UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UN WOMEN

EAST AND HORN OF AFRICA

SUB-REGIONAL OFFICE

IN

KENYA

Report No. 1077

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Report on the audit of UN Women East and Horn of Africa Sub-Regional Office in Kenya
Executive Summary

From 17 September to 5 October 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) East and Horn of Africa Sub-Regional Office in Kenya (the Office). The Office covers a total of nine countries, namely Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, Tanzania and Uganda. The audit covered seven of these, namely Ethiopia, Kenya, Sudan, South Sudan, Tanzania and Uganda, with remote programming in Somalia. There were no programmatic activities in Eritrea and Djibouti. The audit covered the activities of the Office during the period from 1 January 2011 to 30 September 2012. During the period reviewed, the programme and management expenditures totalled $6.3 million for the Office and $22 million for the seven countries.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

OAI assessed the Office as **partially satisfactory**, which means "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." This rating was mainly due to weaknesses in programme and project management and partnerships and resource mobilization. Ratings per audit area and sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				■
1.1 Organizational structure and delegations of authority	Satisfactory			
1.2 Leadership, ethics and values	Satisfactory			
1.3 Risk management, planning, monitoring and reporting	Partially Satisfactory			
2. Programme activities			■	
2.1 Programme and project management	Partially Satisfactory			
2.2 Partnerships and resource mobilization	Unsatisfactory			
3. Operations				■

3.1	Human resources	Satisfactory
3.2	Finance	Satisfactory
3.3	Procurement	Satisfactory
3.4	Information and communication technology	Satisfactory
3.5	General administration	Satisfactory
3.6	Safety and Security	Satisfactory
3.7	UNDP support to Office	Satisfactory
3.8	Asset management	Unsatisfactory
3.9	Leave management	Satisfactory

Key issues and recommendations

The audit raised 15 issues and resulted in 16 recommendations, of which five (31 percent) were ranked high (critical) priority, meaning "Prompt action is required to ensure that UN Women is not exposed to high risks. Failure to take action could result in major negative consequences for UN Women and may affect the organization at the global level."

Among the 15 issues raised, there were two requiring action by the Division of Management and Administration (Issues 2 and 3), referred to as "corporate issues."

The high priority recommendations are:

Risk management, planning, monitoring and reporting (Issue 2)	Corporate issue: Inadequate segregation of activities relating to various Offices in Atlas. The Office did not have easy access to discrete and consolidated financial information on its projects and operations for the purposes of decision-making. This was primarily due to the Atlas configuration not having been amended to reflect the Office's new regional role, which was finally approved by the Executive Board in November 2012. OAI recommends that the Division of Management and Administration, in collaboration with the Programme Support Division: (a) determine and implement separate Atlas budget codes for the UN Women Country and Regional Offices in Kenya; (b) train staff in the use of specific Atlas queries and reports that are developed at Headquarters level; and (c) develop a dashboard that would provide financial and programmatic data and information to all offices on their activities.
(Issue 3)	Corporate issue: Lack of risk management policies and procedures. A UN Women corporate risk management policy does not currently exist and this has negatively impacted the operations of the Office, which does not have a systematic procedure to identify its exposure to risks. OAI recommends that the Division of Management and Administration develop a corporate policy on risk management to assist field offices with identifying, assessing, monitoring and reporting risks associated with its programmes. This should include a requirement for documentation of risks in a database in each of the sub-regional countries as well as procedures to determine and implement an appropriate risk response.
Programme and project management (Issue 4)	Inadequate oversight and inadequate regional programme activities. A review of the Sub-Regional Strategy/Annual Work Plan, as well as four projects which were being implemented by the Sub-Regional Office and three by the Country Office in Kenya, indicated that oversight of the countries under the Office's purview needed to be improved. In addition, there was insufficient planning for programmatic activities, which resulted in a lack of project targets and baselines. Further, a lack of project documents,

low project delivery rates, and no activities in two of the countries under its purview may have impacted the full achievement of the UN Women development goals. Management indicated that this was caused primarily by the lack of programme staff and funding delays. OAI recommends that the Office: (a) review all annual work plans, assign specific targets against each benchmark, and implement a system to track each target/indicator to ensure adequate oversight and accurate and comprehensive reporting on the results to be achieved by each office; (b) prepare and approve project documents in accordance with the template available in the Programme and Operations Manual; (c) implement a system to continuously monitor risks and other factors impacting project progress in order to identify problems, and implement actions to mitigate the negative impact on project delivery in a timely manner; and (d) clarify and implement activities for Djibouti and Eritrea in accordance with its Sub-Regional Strategy.

Partnerships and resource mobilization (Issue 8)	Absence of a strategy and the limited capacity to mobilize resources. The Office had not secured non-core funding in 2011 or for the first 10 months of 2012. OAI recommends that the Office: (a) develop a resource mobilization strategy which includes the requirement to re-engage donors of previous projects; and (b) seek guidance from the Resource Mobilization Unit at Headquarters on strategies that could be utilized.
Asset management (Issue 14)	Inadequate oversight and management of assets. Although the Office has overall responsibility for accurate reporting and management of assets for the countries within its sub-region, it failed to ensure that accurate records were maintained for assets in Ethiopia, Kenya, South Sudan, Sudan, Tanzania and Uganda. As a result, records included assets that had no identification tags, no acquisition costs as well as lost and stolen items. OAI recommends that the Office strengthen its asset management procedures and provide adequate training for staff with responsibility for asset monitoring and management of assets, in order to ensure: (a) proper tagging and designation of the physical location of assets; (b) performance of regular, periodic physical verifications; (c) reconciliation of the physical verification with Atlas records and follow-up of any discrepancies ensuring all discrepancies are clarified, documented and that appropriate adjustments are recorded; (d) records are adjusted for any assets no longer in use or in custody in accordance with UN Women asset disposal procedures; (e) country representatives are aware of their responsibilities to provide complete and accurate country asset listings; and (f) acquisition date and acquisition price of assets, and certification by the Sub-Regional Office annually.

Management's comments

UN Women management accepted all recommendations and had implemented or was in the process of implementing them. Management comments, including actions taken/to be taken by them, are reflected in this report, as appropriate.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. Introduction

From 17 September to 5 October 2012, OAI conducted an audit of the UN Women East and Horn of Africa Sub-Regional Office in Kenya. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit scope and objectives

OAI audits assess the adequacy and effectiveness of the governance, risk management, and control processes in order to provide reasonable assurance to the Executive Director regarding the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with legislative mandates, regulations and rules, policies and procedures. They also aim to assist the management of the Office and other relevant business units in continuously improving governance, risk management, and control processes.

This audit reviewed the following areas of the Office: governance and strategic management, programme activities, and operations. The audit covered relevant activities during the period from 1 January 2011 to 30 September 2012. During the period reviewed, the programme and management expenditures totalled $6.3 million for the Office and $22 million for the seven countries under its purview.

