

Tool for conducting an Organisational Audit of National AIDS Commissions

User's guide and audit standards tool

- ✓ A simple and effective way to strengthen the organisational effectiveness of NACs
- ✓ Helps meet international standards of good governance
- ✓ Strengthens credibility of the NAC and reassures funders that standards are in place and being improved upon
- ✓ Develops institutional capacity and knowledge of audit procedures and processes
- ✓ Builds peer reviewer capacity

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Part 1. User's guide

1.1 Background

Since the UN General Assembly Special Session on HIV/AIDS in 2001, and through the development of the UNAIDS 'Three Ones' principles and the Global Task Team recommendations, there has been increasing commitment to building the capacity of NACs as the 'one' national coordinating authority. These developments have taken place in an increasingly complex environment where access to substantial resources (for example through the Global Fund to Fight AIDS, TB and Malaria) is conditional on the development of alternative influential coordination mechanisms such as Country Coordinating Mechanisms, and where progress towards universal access to prevention treatment, care and support by 2010 requires well coordinated resources and responses. This puts additional pressure on NACs to succeed.

Evidence from a recent review of NACs in sub-Saharan Africa suggest NACs are a force for social change in support of national HIV policy¹ and have been very successful at mobilising funds from external donors.²

But there is also an established body of evidence that suggests NACs, as an organisational model, are problematic.³ In both high and low HIV prevalence countries many NACs face problems with their mandate, legitimacy and authority to lead multi-sectoral responses. In some contexts, NACs have evolved into complex bureaucracies with the same constraints of other public (or quasi-public) sector bodies: poor lines of accountability, staff recruitment and retention problems, lack of incentives to improve performance, difficulties in engaging other sectors, political interferences and so on.

Many NACs are addressing certain organisational problems. For example, Malawi has developed a salary structure based on the market and requiring human resource management separate from that of the public services. Some NACs are increasingly separating the function of representation from that of governance.

This tool has the potential to improve the functioning and effectiveness of NACs by establishing a baseline of the current state of compliance with internationally recognised standards of governance and strategy. It will also help establish which policies and procedures need to be put in place to ensure that the NAC is functional, efficient and effective.

1.2 Why an organisational audit of NACs?

An organisational audit can help a NAC identify whether it has the infrastructure and capacity required to work effectively and efficiently. The audit process will help the Board and senior managers identify strengths and weaknesses and develop a plan to address any shortfalls.

The organisational audit process provides 'quality assurance' in all **non-technical functions** and is the foundation on which all NAC responsibilities depend. This process is the first of a number of 'building blocks' which will help NACs meet international standards of excellence, both in terms of their functionality and in terms of their outputs based on technical knowledge and expertise.

NACs have similarities with other organisations in terms of their management functions, their need for basic processes to ensure that strategies are developed and implemented, money is spent effectively and staff can work safely and effectively. The organisational audit provides a checklist of policies, processes and procedures that need to be in place, and is also a planning tool for improvement.

¹ Morah E and M Ihalainen (2009) National AIDS Commissions in Africa: performance and emerging challenges. *Development Policy Review*, 2009, 27 (2): 185-214.

² Dickinson C et al (2008) A synthesis of institutional arrangements of National AIDS Commissions in twelve African countries. HLSP and the STARZ Programme, Zambia.

³ England R (2006) Coordinating HIV control efforts: what to do with the National AIDS Commissions. *The Lancet* 367: 1786-9; Dickinson et al (cit); Morah and Ihalainen (cit).

The organisational audit process encompasses both internal ownership of the quality assurance process and external validation that internationally recognised standards are being met.

Involving a member of the NAC staff as the designated ‘organisational development lead’ from the start ensures that the audit process is participatory and internalised.

1.3 What is an organisational audit?

An organisational audit is based on a series of standards drawn up to reflect international best practice, covering the following areas:

1. Governance	2. Board/Council meetings	3. Sub Committee Structure
4. Annual Planning Cycle	5. Operational Management	6. Organisational Structure
7. Performance Management	8. Financial Management	9. Administrative Systems
10. External communication/PR	11. Human Resources	12. Management Information
13. Procurement	14. Risk Management	15. Information Technology

1.4 What are the advantages of doing an audit?

Quality assurance

The organisational audit process provides Board/Council members with external verification that the NAC has the appropriate policies, processes and procedures to run in an effective and efficient manner. It also provides a checklist for senior managers who may use it to ensure that the appropriate institutional infrastructure and capacity is in place. Having procedures on paper is just one step; the audit process also tests whether personnel understand the procedures, can implement them and are using them appropriately.

