



AUDIT

OF

UNDP COUNTRY OFFICE

IN

NAMIBIA

Follow-up of OAI Report No. 1579 dated 11 March 2016

Report No. 1784
Issue Date: 30 June 2017



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**Report on Follow-up Audit of UNDP Namibia
(Previous OAI Report No. 1579, 11 March 2016)
Executive Summary**

From 15 to 19 May 2017, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an on-site follow-up audit of the UNDP Country Office in Namibia (the Office). This on-site follow-up audit was undertaken, in addition to regular desk reviews, in view of the 'unsatisfactory' audit rating assigned by OAI in Report No. 1579 dated 11 March 2016. The follow-up audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit scope and approach

The follow-up audit reviewed the implementation of nine audit recommendations. OAI conducted appropriate tests of transactions and activities by the Office from 1 April 2016 to 30 April 2017 and interviewed management and staff concerned to determine whether the reported corrective actions were indeed implemented, as reported by the Office in the Comprehensive Audit and Recommendation Database System (CARDS).

Audit results

Of the nine audit recommendations, the Office had fully implemented five and initiated action on four, resulting in an implementation rate of 83 percent as per CARDS on 30 June 2017.

Implementation status	Number of recommendations	Recommendation Nos.
Implemented	5	1, 4, 5, 6, 8
In progress	4	2, 3, 7, 9
Not implemented	-	-
Withdrawn	-	-
Total	9	9

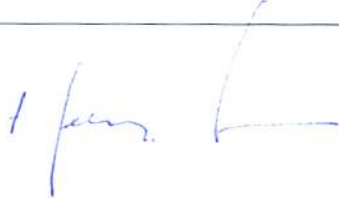
The detailed implementation status of the recommendations has been updated by OAI in CARDS.

Section I summarizes the five recommendations that are implemented and the four that are in progress. OAI encourages the Office to continue to take appropriate actions to address the remaining recommendations. OAI will continue to monitor the progress of the implementation of the recommendations as and when updates are provided by the Office in CARDS.



Management comments and action plan

The Resident Representative provided the revised implementation dates for the outstanding recommendations.



Helge S. Ostveiten
Director
Office of Audit and Investigations

A handwritten signature in blue ink is enclosed in a rectangular box. The signature appears to read 'H. Ostveiten'. Below the signature, the name and title of the signatory are printed in black text.

I. Details of recommendations in progress and implemented

Rec No.	Issue title	Recommendation	Implementation status reported by UNDP Namibia	OAI assessment
1	Revenue shortfall and non-implementation of Direct Project Costing policy	<p>High (Critical)</p> <p>The Office should comply with corporate financial strategies by:</p> <p>(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;</p> <p>(b) improving capacity and resource mobilization to generate additional revenue and to reduce the funding gap; and</p> <p>(c) implementing the Direct Project Costing policy to recover costs directly related to project implementation.</p>	<p>(a) The request for medium-term support was made by the Country Office. The Deputy Director of the Regional Bureau for Africa responded positively. The email confirmation from the Regional Deputy Director was uploaded. The Country Office is waiting for the COA.</p> <p>(b) The Resource Mobilization strategy was finalized, and the action plan and monitoring matrix were developed. Resource mobilization is a standing agenda of weekly management meetings for regular monitoring. Staff capacity will be improved through trainings once the change management is over. There was a mission from the United Republic of Tanzania Country Office to train staff members on resource mobilization and strengthen our proposals. A consultant was hired to complete a resource mobilization matrix and briefed the senior management team. Also, two concept notes and one project document were developed for resource mobilization: poverty, procurement, and gender.</p> <p>(c) The Direct Project Costing</p>	<p>Implemented</p> <p>(a) The Office obtained support from the Regional Bureau for Africa in terms of funding and support for implementation of the Office's realignment and change management processes. Administrative budget was 17.7 percent lower in 2016 when compared with 2015. However, the Office managed to reduce its administrative expenditure by 28 percent during the same period.</p> <p>(b) The capacity for resource mobilization had improved. In-house training on resource mobilization was done within the Office with the support of the United Republic of Tanzania office. Also, a consultant was hired to orientate staff members on resource mobilization.</p> <p>(c) Direct Project Costing was implemented in 2016 through the establishment of a project to absorb staff costs directly related to implementation of the projects. The Office had a documented Direct Project Costing strategy which was shared and accepted through a letter by the National Planning Commission prior to implementation. A total of</p>

