



## **United Nations Population Fund**

Delivering a world where every pregnancy is wanted, every childbirth is safe and every young person's potential is fulfilled.

### **DIVISION FOR OVERSIGHT SERVICES**

DESK AUDIT  
OF THE UNFPA COUNTRY OFFICE  
IN NAMIBIA

**FINAL REPORT**  
N° NAM-101

**31 January 2014**

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## EXECUTIVE SUMMARY

1. The Division for Oversight Services (DOS) performed a desk audit of the UNFPA Country Office in Namibia (the Office) from 1 July to 15 November 2013. The desk audit covered the period from 1 January to 31 December 2012. Expenditures related to programme delivery and operations activities executed in 2011 and 2013 were covered by the audit, as appropriate.

### Background

2. The activities covered by the desk audit corresponded to the fourth Country Programme 2006-2010 approved by the Executive Board in 2005. The Country Programme was extended in 2010 for a two year period (2011-2012) and in 2012 for an additional year (2013), with a resource allocation of USD 5.5 million for the initial five-year cycle, and USD 4.8 million for the three-year extension. The extensions were granted following an evaluation of the United Nations Development Assistance Framework for Namibia, with the aim of aligning it to the National Development Plan and to respond to identified national priorities.

3. Total expenditures covered by the audit amounted to USD 2.7 million, allocated to eight projects executed by six implementing partners (USD 1.0 million) and by UNFPA (USD 1.7 million)<sup>1</sup>, funded from core resources of USD 2.2 million and non-core resources of USD 0.5 million. Approximately 49 per cent of expenditures related to the Reproductive Health component, which focused on HIV prevention and impact mitigation and the provision of high quality reproductive health services, including essential obstetric care in selected intervention areas. The Gender component accounted for 11 per cent of expenditures and focused on addressing gender inequalities that contribute to the spread of HIV/AIDS. The Population and Development component accounted for 9 per cent of expenditures, with a focus on forging a better understanding of linkages between population dynamics, poverty, and the demographic and socio-economic causes and consequences of the HIV/AIDS epidemic. Management and programme coordination and assistance costs accounted for the remaining 31 per cent of expenditures.

### Methodology and scope

4. The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, which require that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and internal control processes in place. The audit included reviewing and analyzing, on a test basis, information that provided a basis for the audit conclusions. The work was conducted out of Headquarters and no field mission was undertaken.













5. The audit included: (a) an analytical review of Atlas financial and project management information; (b) a review of selected documents, records and reports; (c) a review of documentary evidence supporting programme planning and implementation activities for selected projects; (d) a review of selected financial transactions; and (e) management inquiries on matters arising from the procedures applied.

### Audit rating

6. The audit indicates that, for the period covered, the risk management performance of the Office was **'Unsatisfactory'**, which means that governance, risk management and internal control processes were either not established or functioning well and that the issues noted were such that the achievement of the objectives of the audited entity could be seriously compromised. Ratings by key audit area are summarized in the following table:

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<sup>1</sup> Source: COGNOS project monitoring reports for the year ended 31 December 2012.

Audit ratings by key audit area		
<b>Office Governance</b>		<b>Unsatisfactory</b>
<i>Office management</i>		<i>Satisfactory</i>
<i>Organizational structure and staffing</i>		<i>Unsatisfactory</i>
<i>Risk management</i>		<i>Partially satisfactory</i>
<b>Programme Management</b>		<b>Unsatisfactory</b>
<i>Programme planning, implementation and monitoring</i>		<i>Partially satisfactory</i>
<i>National execution (NEX)</i>		<i>Unsatisfactory</i>
<i>Inventory management</i>		<i>Satisfactory</i>
<i>Management of non-core funding</i>		<i>Satisfactory</i>
<b>Operations Management</b>		<b>Partially satisfactory</b>
<i>Human resources management</i>		<i>Partially satisfactory</i>
<i>Procurement</i>		<i>Satisfactory</i>
<i>Financial management</i>		<i>Partially satisfactory</i>
<i>General administration</i>		<i>Partially satisfactory</i>
<i>Information and communications technology</i>		<i>Satisfactory</i>
<i>Security management</i>		<i>Not assessed – low risk area</i>

### Key findings and recommendations

7. The audit further identified several good practices as well as areas that require management attention, some of a strategic nature; some more operational. Overall, the audit report includes five high priority and 12 medium priority recommendations designed to help the Office improve its operations. Of the 17 recommendations, three are of strategic nature; five are operational; seven related to compliance and two to reporting.

#### *Good practices*

8. The audit identified a number of good practices adopted by the Office, some of which could be considered for replication by other offices. Mechanisms for follow-up of Office activities were in place. Job descriptions were detailed and clear, and staff conversant with their assigned roles and responsibilities. The 2012 planning process was initiated early, allowing for a timely finalization of annual work-plans by February 2012. A customized spreadsheet-based application was developed to facilitate the reporting of expenditures by implementing partners, and local banks engaged to manage payments of allowances to meeting and training participants and of fuel and repair costs for the Office's fleet of vehicles, minimizing the risks associated with handling cash payments.

#### *Strategic level*

9. The current Office's organizational structure and staffing, hardly changed since 2009, should be revisited in view of the smaller-sized Country Programme 2014-2018 and the need for right-sizing finance and operations management capacity. Further, the delay in the recruitment of a new Country Representative resulted in the appointment of several Officers-in-Charge during the 10-month vacancy in the Representative position, which is not conducive to continuity. From a systemic perspective, vacancies of representatives in country offices, especially prolonged ones, call for strengthened support and managerial oversight at regional level until the arrival of a new incumbent. Also, the Office's fraud and operational risk assessment needs to be updated and its follow-up formalized.

*Operational level*

10. Programme management and monitoring should be enhanced through more precise and documented annual work plan budgets, monitoring plans better linked to annual work plan milestones, and better documentation of monitoring visits. In addition, implementing partners engaged for the Country Programme 2014-2018 should be assessed anew as the last assessment dates back to 2008. They should also directly contract and pay the consultants they hire, instead of the Office doing so.

*Compliance level*

11. The Office should systemically follow-up recommendations stemming from National Execution audits to implementing partners, and confirm completion in the follow-up tool only once implemented. The Office should also periodically reconcile Operating Fund Account balances, as per the guidelines, and provide supporting documentation for the adjustments recorded in 2012 of aged balances carried forward from 2011 and previous years. It should also document contributions to other United Nations organizations following the applicable United Nations Development Group guidelines, and correctly book them as advances until completion of the foreseen activities.

