



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON PERFORMANCE AUDIT STUDY ON**

## **OUTSOURCING OF CONSULTANCY SERVICES**

***IN THE OFFICE OF THE PRIME MINISTER***

**FOR THE FINANCIAL YEARS ENDED 2005 – 2007**

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# REPUBLIC OF NAMIBIA



**TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY**

I have the honour to submit herewith my performance audit report on the Office of the Prime Minister – Outsourcing of consultancy services for the period 2005 – 2007 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, March 2009**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY.....</b>	<b>1</b>
<b>ABBREVIATIONS.....</b>	<b>4</b>
 <b>CHAPTER 1</b>	
<b>1. INTRODUCTION.....</b>	<b>5</b>
1.1 Background .....	5
1.2 Audit motivation.....	5
1.3 Statutory mandate.....	5
1.4 The Ministry’s mission statement.....	5
1.5 Organizational structure.....	6
1.6 Main operations.....	6
1.7 Objectives.....	6
1.8 Financing and budget allocation.....	7
1.9 Staffing.....	7
1.10 Audit design.....	7
 <b>CHAPTER 2</b>	
<b>2. PROCESS DESCRIPTION .....</b>	<b>10</b>
2.1 Compilation of specifications.....	10
2.2 Appointment of consultants.....	12
2.3 Breach of Contract.....	12
2.4 Monitoring of consultancy work.....	13
2.5 Progress reports on the work by the consultant.....	13
2.6 Knowledge transformation through consultancy.....	13
2.7 Payment for rendering of consultancy services.....	14
2.8 Knowledge transformation through consultancy.....	14
2.9 Payment for rendering of consultancy services.....	14

## **CHAPTER 3**

<b>3. FINDINGS OF THE AUDIT .....</b>	<b>15</b>
3.1 Compilation of Specifications .....	15
3.2 Monitoring of consultancy services.....	16
3.3 Progress reports.....	17
3.4 Transfer of knowledge.....	17
3.5 Payments to consultants for services rendered.....	18
3.6 Evaluation at the end of the consultancy service.....	19

## **CHAPTER 4**

<b>CONCLUSIONS .....</b>	<b>20</b>
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## **CHAPTER 5**

<b>RECOMMENDATIONS .....</b>	<b>22</b>
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## **ANNEXURES**

- Annexure 1: Table illustrating number of consultancy services listed at OPM
- Annexure 2: Schedule of Professional Fees and S&T payments to Green Scheme Agency
- Annexure 3: Interviews conducted within the selected ministries

## EXECUTIVE SUMMARY

The Office of the Auditor-General is authorized to carry out performance audits in terms of Section 26 (1) (b) (iv) of the State Finance Act, 1991 (Act 31 of 1991) which reads as follows: (The Auditor-General) “*may investigate whether any moneys in question have been expended in an efficient, effective and economic manner.*”

This report is based on the **outsourcing of consultancy services** within the public service, through the Office of the Prime Minister. The audit focused on the process of compilations of specifications, transfer of knowledge, monitoring services as well as evaluation and payments to consultants providing services to the selected ministries being, *Ministry of Agriculture, Water and Forestry; Ministry of Justice; Ministry of Fisheries and Marine Resources; Ministry of Lands and Resettlement; Ministry of Mines and Energy and Ministry of Regional and Local Government, Housing and Rural Development.*

### FINDINGS

- The audit found that the specifications for only five (5) out of the thirty-eight (38) consultancy services that were outsourced were compiled by institutions outside the Government of Namibia during the financial year 2004/5 to 2006/7. This is attributed to the fact that ministries will have to exclude potential consultants, who are involved in the preparation of the specification, in the tender process who may provide the service more effectively when compiling specifications. Also, ministries compile their own specifications since it forms the basis for monitoring consultancy services.
- Ministries establish committees to monitor work done by consultancies, depending on the nature and duration of such services. However, management which forms part of such committees within the selected ministries for 2 out of the 4 ongoing long term services does not provide proper and regular support to the consultancy services. The result of lack of management support are as follows:
  - Staff not being available for proper transfer of knowledge.
  - Committees that should monitor and evaluate the work done by consultants stop functioning shortly after they were established.
- Monitoring may take the form of inspections to consultancy sites. The audit found that the frequency of inspections differ from one consultancy service to the next. Inspections are only applicable to long term consultancies with the main objective of these inspections to follow the progress of work specified in the contracts of consultants and the specification of services.
- Interviews at selected line ministries as well as document analysis indicated that there is transfer of knowledge depending on the nature of the consultancy service. However some terms of references and contracts of consultancy services did not indicate the manner for the knowledge transfer.
- The consultant is reporting on the progress and the work to be performed in each stage of the consultancy services depending on the nature of the service. Document analysis indicated that during the period under review, 26.47% of the contracts for consultancy services indicated the number of progress reports to be produced, while 44.12% did not indicate such requirements and at 26.47% the information was not available.

- Interviews with staff from the selected ministries indicated that after a consultant produced his/her final deliverable (normally in the form of a report), they have a meeting with the consultant to go through the content of such report before the final changes are made. However, no documents were available to indicate that final evaluations were done by selected ministries to establish whether all the objectives set for consultancy services were achieved.

## **CONCLUSIONS**

- The compilation of most specifications for consultancy services are not outsourced, thus the main causes for outsourcing specifications are due to the technical nature thereof. Ministries to date acknowledged the importance of compiling or being involved in their own specifications which would enable them to conduct proper monitoring of consultancy services.
- There is no policy or a standard that is guiding the outsourcing of consultancy services regarding the compilation of specifications within the public service after OPM has approved that consultancy services can be outsourced. This result in some consultancy services to have no committee established which should be responsible for the day to day activities of the consultant. Some committees were established but they do not have their T.O.R that indicates to them what is expected from that committee in order for the objective of the consultancy services to be realized.
- There is no clear indication in the specification for some consultancy services when the reporting on the progress of work should be done and submitted to the committee responsible for monitoring. This may result in progress reports not being submitted when needed for monitoring purposes.
- When the terms of references and the contract do not indicate the manner for transformation of knowledge, it will result in staff not being available and transfer of knowledge will not be sufficient. This will further result in no value for money and will ultimately hamper where applicable, the implementation process. The objective of services being outsourced will not be achieved.
- There is no penalty clause in the contracts for outsourcing of consultancy services within the public service to penalize consultants, when their work is not done up to standard or not completed within the specified period.
- Payment to the consultant companies are made according to work completed, but final evaluation of the work upon completion in some consultancy services is not being done. This may result in line ministries paying the consultants while the work is not done according to their contract.

