs, representing \$2 million or 13 percent of the total grants approved. From the initial sample of CSOs selected, three CSOs could not be visited due to security reasons in the north-eastern and coastal provinces. OAI visited nine projects in Nairobi and in the Nyeri and Nyanza counties. Another four CSOs were interviewed by phone. Most CSOs confirmed they were on track for the delivery of activities, monitored in terms of workshop/meetings held and number of persons reached.

Capacity Building

The audit confirmed the effectiveness of the Programme's capacity building component, with an initial assessment of the CSOs weaknesses leading to an adapted training programme and support from the PMU. A CSO benchmarking exercise was conducted in 2012, measuring the Programme's practices, policies, and performance standards against a set of best performing organizations in the world. The exercise targeted 91 CSOs drawn from Calls 2 and 4, both calls involving multi-year support to the CSOs. The exercise proved to be a useful tool to assess progress and identify the impact of capacity building in the CSOs. However, it did not cover two areas² due to security concerns.

Learning and knowledge management

The Programme initially envisaged hosting learning forums, stakeholder reviews, documentation and dissemination of methodologies and good practices. Knowledge management activities remained almost unfunded until 2010. In 2012, the Mid-Term Evaluation reported that the learning and knowledge management function performed below required standards, with an uneven budget allocation to support related activities.

In 2011, a Knowledge Management Strategy was finalized and the Programme started to organize thematic reviews and learning platforms. Through these actions, CSOs were able to share knowledge and experiences, which aimed to improve their level of programming under these areas. Based on the identified capacity gaps, the topics of learning included the human rights-based approach, monitoring & evaluation, devolution, and results-based management. While some of the SRG members interviewed acknowledged some improvement in their networking and coordination, especially through the 'Civic Society Week' forums, networking and knowledge sharing was an area often mentioned as being in need of strengthening and that this was being considered in the new draft of the Project Document.

Grant making

Through the grant-making process, the Programme provided financial support to CSOs, focusing on remote parts of the Country that would otherwise not have received any support from development partners. These CSOs were able to reach marginalized communities and provide civic education, training and access to information and materials that contributed to an informed citizenry. OAI's visits to CSOs confirmed that support from Amkeni WaKenya had made it possible for people living in these areas to engage in governance and

² The organizations based in the northern province and parts of the coast were excluded due to security advisories that prevailed at that time.

democratic processes, and defend their rights. In doing so, the Programme increased the capacity of CSOs to engage in ongoing political processes critical for successful realization of governance and democratic development in the Country. The Programme also allowed CSOs to develop sound processes that in turn helped increase their engagement with the beneficiaries (for example, additional funds and donors, human-rights based strategies, results based management, etc.).

OAI's review of the grant-making process in 2012 (Call 5) concluded that they were well-documented and thorough processes, reports and pertinent reviews on the lessons learned on the calls. The review, however, highlighted recurrent delays in the processing of the grants, which could have significant impact on the effectiveness and efficiency of the Programme.

Issue 1 Delays in the processing of grants

In 2012, the PMU prepared a mapping of the grant-making process with an analysis of the timeline from the call for proposal, to disbursements to the CSOs. Overall, the process took 138 days. Within that timeline, and as provided by the PCAs, disbursements were to be made within 14 days after signature of the PCA.

OAI's analysis of the timeline showed similar results to that of the process analysis done by the PMU, except for the last two steps, which consisted of drafting the contracts and disbursing funds, which took around two months, and in some cases, more than six months, compared to the 20 days in the PMU analysis. OAI also noted that some PCAs were signed after the start date of the project, reducing the theoretical implementation period stated in the PCA (average delay on sample of 24 PCAs is 8 days, up to 115 days in one case). Based on a sample review of 12 CSOs, the first instalment to CSOs was disbursed, on average, 57 days after the PCA was signed, compared to the 14 days as provided in the PCA. Projects were often extended at no cost at the end of the implementation period, yet at an administrative cost for the Office and for the CSOs. Such delays had also been reported to the Programme Officers as evidenced in some of the field visit monitoring reports. Similarly, and while acknowledging the usefulness of the Programme's support, both financial and in capacity building, most CSOs that OAI met indicated some delays in the disbursement of grants by the Programme.