12. Further, programme coordination and assistance costs should also be managed and accounted for in accordance with applicable guidelines. In addition, value-added tax paid should be consistently accounted for in accordance with the applicable guidelines and reimbursement claims submitted on a regular basis. Travel reports too should be submitted on a regular basis. Lastly, recruitment processes should be concluded as expeditiously as possible, within the foreseen process milestones.

*Reporting level*

13. The Office should more accurately allocate budgets and expenditures to the correct project, fund and general ledger account codes, using an appropriate apportionment basis when required, such that financial reporting can be used on a continuous basis as a useful monitoring tool.

*Management response*

14. The desk review came at an opportune time while the Office was concluding the Fourth Country Programme and embarking on a new Country Programme. As such, the Office took the review in positive light as it would serve as a reference document in future project management and office administration. It is also the Office's hope that the East and Southern Africa Regional Office and Headquarters will take note of the Office's needs in terms of staff capacity and development to ensure that the Office operates effectively and optimizes its potential.

15. The DOS team would like to thank the management and staff of the Office and the East and Southern Africa Regional Office, and of the different Headquarters units for their cooperation and assistance throughout the audit.

## I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The audit covered the period from 1 January 2012 to 31 December 2012. Expenditures related to programme delivery and operations activities executed in 2011 and 2013 were covered by the audit, as appropriate.
2. The objectives of the audit were to:
  - a) Assess the appropriateness of the financial transactions selected for examination in the context of the Office's programmatic and operational interventions;
  - b) Assess whether selected financial transactions were:
    - i. Completed in compliance with all applicable policies and procedures;
    - ii. Properly authorized; and
    - iii. Accurately recorded and reported;
  - c) Obtain evidence of the operating effectiveness of key controls implemented by the Office to mitigate risks identified through the procedures applied; and
  - d) Provide concrete and practical recommendations to the Office to improve risk management and control in the areas covered by the audit.
3. The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* which require that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and internal control processes in place. The audit included reviewing and analyzing, on a test basis, information that provided a basis for the audit conclusions.
4. The audit included: (a) an analytical review of Atlas financial and project management information; (b) a review of selected documents, records and reports; (c) a review of documentary evidence supporting programme planning and implementation activities for selected projects; (d) a review of selected financial transactions; and (e) management inquiries on matters arising from the procedures applied. The work was conducted out of Headquarters and no field mission was undertaken.
5. The engagement was conducted by a team of DOS internal audit staff, from 1 July to 15 November 2013. No field visits took place as part of the desk audit. The findings and recommendations resulting from the audit were extensively discussed with the Office's management and staff through an exit meeting held on 16 December 2013. Comments and clarifications provided by management were reflected in a draft report submitted to the Office's management on 30 December 2013, and a final management response was received on 20 January 2014.

## II. BACKGROUND

6. Namibia is an upper middle-income country, with a population of 2.1 million<sup>2</sup>, growing at 1.5 per cent<sup>2</sup> per year, an annual per capita income of USD 5,293<sup>2</sup> and a high level of income inequality. With 66 per cent of the population below the age of 30, Namibia is predominantly young, with an average life expectancy of 62.6 years<sup>3</sup>. The fertility rate declined from 4.2 in 2000 to 3.6 in 2006, with significant fluctuations between rural and urban areas<sup>3</sup>. The national contraceptive prevalence rate was 46.6 per cent of women aged 15 to 49<sup>3</sup>. The maternal mortality ratio stabilized at 200 per 100,000 live births between 1990 and 2010<sup>4</sup>. The national teenage pregnancy rate is 15.4 per cent<sup>3</sup>. The estimated HIV prevalence rate for the general population is 13.4 per cent<sup>3</sup>. The prevalence among young pregnant women aged 15 to 24 decreased from 26.6 per cent in 2006 to 16.3 per cent<sup>3</sup> in 2012. Sixty-seven per cent of all new infections are among women<sup>3</sup>.

7. The activities covered by the desk audit corresponded to the fourth Country Programme 2006-2010 approved by the Executive Board in 2005. The Country Programme was extended in 2010 for a two year period (2011-2012) and in 2012 for an additional year (2013), with a resource allocation of USD 5.5 million for the initial five-year cycle, and USD 4.8 million for the three-year extension. The extensions were granted following an evaluation of the United Nations Development Assistance Framework for Namibia, with the aim of aligning it to the National Development Plan and to respond to identified national priorities.

8. Total expenditures covered by the audit amounted to USD 2.7 million, allocated to eight projects executed by six implementing partners (USD 1.0 million) and by UNFPA (USD 1.7 million)<sup>5</sup>, funded from core resources of USD 2.2 million and non-core resources of USD 0.5 million. Approximately 49 per cent of expenditures related to the Reproductive Health component, which focused on HIV prevention and impact mitigation, and the provision of high quality reproductive health services, including essential obstetric care in selected intervention areas. The Gender component accounted for 11 per cent of expenditures and focused on addressing gender inequalities that contribute to the spread of HIV/AIDS. The Population and Development component accounted for 9 per cent of expenditures, with a focus on forging a better understanding of linkages between population dynamics, poverty, and the demographic and socio-economic causes and consequences of the HIV/AIDS epidemic. Management and programme coordination and assistance costs accounted for the remaining 31 per cent of expenditures.

9. The Office is located in the city of Windhoek. During the period under review, the Office was managed by a Representative assisted by two Assistant Representatives and an Operations Manager. As from 1 April 2013, following the retirement of the Representative in March 2013, the Office was managed by two different Officers-in-Charge and one of the Assistant Representatives.

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<sup>2</sup> Namibia 2011 Population and Housing Census.

<sup>3</sup> Country Programme Document for Namibia (2014-2018).

<sup>4</sup> Trends in Maternal Mortality: 1990 to 2010. WHO, UNICEF, UNFPA, and the World Bank Estimates.

<sup>5</sup> Source: COGNOS project monitoring reports for the year ended 31 December 2012.

### III. DETAILED FINDINGS

#### A. OFFICE GOVERNANCE

**UNSATISFACTORY**

##### Good practices identified

10. The desk audit identified the following good practices in the area of governance, which were in line with established policies and procedures:
- a) Job descriptions were detailed and clear, and staff conversant with their assigned roles and responsibilities; and
  - b) Coordination and monitoring mechanisms for the follow-up of Office activities were in place. In particular, monthly programme and staff meetings were held with specific outcomes for subsequent follow-up.