			<p>policy was implemented. \$100,000 was allocated to Direct Project Costing from 2016 TRAC, in agreement with the government counterpart. The signed annual work plan with the agreed Direct Project Costing component has been uploaded.</p>	<p>\$169,000 from Regular Programme resources was used to cover Direct Project Costing in 2016 and the Direct Project Costing budget in 2017 was \$200,000 based on the current workload.</p>
2	<p>Weakness in learning and performance management</p>	<p>High (Critical)</p> <p>The Office should address the weaknesses in learning and performance management by:</p> <p>(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;</p> <p>(b) ensuring that the Learning Manager receives the necessary training on the Learning Management System to perform the required duties of the function; and</p> <p>(c) completing all</p>	<p>(a) The learning plan was completed and implemented.</p> <p>(b) The Learning Manager obtained the required minimum training offered by the Regional Service Centre in Addis Ababa through Skype. Face-to-face training would be organized during 2017 if required.</p> <p>(c) Completed for all those staff members who are staying after the change management process.</p>	<p>In progress</p> <p>(a) The Office established a Learning Committee and developed a learning plan that included all corporate mandatory and professional courses.</p> <p>(b) The Operations Manager had been nominated as the new Learning Manager. The staff member still did not have access to the Learning Management System reports for monitoring staff learning. The staff member also received orientation by the Regional Centre on the use of the Learning Management System.</p> <p>(c) All outstanding performance assessments up to 2016 and the new assessments in 2017 were completed.</p> <p><u>Agreed revised implementation date: 31 August 2017</u></p>

		outstanding performance assessments and setting up new performance plans for 2016.		
3	Weak controls in Resident Coordinator's Office	<p>Medium (Important)</p> <p>The Office should strengthen support to the Resident Coordinator's Office by:</p> <p>(a) defining responsibilities for the management of the Resident Coordinator's Office core activities, programme activities and common services;</p> <p>(b) preparing separate fund budgets for core activities, programme activities and common services to facilitate proper reporting, prevent commingling funds and cross-charging expenditures;</p> <p>(c) establishing controls for monitoring hospitality expenses in the Resident Coordinator's</p>	<p>(a) Through implementation of the change management process, the existing positions in the Resident Coordinator's Office were replaced with two new positions with clearly defined roles and responsibilities, as well as clear reporting lines.</p> <p>(b) The Office monitored implementation of independent work plans and budgets for the United Nations Country Team (UNCT), the UN Development Operations Coordination Office, common services and the United Nations Communications Group as well as United Nations CARES as approved by the UNCT for 2016.</p> <p>(c) The Resident Coordinator, as the budget holder for the Resident Coordinator's Office funds, set limits for expenditures, especially in relation to hospitality activities.</p> <p>(d) The Operations Manager, under the supervision of the Deputy Resident Representative, conducted regular checks on workshop allowances and these were verified by the Finance Unit, which also</p>	<p>In progress</p> <p>(a) The responsibility for the management of the Resident Coordinator's Office and common services had been separated. The head of the Resident Coordinator's Office position was reclassified from NOC to NOB and no longer had responsibilities over the common services.</p> <p>(b) The Resident Coordinator's Office had managed to properly report on programmatic activities and respective expenditure on a regular basis (twice in 2016).</p> <p>(c) Expenditure on hospitality and general entertainment had been curtailed with the only notable expenditures being on the United Nations Day celebration and the 70th commemoration. Contributions from participating agencies were received for the commemoration and expenditure was within the limit of the contributions.</p> <p>(d) & (e) Fifteen payment vouchers related to the Resident Coordinator's Office were randomly selected for verification of supporting documents and a reconciliation of expenditure to costs was performed. Although payments were</p>