These delays also impacted the delivery of the activities, with a risk that activities were not relevant anymore, especially for Call 5 where the activities were time bound in the last months of the pre-election period. Late disbursements also resulted in key staff turnover in some CSOs since the payment of salaries were no longer guaranteed. The CSOs had to pre-finance activities in some instances from their own sources of income (public donations, donor funds). The numerous no-cost PCA extensions processed by the Office are also directly related to the late disbursement of funds, and to some extent too short a timeline for grant implementation, impacting the efficiency of the Programme.

The Office explained that donors delayed some of their contributions in 2012 and 2013, and as a result, disbursements could not be done over several months due to lack of funds. Further reasons for delays included difficulties with transportation, internet connection, late submissions from the CSOs, and inconsistent data provided. The Office further stated that, given the considerable risks of the grant making to CSOs, especially during the election period, strict financial management measures were needed. In addition, donors felt that delays caused by tighter scrutiny were not as damaging as the mismanagement or loss of funds that would arise from less scrutiny.

OAI noted that the cause of some of the delays were internal to UNDP, and related to the capacity and workload of the PMU, especially the Programme Officers, and to delays in reviewing the financial reports and in signing the PCAs. The process could benefit from further fine tuning to allow swifter processing without compromising

financial controls. Terms and conditions of the PCA should have been reviewed and adjusted in order to provide a realistic timeframe for the funds disbursement.

Priority	High (Critical)
Recommendation 1:	
The Office should review the grant making process, particularly the drafting of contracts and disbursements of funds, to expedite and comply with the terms and conditions of the Project Cooperation Agreement.	
Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
<p>The Office commented that the Project Cooperation Agreement signed with Civil Society Organizations set an unrealistic timeline for the disbursement of the first installment of grants and has proposed to increase the timeline for disbursement to three months from the date of signing of the agreement. The Office also confirmed that PCAs will be signed before the start date of the project implementation period.</p> <p>Streamlining of the contracting and disbursement processes has been ongoing and some progress has been made as noted in the report. In particular, the grant making and monitoring strategy is under review in terms of the timing of contracting and disbursement, and implementation of an ideal threshold of Civil Society Organizations per Programme Officer.</p>	

3. Monitoring and evaluation (M&E)

Partially Satisfactory

The programme document outlines the M&E Framework, also described in detail in the 2011-2015 Programme Strategic Plan. Additionally, based on UNDP results-based M&E policies and the principles of participatory M&E, the M&E Framework must include not only the financial performance of the Programme grants, but also the achievement of outputs, the responsiveness of the Programme Strategy, CSOs' satisfaction and performance, and the added value to development partners.

The Mid-Term Evaluation of the Programme identified gaps in the implementation of the M&E Framework. Systematic monitoring of outcomes, responsiveness of strategy, partner's satisfaction and value added to development partners were areas to be strengthened. In order to address weaknesses in the monitoring and evaluation of the Programme, regular meetings with the Office management were initiated and maintained. In addition, quarterly reports as well as a field visit report template was introduced and regularly used.

OAI reviewed back-to-office reports, field visit reports and joint field visit reports for all projects selected for detailed testing and held discussions with all relevant parties, including donors. OAI noted that the field visit report template was a good practice, systematizing reflection on project implementation, status of project outputs/results, capacity building, community perspectives, challenges, beneficiaries' feedback, and lessons learned.

OAI met with three donors and their feedback was positive on the contribution of the project, and the increased involvement of the Office in the Programme's management and governance structures. They, however, raised some concerns in regard to the quality of reporting and the need to closely monitor CSOs.

Given the importance of adequate monitoring and evaluation, and in view of the issue below, this area was rated as “partially satisfactory.”

Issue 2 Inadequate programme monitoring

Field visits

As envisaged at the onset of the Programme, focus was on grass-roots organizations with limited capacity, which was combined with a strong capacity development component. Since the start of the Programme, each call selected an average of 46 grantees. The Programme Monitoring and Evaluation Framework prepared in 2012 established that regular field monitoring visits were an essential component of monitoring. Based on the CSO benchmarking exercise, field visits were even more critical for this Programme given that 42 percent of the CSOs involved in Call 2 and Call 4 lacked institutional monitoring and evaluation plans. In order to validate results, and to provide the latest information on the progress of the programme, it was envisaged that field visits would be conducted on a quarterly basis.

