

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

NAMIBIA

Report No. 1579
Issue Date: 11 March 2016

Report on the Audit of UNDP Namibia Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Namibia (the Office) from 30 November to 14 December 2015. 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 and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, business continuity, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, general administration).

The audit covered the activities of the Office from 1 January 2014 to 30 September 2015. During the period under review, the Office recorded programme and management expenditures of approximately \$13 million. The last audit of the Office was conducted by OAI in 2009.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **unsatisfactory**, which means, "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." This rating was mainly due to revenue shortfall and non-implementation of Direct Project Costing policy, high Programme management costs, lack of resource mobilization, and weaknesses in learning and performance management, procurement, and payments processing.

Key recommendations: Total = 9, high priority = 6

The recommendations aim to achieve the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 4, 5	High
Reliability and integrity of financial and operational information	7, 8	High
	6	Medium
Effectiveness and efficiency of operations	2	High
	3	Medium
Safeguarding of assets	9	Medium

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

Revenue shortfall and non-implementation of Direct Project Costing policy
(Issue 1)

At the end of 2015, the Office had a funding gap of \$46,000. The Office did not implement the Direct Project Costing policy in order to recover costs directly related to the implementation of the projects from the Programme funds. It also did not fully implement the Financial Sustainability Plan established in 2013 and did not perform the sustainability exercises for 2014 and 2015. At the time of the audit, in December 2015, the Office had established the 2016 Financial Sustainability Plan with a full costing of the staffing structure for 2016, but lacked the resources required for the implementation of the staffing realignment process.

Recommendation: The Office should comply with corporate financial strategies by: (a) requesting for medium-term financial support from the Regional Bureau for Africa to implement the capacity realignment process as per the 2016 Financial Sustainability Plan; (b) improving capacity and resource mobilization to generate additional revenue and to reduce the funding gap; and (c) implementing the Direct Project Costing policy to recover costs directly related to project implementation.

Weaknesses in learning and performance management
(Issue 2)

Regarding required mandatory courses, out of 24 staff members, only 4 had completed the Basic Security in the Field II course, 6 had completed the Gender Journey course, 2 staff members had completed the Prevention of Harassment in the Work Place course, and 6 had completed the Legal Framework course. None of the 24 staff members had completed the Advanced Security in the Field course. In relation to online courses addressed to professional staff according to their roles, only 4 out of 15 eligible staff members had completed at least one IPSAS intermediate course. None of the eligible staff members had completed the Property, Plant and Equipment and IPSAS Reporting intermediate courses. Two Procurement staff had not completed the mandatory Procurement Certification Level 1 course.

The Performance Management & Development System showed that 8 out of 22 staff members in 2014 and 11 out of 26 in 2015 had not completed their performance management assessments.

Recommendation: The Office should address the weaknesses in learning and performance management by: (a) establishing a learning plan that includes all corporate mandatory and professional courses using the Learning Management System to identify relevant learning paths for all eligible staff members; (b) ensuring that the Learning Manager receives the necessary training on the Learning Management System in order to perform the required duties of the function; and (c) completing all outstanding performance assessments and setting up new performance plans for 2016.

High Programme
management costs
(Issue 4)

The Programme portfolio was spread over five areas (Poverty, Gender, HIV/AIDS, Governance, and Energy and Environment), and was implemented through 11 Global Environment Facility projects and 5 regular UNDP projects. This had resulted in a Programme Unit of seven, which in turn led to high management overhead costs relative to programme expenditure. In 2014 and 2015, Office management costs amounted to 65 percent and 40 percent, respectively, of regular and total resource expenditure against the 24 percent and 12 percent of the Regional Bureau for Africa average.

Recommendation: The Office should reduce Programme management costs by: (a) performing a mid-term Programme review with the view to discontinue and/or not renew projects with no critical mass and consolidating UNDP's intervention around fewer thematic areas and projects; and (b) consequently realigning the Office's structure and capacity, with focus on the Programme Unit.

Lack of resource
mobilization
(Issue 5)

According to the Country Programme Document 2014-2018, the Office planned to mobilize \$12.7 million in resources for the entire four-year programming cycle, comprising of \$1.7 in core and \$11 million in non-core funding. However, resource targets included in the first two-year cycle Annual Work Plans signed with the government counterpart were \$13.4 million (approximately \$6 million in 2014 and \$7 million in 2015). The Office could not explain the variance and could not provide minutes on the approval of the programme. The Office did not have a Resource Mobilization Strategy in the last programming cycle 2006-2013 (seven years); therefore, capacity in terms of skills and competencies in this area was not developed. The 2015 Resource Mobilization Action Plan had not been implemented by the required deadline, and therefore targets were not achieved and activities (such as staff training) were not undertaken, due to delays in finalizing the strategy.

Recommendation: The Office should improve capacity for resource mobilization by: (a) developing skills and competency for resource mobilization by prioritizing and implementing necessary training; (b) reviewing and updating the Resource Mobilization Action Plan focusing on the planned activities and timelines; (c) establishing effective delegation of responsibilities for the resource mobilization function and consistent monitoring of performance; and (d) encouraging compliance with the organizational policy for setting resource targets.

Inadequate controls
over disbursements
(Issue 7)

Controls over goods and/or services received before payment were assessed as inadequate, based on a sample of 40 accounts payable vouchers reviewed. The main weaknesses identified were payments amounting to \$277,000 made before goods/services were received, expenses totalling \$67,000 posted to the wrong Atlas (enterprise resource planning system of UNDP) account codes, and utility bills of \$33,462 charged to the wrong period. The lack of scrutiny by first and second level controls prior to verifying disbursements allowed such transactions to be completed and go undetected.

Recommendation: The Office should strengthen controls over disbursements by: (a) following up on specific cases where payments were made but goods were not received; (b) strengthening supervision over payment processing, especially

on verifying certification of services and/or physical receipt of goods prior to payment processing and disbursement.

Procurement policies and procedures not adhered to (Issue 8)

Basic competition and value for money policies were not followed and requisite procurement procedures and systems were not adhered to. The sample review identified weaknesses such as: purchase orders totalling \$145,000 related to the procurement of workshop/conference facilities undertaken without a competitive selection process; and purchase orders totalling \$42,000 where the procurement guidelines were not followed, including an award of a contract worth \$26,180 for the supply of a biometric security system to a parent company which did not submit a quote but was subsequently linked to the winning bidder without verification. All four sampled individual contracts were procured without a competitive selection process. The e-Requisition system was not implemented due to Atlas profiles not being properly allocated among staff. Thus, each unit was doing its own procurement outside of Atlas and the Administrative Assistant only generated purchase orders in Atlas to facilitate payments.

Recommendation: The Office should strengthen supervision over its procurement processes by: (a) centralizing procurement processes, mainly the competitive selection process and procurement of individual contractors; (b) allocating appropriate Atlas profiles necessary for implementation of e-Requisitions; and (c) improving processes for the evaluation of quotes.

Management comments and action plan

The Resident Representative accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



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