		<p>Office – that includes defining hospitality activities and setting limits for expenditure;</p> <p>(d) establishing procedures to ensure that costs charged for workshops and allowances paid to participants are adequately supported, and making staff that facilitate these workshops accountable for the reconciliation and follow up on workshop costs; and</p> <p>(e) requesting the Office’s support for the procurement of goods and services and complying with procurement policies for the sourcing of suppliers through competitive selection.</p>	<p>ensured that such costs were adequately documented and reconciled to payments. Monthly expenditure for catering services at UNCT meetings were set at \$32.</p> <p>(e) All procurement, including the Resident Coordinator’s Office procurement was centralized and monitored.</p>	<p>supported with documentation, the procurement process related to five payment vouchers (total \$17,772.68 or 35 percent of the selected sample) was found to have been done outside of Atlas and not through the Office’s Procurement Unit as per audit recommendations.</p> <p><u>Agreed revised implementation date: 31 August 2017</u></p>
4	High programme management costs	<p>High (Critical)</p> <p>The Office should reduce Programme management costs by:</p> <p>(a) performing a mid-term Programme</p>	<p>A mid-term review was done. The Office reviewed the current Country Programme Document and streamlined it into two programme areas: Poverty and Environment, as part of the implementation of change management.</p>	<p>Implemented</p> <p>The review was completed and the final report was issued in October 2016. The Country Programme was streamlined from three programme areas to two in line with the Office’s realignment process: Environment and Inclusive Growth/Poverty. The</p>

		<p>review with the view to discontinue and/or not renew projects with no critical mass for the project portfolio and consolidating UNDP's intervention around fewer thematic areas and projects; and</p> <p>(b) Consequently, realigning the Office's structure and capacity, with focus on the Programme Unit.</p>		<p>number of projects increased from five to seven between 2016 and 2017; however, the number of outputs decreased from 22 to 12 outputs. The number of programme staff decreased from 7 seven to 4 (2 National Officer staff, 2 General Service staff) and 1 Junior Professional funded by the Government of Japan.</p>
5	Lack of resource mobilization	<p>High (Critical)</p> <p>The Office should improve capacity for resource mobilization through:</p> <p>(a) developing skills and competency for resource mobilization by prioritizing and implementing necessary training;</p> <p>(b) reviewing and updating the Resource Mobilization Action Plan focusing on the planned activities and timelines;</p> <p>(c) establishing effective delegation of</p>	<p>(a) The Office set resource mobilization as a priority. It organized two missions from the United Republic of Tanzania Country Office and Regional Service Centre for Africa for support on resource mobilization and building the capacity of staff members.</p> <p>(b) A Resource Mobilization Action Plan with a matrix linked to individual staff members' performances was updated and actioned. The senior management team was monitoring the plan at weekly meetings.</p> <p>(c) Generally, resource mobilization in the Office is the responsibility of every programme staff member. However, clear responsibilities with focal persons were indicated</p>	<p>Implemented</p> <p>(a) Office capacity for resource mobilization had improved. A staff member from the United Republic of Tanzania Country Office came to provide training on resource mobilization to all staff in 2016.</p> <p>(b) The Resource Mobilization Action Plan was revised in terms of timelines for implementation. Activities were linked to specific staff roles, and the process was being monitored and progress was being discussed at weekly senior management meetings.</p> <p>(c) The resource mobilization pipeline had significantly improved between 2016 and 2017. In April 2016, the Office had an ongoing pipeline of \$4.7 million and a \$3.4 million Class C pipeline</p>