OAI's review of all field visits performed during the period from 2012 to 2013 showed that out of 161 CSOs, 2 had never been visited due to security reasons, 134 were visited once, and the remaining 25 were only visited two times, instead of quarterly as required by the Programme's M&E framework. Monitoring of CSOs was the responsibility of Programme Officers, to whom a thematic portfolio of CSOs was assigned. At the time of the audit, the average number of CSOs per Programme Officer was 50 or 60. Visiting CSOs in some locations could be a demanding task for the PMU staff located in the capital. The majority of the field visits require a full day drive and/or flight to reach the CSOs, not to mention the project beneficiaries. For efficiency purposes, visits were organized by region. As such, the thematic distribution of the portfolio, or the large number of CSOs per staff, did not necessarily allow Programme Officers to visit the CSOs of their respective portfolios. In turn, this required additional effort/work for the Programme Officers conducting the visits to obtain minimum knowledge of the CSOs visited outside their portfolios, which could also reduce the effectiveness of the monitoring.

OAI noted that UNDP projects of smaller size, as well as other UN agencies, have established presence at the country level. In OAI's view, regional presence could ensure better monitoring and oversight of grantees, better alignment to the new Government's devolution and address security constraints. The Office confirmed that the review of the capacity needs of the Programme team will be carried out in order to improve field monitoring.

Central tracking system

As per the Project Document approved in 2008, a central progress tracking system was to be set up and administered, from which a number of progress indicators were to be derived to measure, for example, the number of activities carried out against approved work plans, geographical areas covered, and the number of people reached. Such a system is critical, especially given the large number of CSOs involved, for consolidating results reporting into more strategic outputs and outcomes.

This system was still not operational in 2013, and therefore the PMU was relying on the Programme Officers in each strategic outcome area to analyse and consolidate data pulled from individual CSO reports on an annual basis, thus making it difficult for the project to analyse such a high volume of data.

The Office indicated that a system was tested in 2011-2012, but its roll-out was disrupted with the relocation of the Programme to the UN complex. OAI is of the opinion that such a system is critical for monitoring and reporting on results, and the fact that it was not operational five years after the start of the Programme has had a negative impact on the Programme.

The field visit reports, as well as other tools for data collection, provided a vast amount of information on the status of project implementation, expected project outputs/results, capacity building, community perspectives, challenges, and lessons learned. However, it was still difficult to establish clear linkages between the data gathered at the CSO level, and how it translated into more strategic outputs and outcomes at the Programme level. The absence of a tracking system does not allow for the consolidation. This in turn impacts the quality of reporting. The lack of clear reporting at the outcome and strategic level was also raised in meetings with donors, where it was indicated that the Programme had difficulty providing evidence for substantive results.

Baseline data

Baseline data is established at the beginning of a programme or project and is used to measure against achievements and results.

One of the key problems from the beginning of the Programme was the absence of baseline data for almost all outputs. The Mid-Term Evaluation of the Programme stated that the process of outcome and/or impact assessment was “significantly limited by the lack of baseline data”. It was expected that the data collected during this evaluation would improve baselines and benefit future evaluations. OAI reviewed the amended M&E Framework and noted that 44 percent of baselines, defined as “low level”, “average capacity” or “average rating”, still could not provide useful reference values for future evaluations to assess the changes achieved with the Programme.

Priority	High (Critical)
Recommendation 2: In order to improve its existing monitoring practices, the Office should: <ul style="list-style-type: none"> (a) review the Programme’s structure and capacity to improve field visit coverage; (b) introduce a central tracking database which allows the consolidation of Civil Society Organizations data, in line with the M&E Framework at the activity, output and outcome level; and (c) develop quantitative baseline data to facilitate the measurement of the results achieved at the end of the programme cycle in 2015. 	
Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed The Office will establish a standard limit on the number of Civil Society Organizations each Programme Officer is responsible for. Such a limit will allow the Programme Officers to carry out visits on a regular basis. It will also design field visits such that each Officer visits the partners they manage on a day-to-day basis, in line with the devolved structure for the Programme under discussion in the office. The Office is in the process of setting up the server and facilitating the operationalization of the tracking system. With the resetting of the server, strategic level reporting for quarterly reports shall be further systematized. Data analysts will be recruited on a consultancy basis to boost the capacity of the Programme Management Unit in data analysis and consolidation of reports and, with the central tracking system and data analysts, field reports will be consolidated into quarterly monitoring reports. The Programme also intends to consolidate baseline information from existing sources into a governance barometer annually, which will be used to refine baseline information and monitor progress.	

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 not included in this report.