Internal Audit of the Republic of Namibia Country Office

July 2015

Office of Internal Audit
and Investigations (OIAI)
Report 2015/22

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children

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Namibia country office. The audit sought to assess the office's governance, programme management and operations support. The audit was conducted in April and May 2015, and covered the period from January 2014 to May 2015.

The 2014-2018 country programme has four main programme components: *Child health and nutrition*, *Education*, *Child protection and social protection*, and *Social policy, research and communication*. There is also a cross-sectoral component. The total approved budget for the country programme is US$ 30.7 million, of which US$ 3.7 million is regular resources (RR) and US$ 27 million is Other Resources (OR). Regular Resources are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. Other Resources are contributions that may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself (as Other Resources), up to the approved ceiling.

The country office is located in the capital, Windhoek; there are no zone offices. As of May 2015, the country office had a total of 38 approved posts: 14 international professionals, eight national officers and 16 general service staff. The total budget was US$ 4.5 million in 2014 and US$ 5.7 million in 2015. Total expenditure was US$ 4.5 million in 2014, and US$ 1.9 million in 2015 so far (up to the time of audit).

Action agreed following the audit

As a result of the audit, and in discussion with the audit team, the country office has decided to take a number of measures. None of the five agreed actions were rated as high risk.

Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the country office were generally established and functioning during the period under audit.

The Namibia country office and OIAI intend to work together to monitor implementation of the measures that have been agreed.

Office of Internal Audit and Investigations (OIAI) July 2015

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Objectives

The objective of the country-office audit is to provide assurance as to whether there are adequate and effective controls, risk management and governance processes over a number of key areas in the office.

The audit observations are reported upon under three headings; governance, programme management and operations support. The introductory paragraphs that begin each of these sections explain what was covered in that particular area, and between them define the scope of the audit.

Audit observations

1 Governance

In this area, the audit reviews the supervisory and regulatory processes that support the country programme. The scope of the audit in this area includes the following:

- **Supervisory structures**, including advisory teams and statutory committees.
- **Identification** of the country office's priorities and expected results and clear communication thereof to staff and the host country.
- **Staffing structure** and its alignment to the needs of the programme.
- **Performance measurement**, including establishment of standards and indicators to which management and staff are held accountable.
- **Delegation of authorities and responsibilities to staff**, including the provision of necessary guidance, holding staff accountable, and assessing their performance.
- **Risk management**: the office's approach to external and internal risks to achievement of its objectives.
- **Ethics**, including encouragement of ethical behavior, staff awareness of UNICEF's ethical policies and zero tolerance of fraud, and procedures for reporting and investigating violations of those policies.

All the above areas were covered in this audit.

The audit noted areas in which controls were functioning well. The 2014-2018 country programme management plan (CPMP)[1] had set out a clear organizational structure. The office had comprehensive staff training plans for both 2014 and 2015. The office had the required committees, such as CMT (Country Management Team), CRC (Contract Review Committee), JCC (Joint Consultative Committee), and PCG (Progamme Cooperation Group), with appropriate terms of reference and membership. The committees met as expected, and the topics discussed were appropriate and relevant.

The office had developed performance indicators that were relevant and SMART (specific, measurable, achievable, realistic and time-bound). Staff required to complete integrity

[1] When preparing a new country programme, country offices prepare a country programme management plan (CPMP) to describe, and help budget for, the human and financial resources that they expect will be needed.

awareness training had done so, and management had taken relevant actions to address the results of the global staff survey.

The office conducted a risk and control self-assessment in 2015 and developed a plan to address the risks identified. The audit also noted appropriate segregation of duties and responsibilities in VISION.

The audit made no observations in the governance area.

Governance: Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over governance, as defined above, were generally established and functioning during the period under audit.