II. About the Office

The Office, located in Nairobi, Kenya (the Country), had seven staff members consisting of three international staff (one of them out-posted from a Headquarters unit), one National Officer and three General Service staff. There were also four service contracts holders, one of which was responsible for the UN Women projects in Somalia, working remotely from Nairobi. The Office had also retained nine consultants under special service agreements to assist with operational and programmatic areas at different times during the audit period. During the review period, the Office had operated with an interim Regional Programme Director, for one year, after which the new Regional Programme Director and Deputy were hired in early 2012.

The Office covers a total of nine countries, namely Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, Tanzania and Uganda. The audit covered seven of these, namely Ethiopia, Kenya, Sudan, South Sudan, Tanzania and Uganda, with remote programming in Somalia. There were no programmatic activities in Eritrea and Djibouti.

While the Office was months away from transitioning to a Regional Office covering Eastern and Southern Africa under UN Women's Regional Architecture Plan, several of the key elements necessary for the transition to occur, ranging from staffing of the Office to delegations of authority were still being determined at the time of the audit mission.

The programme portfolio included projects related to women leadership, increased economic empowerment, and ending violence against women. For Somalia, there was a pilot project related to trauma healing and capacity building efforts for staff at the Ministry of Women Development and Family Care.

III. Detailed assessment

1. Governance and strategic management — Satisfactory

1.1 Organizational structure and delegations of authority — Satisfactory

The Office had been operating with 11 people, and received additional support from 9 contractors for varying levels of duration during the period under review. Specifically, the Office had seven staff under fixed-term appointments, four service contracts holders, and had also been supported by nine contractors holding special service agreements. There were four vacant posts. The two most senior posts had only been filled in February and April 2012. Prior to that period, senior management consisted of an Officer-in-Charge for four months, without the support of a deputy. The role of Operations Manager was being performed by the Finance Assistant for the entire period.

OAI reviewed the Sub-Regional Strategy 2008-2012, which was still being revised to address the Office's transition to the Regional Office structure, the organization chart, the annual work plans, which were also being revised, the recently approved Internal Control Framework, the delegation of authority and the available minutes of meetings. OAI noted that the programmatic and operations functions of the Office were negatively impacted by the vacancies and delays in recruitment. As noted in section 2.1 under programme activities and section 2.2 under resource mobilization, very little of the planned activity had been performed during the review period. At the time of the audit in September 2012, the management and staff were actively correcting the deficiencies in the operational structure, and recruitment was ongoing. In addition, no written delegation of authority had been issued to any of the staff members other than the Regional Programme Director. However, the Office informed OAI that this had been rectified immediately following the audit. As a result of the subsequent actions taken by senior management, no issues have been raised.

1.2 Leadership, ethics and values — Satisfactory

OAI reviewed compliance with the requirement for completion of the mandatory ethics training and the policy regarding reporting of outside activities.

No reportable issues were identified.

1.3 Risk management, planning, monitoring and reporting — Partially Satisfactory

OAI reviewed documents relating to the planning, monitoring and reporting activities conducted, and held discussions with management and staff relating to planning, monitoring and reporting. At the time of the audit, the Office had been working to improve its delivery rate, which averaged 32 percent overall. OAI noted the absence of key corporate tools to assist the Office in performing its role, which have been identified in this report as corporate issues and as such have been addressed to Headquarters units.

Issue 1 Insufficient actions to address conversion to a Regional Office

Best practices concerning institutional transformations emphasize the need for a coordinated effort between those deciding the nature and scope of the change and the part of the institution that will undergo change. All discussions and coordination should ensure adequate time to prepare for the change, and due consideration should be given to the management of personnel contracts. Any activities presenting cost constraints should be discussed and well documented to support decisions taken.

As part of the roll out of UN Women's Regional Architecture, communicated to UN Women staff by the Executive Director on 19 September 2012 and approved by the UN Women Executive Board on 30 November 2012, the Office was scheduled to become a Regional Office during the first quarter of 2013. However, OAI did not find evidence of dynamic communications between Headquarters and the Office on the impending change to the Regional Architecture. Further, concerns escalated by the Office to the Headquarters Units dealing with specific issues, such as proposed staffing and functions of the incumbent staff and questions regarding additional office space requirements, were not answered in a timely manner. OAI also noted that:

(a) All staff contracts, except persons recruited in the beginning of 2012, were due to expire on 31 December 2012. Further, during the audit period, staff positions for the new Regional Office, for which recruitment was being managed by UN Women Headquarters, continued to be vacant. Some posts had not yet been advertised, posing a risk of inadequate staffing to support planned activities and to ensure business continuity for the Office. Moreover, the Office had already been operating with a skeleton staff for the entire period under audit.

(b) In anticipation of the transition to a Regional Office, the Office had identified additional office space within the UN Nairobi compound, for which it would have to make lease payments in 2013. However, this decision had not been approved by Headquarters. UN Women Headquarters indicated that responsible units had subsequently sought additional information and clarifications on lease terms regarding the UN Nairobi compound office space and that the lease was eventually signed in January 2013.

(c) Discussions with representatives of Country Offices that were being supervised by the Office revealed that no technical advice or advisory services were provided during the review period, which was the main role the representatives of the Country Offices had expected the Office to perform.

Management has subsequently indicated that action is ongoing to implement recommendations made during the fieldwork and that staff contracts have been extended. In consideration of the proactive actions taken by management, this issue is given a priority level of medium and retained to encourage follow-up and completion of the process.

The lack of clear guidance regarding the Office's Regional Office mandate combined with the staffing vacancies may lead to indecisiveness, poor staff morale and a lack of ownership for actions to be taken, which may in turn result in the non-achievement of the Office's mandate and, ultimately, the UN Women corporate mandate in the Country.

Priority	Medium (Important)
Recommendation 1: The Office, in consultation with the Programme Support Division, should: (a) reassess its operating structure in light of its new Regional Office status to ensure adequate lead time and capacity to meet the demands that will be placed on the Office; and (b) expedite the recruitment of personnel with the proper skills and competencies to provide the advisory and technical function.	

Management Comments: __√__ Agreed ____ Disagreed

Management mentioned several actions that fulfill the requirements of the recommendations. The following specific comments were provided:

(a) UN Women's Executive Board approved the new Regional Architecture on 30 November 2012, after the audit of the Office was completed. Transition planning was part of the preparation process for the Executive Board submission while the implementation of the conversion from a Sub-Regional Office to a Regional Office, prior to the Board's approval, was not possible. Immediately following Executive Board approval, Headquarters carried out a Regional Architecture mission to Nairobi in early December 2012, where a functional analysis was conducted and an organizational chart and implementation plan (which included a change management plan) was developed in full consultation with staff. Many elements of this have already been implemented. The implementation plan for the Regional Architecture anticipates that all Regional Offices will be fully functioning by the second quarter of 2013, with full implementation of the overall structure by the end of 2013. Implementation in individual regions will progress as rapidly as possible. However, UN Women is aware that the plan is a complex undertaking and will retain flexibility in timing as required.