		<p>responsibilities for the resource mobilization function and consistent monitoring of performance; and</p> <p>(d) encouraging compliance with the organizational policy for setting resource targets.</p>	<p>in the Action Plan.</p> <p>(d) Resource targets were set at the beginning of 2016 and 2017, in the Integrated Work Plan.</p>	<p>(meaning, project idea stage). In May 2017, at the time of the follow-up audit, the ongoing pipeline was \$15 million and the Class A pipeline was \$19 million. There were six complete proposals for the following programmes:</p> <ul style="list-style-type: none"> ○ EMPREREC (entrepreneurial skills promotion programme) ○ Green Climate Fund ○ Global Environment Fund - Round 6 ○ Global Fund (Gov. Cost sharing) ○ Gender Responsive Budgeting ○ Rail procurement project <p>(d) Resource targets were set in the Integrated Work Plan at the beginning of 2016 and 2017.</p>
6	<p>Deficiencies in human resources reclassification and documentation processes</p>	<p>Medium (Important)</p> <p>The Office should strengthen supervision and controls over the maintenance of Atlas human resources data by:</p> <p>(a) updating the position information in Atlas to reflect the actual grades for all positions, and reporting reclassified positions to the Office of Human Resources; and</p> <p>(b) improving filing and record</p>	<p>(a) Position data was updated in the Atlas Human Resources module for all of the affected positions.</p> <p>(b) A dedicated short-term consultant was hired and a Compliance Review Panel was used to support implementation of the processes.</p>	<p>Implemented</p> <p>The discrepancies in the post classifications were addressed during the 2016 change management exercise and all staff hired as part of the change management were recruited at the grade corresponding to the post.</p>

		keeping especially for position reclassification, minutes of Compliance Review Panel meetings, invitations to written tests, interview notes and test results for all shortlisted candidates.		
7	Inadequate controls over disbursements	<p>High (Critical)</p> <p>The Office should strengthen controls over disbursements by:</p> <p>(a) Following up on specific cases where payments were made but goods were not received;</p> <p>(b) strengthening supervision over payment processing, especially on verifying certification of services and/or physical receipt of goods prior to payment processing and disbursement.</p>	<p>(a) The specific cases reviewed during the previous audit were followed up and cleared.</p> <p>(b) The processes of verifying the certification of services and/or physical receipt of goods prior to payment and disbursement of funds, using correct Atlas codes, and recording expenditure in the correct accounting period, were implemented and being monitored.</p>	<p>In progress</p> <p>(a) Previous cases where payments were made but goods/services were not yet received were followed up and cleared.</p> <p>(b) Controls over payment processing and disbursements were still weak. The review of 11 payment vouchers with a value of \$170,000 showed the following:</p> <ul style="list-style-type: none"> - In 9 of 11 vouchers (total value of approximately \$139,000 or 81.7 percent of the total value of the sample), supervisory reviews were found to be inadequate, as follows: 5 vouchers with a value of \$66,090 had the completion of work certified, and payments and disbursements were processed, but the amounts were not accurate. In 2 of these 5 vouchers, the amounts paid were more than the amounts certified by \$1,442; in 1 voucher of \$5,350, there was no

				<p>certification of work done; in 2 vouchers of \$20,150, the amounts certified were based on unclear calculations of the hours worked as per the contract, which indicated a possible overpayment of \$4,750.</p> <p>Four vouchers valued at \$72,250 (42 percent of total sample) were payments made before services were received. The payments were made in December 2016 based on the explanation that the funds for 2016 could not be carried forward to 2017 and the activities that were delayed to be implemented in 2016 might not have the required funds for implementation in 2017. Payments were made by cheque and these were being withheld pending implementation and completion of activities. The practice contravened the accounting standards and overstated the delivery in 2016.</p> <p><u>Agreed revised implementation date: 31 July 2017</u></p>
8	Procurement policies and procedures not adhered to	<p>High (Critical)</p> <p>The Office should strengthen supervision over procurement processes by:</p> <p>(a) centralizing procurement processes, mainly the competitive selection process and procurement of individual contractors;</p>	<p>(a) The procurement process was being centralized for monitoring purposes.</p> <p>(b) Atlas user profiles were re-established as per the recommendations from RSCA and were being implemented. Training on e-Requisitions was provided by a trainer from the Regional Service Centre and in-house by the Procurement Associate.</p> <p>(c) The Regional</p>	<p>Implemented</p> <p>(a) & (b) The procurement function was centralized and Atlas user profiles were re-established. Issues noted during the audit, similar to the ones raised in December 2015 were discussed with management.</p> <p>(c) This part of the recommendation has been implemented.</p>