## **RECOMMENDATIONS**

- Standards for the compilation of specifications should be drawn up.
- Full co-operation should be given by line ministries and monitoring committees should be established.
- Support staff should be made available to enable transfer of skills.
- Penalty clause for poor performance on non-adherence should be considered.
- Final payments should be based on the final evaluation.

## LIST OF ABBREVIATIONS

<i>ABBREVIATION</i>	<i>EXPLANATION</i>
<b>OPM</b>	<b>Office of the Prime Minister</b>
<b>NAPWU</b>	<b>Namibian Public Workers Union</b>
<b>NANTU</b>	<b>Namibian Teachers Union</b>
<b>O/M/A</b>	<b>Offices/Ministries/Agencies</b>
<b>RDC</b>	<b>Rural Development Centre</b>
<b>PSSR</b>	<b>Public Service Staff Code</b>
<b>TOR</b>	<b>Terms of Reference</b>
<b>RMG</b>	<b>Resource Management Group</b>
<b>S&amp;T</b>	<b>Subsistence and Traveling Allowance</b>
<b>MAWF</b>	<b>Ministry of Agriculture, Water and Forestry</b>
<b>MME</b>	<b>Ministry of Mines and Energy</b>
<b>MOJ</b>	<b>Ministry of Justice</b>
<b>MFMR</b>	<b>Ministry of Fisheries and Marine Resources</b>
<b>MLR</b>	<b>Ministry of Lands and Resettlement</b>
<b>MRLGHRD</b>	<b>Ministry of Regional and Local Government, Housing and Rural Development</b>

# CHAPTER I

## 1. INTRODUCTION

### 1.1 Background

This audit is based on the outsourcing of consultancy services within the selected ministries through the Office of the Prime Minister. The six selected ministries being, the Ministry of Agriculture, Water and Forestry; Ministry of Justice; Ministry of Fisheries and Marine Resources; Ministry of Lands and Resettlement; Ministry of Mines and Energy and Ministry of Regional and Local Government, Housing and Rural Development.

### 1.2 Audit motivation

The audit was motivated by the overall criticism by the public regarding the economy and effectiveness of the Office of the Prime Minister with regard to the outsourcing of consultancy services within the public service.

Furthermore, there is a risk that the core objective of the Office of the Prime Minister, which is to develop a professional public service which is capable, competent and committed to leading Namibia as an efficient and competitive knowledge-based industrialized Nation, will not be achieved.

The Office of the Auditor-General, therefore decided that a performance audit be carried out on the selected ministries, on the outsourcing of consultancy services, focusing on the lack of proper monitoring in consultancies after appointment.

### 1.3 Statutory mandate

The Office of the Auditor-General is authorized to carry out performance audits in terms of Section 26 (1) (b) (iv) of the State Finance Act 1991, (Act 31 of 1991), which reads as follows: (The Auditor-General) “may investigate whether any moneys in question have been expended in an efficient, effective and economic manner”.

### 1.4 Mission statement

#### ▪ Office of the Prime Minister:

The mission of the Office of the Prime Minister is to lead and support Government institutions to deliver outstanding public services and goods.

#### ▪ Public Service Management:

As the centre of expertise in human resources and management practices, the Department of Public Service Management exists to provide Government Institutions with a framework for strengthening policies, strategies, systems and competencies for good governance.

## 1.5 Organizational structure

The Office of the Prime Minister is currently headed by a Permanent Secretary with the assistance of six (6) Under Secretaries heading the six (6) Departments. These Departments are: Administration and Information Technology Management, Public Service Management, Disaster Management Unit, Public Service Information Technology Management, Disability Unit and an Efficiency Charter Unit.

The Department Public Service Management consists of three Directorates which are headed by Directors. The Directorates are Human Resource Development, Human Resources Management and the Directorate Management Services. The Directorate Management Services consists of three (3) Divisions being Resource Management, Consultancy Services and Grading and Job Evaluation. The Division: Resource Management Group is responsible for the outsourcing of consultancies within the Government.

## 1.6 Resource Management Group

The Division: Resource Management Group's (RMG's) main purpose is to advise on the resource needs of the Public Service.

This division also provides technical assistance to the Prime Minister, Public Service Commission and Offices/Ministries/Agencies (O/M/As) obliged by the Public Service Act 1995 (Act 13 of 1995), Government policy and Cabinet resolutions to seek advice on policies and practices relating to resource management matters.

The main functions of this Group are to advise on and analyse the following areas:

- Organization and establishment
- Additional employment
- Grading of job content
- Job categories
- Occasional employment
- **Outsourcing**
- Labour saving devices
- Form design
- Procurement and evaluation
- Economical use of resources

## 1.7 Objectives

### ▪ Office of the Prime Minister

- To develop a professional public service which is capable, competent and committed to leading Namibia further into the 21<sup>st</sup> century as an efficient and competitive knowledge-based industrialized nation. Key areas in obtaining this objective are efficiency, effectiveness and accountability.

### ▪ Public Service Management

- To co-ordinate and monitor training in the Public Service
- To provide managerial services in relation to the Human Resources function of the Public Service.

- To provide economic strategies, plans and systems of operation to support Public Service reform initiatives

## 1.8 Financial and budget allocation

The total funds allocated and actual expenditure according to the budget of the main division Public Service Management is as follows:

Financial year	Authorized expenditure	Actual expenditure
	N\$	N\$
2004-2005	4 226 000.00	3 623 403.15
2005-2006	*16 313 000.00	*13 784 770.63
2006-2007	19 040 000.00	16 149 754.00

\*Note: In the table above, the considerable change in expenditure during the financial year 2005/2006 is caused by the merging of two main divisions being Management Services (08) and Human Resource Management (07) into a new Main division being Public Service Management (04).

