



AUDIT

OF

UNDP COUNTRY OFFICE

IN

NAMIBIA

Report No. 2226
Issue Date: 3 November 2020

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 11 to 27 August 2020. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) Governance
- (b) Development activities
- (c) Operations – procurement, finance, human resources, administrative services

The audit covered the activities of the Office from 1 January 2019 to 30 June 2020. The Office recorded programme and management expenses of approximately \$11.3 million. The last audit of the Office was conducted by OAI in 2015.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following:

- (a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
- (b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team's understanding of the Office's working environment.
- (c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
- (d) A physical verification of assets was not performed.
- (e) Safe and petty cash contents were not verified.
- (f) The information communication and technology area was not reviewed.

Overall audit rating

OAI assessed the Office's performance as **partially satisfactory/some improvement needed**, which means "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." This rating was mainly due to the financial sustainability of the Office being at risk.

Key recommendations: Total = **5**, high priority = **1**

The five recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Effectiveness and efficiency of operations	1, 3, 5	Medium
	4	High
Compliance with legislative mandates, regulations and rules, policies and procedures	2	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. The high (critical) priority recommendation is presented below:

Financial sustainability
at risk (Issue 4)

The Office's management ratio or the management expenditure against programme expenditure, of 30.1 percent (2018) and 19.6 percent (2019) was high when compared with the Regional Bureau for Africa average of 8 percent. This was driven by the following:

- (a) Low programme expenditure of \$5 million in 2019 relative to the available resources of \$6.8 million.
- (b) High management costs of \$1 million in both 2018 and 2019, of which 55 percent related to staff costs.
- (c) Direct project costs that had not been implemented.

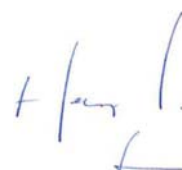
The financial sustainability risk was further increased by arrears in Government Contributions to Local Office Costs (GLOC) payments comprising \$6.8 million dating back to 2008.

Recommendation: The Office should address the operational cost and funding challenges by: (a) accelerating delivery; (b) recovering costs through implementation of Direct Project Costing; and (c) engaging with the Government to recover the outstanding GLOC.

Management comments and action plan

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

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.



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