		<p>(b) allocating appropriate Atlas profiles necessary for the implementation of e-Requisitions; and</p> <p>(c) improving processes for the evaluation of quotes by specifying the deadline for their submission in the request for quotation and assessing quotes submitted by competing companies in the same period.</p>	<p>Procurement Advisor provided training to reinforce the importance of the evaluation of quotes by specifying the deadline for their submission in the request for quotation and assessing quotes based on companies' prices prevailing in the same period. Procurement staff also attended an e-tendering course in April 2016. As a result, the processes have been improved.</p>	
9	Weak controls over asset management	<p>Medium (Important)</p> <p>The Office should improve asset management by:</p> <p>(a) regularly updating the assets register in Atlas – with regards to the omission of the two vehicles, project laptops under the control of UNDP, the Office must request assistance from Global Shared Services Centre (GSSC) for their appropriate recording in the assets register;</p>	<p>The Office conducted a mid-year inventory verification exercise.</p> <p>(a) A transfer document was uploaded on DMS for a Land Cruiser. Disposal documents of a Toyota Prado were uploaded in GSSC for action. Project laptops were being uploaded in GSSC for recording in the office inventory.</p> <p>(b) & (c) Completed. A complete asset and inventory verification exercise is planned to be completed by 17 June 2016.</p>	<p>In progress</p> <p>The Office had completed a physical verification exercise; however, the following weaknesses were still evident:</p> <p>(a) Recording of tag numbers was still found to be weak. There were two Dell laptops that had been purchased in 2016 (total purchase price \$4,314) that had been included in the assets In-Service Report (ISR) but tag numbers on actual assets and in ISR were different. In both cases, the serial numbers of the assets were yet to be included in the ISR.</p> <p>(b) & (c) The recording of inventory and non-capital assets remained weak.</p> <p>i) The Office did not have a</p>

		<p>(b) updating asset tag numbers in Atlas and on the physical assets tags; and</p> <p>(c) conducting a complete asset and inventory verification exercise to establish the existence, condition of assets, cost price and purchase date – this will include project assets that are being used by the Office.</p>		<p>consolidated non-capital assets list as required in the 'UNDP Programme and Operations and Procedures'. Instead, individual lists of non-capital assets were maintained in respective offices where the assets were located. Four assets were selected (four laptops) from the floor and traced back to the assets lists, and out of those, three were found in different locations from those stated in the register while one could not be located. It was later found that the laptop was allocated to a staff member that had separated from the Office.</p> <p>ii) Resident Coordinator Office assets with a value of \$4,365 and comprising printers and laptops that were purchased in January 2017 were not yet recorded in the asset register in May 2017.</p> <p>iii) Mobile phones with a value of \$1,883 that were acquired in July 2016 were also not recorded in the non-capital assets lists. One of these phones was lost in December 2016, but the loss was not documented or communicated to appropriate management.</p> <p>The verification exercise had not been initiated at the time of the follow-up audit fieldwork.</p> <p><u>Agreed revised implementation date: 31 August 2017</u></p>
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ANNEX Definitions of audit terms – implementation status, ratings and priorities

A. IMPLEMENTATION STATUS

- **Implemented** The audited office has either implemented the action as recommended in the audit report or has taken an alternative solution that has met the original objective of the audit recommendation.
- **In progress** The audited office initiated some action to implement the recommendation or has implemented some parts of the recommendation.
- **Not implemented** The audited office has not taken any action to implement the recommendation.
- **Withdrawn** Because of changing conditions, OAI considers that the implementation of the recommendation is no longer feasible or warranted or that further monitoring efforts would outweigh the benefits of full implementation. A recommendation may also be withdrawn when senior management has accepted the residual risk of partial or non-implementation of recommendation.

B. AUDIT RATINGS

- **Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

C. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.