Building internal organisational development capacity

The organisational audit process works most effectively when a senior staff member from the NAC (the Director of Administration or equivalent, for example) is designated as Organisational Development Lead. The designated staff member takes responsibility for organisational development within the NAC and acquires the knowledge and skills to develop and improve policies and procedures and to conduct repeat internal audits. Over time, it is hoped that designated leads would be able to conduct peer assessments of other NACs.

Demonstrating good management

Increasingly, development partners specify organisational standards they expect before giving support. By demonstrating that institutional processes have been externally assessed to meet international standards of governance and best practice, the NAC can meet the requirements of potential funding organisations.

Access to examples of good practice

HLSP is building up a collection of excellent policies and procedures developed by NACs. These are gathered through the Organisational Audit process with the agreement of the originating NAC. All NACs who participate will be able to access these models to help them develop and improve their own policies and procedures. By doing so, they do not have to ‘reinvent the wheel’.

1.5 How will the organisational audit work?

Ownership of the process

The organisational audit process is participatory; it is of paramount importance that the outcome is owned by the NAC itself. Whilst the process is relatively simple, it is important that key players are available to make the most of the exercise. These include the designated Organisational Development Lead, the Chair and CEO and board members and senior managers.

Capacity building

The NAC is asked to designate an Organisational Development Lead who will undertake the initial audit alongside the international auditor and a regional auditor. This will involve dedicating up to ten days for the process but, by the end of the audit the staff member will have a good understanding of the standards and what is required to meet them. In due course, they may become a peer auditor for other NACs in the region.

The Organisational Development Lead must have sufficient authority vested in them by the Board/Council and Director/CEO to lead the process of ensuring that the organisation works towards achieving the standards.

The auditors

The initial audit will be undertaken by one international auditor - a specialist in organisational development and governance with in depth understanding of the institutional needs of NACs. They will have been involved in similar exercises in other countries and will be able to draw on this experience to identify good practice.

A second regional auditor will also be involved. In the longer term it is envisaged that these will be Organisational Development Leads from other NACs, working as a peer auditors. However, for the first audit undertaken, some regional organisational development specialists, with skills in quality assurance and an understanding of the role and functions of NACs, will be involved.

The initial audit

The initial organisational audit will involve a review of policies, procedures, minutes of the Board and other committees, group and one-to-one interviews. The aim will be to check whether the organisation can meet the identified standards. This is more than seeing whether policies and procedures exist on paper but also whether they have been implemented, are known to staff and are working effectively. By discussing compliance with the standards, staff in the NAC appreciate their importance and develop an understanding of how to develop the necessary institutional infrastructure. The exercise will be undertaken by the international and regional auditors together with the Organisational Development Lead. They will document the current situation in regard to each standard. This process will usually take five-seven working days.

Agreeing a way forward

The auditors will schedule meetings with the Chair, Board members, CEO or equivalent and senior staff early in the second week. It will be important for the NAC to schedule these sessions.

At these meetings the team will feedback on the current situation and facilitate the development of an internal action plan to ensure that the NAC moves towards meeting all standards. This exercise is of the utmost importance and it facilitates understanding of the importance of the standards and why it is desirable to meet them. The action plan will be recorded on a **base audit standards** template (see page 5) which identifies:

- The standard
- The current position
- Action required
- Priority rating
- Lead responsibility

Ideally the Organisational Development Lead will be responsible for acting as project manager to ensure that the action plan is progressed and will be encouraged to make regular reports to the Board.

Follow up internal audit

In order to assess progress, the NAC can undertake a follow up internal audit at an agreed interval after the initial audit (perhaps one year). The Organisational Development Lead will be able to undertake this exercise and provide feedback to the Board.

Future external verification

Some NACs may wish to have external verification that the institution meets the standards. This may be required to meet the needs of funding organisations. It will be possible for them to request a follow on

audit which is likely to be less time consuming. In effect this would enable the organisation to be 'accredited' as meeting the standards.

An iterative process

The standards are comprehensive and rigorous. However, it is inevitable that from time to time they may need to be developed or improved. All participating organisations will be able to access any new or improved standards.