## 1.9 Staffing

The staff establishment for the period 2004-2007 for the Main division Public Service Management is as follows:

Financial year	Provision	Filled	Vacant
2004/05	31	20	11
2005/06	86	64	22
2006/07	89	70	19

## 1.10 Audit design

### 1.10.1 Audit scope and limitations

#### a. Audit object

The audit focused on selected ministries which Directorates requested for outsourcing of consultancy services.

The audit further focused on lack of proper monitoring in consultancies after appointment.

#### b. Geographical limitations

The Directorates within the selected ministries outsourced consultancy services only at their Head Offices in Windhoek. In addition to the visited ministries, four consultancies that are still ongoing were visited of which two are in the Oshana region (Ongwediva Rural Development Centre – Ministry of Regional and Local Government, Housing and Rural Development; Tree Planting Consultancy service – Ministry of Agriculture, Water and Forestry) and two in the Khomas region (NAMCIS – Ministry of Justice; Green Scheme Agency – Ministry of Agriculture, Water and Forestry).

### **c. Period covered**

Three financial years were covered, 2004-2005, 2005-2006 and 2006-2007.

#### **1.10.2 Methods of data collection**

- **Document analysis**

The following documents were analyzed:

- Public Service Act, 13 of 1995
- Public Service Staff Code
- Budgets 2004/5; 2005/6; 2006/7 of selected ministries
- Tender Board Act 16 of 1996 and regulations
- State Finance Act
- Organizational structures: OPM and selected ministries
- Annual reports from ongoing consultancy services
- Progress reports for selected consultancy services
- Final reports on consultancy services
- Specification on selected consultancy services
- Contracts between O/M/A's and consultants
- Minutes of consultancy service committee meetings
- Minutes of the stakeholder forum meetings
- Payment vouchers/requisitions

- **Interviews conducted**

A total number of 64 interviews were conducted within the selected six ministries which include interviews conducted at the four consultancies that are still ongoing. See Annexure 3 for details on the interviews conducted per selected ministry. See annexure 1 for details on the consultancy services included in the audit.

The total number of interviews consists of the following:

- 23 x Directors
- 9x Deputy Directors
- 10 x Consultants
- 2x Control Officers
- 1x Prosecutor
- 2x Engineers
- 1x Chief Surveyor
- 2x Human Resource Personnel
- 2x Accountants
- 2x Project Manager: RDC & Tree planting project
- 1x Deputy Project Manager: Tree planting project
- 1x Project Administrator: RDC
- 3x Trainers: RDC
- 2x Trainees: RDC
- 1x Technical Adviser
- 2x Community Mobilisers: Agriculture: Tree Planting Project

The interviews were conducted in order to collect information to enable the audit team to understand the administration as well as monitoring of consultancy services.

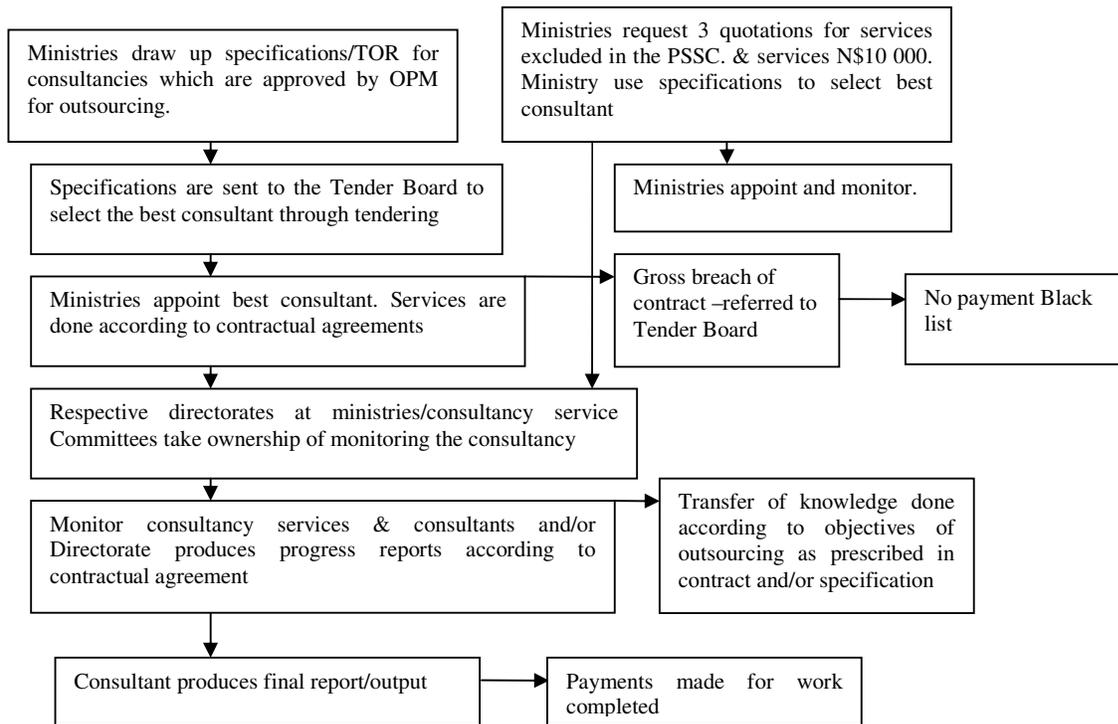
- **Physical observations**

During the audit, observations were made at the Ongwediva Rural Development Centre residing under the Ministry of Regional and Local Government, Housing and Rural Development and the Tree Planting site residing under the Ministry of Agriculture, Water and Forestry. The progress of the ongoing consultancy services as well activities at these sites were observed.

## CHAPTER 2

### 2. PROCESS DESCRIPTION

The flow chart below illustrates the outsourcing process within ministries



The flow chart above illustrates the channel which is followed throughout the Government by all ministries that wish to outsource consultancy services. The description in this chapter will consider each activity as illustrated in the flow chart above starting from the compilation of specifications up to the payment to be made to the consultant for services rendered.