#### A.1 – OFFICE MANAGEMENT

**SATISFACTORY**

11. Work performed in this area was limited to the review of the Office Management Plan (OMP). Overall, the majority of activities included in the OMP for the period under review were completed. No reportable issues were identified based on the audit work performed in this area.

#### A.2 - ORGANIZATIONAL STRUCTURE AND STAFFING

**UNSATISFACTORY**

12. Audit work performed in this area included the review of the adequacy of the organizational structure and the number and capacity of Office staff to the requirements of Country Programme delivery and operations management, and the proper utilization of staff engaged under the Service Contract (SC) and Special Service Agreement (SSA) modalities during the period under review.

##### The Office structure and staffing alignment with the Country Programme needs to be urgently reassessed

13. The audit noted that no comprehensive review of the Office's organizational structure has been undertaken since 2009, in spite of the Country Programme extensions approved in 2010 and in 2012; the decreasing programme size, from USD 3.4 million in 2009 to USD 2.7 million in 2012; and the new Country Programme 2014 – 2018, due for approval in January 2014, the draft of which indicates tentative resources of USD 1.7 million per year or USD 8.5 million over the five year period.

14. As a result of the diminishing programme size, the proportion of staff costs compared to total annual expenditures correspondingly increased, from 20 per cent in 2009 (with 13 filled positions and four vacancies) to 33 per cent in 2012 (with 16 filled positions and two vacancies). As at 31 October 2013, the ratio had reached 46 per cent of year-to-date expenditures.

15. Further, the audit noted that, during the same period, the number of finance staff remained unchanged at two, in spite of the higher number of financial transactions processed by the Office, which increased from 652 in 2010 to 900 in 2012 and 830 in 2013 (as at 30 November 2013), a 38 per cent increase.

IMPACT	<i>The current organizational structure and staffing may be misaligned to current programme delivery requirements, and may not be the best use of resources.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at the Office, Regional Office, and UNFPA Headquarters levels).</i>
CATEGORY	<i>Strategic.</i>



**RECOMMENDATION 1****PRIORITY: HIGH**

*Review and align, as appropriate, the Office's structure, staffing and skill set to the needs of the Country Programme 2014-2018.*

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *31/03/2014*

*The Office, in consultation with the East and Southern Africa Regional Office and Division of Human Resources, will review its organizational structure against the background of the new Country Programme to optimize resources and the overall potential of the Office. The East and Southern Africa Regional Office has confirmed that it will support the Office in this regard through a desk review, as well as part of the country specific support in ensuring an efficient transition into the new UNFPA strategic plan.*

*Countries with prolonged Representative vacancies should get adequate Regional Office support*

16. The Country Representative position remained vacant from 1 April 2013 throughout the time of the audit. During this period, two different Officers-in-Charge (OICs) and one of the Assistant Representatives were responsible for managing the activities of the Office. The new Country Representative was selected in July 2013 and, according to information provided by the Division of Human Resources, will assume his duties in January 2014.

17. During the period of the vacancy, the multiplicity of OICs was not conducive to continuity in the way operations were managed; furthermore, there was limited supervision exercised by the Regional Office. This is not a situation unique to the region.

IMPACT	<i>The effectiveness of programme delivery and operations may be diminished by lengthy Representative vacancy periods and multiple OICs.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at the Regional Office and Headquarters level).</i>
CATEGORY	<i>Strategic.</i>

**RECOMMENDATION 2****PRIORITY: HIGH**

*Set up a mechanism, in collaboration with the Regional Offices and the Division for Human Resources, where country offices with prolonged Representative vacancies get sufficient support and managerial oversight from the relevant Regional Office.*

RESPONSIBLE MANAGER: *Regional Director (ESARO )/ Deputy Executive Director (Programme)*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *30/06/2014*

*As part of the HR transformation corporate project, two mechanisms will help ensure closer support is provided to the country offices with prolonged vacancies of the representative. These include:*

- a) Leadership Pool: This is a pre-assessed group of candidates who will be used as the source for filling future post vacancies. A first cohort of staff has been assessed and are benefiting from individualized career advice and provision of tailored development opportunities to enhance their readiness to assume leadership posts. Their deployment will take less time since the recruitment process will be substantially shortened.*

- b) *The HR Strategic Partners: Six senior HR positions are being established to be placed at each regional office where they will be involved in helping speed up the process of recruitment of critical posts, including Representatives. The recruitment of the HR Strategic Partners is currently underway.*

*Additionally, the Regional Offices will strengthen the managerial support provided to the COs with representative vacancies, through establishing focal points at the RO level.*

**A.3 – RISK MANAGEMENT**

**PARTIALLY SATISFACTORY**

18. Audit work performed in this area consisted of the review of the Office’s last fraud and operational risk assessment, the process followed for identifying risks, and the actions undertaken to mitigate them.

*The fraud and operational risk assessment needs to be updated annually*

19. A detailed and comprehensive fraud and operational risk assessment was last completed in 2011, and has not been updated in 2012 or 2013. Instead, other mechanisms such as monthly programme and staff meetings were used to report and discuss programme and work related issues, as well as risks. Records of the outcomes of these meetings were kept. However, there was no systematic and disciplined process to collect, log, assess and prioritize risks, develop necessary action plans, and track their implementation.

IMPACT	<i>The Office may not be able to identify and manage critical risks in a timely, structured and systematic manner, resulting in inability to achieve its objectives.</i>
ROOT CAUSE	<i>Guidance (lack of guidance at the Office level).</i>
CATEGORY	<i>Strategic.</i>

**RECOMMENDATION 3**

**PRIORITY: MEDIUM**

*Update the fraud and operational risk assessment on an annual basis and establish a systematic mechanism to identify, prioritize and log risks, develop action plans to address them, and track their implementation.*

RESPONSIBLE MANAGER: *Operations Manager*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *31/03/2014*

*The Office will liaise with the East and Southern Africa Regional Office and Headquarters for the development of an up-to-date fraud and operational risk assessment plan for 2014.*

**B. PROGRAMME MANAGEMENT**

**UNSATISFACTORY**

Good practices identified

20. The desk audit noted the following good practices adopted by the Office in the area of programme management, some of which could be considered for replication by other offices:

- a) The annual work plan (AWP) preparation and planning process for 2012 was initiated early in November 2011, resulting in a timely approval and signing of AWP by February 2012, thereby facilitating an early start of programme activities; and
- b) The Office developed a customized spreadsheet application, including a cash book, to facilitate the reporting of expenditures by its implementing partners (IPs). The tool, aimed at increasing the accuracy of the expenditure reports, has built-in controls for input and calculation of data, and offers a number of benefits to IPs, especially those that do not have sophisticated financial management systems.