2 Programme management

In this area, the audit reviews the management of the country programme – that is, the activities and interventions on behalf of children and women. The programme is owned primarily by the host Government. The scope of the audit in this area includes the following:

- **Resource mobilization and management**. This refers to all efforts to obtain resources for the implementation of the country programme, including fundraising and management of contributions.
- **Planning**. The use of adequate data in programme design, and clear definition of results to be achieved, which should be specific, measurable, achievable, realistic and time bound (SMART); planning resource needs; and forming and managing partnerships with Government, NGOs and other partners.
- **Support to implementation**. This covers provision of technical, material or financial inputs, whether to governments, implementing partners, communities or families. It includes activities such as supply and cash transfers to partners.
- **Monitoring of implementation**. This should include the extent to which inputs are provided, work schedules are kept to, and planned outputs achieved, so that any deficiencies can be detected and dealt with promptly.
- **Reporting.** Offices should report achievements and the use of resources against objectives or expected results. This covers annual and donor reporting, plus any specific reporting obligations an office might have.
- **Evaluation**. The office should assess the ultimate outcome and impact of programme interventions and identify lessons learned.

All the areas above were covered in this audit.

The audit noted areas in which controls were functioning well. The office had developed an adequate resource-mobilization[2] strategy, and had assigned responsibilities for its implementation to relevant staff. The office had mobilized 67 percent of the 2014 budget ceiling, and as of the time of the audit (end of April 2015), had already raised 68 percent of the 2015 budget ceiling.

The office had identified advocacy priorities and developed structured advocacy plans, and advocacy activities were evidence-based and linked to results. Workplans were developed jointly with partners, and expected results were SMART, and aligned with the results set out in the CPAP and in the UNDAF. [3] Planned resources were linked to expected results, and these were correctly reflected in VISION.

The office had in place an adequate assurance plan and reported completing 28 spot checks

[2] While the terms "resource mobilization" and "fundraising" are often used interchangeably, the former is slightly broader; although fundraising is its largest single component, it also includes mobilizing resources in the form of people (volunteers, consultants and seconded personnel), partnerships, or equipment and other in-kind donations.

[3] The CPAP is the Country Programme Action Plan, a formal agreement between a UNICEF office and the host Government on the programme of cooperation, setting out the expected results, programme structure, distribution of resources and respective commitments during the period of the current country programme. The United Nations Development Assistance Framework (UNDAF) is a broad agreement between the UN as a whole and a national Government, setting out the latter's chosen development path, and how the UN will assist.

and 30 programme visits in 2014.

There were adequate processes for reporting to donors; the reports themselves were timely and evidence-based. Further, the 2014 annual report was prepared in accordance with UNICEF guidelines. The office had conducted relevant evaluations and taken steps so that the findings were addressed in future programme planning.

However, the audit also noted the following.

Partnership management

Country offices are expected to work closely with the government and non-government partners to reach the most vulnerable and hard-to-reach children worldwide and achieve results for children. Partnership is essential to this, to strengthen local capacities and achieve sustainable development. Country offices are expected to assess the financial and programmatic capacity of implementing partners prior to signing programme cooperation agreements (PCAs). All partnerships are subject to review and approval by the Project Cooperation Agreement Review Committee PCARC).

Partnership with NGOs: The office had 14 programme cooperation agreements with NGOs in 2014 and 2015, for a total value of US$ 2.3 million. The audit reviewed a sample of two partnerships. The partners received US$ 200,000 and US$ 224,000 annually. However, the office had not conducted the required capacity assessment to assess the risks of these partners prior to signing PCAs. In one case, instead of a capacity assessment, the office had carried out a simplified financial assessment – but this is meant to be used only for partners receiving less than US$ 100,000 annually.

Agreed action 1 (medium priority): The office agrees to strengthen the functioning of its Project Cooperation Agreement Review Committee (PCARC) to ensure effective implementation of the controls related to partnerships as defined in UNICEF policies and procedures. In particular, it should ensure that implementing partners are appropriately assessed prior to signing of Programme Cooperation Agreements.

Target date for completion: 31 August 2015
Responsible staff members: Deputy Representative, Operations Manager

Programme management: Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over programme management, as defined above, were generally established and functioning during the period under audit.