#### 2.1 Compilation of specifications

Upon approval of the submissions from ministries to outsource various consultancy services by Office of the Prime Minister, specifications are compiled.

The specifications are compiled within the requesting ministries by the officials who are appointed by the Office of the Permanent Secretary for that respective ministry to be responsible for administering such outsourcing.

The specifications are compiled by the Directorates within the Ministries that are in need of services which can not be rendered from within the requesting ministry or within the Government of Namibia. Such ministry must be involved when the specifications are drawn up with or without the assistance of other stakeholders within the Government.

The need for involvement of such stakeholders will depend on the capacity of the requesting ministry regarding the specific area to be outsourced i.e. are there staff within the ministry who can draw up the specification on their own or not. When neither staff within the ministry or the Government nor stakeholders outside the ministry can draw up the specifications, the ministry will have to opt for outsourcing such specifications to a private person or entity, usually called a consultant.

There are currently no standardized prescriptions documented as to what should be included in the specifications for outsourcing. Thus, the content of a specification will depend merely on the nature of the service that needs to be outsourced.

Standard specifications used for tendering purposes as well as for services acquired through 3 quotations normally include the following aspects:

- General background addressing the full background information on the area to be outsourced, especially on the need for the service to be outsourced.
- Objective of the service to be outsourced, i.e. what are the expectations that should be achieved as a result of the service within the requesting ministry. This could include the aspects such as the transfer of knowledge with regard to staff within the requesting ministry.
- Scope of the work to be covered, which also include the specifications for the consultant.
  - This will include the detail regarding the actual work to be done within a given time frame.
  - Methodology indicating that consultants should include in their proposals the methodology which they would employ, i.e. an indication on how they intend to conduct the work.
- Implementation: This part of the specifications should include the details of the management of the consultancy service i.e. aspects such as the person/people or division to be in charge of the day to day management of the work as well as measures that need to be undertaken for purposes of quality control.
- Reporting: All reports or deliverables must be submitted to the appointed committee in charge of the consultancy, at the ministry. The number and nature of reports will differ according to the nature of the consultancy service to be outsourced.
- Financial implication: This should include the payment/remuneration package to the consultant for services to be rendered. It will also include the basic fees to the consultant as well as any changes thereto, especially for consultancy services which are completed over a longer period, i.e. more than one year etc.
- Requirements for the consultant will include the following:
  - Background of previous/similar consultancy work carried out to indicate the capability to carry out the work.
  - Educational background, i.e. all the qualifications of the consultant and proof thereof.
  - Reporting which indicates the manner or channel of reporting between the consultant and the ministry.

Specifications for outsourcing will be written for both consultancy services which will be acquired through tendering for services with a cost exceeding N\$10 000.00 or by way of 3 quotations with a cost less than N\$10 000.00 after approval by the OPM. Both these specifications are written in the same manner and covering the same aspects. Specifications are used as the foundation for the recruitment of consultants and also as a guide to the respective Directorates within a ministry who are outsourcing, to administer and monitor such consultancy.

However, there are some exclusions from approval procedures as stated in the Public Service Staff Code, Chapter B.VII (5)(C) as follows:

- (a) "Labour which, as part of a capital project, has been obtained under contract where no employee-employer relationship is created between such labourer and the office/ministry or agency";
- (b) "Advisory or consultancy professional and specialist services which, subject to Tender Board prescriptions, are performed exclusively on the basis of fees, but excluding professionals and specialists who, subject to (a) above, are engaged to perform or supervise such work irrespective of whether the office/ministry/agency has posts on its establishment for the performance of such work";
- (c) "Services rendered to a ministry, e.g. transport services, communication services, services rendered by other authorities or parastatals institutions and private undertakings per agreement or under contract, printing, installation or reparation or specialized equipment under contract and computer services under contract";
- (d) "Persons who must serve on boards, commission or committees of investigation."

## **2.2 Specifications to be used for recruitment of consultants with a cost exceeding N\$ 10 000**

The appointment of consultants to be recruited for the services above N\$ 10 000.00 will be done through the normal Government tendering process used throughout the Government institutions. This recruitment of consultants will be administered through the National Tender Board within Namibia upon request of the requesting ministry. Consultants within the country and abroad will be invited by way of an open tender to send in bids or offers based on the specifications compiled by the requesting ministry.

After bids have been received by the Tender Board from potential service providers, the ministry will receive them from Tender Board and scrutinize them based on the specifications, i.e. an evaluation will be done. Upon completion of their evaluation, the ministry will send in their three (3) best preferences in the form of a submission to the Tender Board. The Board will discuss the submission and approve or reject the submission. The successful consultant with the best offer will be informed and the approval will be forwarded to the ministry for them to appoint the consultant.

## **2.3 Specifications to be used for recruitment of consultants with a cost less than N\$ 10 000**

For services to be rendered at a cost less than N\$10 000, specifications will be drawn up before the ministry appoints a consultant through the three (3) quotation system currently being used by all Government institutions. In this instance the specifications will serve as a guide to the requesting Directorate in the specific ministry. All requirements as stated under 2.1 above must be considered when acquiring consultancy services.

The best consultant will be selected after the ministerial tender committee in consultation with the requesting directorate has discussed all the offers received. The selection of the best consultant is based entirely on the requirements or standards set in the specifications.

## **2.4 Appointment of consultants:**

Upon receipt of approval from Tender Board the Ministry has to proceed to the next level being the appointment. Before the appointment, the Ministry must draw up a contract between them and the service provider, i.e. the consultant. This contract has to be scrutinized and certain cases have to be drawn up with the assistance of attorneys from the Office of the Attorney General. The stipulations of this contract are again based on the content of the specifications used for acquiring the consultant.

When the consultant agrees to all the stipulations within the contract as set by the ministry in consultation with the Office of the Attorney General, both parties must sign the contract. Signing the contract will bind both parties to the stipulations thereof.