(b) Recruitments are currently ongoing for all necessary positions, including the advisory and technical functions. It is expected that all staff will be in place by early third quarter 2013. The Operations Manager and Strategic Planning and Coordination Specialist are in place and have assumed their duties. The Internal Control Framework and delegations of authority reflecting the new role of the Regional Office were issued in early March 2013 as soon as the Regional Director was confirmed in her position. A roll-out retreat for the Regional Architecture which included all the Country Offices in the region was also organized to clarify roles and responsibilities of Headquarters, Regional Office and Country Offices.

Additional information provided by the Office has been reflected in the audit observation.

Priority	Medium (Important)

Recommendation 2:

The Programme Support Division should define an appropriate feedback mechanism for all Regional Offices that would clearly establish the levels of guidance and support that would be provided along with expected turnaround times for requests for assistance.

Management Comments: __√__ Agreed ____ Disagreed

Management commented that the UN Women believes the responsiveness of Headquarters to Regional Offices and Country Offices is key to the proper functioning of UN Women's new structure and to the achievement of results. The Programme Division remains committed to working, together with other HQ units, on providing strategic oversight and delivering timely quality guidance and support to the field offices.

Issue 2 Corporate issue: Inadequate segregation of activities relating to various Offices in Atlas

UN Women has a fiduciary responsibility with its donors to manage its funds in accordance with all applicable rules and regulations. One critical aspect of managing resources effectively and efficiently is to ensure that corporate systems support decision-making and facilitate management oversight, and monitoring and reporting on the activities of the various business units within Atlas and within UN Women's Enterprise Resource Management system.

At the time of audit, the Office did not have easy access to discrete or consolidated financial information on its projects and operations for the purpose of decision-making. This situation was due to Atlas not having been amended to reflect the Regional Architecture configuration for field offices. With the existing pre-regional architecture Atlas set-up, all financial transactions were posted to KEN30, the Office's unique identifier in Atlas, which was also used for the Country Offices under its purview. The difficulty in obtaining segregated data was further compounded by the fact that UN Women in Kenya was represented by a Country Office and a Regional Office and all transactions for both business units had been recorded under the same KEN30 Atlas code. While the Division of Management and Administration indicated that UN Women had developed sufficient Atlas queries, reports and other corporate reporting tools which permit disaggregation as well as consolidation of information relating to all UN Women offices in the region, these tools were not being utilized during the period included in the audit review, due to Office staff not having received adequate training on the new queries and reports.

Further, on a corporate basis, delivery rates are provided as a summary of all eight locations represented by KEN30 in Atlas. Additional queries and data mining were required in order to get a discernible picture of the Office's expenditures, which were managed outside of Atlas using manually-maintained reports. Subsequent to the fieldwork, OAI held discussions with staff of the Division of Management and Administration regarding a separate coding for each location that would allow for clear reporting on operations. However, final action to rectify this issue was not completed at the time of reporting.

The lack of access to data at the appropriate level of detail (e.g. project, office, region) results in decision-making without the necessary information increases the risk that financial, programmatic and operational activities will not be adequately managed and makes discerning accountability and authority for decisions taken in Kenya difficult at the local and corporate levels.

Priority	High (Critical)
Recommendation 3: The Division of Management and Administration, in collaboration with the Programme Support Division, should: (a) determine and implement separate Atlas budget codes for the UN Women Country Offices and the Regional Office in Kenya; (b) train staff in the use of specific Atlas queries and reports that are developed at Headquarters level; and (c) develop a dashboard that would provide financial and programmatic data and information to all offices on their activities.	
Management Comments: __√__ Agreed ____ Disagreed Management added that: On (a) - The Division of Management and Administration is finalizing the creation of individual business units for each Country Office supervised by the Regional Office in Nairobi. This is a corporate undertaking for all UN Women field offices where separate Atlas business units are being created for each Country Office, in line	

with the implementation of the new Regional Architecture. To ensure a smooth transition, and clarity in the timing for the cut-off and implementation of the change in processes with the new business units, the target date for the full operation of all business units is on 01 January 2014. However, separate Atlas department IDs have already been established for each field office which effectively segregates the Atlas budget codes and financial transactions of each office, including for the UN Women Country and Regional Office in Nairobi. On (c) - UN Women appreciates the importance of information provided by computer generated dashboards in assisting with the management and monitoring of key business operations and activities. On 31, May 2013 the Programme Division implemented a manually updated version of a dashboard for immediate use. The experience gained through use of this dashboard will assist in identifying what operational and financial data management finds to be the most useful and relevant for use in developing a computerized dashboard in the near future. This will require a cost-benefit analysis to help UN Women decide on the timing and scope of an IT project for development of a fully computerized dashboard. Additional information provided by the Office has been reflected in the audit observation.

Issue 3 Corporate issue: Lack of risk management policies and procedures

UN Women included in the Management Results Framework of its Global Strategic Plan for 2011/2013, the development of a risk management strategy to be implemented and streamlined into the UN Women systems and values. A corporate risk management policy did not exist and this had negatively impacted the operations of the Office. Further, it did not have a systematic procedure to identify and monitor its exposure to various risks including environmental, operational, organizational, political, regulatory and strategic risks in order to enable a timely response to all critical programmatic and operational issues which might negatively impact the achievement of its objectives.

Because of the absence of a risk management policy, the Office might be unprepared to respond to the risks that it may face, both at its location as well as in the countries for which it has oversight responsibilities, which could have a negative impact on the delivery of its programmes.

Priority	High (Critical)
Recommendation 4: OAI recommends that the Division of Management and Administration develop a corporate policy on risk management to assist field offices with identifying, assessing, monitoring and reporting risks associated with its programmes. This should include a requirement for documentation of risks in a database in each of the sub-regional countries as well as procedures to determine and implement an appropriate risk response.	
Management Comments: __√__ Agreed ____ Disagreed Although UN Women still does not have a corporate Enterprise Risk Management Policy, UN Women's recently issued policy on the Internal Control Framework includes, among other things, a general directive for all heads of offices to regularly identify, assess, manage and report risks in their respective area of operation. The heads of offices have been instructed to include discussions on the external and internal risks identified that could impact operational effectiveness and internal control objectives, with the key office	

personnel during their monthly meetings. The probability of occurrence of the identified risks should be assessed and strategies to avoid or mitigate the risks need to be prepared and implemented. In addition, they are required, to escalate a risk assessment report to the Director of Programmes and Management at Headquarters, through the Regional Director, at least once per year. This report should include the high impact/high probability risks and the strategy the office developed to manage them.

UN Women also sees the need and has taken steps to initiate the development of a detailed guideline for a more cohesive Enterprise Risk Management approach for the whole of UN Women. A strategy on how best to implement an organization-wide Enterprise Risk Management system, procedures on the identification, assessment, management, monitoring and reporting of risks, including risk assessment templates tailored to UN Women programmes and operations, are to be developed and disseminated.