3 Operations support

In this area the audit reviews the country office's support processes and whether they are in accordance with UNICEF Rules and Regulations and with policies and procedures. The scope of the audit in this area includes the following:

- **Financial management**. This covers budgeting, accounting, bank reconciliations and financial reporting.
- **Procurement and contracting.** This includes the full procurement and supply cycle, including bidding and selection processes, contracting, transport and delivery, warehousing, consultants, contractors and payment.
- **Asset management**. This area covers maintenance, recording and use of property, plant and equipment (PP&E). This includes large items such as premises and cars, but also smaller but desirable items such as laptops; and covers identification, security, control, maintenance and disposal.
- **Human-resources management.** This includes recruitment, training and staff entitlements and performance evaluation (but not the actual staffing structure, which is considered under the Governance area).
- **Inventory management.** This includes consumables, including programme supplies, and the way they are warehoused and distributed.
- **Information and communication technology (ICT)**. This includes provision of facilities and support, appropriate access and use, security of data and physical equipment, continued availability of systems, and cost-effective delivery of services.

All the areas above were covered in this audit.

The audit noted areas where controls functioned well. Budget, bank and cash accounts, financial reporting, and direct cash transfers to partners were appropriately reviewed, approved, monitored and managed.

Throughout the period under audit, the office had training plans that addressed the identified skill gaps among staff, and appropriate training was provided. The office had completed 2014 performance evaluations for all staff. It also complied with minimum operating security standards (MOSS), and these were in accordance with the security accountability framework.

The office had put in place effective controls to ensure proper information and communication technology (ICT) security from internal and external intrusions. Roles and responsibilities of ICT function were clearly defined and well managed.

However, the audit also noted the following areas for improvement.

Contract management in VISION

Country offices are required to establish effective processes so that the procurement of programme supplies and services is properly planned, implemented and monitored. They should also maintain accurate procurement information in the UNICEF's management system, VISION.

According to VISION, the office issued 73 contracts for a total amount of US$ 0.9 million from January 2014 to April 2015. Of these, 63 contracts should have been closed in VISION, as they were past the contract end date. However, 18 of them remained open as of 5 May 2015, locking up a total of US$ 86,000 that could have been used for other purposes.

Agreed action 2 (medium priority): The office agrees to strengthen oversight of the application of expected procurement controls by establishing a process for validation of procurement-related information in VISION.

Target date for completion: 31 August 2015
Responsible staff members: Operations Manager

Vendor master records

UNICEF's Supply Manual provides guidance for the creation, maintenance, and use of, and access to, vendor records in VISION. The creation of vendor master records should be done centrally by the designated staff member(s). A country office is also expected to ensure the completeness of the vendor's details in the master record, particularly the banking details as this information is required for processing payments.

The office had correctly assigned the role of maintaining vendor master records in VISION to a staff member who was not involved in procurement, payment and transaction processing. A total of 690 vendor records had been created for Namibia country office as of May 2015. The audit noted that vendor master records were duplicated for 40 vendors, totalling 71 of the 690 vendor accounts (10 percent). Thirty of these 40 had more than two accounts each.

Duplication of vendor master records can cause an office to overlook information it has about a vendor or partner (for example, it could lead to the disbursement of cash transfers to partners that already have long-outstanding transfers). It could also lead to duplicate payments (the audit did not detect any). As of the time of the audit, the office was already taking corrective action.

Agreed action 3 (medium priority): The office agrees to establish a process for creation and maintenance of vendor master records that prevents duplication and makes sure of their completeness and accuracy.

Target date for completion: 31 August 2015
Responsible staff members: Operations Manager

Property, plant and equipment

Property, plant and equipment (PP&E) should be adequately maintained, identified and recorded, and to be used for authorized purposes in accordance with UNICEF policy and procedures. PP&E is normally understood as assets worth more than US$ 1,500, but items under this threshold that are considered "attractive" (laptops, for example, or cameras) should normally be recorded and maintained to the same standard. Country offices are also expected to put in place a process to dispose of assets that are obsolete or no longer required.

The last annual physical count of PP&E items was conducted in July 2014. As of the time of the audit, the total carry value (acquisition value less depreciation) of PP&E items was US$ 82,000, and the manual inventory list included 187 items. The audit noted that the serial numbers of 41 of them, mostly ICT-related items such as laptops and scanners, were not recorded in the VISION inventory list, whose total carry value was U$S 51,000.

The office had a functioning property survey board (PSB) committee with appropriate terms of reference and membership. The audit reviewed the disposal of assets, and noted that seven monitors approved by the PSB for donation to implementing partners in January 2014 could not be found in the list of deactivated or disposed-of inventory in VISION.