## **2.5 Breach of contract**

When a consultant fails to adhere to the stipulations in the contract, it constitutes a breach of contract. The Tender Board Act and regulations make provision for such breach of contract and must be communicated to the consultant by the respective ministry. When the ministry and the consultant fail to come to an agreement or the consultant fails to take corrective actions to rectify the breach of contract, such breach must be communicated to the National Tender Board. Gross breach of contract will result in blacklisting of consultants by the Tender Board. Such blacklisting will prohibit the consultant from making bids in future for services to be rendered to any Government institution.

## **2.6 Monitoring of consultancy work**

After the best consultant has been appointed and the rendering of services has started, the respective directorate within the ministry or established committee takes ownership of monitoring the consultancy service. Monitoring is done in the form of meetings, site visits and evaluation of progress reports and final reports/deliverables by the committees appointed to oversee the day to day activities of the consultant. The work of consultants is monitored according to the specifications and the contract, to ensure that work is done according to the specifications and that the objective of the consultancy service is met. The monitoring of consultancy services differs as it is based on the nature and duration of each consultancy service.

### **2.6.1 Committees monitoring consultancy services**

The committee responsible for monitoring is formed by staff from the directorate that is outsourcing a consultancy service within the ministry or from other ministries within the Government. The establishment of the committee and the monitoring of the consultancy depend on the nature of the work/project that is outsourced. The specifications for the consultancy service to be outsourced will form the basis for the manner in which the established committee should monitor the consultancy work.

The nature and duration of the consultancy service will determine the structure of the committee and whether such committee will have a link with other permanent committees such as permanent steering committees established within the requesting ministry.

The frequency and nature of meetings between the consultant and the monitoring committee or the Directorate within the requesting Ministry will be arranged according to the activities as set out in the specifications. Meetings will be arranged based on the activities outlined within the specifications, coupled with the availability of committee members. The frequency and manner of meetings are not stipulated in the specifications or contracts of consultancy services.

Meetings for short term consultancy services will be arranged based on the activities at a given time and as the need arises. The frequency of meetings for long term services which are linked with fixed/standing committees will be held at a fixed time, i.e. say quarterly etc.

## **2.7 Progress reports on the work by the consultant**

During the consultancy period, the directorate that is outsourcing has the responsibility to produce a report on the progress of the work based on the progress report of the consultant and observations during site visits where applicable. Where a committee is established, the reporting is done by that committee. The number and nature of the progress reports will depend on the nature of the consultancy.

A final report is produced at the end of the consultancy and the reporting shall be done according to the terms of reference and the contract. The importance of the reporting on the progress of the work is that it keeps the line ministries updated and to know what is happening in terms of the services being rendered to them. It also helps the line ministries to know whether the consultant is adhering to the specifications and the contract.

## **2.8 Knowledge transformation through consultancy**

When the objective of a consultancy service stipulates that knowledge transfer should take place, line ministries must identify staff that form part thereof. The requesting directorate that is farming out within the ministry must identify staff that will work with the consultant to build capacity during the course of the consultancy service. The transfer of knowledge to the staff within the ministries would depend on the nature of the consultancy service. This process of knowledge transfer can be done by way of training given by the consultant to the identified staff or it could be a mere sharing of information while busy with the consultancy service. The form in which the knowledge is being transferred depends on the nature of the work being outsourced. The terms of references for work outsourced normally indicate the manner how the transfer of knowledge should take place.

## **2.9 Payment for rendering of consultancy services**

Upon completion of the work, line ministries shall make payments to their consultant for the work outsourced based on their contractual agreement. Provision for payments needs to be done on the budget of the requesting directorate, and made available upon completion of the work. The financial division within the line ministries shall receive a certified requisition from the requesting directorate and will make payment accordingly. The payments depend on the nature of the work and if the work is to be done in phases, the payment will be done after each phase and according to the ministry's satisfaction. Proper records of payment to the consultant are necessary to serve as proof that the line ministry did pay the consultant for work done.

The director of the directorate outsourcing is responsible to certify that the work has been done and the amount due to the consultant can be paid. The certification of payment is forwarded to the financial division within the ministry to approve the payment. No payment shall be made without being certified and approved.

## CHAPTER 3

### 3. FINDINGS

#### 3.1 Compilation of specifications

The audit found that Directorates that outsource consultancy services must be involved in the compilation of specifications which form the basis for monitoring the outsourcing of consultancy services. However, the specifications as documented do not indicate whether the compilation thereof was outsourced, i.e. compiled by a consultant outside the Government or not. The audit found that the compilation of specifications for the majority of consultancy services outsourced by the selected ministries within the period under review was not outsourced.

Interviews within the six (6) selected ministries indicated that five (5) of the thirty eight (38) consultancy services regarding the compilation of specifications were outsourced within the financial period 2004/05 to 2006/07.

These include the four (4) of the annual outsourcing of the Rural Electrification Consultancy services from the Ministry of Mines and Energy as well as the specifications for the CDS system for the Ministry of Lands and Resettlement. Four (4) of the consultancy services were approved by Office of the Prime Minister, but the aforementioned ministries failed to appoint consultants, mainly due to financial constraints. One consultancy was wrongly listed under the category of outsourcing, while it was supposed to be listed at the Office of the Prime Minister as normal contract work which was carried out over a period of two years by a researcher within the Ministry of Agriculture, Water and Forestry.

The interviews conducted during the audit, indicated that for the aforementioned consultancy services, the compilations of specifications were outsourced due to the technicality of such services. Interviewees from both these ministries indicated that they were involved with the compilations of specifications to ensure that they are up to standard and cover the entire scope of the work to be carried out by the consultant.

The remaining specifications for the consultancy services outsourced within the period under review was not outsourced as these were done within the ministry and at times with the assistance from other parties within the Government.

Interviews with staff from the selected ministries indicated that the outsourcing of the specifications will hamper the proper monitoring of consultancy services as the ministries have to use such specifications to evaluate the work done by the consultant. Furthermore, when outsourcing the specifications, the ministry may not have a clear understanding of specifications to monitor the service rendered by the consultant properly.

Interviews also indicated that by way of outsourcing specifications, they exclude the specific consultants who drew up the specifications who could have tendered to do the work more effectively. As a result, ministries refrained from outsourcing the compilation of specifications.