2. Programme activities — Partially Satisfactory

2.1 Programme and project management — Partially Satisfactory

The review period spanned two programmatic periods, the Sub-Regional Strategy 2008-2011 which was extended to June 2012 and the Sub-Regional Strategy 2012-2013. The Office's programmes had programmatic and operational oversight over activities in nine countries (Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, Tanzania and Uganda).

The 2012-2013 Sub-Regional Strategy required funding of $9.9 million (institutional budget and core $3.5 million and non-core $6.4 million). The funding supported: programming for Somalia; implementation of a humanitarian intervention across three countries; and implementing select interventions to ensure better knowledge sharing, coordination and south-south cooperation among the sub-regional countries. Due to security restrictions for UN personnel, the programme portfolio for Somalia was being managed remotely from the Office and with support from the UN Resident and Humanitarian Coordinator's Office in Mogadishu.

Based on information provided by the Office and contained in Atlas, OAI initially selected four ongoing projects (83072, 78800, 82712, and, 69639), three operationally closed projects (12561, 31733 and 31775) and one deactivated project (48096) for detailed review. However, due to the lack of programmatic activities in the ongoing projects that were under the direct responsibility of the Office, OAI expanded the sample to include three other projects (69630, 75515 and 59224) that were under the direct responsibility of the UN Women Country Office in Kenya.

No issues were raised on the closed or deactivated projects as the Office was working closely with the Division of Management and Administration as part of an International Public Sector Accounting Standards (IPSAS) clean-up exercise to complete this task. However, OAI raised a number of audit issues relating to the ongoing projects as discussed below, which contributed to an overall rating of "partially satisfactory" for this area.

Issue 4 Inadequate oversight and inadequate regional programme activities

According to the programme guidance issued in July 2011 as part of the roll-out of the UN Women Strategic Plan 2011-2013, the Office should be guided by its Sub-Regional Strategy, with a clearly defined Development Results Framework developed at the country outcome level which includes three main supporting columns delineating: (a) country level outputs, indicators, targets and baselines; (b) the names of implementing partners for development projects; and (c) resources required for projects further sub-divided into core, non-core, and funds to be raised. The Development Results Framework should have clear linkages to the programme documents with specific baselines, outcomes and outputs in the annual work plans/project documents.

OAI noted the following:

- Despite the inclusion of programme plans in the Sub-Regional Strategy 2012-2013, no programmatic activity had been initiated by the Office for three projects (78800, 83072 and 59224) which were in the initial stages of start-up. The management indicated that the lack of activity was due to the Office having insufficient programme staff to perform all the necessary functions. OAI noted that staff members were still being recruited at the time of the audit fieldwork.

  The Office had oversight responsibility over nine countries. The actual delivery rates as of September 2012 were substantially lower than those planned, ranging from 16 percent in South Sudan to 43 percent in Kenya with an overall average of 32 percent. OAI requested an explanation of the low delivery rates from Office management as well as the Country Offices and was provided with a variety of reasons, including: (a) the absence of programme staff; (b) the lack of capacity of implementing partners; (c) the lack of capacity of implementing partners to absorb the funds available resulting in refund of money at the closure of the project; and (d) the bottlenecks and long delays relating to the receipt of funds from donors, with the authorization to spend funds having only been received in March 2012 for 2012 programming.

- There was a lack of baseline data and measurable targets for the Office's Sub-Regional Strategy 2008-2011. As a result, all annual work plans had been approved without baseline data. The Office indicated that during 2012, baseline surveys had been commissioned and baselines were being formulated.

- All seven of the ongoing projects reviewed lacked project documents, and were instead being managed using the agreements signed with implementing partners, combined with annual work plans that were insufficiently detailed to permit adequate assessment of the project activities and progress. The absence of a signed project document increases the risk that the project activities may not be effectively performed as approved, which may in turn result in the non-achievement of the project goals. Management indicated that based on guidance from Headquarters, the practice in the Office had been that UN Women would implement activities outlined in the Annual Work Plan through implementing partners. Management also indicated that, historically, the implementing partners had been responsible for designing, implementing and reporting on projects that address the outcomes, outputs and activities in UN Women's Annual Work Plan, and further, that project documents were mostly available for initiatives that were funded through non-core resources.

- No specific activities have been defined for Djibouti and Eritrea, although planned for in the Sub-Regional Strategy. OAI noted that some regional efforts were being made through the Intergovernmental Authority on Development, but no defined work plans and clearly defined budgets were provided by the Office. The absence of specific annual work plans with clearly defined budgets for the two countries may result in the failure of UN Women to effectively provide the much needed assistance to those countries. Subsequently, management informed OAI that due to political factors, no programmatic activities could take place in one country until August 2012. In their response to the draft report, management also indicated that activities in Eritrea and Djibouti are carried out under universal coverage where the Regional Office ensures dedicated technical missions/and programme activities upon request by the national government or UNCT. Given that UN Women does not maintain a presence in either of the two countries, OAI reiterates the need for the Office to adequately define the form of its interventions and to ensure they are in accordance with the corporate results-based management techniques.

Inadequate oversight and regional programme activities may result in UN Women not having the desired impact in country locales in the East and Horn of Africa, which could also negatively impact the perception of UN Women's ability to deliver on its mandate.

Priority	High (Critical)
Recommendation 5: The Office should: (a) review all annual work plans, assign specific targets against each benchmark, and implement a system to track each target/indicator to ensure adequate oversight and accurate and comprehensive reporting on the results to be achieved by each office; (b) prepare and approve project documents in accordance with the template available in the Programme and Operations Manual; (c) implement a system to continuously monitor risks and other factors impacting project progress in order to identify problems, and implement actions to mitigate the negative impact on project delivery in a timely manner; and (d) clarify and implement activities for Djibouti and Eritrea in accordance with its Sub-Regional Strategy.	
Management Comments: __√__ Agreed ____ Disagreed Management further commented that: On (a) - The observation is related more to the stage of reorganization of the Office than to a case of inadequate oversight. Management indicated that because it was the first time the Office had undertaken the preparation of annual work plans, baselines were not available for the 2011 planning exercise. However, since then, baseline studies have been conducted in all the countries except Sudan (almost completed) and Somalia (on hold because of the security situation). In November 2012, the Annual Work Plans for all countries were revised and were peer reviewed at Headquarters following approval by the Regional Office. The revised annual work plans incorporate the baselines and now have indicators which are aligned to the outputs and outcomes. On (c) - During 2013, the Office will implement a system for tracking and aggregating data on indicators and targets at the regional level. All the offices have identified and included risks related to programme implementation as part of the Strategic Note for the Annual Work Plans. These risk logs will be monitored and updated quarterly. On (d) - Activities in Eritrea and Djibouti are covered under universal coverage where the Regional Office ensures dedicated technical missions/and programme activities upon national or UNCT request.	