Agreed action 4 (medium priority): The office agrees to strengthen its supervisory controls to ensure that information on property, plant and equipment (PP&E) recorded in VISION is reconciled with the PP&E items reported in the inventory list.

Target date for completion: 31 August 2015
Responsible staff members: Operations Manager

Business Continuity Plan

UNICEF Executive Directive 2007/006 requires all UNICEF offices, including regional and country offices, to maintain continuity of highly critical functions during and following a disaster and/or crisis event, and to have a Business Continuity Plan (BCP). Testing and simulation of the BCP is essential to ensure that an office maintains the capacity to function in an emergency. A further key activity is performance of a drill to test a single emergency response function or action (e.g. notification, data recovery, etc.).

The audit noted that the office had finalized its BCP in June 2013. While the BCP test was done in 2014, the results of the test were not formally documented and therefore any areas for improvement were not systematically followed up. Further, the test was not comprehensive as it did not include testing and work from an alternate location.

Agreed action 5 (medium priority): The office agrees to perform a full simulation testing of the Business Continuity Plan (BCP) that includes testing and work from an alternate location, formally record the results, and develop an action plan to address any noted weaknesses.

Target date for completion: 31 August 2015
Responsible staff members: Operations Manager

Operations support: Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over operations support, as defined above, were generally established and functioning during the period under audit.

Annex A: Methodology, and definition of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews, testing samples of transactions. The audit compared actual controls, governance and risk management practices found in the office against UNICEF policies, procedures and contractual arrangements.

OIAI is firmly committed to working with auditees and helping them to strengthen their internal controls, governance and risk management practices in the way that is most practical for them. With support from the relevant regional office, the country office reviews and comments upon a draft report before the departure of the audit team. The Representative and their staff then work with the audit team on agreed action plans to address the observations. These plans are presented in the report together with the observations they address. OIAI follows up on these actions, and reports quarterly to management on the extent to which they have been implemented. When appropriate, OIAI may agree an action with, or address an Agreed action to, an office other than the auditee's (for example, a regional office or HQ division).

The audit looks for areas where internal controls can be strengthened to reduce exposure to fraud or irregularities. It is not looking for fraud itself. This is consistent with normal practices. However, UNICEF's auditors will consider any suspected fraud or mismanagement reported before or during an audit, and will ensure that the relevant bodies are informed. This may include asking the Investigations section to take action if appropriate.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. OIAI also followed the reporting standards of International Organization of Supreme Audit Institutions.

Priorities attached to agreed actions

High: Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.

Medium: Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.

Low: Action is considered desirable and should result in enhanced control or better value for money. Low-priority actions, if any, are agreed with the country-office management but are not included in the final report.

Conclusions

The conclusions presented at the end of each audit area fall into four categories:

[Unqualified (satisfactory) conclusion]
Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the country office *[or audit area]* were generally established and functioning during the period under audit.

[Qualified conclusion, moderate]
Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over [audit area], as defined above, were generally established and functioning during the period under audit.

[Qualified conclusion, strong]
Based on the audit work performed, OIAI concluded that the controls and processes over [audit area], as defined above, needed improvement to be adequately established and functioning.

[Adverse conclusion]
Based on the audit work performed, OIAI concluded that the controls and processes over [audit area], as defined above, needed **significant** improvement to be adequately established and functioning.

[Note: the wording for a strongly qualified conclusion is the same as for an adverse conclusion but omits the word "significant".]

The audit team would normally issue an ***unqualified*** conclusion for an office/audit area only where none of the agreed actions have been accorded high priority. The auditor may, in exceptional circumstances, issue an unqualified conclusion despite a high-priority action. This might occur if, for example, a control was weakened during a natural disaster or other emergency, and where the office was aware of the issue and was addressing it. Normally, however, where one or more high-priority actions had been agreed, a ***qualified*** conclusion will be issued for the audit area.

An ***adverse*** conclusion would be issued where high priority had been accorded to a significant number of the actions agreed. What constitutes "significant" is for the auditor to judge. It may be that there are a large number of high priorities, but that they are concentrated in a particular type of activity, and that controls over other activities in the audit area were generally satisfactory. In that case, the auditor may feel that an adverse conclusion is not justified.