Database of models of good practice

Where the audit team finds examples of outstanding practice or well written policies and procedures, HLSP will ask permission to add them to a collection of good practice. The source of all such documents will be acknowledged. Any NAC who is developing a policy in a given area will be able to access example policies to assist them.

Peer auditors

We envisage that, over time, there will be a cohort of NAC Organisational Development Leads who can act as peer auditors. Known to HLSP, they will be approached by HLSP for both for initial and follow up audits. They will be contracted as consultants and paid for by the funder of the organisational audit (costs will include fees, travel, accommodation and subsistence).

Adapting the tool

We recognise that NACs work in different ways in different contexts. It is possible to adapt the audit tool to different institutional contexts and NAC settings without compromising its integrity.

1.6 How do I organise an audit and how much will it cost?

HLSP will help NACs as supporting agent in the audit process.

We suggest that for the first audit an international HLSP assessor works with a regional assessor. This process would normally take about two weeks from start to finish. The costs for the first audit would include consultants' time, local, regional and/or international travel costs, accommodation and subsistence.

HLSP would source high quality international and regional assessors with extensive experience of working with NACs and would forward CVs of the proposal consultants to the NAC for approval. If the NAC has already identified a national organisational development consultant, HLSP will make the necessary arrangements to link up and work with them as part of a two person team.

Organisations that might be interested in supporting a NAC organisational audit may include: country based international development partners, particularly those involved in capacity building activities of NACs and/or those involved in joint HIV funding arrangements; multilateral agencies working in HIV responses such as the UN and the World Bank; other regional development banks.

If you are interested in undertaking an organisational audit please contact Clare Dickinson, HIV/AIDS Specialist, HLSP Institute at clare.dickinson@hlsp.org

Part 2. Base audit standards

Audit Standard	Current Situation	Action	Priority	Responsibility
<i>Based on international good practice and used in the audit process for all NACs.</i>	<i>To what extent the standard has been achieved so far.</i>	<i>Agreed with the senior management team and signed off by the Council/Board.</i>	<i>Indicates relative importance.</i>	<i>The team/staff member identified by senior management for taking action and timescale for completion. It can be incorporated in individual or departmental annual objectives.</i>
1. GOVERNANCE				
The NAC has a formally ratified constitution				
The Council/Board has been constituted in line with its legislation/terms of reference/constitution				
The functions of the Council/Board are documented and known by all members				
Members were appointed in a transparent manner, which also ensures appropriate representation by geographical area, constituency, gender				
Council/Board members have received induction/written confirmation in respect of their accountability and authority				
The Chair undertakes appraisal of Board/Council members and sub-committee chairs				
Decisions of the Council/Board are communicated to key stakeholders in a timely manner				
Board decisions are made public through press statements/attendance by the media/posting on website				
2. BOARD/COUNCIL MEETINGS				

Audit Standard	Current Situation	Action	Priority	Responsibility
There is an annual schedule of meeting dates and this is adhered to				
Agendas and all supporting papers (including finance reports) are circulated at least one week in advance of meetings				
At least 80% of meetings chaired by the Chair of NAC				
Involvement in NAC of public sector members is reflected in their job descriptions and personal objectives				
Minutes are produced in a timely manner together with a summary of agreed actions (i.e. within one week)				
3. COMMITTEE STRUCTURE				
There an appropriate sub-committee structure including an Audit Committee and a Remuneration Committee				
The Remuneration Committee has access to independent advice on the local labour market and salary levels				
The Audit Committee agrees routine audit programmes and receives all external and internal audit reports				
4. ANNUAL PLANNING CYCLE				
There is a cycle of annual business planning for the NAC Secretariat				
The annual Secretariat business plan reflects the goals of the national HIV/AIDS strategic plan/framework				
The NAC Secretariat annual business plan reflects the (bi)annual national HIV/AIDS plan				
The annual NAC workplan is fully costed and accurately reflects all anticipated income				
The plan and associated budgets include all donor resources pledged to the NAC Secretariat				