Issue 5 <u>Inadequate follow-up on evaluation recommendations</u>

The Evaluation Policy requires each UN Women office to plan and carry out evaluations during the programming cycle. Such evaluations, performed by external experts, provide an independent assessment of the results achieved, challenges encountered, recommendations for improvement and suggestions of possible opportunities for future programmatic activities. This supports accountability, informs decision-making, and allows UN Women to better manage for development results through the implementation of the recommendations.

The Office's Monitoring, Evaluation and Research Plan 2012-2013, as provided to OAI, indicated that only one programme evaluation and thematic review would be performed for the period for the Ending Violence Against Women (EVAW) Programme.

The draft EVAW evaluation report made available to OAI resulted in a range of recommendations indicating that (a) work on Violence Against Women in Somalia needed to be strengthened; (b) a detailed strategy and work plan needed to be developed in South Sudan; (c) the financial intervention in Tanzania should be increased; (d) more human resources and capacity gaps needed to be addressed in Uganda and Ethiopia; and (e) there is a need to clearly define the Ending Violence Against Women niche in Kenya and Somalia. While the recommendations indicated the need for action to prevent negative impact to the intended outputs and outcomes, at the time of the audit fieldwork, the plans for follow-up on the recommendations had yet to be developed. Further, the Monitoring and Evaluation Officer was actually performing programme development activities instead of the monitoring and evaluation follow-up activities due to the absence of other programme staff. Management confirmed its intention to address the recommendations of the Ending Violence Against Women thematic evaluation in programmes beginning in 2013.

Failure to follow-up on the implementation of recommendations may result in increased programmatic and reputational risk as the Office may not make the necessary programmatic changes that were identified in evaluation reports in a timely manner, which in turn may negatively impact achievement of the intended outputs and outcomes.

Priority	Medium (Important)
Recommendation 6: The Office should: (a) review and amend its Monitoring and Evaluation Plan to better reflect the realities of evaluations to be performed on its programmatic activities; (b) follow-up and implement outstanding evaluations recommendations within a reasonable time period to inform and support the next Office Strategy.	
Management Comments: __√__ Agreed ____ Disagreed Management added that: (a) The 2013 Monitoring, Evaluation and Research Plan has been developed. It includes one evaluation to be managed by the Office in 2013 – the evaluation of UN Women support to the International Conference on the Great Lakes Region (ICGLR). This evaluation is expected to provide the results, challenges and recommendation information necessary to support the Office's work with regional bodies. (b) The Office will initiate and complete outstanding evaluations within a reasonable time period to permit their use in development of the next Office Strategy and has already planned evaluations for 2013.	

Issue 6 Ineffective use of project audit results

UN Women's Guidelines for Audits of NGO/Implementing Partners (issued on 20 April 2011) require that offices in the field maintain proper oversight over all expenditures incurred by implementing partners. This includes establishing a database of information relating to the audits of projects with implementing partners to allow the offices to track the audits and to ensure that key issues raised were addressed. The offices must submit the list of audits, on an annual basis, to the Audit Focal Point at UN Women Headquarters.

Although project audits were being carried out, OAI found that a database had not been maintained to track the audits, the issues raised or the status of the implementation of the recommendations. Moreover, significant risks identified in the audit reports had not been highlighted and no follow-up action or monitoring of the implementation of recommendations were performed to ensure mitigation of the risks identified.

Without proper monitoring and follow-up of the implementation of recommendations made, the Office has little assurance that the funds being transferred to implementing partners are utilized effectively or for the purposes intended.

Priority	Medium (Important)
Recommendation 7: The Office should comply with the NGO/implementing partners audit guidelines and ensure that a consolidated record (database) is maintained for all project audits in the region as well as the actions taken by the implementing partners to implement the recommendations made. The Office should also implement a process for regular review and follow up on the implementation status of recommendations made in the audits of implementing partners.	
Management Comments: __√__ Agreed ____Disagreed The audits of NGOs/implementing partners are now being centrally managed at Headquarters. A centralized repository/database for UN Women project audit reports, starting with 2012, is now available at the UN Women extranet. Nonetheless, the Office will prepare a database of all project audits in the region and will also regularly review and monitor the implementation status of audit recommendations, including appropriate follow up.	

Issue 7 Improper reporting and management of funds advanced to implementing partners

In July 2011, UN Women published guidance (UNW/ADM/2011/01) requiring a change in the accounting policy used for cash advances to implementing partners. The guidance required completion of a Funding and Certification of Expenditures form for the disbursement of advances, as well as the requirement that Atlas Account 16005 be used to record the amount advanced, followed by reporting of the appropriate detailed project expenditures and recording of the same in Atlas upon subsequent liquidation of the advance.

During the testing of finance transactions, OAI noted the following:

(a) The Office had not reconciled Account 16005; therefore, adjustments had not been made for amounts posted incorrectly, or for long outstanding amounts. For example, cash advances posted to Account

16005 for Project Nos. 78956 (Uganda) and 78140 (South Sudan) of $73,074 and $84,447, respectively, had been outstanding for more than six months as of June 2012.

(b) An advance payment of $45,350, on behalf of UN Women Ethiopia, was recorded in Account 16007 (a project advance account) in June 2011 and had not been corrected as of the end of the audit field work.

Management indicated that monthly status reports of advances are sent to all seven offices with requests for the country level personnel to follow-up with partners. Also, management stated that although advances were not being managed by the Office, it had implemented a quarterly disbursement and reporting system for partners which would help control the occurrence of long outstanding amounts. However, best practices would be for the Office, as part of its oversight function, to identify such anomalies and ensure adjustments prior to finalizing payments.

The un-reconciled and inaccurate posting of amounts advanced to implementing partners may result in inaccurate reporting of the activities of the Office and those falling under its purview, and may negatively impact reporting of delivery rates.

Priority	Medium (Important)
Recommendation 8: The Office should: (a) reconcile Accounts 16005 and 16007, determine long outstanding advances and amend the records to accurately reflect project expenditures and accounts receivable; and (b) implement a process of periodic reconciliation of advance accounts and follow-up on outstanding amounts.	
Management comments and action plan: __√__ Agreed _____ Disagreed Management agreed to reconcile Accounts 16005 and 16007 as recommended and to monitor and reconcile the advances on a monthly basis in line with the Headquarters month-end guidelines and closure practices.	

2.2 Partnerships and resource mobilization — Unsatisfactory

The Office had identified a target of $6.4 million in non-core funds to be mobilized from donors as part of its Sub-Regional Strategy. In August 2012, the Office had retained the services of a contractor under a special service agreement to research and report on the source, timing and amount of donor funds received in the past, the donor reports completed to date, and to identify ideas for new funding streams for the Office.

Issue 8 Absence of strategy and sufficient capacity to mobilize resources

UN Women's Programme and Operations Reference Manual underscores the importance of developing partnerships to adequately mobilize both core and non-core resources. Offices in the field are required to establish effective partnerships and resource mobilization strategies guided by an action plan.