### **3.2 Monitoring of consultancy services**

Inspections and monitoring is done depending on the nature and the duration of the work being performed as stated in the specifications and the contract. Such specifications must be used as guidelines for inspection and monitoring. The audit found that meetings conducted for monitoring purposes may take the form of fieldtrips to selected areas in line with the consultancy service. However, the nature and intervals will depend on the size and duration of the service outsourced. This was evident in the outsourcing for services such as the Feasibility study on Tree Planting currently ongoing within the Ministry of Agriculture, Water and Forestry as well as the outsourcing of the operations of the Rural Development Centre based at Ongwediva by the Ministry of Regional and Local Government, Housing and Rural Development.

For these long term services, fieldtrips are undertaken to sites where the work is performed by the consultancy teams, based at the sites in the region. This is done to ensure that objectives of the consultancy service as set out in the specification for such outsourcing is achieved. After each fieldtrip a report/minutes must be compiled by the committee that visited the sites. Also consultant teams must compile a report for each meeting or inspections, i.e. the findings which transpired from there. The audit found the reports from these fieldtrips to be in order. Some are compiled quarterly and some annually, for both the Tree Planting consultancy and the management of the Rural Development Centre by the appointed consultant. Minutes of steering committees for the Tree Planting and Rural Development Centre consultancies indicated that management is in control considering the smooth running of activities at these sites.

The audit established through interviews and documents analyzed that the support and /or management from Head Office level is not up to standard for the Green Scheme project within the Ministry of Agriculture, Water and Forestry as well as the NAMCIS within the Ministry of Justice. Interviews with consultancies that are still ongoing, indicate that the progress of the consultancy is not being monitored by its client (ministry), while there is a committee established to do the monitoring. This committee was established to oversee day to day activities of the consultancy services and make decisions, but this committee stopped functioning in 2004. The same committee was started in 2004 and was supposed to review the reports of the consultant from the Green Scheme project, but it is not doing it on a regular basis.

Also, line ministries at times are not indicating who will be responsible to do the monitoring and inspection and important information such as how and when this could be done is not indicated for each consultancy service analyzed during the audit. The future implementation and success after the finalization of a consultancy service can be hampered when there is a lack of control over activities, through effective management from the outsourcing body usually the requesting Directorate within the Ministry.

The audit found that specifications must form the basis for the operations of each committee appointed to monitor each consultancy service that was outsourced. This would enable them to measure progress against the specifications as outlined in the tender document.

However, the audit found that the usage and existence of specifications differ per consultancy service. This is evident in the fact that some committees use the specifications for the consultancy service while others have separate specifications tailor made for that specific committee. Interviews and documents analyzed indicated that specifications that are separately set up are mostly for long term consultancy services, while short term consultancies also need their operations, functions, obligations to be stipulated in no uncertain terms. When committees do not have their own specifications there will be an uncertainty as to what is expected from them.

The audit further found that the committees carry out inspections as part of monitoring. The objective of inspections is to follow the progress of consultancy work against the activities identified in the specifications as well as goals/targets. However, the audit found that the frequency of inspections differ from one consultancy service outsourced to the next. Inspections are only applicable in the case of long term services i.e. more than one year to five years etc. Examples hereof are the Tree Planting consultancy and the Rural Development Centre as well as the annual Rural Electrification consultancy services.

Furthermore, inspections were carried out by the ministries that outsourced long term services such as the aforementioned to establish whether the state of affairs at sites are in line with what is stated in the reports of consultants. Interviews and documents analyzed from the Ministry of Mines and Energy indicated that they had an incident whereby they did an inspection on work done by a consultant and their findings indicated some deviations from the statements in the report of the consultant. These deviations came as a result of the fact that the consultant who had to conduct a survey with regard to the Rural Electrification, failed to conduct a physical visit to the site situated in the Kunene Region. This consultant opted to rely on information regarding that area from some other political offices in the Kunene Region, which later was proven to be misleading and not in line with the requirements in terms of the ministry's Rural Electrification policy. According to a report analyzed from the ministry, the ministry nearly used that information, and by doing so they would have electrified an area that did not meet their requirements and thus, exceeding their budget of N\$ 690 000.00.

### **3.3 Progress reports**

The consultant is reporting to the established committee on the progress of the work being performed. They (consultants) are also stating in the progress report what is to be done in the next stage. According to documents analyzed out of 34 consultancy services which were outsourced, nine indicated the number of progress reports to be produced, 15 did not indicate such requirements while for nine information was not available. It was also noted that the number of reports depend on the nature of the project that is outsourced and the interviews also indicated as such. The consultant will produce a final report at the end of the consultancy service, which will be approved by the committee.

Each project is supposed to indicate how the reporting should be done according to the nature of that specific project.

### **3.4 Transfer of knowledge through outsourcing of consultancy services**

The contracts between the ministries and consultants should indicate the manner for transfer of knowledge through outsourcing consultancy services, and the number of staff to be equipped with the necessary skills. According to the interviews conducted at selected line ministries, the transfer of knowledge can be done by engaging staff from the Directorate within the ministry that are assigned to the project to work with the consultant and through training.

During the consultancy period, line ministries need to build capacity and gain necessary skills through the consultant, where applicable. Interviews at selected line ministries indicated that there is a transfer of knowledge and the document analysis of some consultancy projects indicated as such. However some terms of references and contracts of consultancy projects did not indicate the manner for the knowledge transfer.

Documents analysed indicate that 15/34 consultancy services indicated the transfer of knowledge but only 2/34 indicated the number of staff to be equipped with skills, while 4/34 did not indicate such requirements and at 13/34 this information was not available.

Furthermore the interviews within the selected line ministries indicated that knowledge transfers depends on the nature of the project that is being outsourced and differ from project to project. Some consultancy services did not indicate the manner for transfer of knowledge and the effect thereof.

Interviews conducted with consultants from 2 out of the 4 ongoing consultancy services indicated the manner of transfer of knowledge i.e. training of staff. However, these consultants indicated that management does not ensure the availability of staff and for that reason the training to date is unsuccessful.

The consultants stated that the objective of the ministry for the Green Scheme Project as a national project has not been successfully met at the time of the audit. This was evident in the fact as stated with interviews conducted with staff as well as documents analyzed.