Audit Standard	Current Situation	Action	Priority	Responsibility
Senior staff and key stakeholders were involved in the creation of the annual business plan				
The NAC workplan reflects all activities carried out by/with donors and development partners				
All directorates/departments in the secretariat have annual objectives based on the annual workplan				
Regular monitoring reports (delivery and financial) are received by the senior management team on the agreed departmental objectives				
Regular monitoring reports on the overall NAC workplan are received by the Board/Council				
The NAC produces an annual report				
5. OPERATIONAL MANAGEMENT				
There is an identified senior management team in the Secretariat				
The team shares goals and culture				
The senior management team meets regularly				
An agenda is circulated in advance of senior management meetings so that all members can prepare				
All senior managers have the opportunity to put items on the agenda				
Minutes are circulated widely within the Secretariat				
There is a system for identifying responsibility for follow up action				
6. ORGANISATIONAL STRUCTURE				
There is an agreed, funded organogram				
The organogram reflects the roles and responsibilities as stated in the NAC constitution				

Audit Standard	Current Situation	Action	Priority	Responsibility
All staff and attached TA have job descriptions				
The job descriptions specify what the postholder is responsible for, who they are accountable to and who is accountable to them				
There is clarity of both managerial and professional accountability				
Competencies/qualifications are identified for each post				
Spans of control in the Secretariat are within tolerable limits (i.e no manager has more than 8 people accountable to them)				
Job descriptions and the organogram are reviewed regularly. These are amended to show date of review				
7. PERFORMANCE MANAGEMENT <i>Note: this section cross references with planning section</i>				
All departments and directorates have annual objectives based on the NAC work plan				
All staff (including the CEO) are subject to annual objective setting and appraisal				
Objectives are in line with departmental/directorate objectives and are SMART				
Objectives are displayed in offices and workplaces				
These annual objectives are reflected in the work currently being undertaken by staff				
There are regular formal reviews of progress against objectives (not less than quarterly)				
All senior staff have a personal development/training plan directly related to their objectives				
The Human Resources department receives copies of these and identifies organisational training needs from them				

Audit Standard	Current Situation	Action	Priority	Responsibility
There a monitoring system for the appraisal process to ensure that all staff participate				
8. FINANCIAL MANAGEMENT				
8.1 Budgeting and Monitoring				
There is an annual budget based on known commitments (staff in post, planned activities etc.) This is based on cost centres. The budgets are realistic (i.e. based on predicted activity/quality, not on uplifted historical data) and are profiled to reflect the workplan				
The annual budget reflects activities in the workplan				
There are designated budget holders with agreed spending powers (i.e. delegated budgets)				
All budget holders know their budgets at the beginning of the financial year				
Budget holders are clear on the limits of their financial authority				
All pay and non pay budgets are the responsibility of a designated manager				
There are budgets for Planned Preventative Maintenance (including vehicles)				
There are realistic equipment replacement budgets				
All new capital schemes have their revenue consequences calculated and agreed in advance				
Budget holders receive reports of expenditure against budget monthly				
The Board/Council receive reports of expenditure against budget monthly				
The NAC produces an annual financial report which is distributed to all stakeholders				
The CEO and senior management team receives				

Audit Standard	Current Situation	Action	Priority	Responsibility
reports of all expenditure against budget monthly				
8.2 Financial Systems				
There are written standing financial instructions/Treasury Instructions available in all budget managers offices				
Budget holders sign Standing Financial Orders to confirm they understand them and will comply				
Managers are aware of their delegated authority				
There is a cost coding system which reflects all secretariat functions and activities				
Financial systems ensure that all staff and invoices are paid on time (invoices within 28 days)				
There is regular internal and external financial audit and all audit recommendations have been actioned				
There is a petty cash system which is reconciled monthly				
9. ADMINISTRATIVE SYSTEMS				
There is an agreed filing policy (electronic and hard copy)				
There is an agreed retention and destruction policy for documents including financial documents				
There is a central, shared diary and scheduling system				
There is an agreed system for circulating documents (i.e. one which ensures that an agreed list of staff see and take appropriate action)				
There is a policy on use of email (i.e. use of 'copy all', personal use, standardised filing)				
10. EXTERNAL COMMUNICATIONS				
The NAC secretariat employs a trained and				