The Office had a track record of being able to mobilize non-core funds from major donors even for projects in countries where it was relying exclusively on core funding, such as Somalia. However, OAI found no evidence that the Office had been able to identify and secure non-core funding in 2011 and for the first 10 months of 2012. Management attributed the shortcomings in resource mobilization to the changes in leadership in the Office during the audit period and the lack of support from Headquarters on this critical task.

The lack of a resource mobilization strategy increases the likelihood that the Office will not be able to secure non-core funding. Moreover, without non-core funding, there are increased risks that the Office will not be able to sustain its operations, implement projects or deliver on the outcomes promised in its Sub-Regional Strategy. Overall, this could negatively impact the reputation of UN Women.

Priority	High (Critical)
Recommendation 9: The Office should: (a) develop a resource mobilization strategy which includes the requirement to re-engage donors of previous projects; and (b) seek guidance from the Resource Mobilization Unit at Headquarters on strategies that could be utilized.	
Management comments and action plan: __√__ Agreed ____ Disagreed Management agreed that resource mobilization capacity in the Office has to be further strengthened. In addition, management clarified that following the creation of UN Women and the implementation of the Regional Architecture, there was a transition period and 2011 was dedicated to the development of the UN Women Strategy and Annual Work Planning Process. The Regional Director and Deputy Regional Director were on board in April 2012 and at the time of audit, a consultant had already been contracted to prepare a resource mobilization strategy. The strategy has now been finalized and shared with Headquarters and the Country Offices. The Country Offices are now in the process of developing their own resource strategies using the Regional Strategy as a framework and several key donors are providing funds to country offices such as Kenya and South Sudan based on the annual work plan gaps. Moreover, the Regional Office already has a hard pipeline with one donor for Somalia and soft pipeline for Economic Empowerment with another donor. The Regional Office is also facilitating the resource mobilization for Country Offices. It has submitted various proposals and established partnerships with the private sector and foundations and is leveraging the resources of these organizations to support implementation of programmes. The Regional Office has also organized three donor roundtable meetings and held bilateral meetings with two donors and one private foundation.	

3. Operations — Satisfactory

3.1 Human resources — Satisfactory

The Office was comprised of seven staff members, along with a combination of service contractors and personnel holding special service agreements, which at one point brought the total number of individuals working in the Office to 20. A service contractor was responsible for liaising with the UNDP Country Office in Kenya for the provision of human resources services, as agreed under a service level agreement, which included recruitment of local staff and service contractors, the recording of leave in Atlas and running the pay cycle for salary emoluments.

Since 12 December 2011, a staff member at the Office had assumed the duties of the former Operations Manager, who had resigned. The duties performed were those conducted by someone holding a higher level post (from a GS-6 to NOB). While management had indicated that the work performed by the staff member in support of the additional duties had met the performance expectations, at the time of the audit, the Office had not decided on the payment of Special Post Allowance requested by the staff member on 16 April 2012. Another staff member had requested a combination of telework and reduction in work hours to 80 percent (i.e. to work four days a week) for a period of four months, away from the duty station. The telework was approved by the staff member's supervisor, yet the decision was not formally communicated to Human Resources at Headquarters, as required. Furthermore, throughout the period of telework, it remained unclear if the staff member was working at 100 or 80 percent, and was only clarified four months after the period of telework had ended. At the time of the audit, the staff member had resumed work at the duty station and was reporting to the Office. OAI discussed both cases with management, including the out-posted staff member's supervisor at Headquarters. Since this has been clarified, no issue has been raised. UN Women has approved two modalities by which its field offices can engage individuals on a voluntary basis in a category other than United Nations Volunteers. Allowable categories other than UN Volunteers include non-reimbursable loan agreements (for experts on mission) or memorandum of agreements with institutes for fellows and interns. Such modalities for engaging volunteers have been vetted and cleared by legal and Human Resources, and use standardized templates.

The Office had engaged the services of a volunteer for one year, who was linked to a program sponsored by an international non-governmental organization. The agreement signed between the organization and the Office had not been cleared by the UN Women Human Resources Office in New York prior to signing. In addition, standardized templates were not used. Management indicated that they were unaware of the restriction to engage volunteers under modalities other than those allowed by UN Women Human Resources. OAI explained the potential risks of exposing the organization to unforeseen contractual obligations and liabilities, which were taken up by management for review.

Issue 9 Incorrect use of contractual modalities

In order for management of the Office to ensure good governance, there must be an adequate number of staff to support the functions. UN Women policies and procedures establish the appropriate contract modality under which these staff members must be retained in order to adequately reflect the nature of the tasks to be performed and to uphold a strong internal control environment.

OAI found that core functions of the Office, which historically have been filled using fixed-term appointments, including procurement, finance, programme, and resource mobilization, among others, were being performed by holders of special service agreements and service contractors. According to Office management, this was due to lack of funding to establish fixed-term appointment posts. Further, special service agreement and service contractor contract modalities are generally used for short term or project specific assignments. However, many of the consultants had been retained for periods of time inconsistent with this rationale.

Failure to use the appropriate contractual modality is not only unfair to those performing the tasks (since some modalities do not provide additional benefits or annual leave) but can also lead to increased staffing costs as in the case of special service agreements, which are contracted at daily rates, and can command substantial payments when compared to those holding a service contracts, which is not an efficient use of resources.

Priority	Medium (Important)
Recommendation 10: The Office should ensure that personnel holding service contracts and/or special service agreements that are performing core functions are regularized under an appropriate contractual modality.	
Management comments and action plan: __√__ Agreed ____ Disagreed The Office had been operating with limited capacity and while awaiting establishment of posts had to rely on the use of short term service contracts/special service agreements for core functions. Following the change management exercise, the Office expects to have access to the appropriate contracting modalities to permit proper staffing and enable it to carry out its core functions by third quarter 2013. More specifically, in 2012 the Office recruited an Operations Manager on a temporary appointment to fill in the gap created with the departure of the previous Operations Manager. In addition, as part of the change process, an international post was created for this function and filled in 2013. New fixed term posts to support programme implementation, communications and knowledge management functions and to provide technical guidance have been established and are now in the recruitment stage. Moreover, during the course of 2011, three core functions previously performed by service contract holders were regularized in almost all Country Offices in the region. Fixed-term positions for Finance Associate, Admin/Procurement Associate and Driver were established as part of the field strengthening exercise and the recruitments were finalized in 2012.	

3.2 Finance — Satisfactory

The Office had one Finance Assistant who had been given a finance/treasury user profile in Atlas, and who had also been acting as the Operations Manager. The Sub-Regional Office relies on the UNDP Kenya Country Office for the disbursement of payments. However, the certifications of services, or delivery of goods and the corresponding approval of vouchers was done by the Office based on the approval levels stipulated in the delegation of authority and the Internal Control Framework.