**B.1 - PROGRAMME PLANNING, IMPLEMENTATION AND MONITORING****PARTIALLY SATISFACTORY**

21. The Office implemented eight projects in 2012 at a cost of USD 2.3 million, inclusive of Programme Coordination and Assistance (PCA) expenditures. Work performed in this area included a review of AWP, monitoring reports, and other supporting evidence of programme planning, implementation and monitoring for two of the projects with aggregated expenditures of USD 982,153, or 43 per cent of total programme implementation expenditures.

*AWP budgets' level of detail needs to be enhanced to improve programme management and monitoring efficiency*

22. AWP were generally clearly indicating what was expected to be accomplished during the year. However, the audit noted that the related budgets did not contain sufficient detail to use them as an effective programme management and monitoring tool. Typically, single amounts were budgeted for multiple activities with no indication of the related inputs and amounts budgeted for each planned activity, and of the quantities, rates and assumptions used in developing the budget estimates.

IMPACT	<i>Project budgets may be inaccurate. The effectiveness of the budget as a monitoring and internal control tool is weakened.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at the Office level).</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 4****PRIORITY: MEDIUM**

*Prepare activity level budgets for inclusion in 2014 AWP, supported by detailed budget costing sheets that clearly document inputs, units, rates and assumptions utilized to develop the budget estimates, as required by the applicable guidelines.*

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *28/02/2014*

*The Office will facilitate the development of AWP that will highlight detailed activities both at the national and regional levels, with appropriate budget breakdown and justifications. The justifications will present required inputs appropriately linked to a clear set of outputs and results.*

*The monitoring plan should be better linked to AWP milestones*

23. The Office's monitoring plan for the period under review specified the regions and projects to be visited, planned site visit dates, and the composition of the monitoring teams. However, the audit noted that the monitoring plan did not identify the AWP milestones to be monitored, the expected focus and results of each monitoring visit, and the roles and responsibilities of each monitoring team member.

IMPACT	<i>The effectiveness and efficiency of monitoring may be diminished.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at the Office level).</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 5****PRIORITY: MEDIUM**

*Enhance the monitoring plan by providing details on the AWP milestones to be monitored, the expected focus and results of each monitoring visit, and the roles and responsibilities of each monitoring team member.*

RESPONSIBLE MANAGER: *Monitoring & Evaluation Officer*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *31/03/2014*

*Clear targets will be set in the AWP for each result area defined for projects of the Country Programme. SMART<sup>6</sup> indicators identified to track progress will then be linked to the monitoring and evaluation tool and the reporting format will be defined. These result areas will guide monitoring activities by tracking progress, identifying gaps and recommending appropriate remedial action. Consequently, each monitoring visit will be guided by clear terms of reference where each team member will have clear roles.*

*The monitoring of payments to community volunteers should be documented*

24. One of the RH programmes implemented during the period under review employed a Communication for Behavioral Impact strategy to facilitate social and behavioral change in the three target regions of the programme. This approach promotes interpersonal communication as a means of relaying health messages to target communities and utilizes trained community volunteers, known as lifestyle ambassadors, to conduct house to house visits, and supervisors who are responsible for overseeing the activities of the lifestyle ambassadors.

25. The IP that manages the programme compensated the lifestyle ambassadors and their supervisors through payments totaling approximately USD 175,000 in 2012. Office management explained that the monitoring of these payments was largely done through spot-checks conducted by Office staff at the time the payments were made, and periodic site visits to the IPs to check whether the payments had been properly authorized, signed for by the recipients, and vouchers reconciled.

26. The audit noted, however, that the monitoring of the payments was not documented, e.g. covering, as a minimum, the sample of payments reviewed, which beneficiaries were interviewed, confirmation by the beneficiaries of the services received, the results of the monitoring. This limits the assurance about whether the funds were indeed appropriately disbursed.

IMPACT *Limited assurance over the appropriate use of funds.*

ROOT CAUSE *Guidance (inadequate supervision at the Office level).*

CATEGORY *Operational.*

**RECOMMENDATION 6****PRIORITY: MEDIUM**

*Document spot-checks and site visits undertaken to monitor payments to community volunteers performing programme implementation activities.*

RESPONSIBLE MANAGER: *Operations Manager*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *31/03/2014*

*The Office will review the current process of recruiting monitoring Lifestyle Ambassadors and propose improvement (to the IP), should this activity continue in the new CP. This will include the requirement that each lifestyle ambassador opens an account with either Commercial Bank or NamPost, where*

<sup>6</sup> Specific, Measurable, Attainable, Relevant, Time-bound

*practically possible. Each lifestyle ambassador will be required to have a valid identification card. The Office will also develop a tool/checklist for use by UNFPA programme officers to validate the reports presented by the IP.*

*Programme coordination and assistance costs should be managed in accordance with applicable guidelines*

27. PCA costs amounted to USD 296,974 and USD 356,918 in 2012 and in 2013 (as of 30 November 2013), respectively. AWP's were not prepared for PCA for either year, as required by the applicable guidelines. Further, the costs charged to the PCA project in 2013 exceeded the applicable ceiling of 15 per cent of expenditures funded from regular resources, by USD 28,454 as at 30 November 2013.

28. The audit noted that costs charged to the PCA project in 2012, which is funded entirely from the organization's core resources, included ineligible expenditures amounting to USD 97,886, such as DSA and telephony costs incurred for monitoring and evaluation activities, common services charges and NEX audit fees. All of these expenditures should have been reviewed and allocated to the outcomes to which they could be attributed (including those funded from non-core resources), using a rational apportionment basis, when required, instead of charging them to the PCA project.