### **3.5 Payments to consultants for services rendered**

Payments should be made according to the stipulations in the contract between the ministry and the consultants. The audit found that the fees to consultants are fixed as per the contractual agreement. The audit did not find any material errors when analyzing the payments to consultants for services rendered as the stipulations of the contract were followed.

However, the documents in the form of requisitions analyzed, during the audit for the Green Scheme Project, indicated that S&T was paid to consultants which were not included in their individual legal contracts under the section 2.3 (payment). The packages per month as agreed in the contract (under the section 2.3) between the ministry and the consultant team includes only fixed professional fees to be paid monthly to each consultant. The stipulation on S&T is additionally stated in the terms of reference for the Green Scheme Project which is only an internal agreement between the consultants and the members of the Engineering Division within the Ministry of Agriculture, Water and Forestry.

Furthermore, four out of the five consultants from this Agency are traveling every other month based on their annual activities due the fact that they must provide technical support on a regular basis over a period of five years. The team consists of 1x Agricultural Engineer, 1x Financial Consultant, 1x Agricultural Economist, 1x Agronomist, 1x Administrative Officer. The main objective of these consultants is to provide advice on irrigation to the Ministry of Agriculture, Water and Forestry, but they are not providing such advice from their office based in Windhoek. The Ministry of Agriculture, Water and Forestry continuously requests their assistance at the Green Scheme sites all over the country. The total costs for professional fees for the five consultants incurred over for the period October 2004 to March 2007 were N\$ 3 681 189.42. Furthermore, in addition to the professional fees, the subsistence and traveling allowance for the four consultants (Administrative Officer currently not traveling) for the period October 2004 to March 2007 amounted to N\$ 245 010.01. One needs to consider that only two consultants started in October 2004, two started in January 2005 while one started in February 2006.

The S&T included kilometer mileage claims for the consultants as traveled with their private vehicles from their office in Windhoek to the various Green Scheme Project sites across the country. These kilometer mileage claims which are paid are calculated at prior approved rates per kilometer while the subsistence and traveling allowances are calculated at the standard Government rates. The audit found that the kilometer mileage claim is set at a rate of N\$ 2.80 per kilometer. For further illustration see Annexure 2 for a schedule of professional fees and S&T payments to the consultants.

The Green Scheme Project is one of the biggest projects in the country and needs professional advisory services which are currently provided by consultants. There is a possibility that this contract will need to be extended after the expiry of the five year contract in July 2009. Interviews with staff of the consultant indicated that the Ministry of Agriculture, Water and Forestry does not attach staff such as the current Engineers to the consultant to gain sufficient knowledge within the Ministry. According to interviews with these consultants, the causes are the non-existence of a steering committee that is responsible to monitor the Green Scheme Project's activities. Also, according to the annual report of the consultant reasons for the problems with staff come as a result of crisis management and lack of commitment on the side of the Ministry. According to the consultants the lack of management from the Ministry, results in the objectives of the Green Scheme Project as an irrigation project within the country as a whole not being met.

### **3.6 Evaluation at the end of consultancy services**

The requesting ministry needs to do a final evaluation by the end of each consultancy service. However, the audit could not establish whether ministries do a final evaluation after completion of each consultancy contract to establish the extent to which pre-determined objectives were met. These objectives should be stipulated in the specifications or contract for each consultancy service.

Interviews conducted with staff at requesting ministries indicated that at the end of each service rendered by a consultant, each consultant does a presentation based on their final report and the committee responsible to monitor such consultancy will make comments on the content of the final report. Such comments must be incorporated before the payment to the consultant is made. The nature of evaluations will depend on the nature and duration of the service rendered. In cases of more technical services such as the Rural Electrification service, in depth evaluation was done together with inspections on site, by the Ministry of Mines and Energy and the consultancy team, as well as other stakeholders. However, there is no clear indication whether an in-depth evaluation has been done by all the selected ministries on all the actual work done by the consultants over the period under review, to establish whether objectives have been met.

When ministries fail to conduct proper evaluations on consultancy work, they may not establish whether they have achieved their objectives. Also, this may cause them to request services again from consultancy teams which are not working towards meeting the objectives of the requesting ministries.

## CHAPTER 4

### CONCLUSION

There is no policy or a standard that is guiding the outsourcing of consultancy services regarding the compilation of specifications within the public service after OPM has approved that consultancy services can be outsourced. Each line ministry sets up their own monitory rules and regulations, especially after tenders have been awarded. This results in some consultancy services to have no committee established responsible for day to day activities of the consultant. Some committees were established but they do not have their T.O.R that indicate to them what is expected from that committee in order for the objective of the consultancy services to be realized.

- As a result of lack of capacity within the public service, outsourcing of consultancy services is common. Due to the lack of capacity, line ministries will continue outsourcing as needs arise, to meet their goals.
- The compilations of specifications for the consultancy services are normally not being outsourced. Only the specification for the services that are too technical are being outsourced and staff within the directorate that is outsourcing are involved in the compilation.
- When the terms of references and the contract do not indicate the manner for transformation of knowledge, it will result in no transfer taking place and if there is a transfer it will not be effective. This will result in no value for money and the ministry will have difficulties to continue after the consultant has left.
- The number of staff to work with the consultant and to be equipped with the necessary skills through the consultancy is not indicated in some consultant services, but the desire for knowledge transfer is indicated.
- When the ministries do not ensure the availability of staff for training which is part of transfer of knowledge as stipulated under the objectives of the consultancy services being outsourced, it will result in the objective of the service being outsourced not being achieved.
- Specifications of some line ministries do not indicate who will be responsible for the monitoring and inspection of the consultancy work. This situation will hamper the monitoring process and ultimately where applicable the implementation process.
- Inspection and monitoring are only important and necessary for long term consultancy services (1-5 years consultancy). Short term consultancy services are not being monitored by way of inspections.
- There is no clear indication in the specifications for some consultancy services when the reporting on the progress of work should be done and submitted to the committee responsible for monitoring. This may result in progress reports not being submitted when needed for monitoring purposes.
- There is no penalty clause in the contracts for outsourcing of consultancy services within the public service to penalize consultants, when their work is not done up to standard or not completed within the specified period.