During the review of petty cash management, OAI noted that none of the seven offices, for which the Sub-Regional Office had financial oversight responsibility, had written documentation signed by the respective Head of Office designating the petty cash custodian for the Office. Management made the commitment to address this issue and as such no issue has been raised.

OAI also selected a sample of four Sub-Regional Office petty cash reimbursements which totalled $1,684, and noted that 20 percent ($340) was used to purchase airtime vouchers, even though no policy had been communicated and implemented regarding the treatment of mobile phone costs and in particular the responsibility for personal use costs. The Sub-Regional Office was in the process of finalizing its internal policy on mobile phone usage and allowable costs, therefore no issue has been raised.

Issue 10 <u>Payments without evidence of goods/services received or results achieved</u>

The Internal Control Framework for the Office requires programme managers to confirm receipt of goods and services prior to approval of the payment by budget owners and processing by Finance Unit. The final control rests with the Finance Unit to ensure that the attached documents and certifications of receipt in Atlas are sufficient to finalize the payment.

From a randomly selected sample of 39 vouchers totalling $3.3 million (which represents 14 percent of the total value of vouchers processed during the period under review), OAI noted that:

(a) Thirty-six vouchers totalling $3.1 million were paid prior to the processing of receipts certifying that the goods and services were satisfactorily received. The Office could not explain why payments were finalized before goods/services were certified as received; and

(b) Twenty-two vouchers totalling $1.9 million did not have adequate supporting documents. For example, payments to implementing partners were supported with only the project cooperation agreements instead of evidence that required results had been satisfactorily achieved. Moreover, in one case ($21,000), the supporting agreement had not been signed by the implementing partner.

In addition, 14 vouchers ($1.3 million) for advances to implementing partners were initiated as procurement actions in Atlas via purchase orders instead of disbursements using direct payment vouchers. The Office explained that this was done in order to encumber funds and that the practice had been stopped in July 2011 following instructions from Headquarters. However, the Finance staff was unaware, at the time of the audit, that with the implementation of IPSAS, purchase orders no longer encumber funds.

The lack of awareness of the impact of transactions in Atlas and the lack of adequate support documentation were of concern, given the Office's responsibilities to provide advice and training to other Country Offices under its purview. Moreover, the approval of payments and disbursements prior to receiving certification that the related goods have been received or the services rendered significantly increases the risk of incorrect or fraudulent payments being made.

Priority	Medium (Important)
Recommendation 11: The Office should comply with its Internal Control Framework which includes the requirements for: (a) project managers to certify the implementing partners liquidation of previous advances before authorizing additional requests for advances, as well as certification that the goods/services have been received, prior to authorizing payments; and (b) adequate documentation to be maintained as evidence of the satisfactory receipt of goods, services or results achieved.	
Management comments and action plan: __√__ Agreed _____ Disagreed Management stated that it intends to strengthen compliance with the Internal Control Framework as recommended. Additionally, management plans to reassess its receiving process, in and outside Atlas, to make sure it is in line with the Internal Control Framework. Management also clarified that the process for payment of partner advances via regular vouchers was in place effective July 2011 in compliance with the corporate policy change and that no new purchase orders were prepared or approved for partner grants on new implementing partner agreements entered into after July 2011.	

3.3 Procurement **Satisfactory**

The Office had one staff member with the buyer user profile in Atlas. The staff member was solely responsible for the entering of vendor details in Atlas and the creation of purchase orders. The Finance Assistant is responsible for the approval of vendors in Atlas. The Office processed 1,643 purchase orders with a total value of $12.2 million during the audit period. OAI selected a sample of 19 purchase orders (total $1.2 million) comprising of 10 percent of the purchase orders processed during the period under review and reviewed the Office's compliance with organizational procurement regulations.

OAI identified weaknesses with regard to maintenance of the vendor database where 104 vendors out of a total of 970 vendors had more than one active vendor account. Due to the fact that the Sub-Regional Office and all Country Offices use the same business unit, OAI was not able to distinguish Country Office vendors from Sub-Regional Office vendors. Even though the Sub-Regional Office had attempted to address the issue subsequent to the audit mission for specific vendors, OAI still found 76 vendors that were active and duplicated. OAI recommended to management that the vendor database be reviewed after the Regional Architecture is fully implemented and each country is defined as a separate business unit in Atlas. Management accepted the recommendation and therefore no issue has been raised.

Issue 11 Lack of procurement planning

The UN Women Programme and Operations Reference Manual, applicable during the review period, requires offices to conduct procurement planning in order to ensure value-for-money and timely supply of goods and services of the correct quality and quantity to the correct place.

The Office had developed a quarterly procurement plan for the first time in 2012. OAI noted that:

(a) The procurement plan was a list of goods and services that would be required and did not include details of when the goods and services would be needed. There was also no evidence that this plan included the procurement requirements from projects.

(b) OAI also noted that the procurement plan for the second quarter of 2012 included procurement requirements from the Somalia Country Office which was operating out of the Office. It is unclear why consideration was not given to establishing a regional procurement plan in order to benefit from bulk discounts or long-term agreements for all other Country Offices under its purview.

(c) There was no evidence that any training had been conducted for project and procurement staff on procurement planning.

Without a procurement plan that includes all the necessary components, including the inclusion of the procurement requirements for offices within the region and the timing for the purchase, the Office is not able to take advantage of bulk purchase discounts or to establish local long-term agreements with suppliers for goods and services that are frequently purchased.

Priority	Medium (Important)
Recommendation 12: The Office should: (a) conduct training to ensure that project and procurement staff have adequate knowledge and understanding of the requirements of a functional procurement plan; (b) ensure that all units prepare their individual procurement plans in a timely manner and submit them to the Office for consolidation; and (c) develop mechanisms to monitor the implementation of the procurement plan.	
Management Comments: __√__ Agreed ____ Disagreed Management added that: (a) The Office organized training sessions on procurement and will continue familiarizing programme and operations staff in 2013 on procurement plans and policies. Specifically, the Regional Office organized a one week training for operations and programme staff from the region, including Country Representatives, in October 2012. One day was dedicated to procurement which included procurement planning and business processes. There was an additional training held in June 2011 for all staff from the Kenya Country Office with the same agenda. (b) Individual procurement plans are prepared. Management plans to determine if centralized procurement will result in more value for money procurement although the due to the nature of goods and services presently procured, procurement is facilitated through local sourcing in a cost-effective manner. (c) Management agreed to strengthen the implementation and monitoring of procurement plans.	

Issue 12 Weak vendor creation procedures

UN Women's policies and procedures require that Offices undertake organizational due diligence reviews of new vendors (i.e. background, financial reports, and annual statements); confirm business registration with government authorities; and verify the entity against the United Nations Security Council 1267 Committee's list of terrorists and the UNDP suspended vendors list, and more recently the Vendor Sanctions listing as per the UNDP Programme and Operations Policies and Procedures.