IMPACT *Lack of a basis to monitor the execution of PCA activities, resulting on additional pressure on the organization's limited core resources.*

ROOT CAUSE *Guidance (inadequate supervision at the Office level).*

CATEGORY *Compliance.*

**RECOMMENDATION 7**

**PRIORITY: MEDIUM**

*Manage PCA costs in accordance with Section 1.7.3 of the Development and Approval of the Country Programme Document policy.*

RESPONSIBLE MANAGER: *Operations Manager*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *28/02/2014*

*See recommendation number eight below.*

IMPACT *Lack of allocation of expenditures to the different funding sources, resulting in inaccurate reported figures by fund.*

ROOT CAUSE *Guidance (inadequate supervision at the Office level).*

CATEGORY *Reporting.*

**RECOMMENDATION 8**

**PRIORITY: MEDIUM**

*Allocate costs to the relevant outcomes and funds to which they can be attributed, including the use, where required, of a rational basis of apportionment, commencing in January 2014.*

RESPONSIBLE MANAGER: *Operations Manager*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *28/02/2014*

*AWP will be developed for PCA in line with guidelines in the Development and Approval of the Country Programme Document policy. General office expenses listed above (such as M&E, expense, telephone expense, etc.) will be apportioned and budgeted for in the respective projects both under earmarked (non-core) and un-earmarked (core funds).*

**B.2 – NATIONAL EXECUTION****UNSATISFACTORY**

29. National execution (NEX) amounted to USD 986,935 in 2012 (44 per cent of programme expenditures), representing activities implemented by four government agencies and two non-governmental organizations (NGOs). Audit procedures performed in this area included the review of IP capacity assessments; FACE (Funding Authorization and Certificate of Expenditure) forms for the two largest IPs engaged by the Office which reported programme implementation expenditures of USD 721,299 (73 per cent of NEX expenditures) in 2012; and of adjustments amounting to USD 80,686 recorded in 2012 to clear aged Operating Fund Account (OFA) advances that had not been liquidated as at 31 December 2011. The audit also included the review of NEX audit reports covering expenditures reported by the two largest IPs engaged in 2012 amounting to USD 678,077.

*The capacity of implementing partners to be engaged for the new Country Programme 2014-2018 should be reassessed*

30. At the time of finalization of the audit, the Office had not yet completed the capacity assessments for the six IPs to be engaged in the delivery of the new Country Programme 2014–2018. These IPs were last assessed in 2008; there is therefore a need to perform new capacity assessments due to the time elapsed and because the 2008 assessments were limited primarily to the IPs' financial management capacity. In addition, the Programme Division released a comprehensive capacity assessment methodology and tool (Implementing Partner Capacity Assessment Tool – IPCAT) in 2012, which would allow for a more effective assessment of IP capacity.

IMPACT	<i>The effectiveness of national execution may be diminished due to IP capacity gaps.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at the Office level).</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 9****PRIORITY: MEDIUM**

*Complete capacity assessments for all IPs to be engaged by UNFPA for the delivery of the new Country Programme 2014-2018, following the latest corporate guidelines before any funding is provided to the IPs under the new programme*

RESPONSIBLE MANAGER: *Operations Manager*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *28/02/2014*

*A UN-wide (Namibia) HACT committee involving UNFPA was established to facilitate the Macro and Micro Assessment as part of the pre-conditions for implementing HACT. The procurement process (coordinated by UNDP) necessary to retain the firm(s) that will undertake the assessment is currently ongoing albeit slowly. The CO has however commenced the processes to undertake IP capacity assessments utilizing the IPCAT tool and other relevant guidelines.*

*NEX audit recommendations need to be promptly followed up*

31. Both NEX audits performed in 2012 resulted in unqualified NEX audit reports. However, the audits raised management and financial issues with respect to (i) reporting of interest earned on unspent UNFPA funds; (ii) audit trails allowing the linkage of expenditures reported in FACE forms to individual transactions recorded in one of the IP's general ledger and underlying supporting documentation; (iii) evidence of approval of supplier invoices; and (iv) signing of FACE forms by IP officials not expressly designated in the IP's letter of understanding to authorize the forms.

32. The audit noted that the Office did not prepare an action plan to monitor compliance by the IPs with the NEX audit recommendations. Further, at the time of finalization of the audit, Office staff was yet to visit the two IPs audited in 2012 in order to review actions taken towards implementation of the audit recommendations. The Office had, nevertheless, signed off in the National Execution Audit Management System (NEXAMS) as having finalized the implementation of all NEX audit recommendations (compliance plan) for 2012.

IMPACT *Programme implementation may be impacted due to weak IP capacity.*

ROOT CAUSE *Guidance (inadequate supervision at the Office level).*

CATEGORY *Compliance.*

**RECOMMENDATION 10**

**PRIORITY: MEDIUM**

*Develop compliance plans to allow for the timely implementation of NEX audit recommendations by the concerned IPs, and report the implementation of the compliance plans in NEXAMS only after the IPs have implemented the audit recommendations.*

RESPONSIBLE MANAGER: *Operation Manager*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *30/04/2014*

*The audit recommendations are dully discussed with IPs and implemented. The Office will, however, develop a NEX audit compliance plan for tracking and monitoring improvements/progress and the challenges that IPs may be experiencing.*

*Implementing partners should contract and pay out their own consultants*

33. The audit noted that the Office followed the practice of issuing UNFPA contracts to consultants engaged by IPs. In response to the audit team's request for documentation supporting such consultancies, the Office only provided letters issued by the IPs requesting the issuance of the contracts and the payment of the applicable fees to the consultants selected. Management represented that in certain cases, UNFPA staff participated in the recruitment of these consultants and in the assessment of their performance. However, recruitment files and performance assessments were not provided for review.

34. Further, the costs of the consultancies managed under the above described modality were generally recorded as direct execution (DEX) by the Office, whereas they should have been recorded as NEX as the IPs recruited and managed the performance of the consultants and their deliverables. UNFPA issued the contracts and made payments to the consultants primarily as a matter of convenience to the IPs and to reduce the risk of cash transfers. Further, this practice results in an increase in the workload and could create liability risks, given that the IP consultants are issued UNFPA contracts.

IMPACT *Increase in the workload managed by the Office. Potential transfer of liability to UNFPA. Misrepresentation of the implementation modality followed.*

ROOT CAUSE *Guidance (inadequate supervision at the Office level).*

CATEGORY *Operational.*

**RECOMMENDATION 11**

**PRIORITY: MEDIUM**

*Require IPs to issue contracts to the consultants they engage to implement UNFPA funded activities, commencing in January 2014.*



RESPONSIBLE MANAGER: *Operations Manager*STATUS: *Agree*MANAGEMENT ACTION PLAN:DUE DATE: *28/02/2014*

*As a first option, the Office will assist IPs with the recruitment of consultants without assuming any responsibility for contracting. The assistance will be in terms of participating in the preparation of terms of reference to ensure completeness and value for money, providing information on potential consultants and, where practical, take part in the various recruitment processes, committees and panels to ensure transparency and objectivity without assuming any contractual responsibilities. However, where it is proven beyond doubt (by the IP) that there are absolute difficulties in recruiting a consultant and, on the basis of the exigency of the nature of the consultancy, the Office will seek guidance on how to handle the case.*

*Controls over the Operating Fund Account (OFA) need to be complied to*

35. As of December 2011 the Office had aged OFA balances, brought forward from 2010 and previous periods, net of a credit recorded in the fourth quarter of 2011, amounting to USD 108,160. The advances were cleared in 2012 through journal entries processed by the Finance Branch at Headquarters.