- Payments to the consultant companies are made according to work completed, but final evaluation of the work upon completion in some consultancy services is not being done. This can result in line ministries paying the consultants while the work is not done according to their contract.
- Non-compliance with reporting requirements will have an effect on the quality of work done by the consultant and thus no value for money at the end of the project

## CHAPTER 5

### RECOMMENDATIONS

- For the smooth running of the outsourcing of consultancy services, there is a need for a standard structure in terms of compilation of specifications with regard to the nature of the service being outsourced, regardless whether the specifications are being compiled within the line ministry or being outsourced. This will result in the specifications being compiled in the same manner through out the public service. The standard or policy for consultancy services will result in the specifications indicating all the responsibilities of each party (the line ministries and the consultant), when and how the monitoring and inspections should be done, and also when the progress reports should be produced.
- Line ministries should give their full support to the consultant in order for the outsourcing of services to be a success, provided that the contracts between the line ministries and the consultancies clearly indicate all the responsibilities of the consultant and those of the line ministries.
- The line ministries should establish a committee for each consultancy service that will be responsible for the monitoring and inspection as well as to manage the day to day activities of the service. It is recommended that the Directorate that is outsourcing be fully responsible for the day-to-day activities of the consultancy services.
- The established committee should ensure that staff within the ministry that will work with the consultant are made available in order for transfer of knowledge to be effective.
- Payment by the line ministries are being certified according to the contract and line ministries should continue doing so, but final evaluation of the work done by the consultant should be concluded and the final payment should be made based on that final evaluation.
- The line ministries should ensure that the contracts for outsourcing of consultancy services include a penalty clause in order to encourage the responsible parties to perform accordingly and on time. These penalties should be for both the line ministry and the consultant and who ever is not performing according to the stipulations that are in place.

Annexure 1:

**Table illustrating number of consultancy services listed at OPM under their category of outsourcing over the period 200/05; 2005/06 & 2006/07**

Name of Ministry	Financial year	Name - Consultancy Service	Remarks
MFMR	2004/05	Training Needs Assessment	<b>Consultancy approved by office of the prime minister but not carried out</b>
MFMR	2006/07	Feasibility study on fish farming in Leonardville	
MFMR	2006/07	Review of aquaculture	<b>Consultancy approved by office of the prime minister but not carried out</b>
MFMR	2006/07	Feasibility study for making marine fish products and setting up of cold storage facilities	
MME	2004/05	Heat flow & Geothermal Energy	
MME	2005/06	Drafting of autogas regulations	
MME	2005/06	Rural electrification 2006/7 project	
MME	2005/06	Earth data Namibian project	
MME	2004/05	Re-negotiation agreement between Debeers and Government	
MME	2006/07	Amendment to Mining Act	
MME	2006/07	The determination of retail margin for fuel resellers in Namibia	
MME	2006/07	CD/ISIS Software support	
MME	2006/07	Engineering consultancy services for rural electrification 2007/8 project	
MME	2006/07	Consulting Services for promotion of biomass energy	
MRLGHRD	2006/07	Web based Accounting system for build together programme	
MRLGHRD	2006/07	Review of the national plan	
MRLGHRD	2006/07	RDC Project	
MOJ	2004/5	Computer Training	
MOJ	2004/05	Software Development for NAMCIS	
MOJ	2005/6	Facilitation of various bills	
MOJ	2005/6	NAMCIS	
MOJ	2006/7	Establishment of Community courts	
MAWF	2004/05	Green scheme Coordinating Agency	
MAWF	2004/05	Integrated Water Resources Management	<b>Consultancy approved by office of the prime minister but not carried out</b>
MAWF	2004/05	Pasture & Rangeland	

<b>Name of Ministry</b>	<b>Financial year</b>	<b>Name - Consultancy Service</b>	<b>Remarks</b>
MAWF	2004/05	Technical services and Horticulture	
MAWF	2005/06	Tree planting project	
MAWF	2006/07	Midterm review of the extended feasibility study for the tree planting project in north and central Namibia	
MAWF	2006/07	Development of a national water tariff strategy to Namibia	<b>Consultancy approved by office of the prime minister but not carried out</b>
MAWF	2006/07	Poultry project	
MAWF	2006/07	Training services	
MAWF	2006/07	Drafting of amendment and regulations of the water resources management act before its commencement	
MAWF	2006/07	Technical services for Agronomy/ Horticulture/small stock	<b>Former staff member - Normal temporary contract worker</b>
MLR	2004/05	National Rehabilitation Plan	
MLR	2004/05	Facilitation for re-designing of organizational structure	
MLR	2005/06	Computer system audit System administration	
MLR	2004/05	Digital Cadastral Information System	

**Schedule of Professional Fees and S&T payments to Green Scheme Project:**

<b>Consultant</b>	<b>Period of payment</b>	<b>Professional fees</b>	<b>S&amp;T</b>
		N\$	N\$
Agricultural Engineer	Oct 2004-Mar-2007	1 138 500.00	34 995.39
Financial Consultant	Jan' 2005-Mar 2007	371 000.00	17 746.48
Agricultural Economist	Oct 2004-Mar-2007	1 294 198.59	125 421.42
Agronomist	Jan' 2005-Mar 2007	562 490.74	66 846.72
Administrative Officer	Jan' 2005-Mar 2007	315 000.09	Not Traveling

**Annexure 3:**

**Interviews conducted within the selected ministries**

<u>Summary of interviews conducted during the audit</u>																	
	Directors	Deputy Directors	Control Officer	Prosecutor	Engineer	Chief Surveyor	Human Resource Personnel	Accountants	Consultants	Trainers	Trainees	Community Mobilisers	Technical Adviser	Project Administrator	Project manager	Deputy Project manager	Total
Agriculture	5	5	1					1	6			2		1	1	1	23
Mines	7	1			2												10
Lands	4	1	1			1	2						1				10
Local	2	1						1	2	3	2				1		12
Fisheries	3																3
Justice	2	1		1					2								6
	<b>23</b>	<b>9</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>10</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>64</b>