Audit Standard	Current Situation	Action	Priority	Responsibility
appropriately qualified PR expert				
The NAC senior team or individual senior members of staff have established regular scheduled co-ordination and monitoring meetings with <ul style="list-style-type: none"> • Line Ministries / Departments • The CCM • Civil society/FBOs • Private sector • Development partners • Other NACs in the region 				
The NAC have a website which is regularly updated (at least monthly for the public section)				
The NAC has identified key contacts in the national media				
Senior staff have received training in making statements and presentations for newspapers, TV and radio				
There is an established comprehensive pathway for issuing press statements				
The NAC has an agreed 'house style' for all publications which is adhered to				
There is a documented system for managing publications and key documents, ensuring that distribution is comprehensive and out of date materials are withdrawn				
The NAC building is 'visitor friendly' (i.e. has secure facilities for visitor parking; reception is welcoming and well informed; there is adequate and appropriate seating space; there is access to toilets and drinking water)				
11. HUMAN RESOURCES				
There is an agreed HR Strategy				

Audit Standard	Current Situation	Action	Priority	Responsibility
There is an appropriately qualified/competent HR manager				
There are appropriately qualified/competent HR support staff				
There is a mechanism for workforce planning				
There is an HR information system which can identify management information (e.g. sickness and absence, age profile etc.)				
The HR information system provides timely accurate information to support managers				
There are comprehensive agreed HR policies and procedures (e.g. recruitment/discipline/leave/class of travel etc.)				
Managers are trained and competent in day to day personnel management				
11.1 Recruitment				
All posts are advertised for open competition				
All advertised posts have a job description and person specification				
There is a system for ensuring that all appointments are based on merit				
11.2 Training and Development				
All staff receive formal induction				
There is an agreed funded training strategy				
There is an annual training budget				
There is an agreed methodology for determining training and development needs				
There is a commitment to CPD and, this can be demonstrated				

Audit Standard	Current Situation	Action	Priority	Responsibility
There is a designated member of staff responsible for co-ordinating and facilitating training				
11.3 Staff Involvement				
There are formal communication channels which reach all staff				
There are agreed consultation mechanisms with staff				
There is an agreed policy on staff involvement in trade unions and staff organisations				
11.4 Discipline and Grievance				
There are disciplinary and grievance procedures for both NAC staff and Board members				
12. MANAGEMENT INFORMATION				
There is an agreed management information strategy (i.e. progress on agreed targets)				
There is an agreement on access levels				
There are monthly reports on: <ul style="list-style-type: none"> • Expenditure against budget; • Income against plan • Activity against planned activity; • Quality achieved against quality standards 				
There is agreement on what management information is shared with external stakeholders				
There is an agreed regular system for benchmarking with other NACs				
13. PROCUREMENT				
<i>Includes all aspects of procurement including tendering procedures, ordering, receipt, payment and storage</i>				
There is a written procurement procedure				
Members are aware of their roles and responsibilities in respect of procurement (if appropriate)				

Audit Standard	Current Situation	Action	Priority	Responsibility
Managers are aware of procurement procedures (i.e. they have access to a copy)				
There is adequate separation of duties encompassed in the procedure				
The infrastructure is in place for effective management of the supply chain				
There is an asset register which is verified regularly				
There are measures for assessing loss/wastage				
There is adequate secure storage				
There is an agreed system for procurement of fuel for NAC cars. This is reconciled against vehicle log books				
14. RISK MANAGEMENT				
Personal				
There is an occupational health service/health insurance for staff				
There is a workplace HIV/AIDS policy				
Staff are trained in lifting and handling and carrying out other hazardous activities				
Staff are trained in personal security				
All official drivers are required to pass a driving competence test				
There is an accident/incident reporting system together with follow-up				
There is a first aid kit and a nominated, trained first aider				
Facilities and Equipment				
The building is accessible to people with disabilities				
The NAC building has a back up power supply (if				

Audit Standard	Current Situation	Action	Priority	Responsibility
appropriate)				
There is PPM for all equipment including lifts and fire equipment				
The fire equipment is adequate and marked				
Fire exits are appropriately marked and easy to access/use				
There are regular fire drills				
There are satisfactory, environmentally friendly waste disposal procedures				
15. IT				
All computers are virus protected				
All computers are subject to regular back up and off site storage of back up data				
All laptops are password protected and passwords are regularly changed				
Is all IT equipment is security marked and is stored securely				

Abbreviations

SMART specific, measurable, achievable, realistic, time-bound

CCM Country Coordinating Mechanism

FBO Faith-based organisation

CPD Continuous professional development

PPM Planned preventive maintenance