36. The audit selected a sample of journal entries amounting to USD 80,686 for review of the authorization and appropriateness of the adjustments and the documentation supporting them. Per the Finance Branch staff, the aged balances were cleared after the review of the supporting documents provided by the Office, as it was concluded that they were the results of previous years' OFA accounting errors. However, no comprehensive reconciliation of the amount of the adjustments to the corresponding FACE forms submitted by the IPs and Atlas expenditures was provided for review.

37. The audit also noted that the Office recovered an outstanding advance of USD 2,000 from an international NGO in August 2013. According to the documentation provided for review by the audit, this advance dated back to at least 2007, when the NGO had ceased operations in Namibia, evidencing that follow-up procedures by the Office were not instituted promptly.

38. The NEX audit completed in April 2013 for one of the IPs engaged by the Office in 2012 reported a difference of NAD 81,636 (approximately USD 8,165) between the net OFA balance reported in Atlas (NAD 150,471 - approximately USD 15,047) and the OFA balance reported in the FACE forms submitted by the IP (NAD 232,107 - approximately USD 23,210). The Office did not reconcile the difference. Further, at the time of finalization of the audit, the Office had not prepared quarterly OFA-to-FACE reconciliations in 2013, as recommended by the UNFPA guidelines on the management of OFA.

IMPACT	<i>The Finance Branch OFA monitoring process may not be operating effectively. Inability to timely recover amounts due to UNFPA. OFA balances may be misstated.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at the Office level).</i>
CATEGORY	<i>Compliance.</i>

**RECOMMENDATION 12****PRIORITY: HIGH**

*Reconcile the OFA balances adjusted in 2012 to appropriate supporting documentation. Going forward, reconcile OFA balances on a quarterly basis, commencing in the fourth quarter of 2013.*



RESPONSIBLE MANAGER: *Operations Manager*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Immediate*

*The Office will stringently apply the directive on OFA management. The Office will prepare mandatory reconciliations on a quarterly basis: OFA to FACE and CDR to FACE to ensure that prompt actions are taken on activities with low/slow implementation thereby avoiding accumulation of funds. The Office will also prepare an OFA monitoring tool.*

*Contributions to UN Agencies must follow the applicable UNDG guidelines*

39. During the period under review, the Office made a contribution of USD 30,000 to the Joint United Nations Programme on HIV/AIDS (UNAIDS), to support UNAIDS in conducting a situational analysis on the HIV response among young people in Namibia. The audit noted that the Office did not use the most current agreement template issued in December 2011. The outdated agreement model used contained contradictory language regarding reporting requirements, as one clause indicated that no formal financial reporting would be required, except as a courtesy upon request to enable reporting to donors, whereas another clause required the submission of a final financial report and the refund of any unspent balances of the contribution, unless otherwise agreed in writing.

40. The audit noted that the Office expensed the amount of the contribution at the time it was paid. Per the applicable OFA guidelines, the amount paid to UNAIDS should have been recorded as an OFA advance and charged to expenditures only upon completion of the activities for which the funds were provided based on expenditure reports provided to UNFPA. There was no evidence that any such reports were obtained from UNAIDS, so it was not possible for the audit to determine whether any amount was due to UNFPA.

IMPACT	<i>Inability to track advances provided for programme implementation purposes. Misrepresentation of the implementation modality followed.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at the Office level).</i>
CATEGORY	<i>Compliance.</i>

**RECOMMENDATION 13**

**PRIORITY: MEDIUM**

*Execute contributions to UN Agencies in accordance with the guidelines released by the Fiduciary Management Oversight Group of the United Nations Development Group in 2011 and account for the contributions following the OFA process guidelines.*

RESPONSIBLE MANAGER: *Operations Manager*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Immediate*

*The Office will apply the appropriate UNDG inter-agency funds transfer guidelines including a summary financial report.*

**B.3 – INVENTORY MANAGEMENT**

**SATISFACTORY**

41. During the period under review, the Office procured medical equipment at a cost of USD 12,925. No reportable matters were identified from the work performed in this area, which consisted in the review of documentary evidence supporting the procurement and distribution of the equipment for a sample of purchases amounting to USD 12,147 (94 per cent of the total procured).

**B.4 - MANAGEMENT OF NON-CORE FUNDING****SATISFACTORY**

42. Programme implementation expenditures funded from non-core resources amounted to USD 0.5 million, approximately 22 per cent of total programme implementation expenditures incurred during the period under review. No reportable issues were identified based on the audit work performed in this area, which included testing for compliance with donor agreement requirements including reporting and eligibility of expenses requirements.

**C. OPERATIONS MANAGEMENT****PARTIALLY SATISFACTORY***Good practices identified*

43. The desk audit noted the following good practices in the area of operations management, some of which could be considered for replication by other offices:

- a) Payments of allowances to meeting and training participants were largely managed through a local bank, minimizing the risks associated with handling cash payments and allowing for a more accurate identification of recipients and reconciliation of funds paid out and refunds to the Office; and
- b) Fuel and repair costs for the Office's fleet of vehicles were managed by a local bank through the issuance of customized credit cards, monitored by both the bank and the Office. Some of the benefits realized through this arrangement include the elimination of the need to advance cash to drivers, limiting the use of the cards to only once per day in each town and monthly reports intended to highlight any abnormal fuel consumption.

**C.1 - HUMAN RESOURCES MANAGEMENT****PARTIALLY SATISFACTORY**

44. Work performed in this area included an analytical review of payroll expenditures, which amounted to USD 966,044 in 2012 (the payroll is managed by the United Nations Development Programme - UNDP) and of SC and SSA expenditures amounting to USD 166,726, the testing of a sample of four out of 10 SCs and SSAs awarded by the Office at a cost of USD 135,646 (including contracts for consultants engaged by IPs – refer to paragraph 34. of the report) for compliance with the applicable policies and procedures and linkage to the corresponding AWP, and the review of the new Country Representative recruitment process.

*Recruiting of key positions should be completed within the set standard timeline*

45. The Country Representative position became vacant on 1 April 2013. The recruitment process commenced on 1 November 2012, when the post was advertised in anticipation of the forthcoming retirement of the incumbent but was not finalized until 26 July 2013, when an offer was extended to the successful candidate. The latter accepted it on 31 July 2013 and the Government of Namibia concurred with the nomination on 9 September 2013. At the time of completion of the audit, it was anticipated that the new Country Representative would take up the position in January 2014.

46. Comparing the recruitment timeline with the standard of four months between vacancy announcements to offer extended to the chosen candidate, the audit noted that it took the Regional Office three months to finalize and submit its shortlist of candidates to Headquarters; and another three months for the hiring officer to endorse the recruitment panel recommendation. Other recruitment process activities such as preparation of the long list of candidates, interviews, and approval by the Compliance Review Board and the Executive Director, were promptly completed.

47. With the planned arrival of the Representative in January 2014, the position will have remained vacant for a 10-month period.

IMPACT *The effectiveness of programme delivery and operations may be diminished.*  
 ROOT CAUSE *Guidance (inadequate supervision at the Regional Office level).*  
 CATEGORY *Compliance.*

**RECOMMENDATION 14**

**PRIORITY: HIGH**

*Complete the recruitment for key positions over a maximum period of four months between vacancy announcement to offer, in line with the established recruitment period target.*

RESPONSIBLE MANAGER: *East and Southern Africa Regional Office Director*      STATUS: *Agree*

MANAGEMENT ACTION PLAN:      DUE DATE: *28/02/2014*

*The East and Southern Africa Regional Office, in close collaboration with the Division of Human Resources, will ensure compliance with the timelines as agreed in the established recruitment period target by providing feedback in a timely and effective manner whenever it is needed. This includes finalization of the shortlisting of candidates. The institution of the leadership pools and the arrival of a professional Human Resource staff member (recruitment expected for 2014) will further strengthen the Regional Office's efforts in ensuring timely completion of recruitment processes (refer also to the management response to Recommendation N° 2).*

**C.2 - PROCUREMENT**

**SATISFACTORY**

48. During the period under review, the Office procured goods and services, other than medical equipment, in the amount of USD 392,650. Work performed in this area included the review of a sample of 38 purchases made at a cost of USD 179,409, corresponding primarily to the procurement of printing services and publications, for compliance with policies and procedures in the areas of bidding, vendor selection, procurement committee review and approval, contract award, receipt of goods, and accounts payable, as well as linkages to the corresponding AWP. No reportable issues were identified based on the work performed.

**C.3 - FINANCIAL MANAGEMENT**

**PARTIALLY SATISFACTORY**

49. Work in this area included a review of the accuracy, authorization and proper processing of journal entries, accounts payable vouchers and accounts payable journal vouchers, and the coding of transactions to the correct account and fund codes. The audit also included the review of the value-added tax (VAT) control arrangements in place.

*Controls over Atlas budget set-up and the review and charging of financial transactions need be enhanced*

50. The audit noted that project expenditures were not consistently charged to the Atlas project activity codes to which project budgets were originally allocated. For example, the audit noted two instances where expenditures amounting to USD 31,217 and USD 19,480 were charged to Atlas activity codes with no budgeted expenditures within the same project. Similarly, expenditures amounting to USD 124,997 were charged to an Atlas project activity code with a budget of only USD 29,000. The discrepancies may have been caused, in part, by incorrect initial budget set-up (as mentioned in paragraph 22) and/or reprogramming of activities to different activity budgets during the period under review.

51. Further, the audit noted numerous reversals and corrections of financial transactions as well as transfers of expenditures between fund codes in Atlas. Management explained that this was caused primarily by: (i) human error when recording transactions; (ii) insufficient or erroneous information in

FACE forms submitted by IPs, not allowing an accurate identification of the accounts to which the expenditures reported should be charged; and (iii) the need to transfer expenditures that were incurred before resources allocated to fund the expenditures became available and that were temporarily charged to other fund codes (i.e., borrowing of funds between fund codes).

IMPACT	<i>Inability to perform effective financial monitoring of programme implementation and the results of activities. Increased risk of inaccurate financial reporting by the Office.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at the Office level).</i>
CATEGORY	<i>Reporting.</i>

**RECOMMENDATION 15****PRIORITY: HIGH**

*Implement review and supervisory procedures to: (i) verify the accurate set-up and maintenance of budgets in Atlas; (ii) prevent the charging of expenditures to erroneous activity, fund and account codes; and (iii) ensure that programme funds are spent strictly in accordance with the availability of funds and charged to the fund codes specified in the related annual work plans.*

RESPONSIBLE MANAGER: *National Programme Officers/Budget Managers*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Immediate*

*The Office will ensure that budgeting of activities in the AWP is supported by detailed elements and sub-activities that inform and influence the main activity total cost. The Office will develop and implement a 'FACE completion check form' to guide programme managers when checking and validating FACE forms. Further, expenditure account codes will be pre-populated on FACE forms to minimize the risk of charging expenditure to incorrect account codes. The Office will ensure that transfers of funds between fund codes are undertaken and cleared in consultation with Headquarters.*

*Value-added tax paid should be correctly booked and reimbursement claims submitted on a regular basis*

52. Namibia's tax law allows organizations designated as value-added tax (VAT) exempt to submit claims for the reimbursement of VAT paid on a biannual basis. Claims for the reimbursement of VAT paid in 2012 amounting to approximately USD 15,000 were submitted in August 2013 alongside those relating to previous years (2007 to 2011), following a reminder issued by the Finance Branch in December 2012 on the guidelines applicable to the recording and control of VAT.

53. Based on its testing of financial transactions, the audit noted that VAT on purchases of different goods and services amounting to USD 63,549 was expensed instead of recording it in the VAT claimable account, as required by the applicable guidelines for proper tracking and recovery. Further, at the time of finalization of the audit, the Office had not prepared any periodic reconciliation of the recoverable VAT account balances, as required by the above mentioned guidelines.

IMPACT	<i>VAT paid may not be recovered in its entirety, resulting in financial loss to the organization.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at the Office level).</i>
CATEGORY	<i>Compliance.</i>

**RECOMMENDATION 16****PRIORITY: MEDIUM**

*Implement supervisory controls to ensure that (i) VAT paid is recorded in the recoverable VAT account; (ii) recoverable account balances are reconciled and (iii) reimbursement claims are submitted on a regular basis, at least biannually.*

RESPONSIBLE MANAGER: *Operations Manager*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Immediate*

*The Office will ensure that guidelines on recording of VAT are applied, VAT is charged to the correct account, claims are submitted on a quarterly basis, and that VAT reconciliations are prepared on a quarterly basis as well.*

**C.4 - GENERAL ADMINISTRATION**

**PARTIALLY SATISFACTORY**

- 54. Work in this area focused on the asset management process and travel expenditures.
- 55. Work performed with regards to asset management consisted of assessing the process implemented to comply with asset management policies and procedures in connection with assets purchased in 2012 and 2011, at a cost of approximately USD 60,000, for use by both the Office and IPs. No reportable issues were identified based on the work performed in this area.
- 56. Travel expenditures incurred during the period under review amounted to USD 203,181. A significant portion of the expenditures (91 per cent) corresponded to Daily Subsistence Allowance (DSA) payments in relation to supervisory visits, consultative and review meetings, training workshops and conferences. Audit work in this area included: (i) testing of a sample of DSA payments to six staff members amounting to USD 84,032 (41 per cent of total travel expenditures) for appropriateness of business purpose, proper authorization, accurate calculation and recording; (ii) a walk-through of the process followed to authorize, review and record DSA payments made through a local bank; (iii) testing of a sample of eight DSA payments amounting to USD 29,980 made through the local bank for adequate support, review, and authorization; and (iv) a review of travel management service contracts that were in use by the Office during the period under review for validity and process of procurement.

*Travel reports need to be consistently prepared and filed*

57. A number of local trips undertaken were not supported by the in-country Travel Authorization forms, which have been locally introduced by the Office, to indicate formal authorization of these trips. Further, travel reports were not consistently prepared and filed for all official travel, both international and national, reviewed. In instances where reports were prepared, they did not bear evidence of review by immediate supervisors of the travelers.

IMPACT *Difficulty in establishing formal authorization and results of trips undertaken.*

ROOT CAUSE *Guidance (inadequate supervision at the Office level).*

CATEGORY *Compliance.*

**RECOMMENDATION 17**

**PRIORITY: MEDIUM**

*Prepare, and file travel reports for all official travel, international and national, after evidence of supervisors' reviews and, where appropriate, with the completed in-country Travel Authorization form.*

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Immediate*

*The Office will prepare travel plans, which will facilitate the overall management of all official travels. The Office will, henceforth, also strictly apply the Duty Travel policy by ensuring compliance with the necessary reporting requirements.*

**C.5 - INFORMATION AND COMMUNICATIONS TECHNOLOGY**

**SATISFACTORY**

58. Work in this area was limited to testing of compliance with the annual Atlas access rights review, which was completed in a timely manner. No reportable issues were identified based on this work.

## ANNEX 1

### Definition of Audit Terms

#### A. AUDIT RATINGS

Effective 1 January 2010, the internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP use revised harmonized audit rating definitions, as described below:

- **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.
- **Partially Satisfactory** - Internal controls, governance and risk management processes were adequately established and functioning well. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
- **Unsatisfactory** - Internal controls, governance and risk management processes were either not established or functioning well. The issues were such that the achievement of the objectives of the audited entity could be seriously compromised.

#### B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

- **Guidelines:** absence of written procedures to guide staff in performing their functions:
  - Lack of or inadequate corporate policies or procedures
  - Lack of or inadequate Regional and/or Country Office policies or procedures
  - Inadequate planning
  - Inadequate risk management processes
  - Inadequate management structure
- **Guidance:** inadequate or lack of supervision by supervisors:
  - Lack of or inadequate guidance or supervision at the Headquarters and/or Regional and Country Office level
  - Inadequate oversight by Headquarters
- **Resources:** insufficient resources (funds, skills, staff) to carry out an activity or function:
  - Lack of or insufficient resources: financial, human, or technical resources
  - Inadequate training
- **Human error:** Un-intentional mistakes committed by staff entrusted to perform assigned functions.
- **Intentional:** intentional overriding of internal controls.
- **Other:** Factors beyond the control of UNFPA.

### C. PRIORITIES OF AUDIT RECOMMENDATIONS

Audit recommendations are categorized according to their priority, as a further guide to management in addressing the related issues in a timely manner. The following categories of priorities are used:

- **High:** Prompt action is considered imperative to ensure that UNFPA is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization);
- **Medium:** Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences);
- **Low:** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are discussed by the audit team directly with the management of the audited entity during the course of the audit or through a separate memorandum upon issued upon completion of fieldwork, and not included in the audit report.

### D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

These categories are based on the COSO framework and derived from the INTOSAI GOV-9100 Guide for Internal Control Framework in the Public Sector and INTOSAI GOV-9130 ERM in the Public Sector.

- **Strategic:** High level goals, aligned with and supporting the entity's mission.
- **Operational:** Executing orderly, ethical, economical, efficient and effective operations and safeguarding resources against loss, misuse and damage.
- **Reporting:** Reliability of reporting, including fulfilling accountability obligations.
- **Compliance:** Compliance with prescribed UNFPA regulations, rules and procedures, including acting in accordance with Government Body decisions, as well as agreement specific provisions.



## GLOSSARY

AIDS	Acquired Immunodeficiency Syndrome
Atlas	UNFPA's ERP (Enterprise Resource Planning) system
AWP	Annual Work Plan
Cognos	UNFPA's Management Reporting System
DEX	Direct Execution
DHR	Division for Human Resources
DOS	Division for Oversight Services
DSA	Daily Subsistence Allowance
ESARO	East and Southern Africa Regional Office
FACE	Funding Authorization and Certificate of Expenditure
HACT	Harmonized Approach to Cash Transfers
HIV	Human Immunodeficiency Virus
HQ	Headquarters
IP	Implementing Partner
IPCAT	Implementing Partner Capacity Assessment Tool
NAD	Namibian Dollars
NEX	National Execution
NEXAMS	UNFPA's National Execution Audit Management System
NGO	Non-governmental Organization
OFA	Operating Fund Account
OiC	Officer-in-Charge
OMP	Office Management Plan
PCA	Programme Coordination Assistance
P&D	Population and Development
PO	Purchase Orders
RH	Reproductive Health
SC	Service Contracts
SSA	Special Service Agreements
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNOPS	United Nations Office for Project Services
USD	United States Dollars
VAT	Value Added Tax