OAI randomly selected 14 vendor forms from a total of 207 vendor forms that had been processed for the period under review and noted the following weaknesses:

(a) Only five had been completed, and seven did not include the details of the staff member requesting the upload of the vendor into the business unit's database. Two forms contained incorrect information in relation to the vendor's banking information and the vendor's name, however, this had only been discovered when payments to the vendors could not be processed and when the name on the cheque was different than the name on the vendor's identification document presented when the vendor came to collect his check. The Office was notified of these errors by UNDP which is responsible for the final processing of payments.

(b) Thirteen forms were not supported by any documentation to verify the information.

(c) There was no established procedure to check that vendors were not included on the terrorist listing or the vendor sanctions list before contracting with vendors.

Without adequate review, the risk that the Office does business with a prohibited vendor is increased. Association with vendors on the sanctioned vendor list or terrorist list may have a negative effect on UN Women's reputation and donor relations. Incorrect vendor information will result in increased processing costs as payments are processed by UNDP.

Priority	Medium (Important)
Recommendation 13: The Office should: (a) establish procedures and controls to ensure that the vendor's information and identity are verified before being uploaded and approved in Atlas, including verification against organizational lists for sanctioned vendors and terrorist lists; and (b) ensure that documentation supporting the information on the vendor forms is verified, attached to the form and systematically filed thereafter.	
Management Comments: __√__ Agreed ____ Disagreed Management agreed to establish a standard operating procedure with controls to ensure that vendor creation, approval and record management is streamlined and takes into account the above recommendation.	

3.4 Information and communication technology — Satisfactory

The Office had signed a service level agreement with the UNDP Country Office in Kenya for the provision of several operational services including IT. In discussions with staff while conducting the audit fieldwork, the UN Women Audit Unit learned of delays in UNDP IT service from end users at the Sub-Regional Office. UNDP Kenya claimed that service demands from the Office far exceed capacity at times. The agreement signed by the Office with the UNDP Country Office in Kenya was less detailed than the prescribed UN Women annex for the outsourcing of IT services. Use of the standard annex may help clarify concerns and expectations from both parties on what has been agreed to. OAI discussed with Sub-Regional Office management that any future negotiations of the service level agreement would benefit from including such language in order to secure more specific services for IT. Since management agreed with this as a follow-up to the roll-out of the Regional Office, no issue is being raised.

Issue 13 No formal appointment of focal point for business continuity and disaster recovery

UN Women policies and procedures require that all UN Women field offices must be able to continue critical processes during and after major power outages, natural disasters, terrorist attacks, and a possible pandemic outbreak. Thus, each office must develop, test and periodically review and update a business continuity plan. One of the essential elements of dealing with an emergency situation is an information technology disaster recovery plan, which must be established for each office in order to anticipate and address the impact of possible events so that critical business functions can continue with minimal limitations and/or disruptions. However, UN Women does not have an explicit policy on disaster recovery planning. While the Office can outsource services, including the responsibility for development and execution of a disaster recovery plan e.g., with a services level agreement, it must, at a minimum, appoint a person in the office that can be responsible for disaster recovery and business continuity to ensure that all necessary components are in place and current.

The Office was relying on UNDP Kenya's Disaster Recovery and Business Continuity Plan to provide coverage for its operations in Nairobi. At the time of the audit, the IT focal point, who claimed to be the person responsible for business continuity and disaster recovery, had not been formally appointed for such plans. Management was unaware of the requirement to formally select the focal point.

Failing to select a focal point and to ensure they are fully aware of the responsibilities of liaising with the service provider of disaster recovery and business continuity operations renders the plan useless, and in turn, could cost the Office extended downtime, leading to the inability to deliver planned programmes and resulting in increased costs.

Priority	Medium (Important)
Recommendation 14: The Office should formally select a focal point responsible for business continuity and disaster recovery and make sure the person responsible for such plans is fully aware of the procedures they entail.	
Management Comments: __√__ Agreed _____ Disagreed Management also indicated that at the time of the audit, a consultant was already in place to finalize the business continuity plan for the Office, which included a disaster recovery plan. Management further stated that the plan has since been aligned with UNON and signed. The Office also formally identified the Operations Manager as the focal point responsible for business continuity and disaster recovery.	

3.5 General administration — Satisfactory

OAI reviewed documentation related to 22 trips (5 percent) of all travel undertaken by the Office during the audit period. OAI discussed with management the need to improve the process for records management and version control, particularly regarding the lack of dates and approving party signatures. Management indicated that this issue was being corrected and as such no issue has been raised. OAI also reviewed the administration of travel, ensuring that all travel was authorized. No reportable issues were identified.

3.6 Safety and security — Satisfactory

The Office was secured inside the United Nations Offices in Nairobi and security services were managed under the common services agreement. No security-related incidents were noted during the audit period.

3.7 UNDP Support to Office — Satisfactory

The UNDP Country Office in Kenya supports the operations of the Office through payroll processing, banking, and accounts payable cycle processing. OAI reviewed the effectiveness of the existing service agreement with UNDP and noted that it was functioning adequately to support the current operations. No other reportable issues were identified.

3.8 Asset management — Unsatisfactory

OAI reviewed the management of assets and focused on the procedures related to their physical verification, the reconciliation of physical counts to Atlas asset records, and submission of asset reports as required under IPSAS. OAI reviewed the management of the Office's only vehicle and fuel management and no issues were noted.

Issue 14 Inadequate oversight and management of assets

UN Women Financial rule 2501 requires the establishment of the controls necessary for the recording, safekeeping, maintenance and disposal of such inventory, property, plant and equipment. Such controls include that a physical verification exercise be conducted by each business unit at least once a year for accountability and reconciliation with the financial records in Atlas. Assets that have been physically verified need to be reconciled with records in Atlas and all adjustments reported to the appropriate Asset Focal Point at Headquarters.

Documentation submitted to the Office by the various Country Offices did not indicate that all assets had been physically verified or that reconciliation between the individual listing of assets maintained outside the Atlas systems and Atlas assets schedule had been completed. The total value of assets in Atlas was $622,000 compared to a total of $574,950 based on the manual listings from Country Offices and the Office. The Office was not able to explain the difference in total value noted. Also, OAI noted the following deficiencies in the individual assets listings:

(a) Asset records received from the UN Women Office in Sudan showed a total of $105,424 of assets being reported. Closer scrutiny of the records showed 11 assets with no profile ID (which is the primary method used by Country Offices to identify assets) and 4 with no acquisition cost listed for the asset. There is no evidence that these assets were physically verified although OAI was informed by the Acting Operations Manager that the signature of the country representative at the bottom of the last page was indication that assets had been physically verified and were being certified.

(b) Asset records submitted by the UN Women Office Uganda indicated that assets were physically verified and staff had signed-off on the asset listing. There was, however, no evidence that the assets recorded during the physical verification were reconciled to asset records in Atlas.

(c) Asset records submitted by the UN Women Office in Tanzania valued at $101,042 showed four assets that had no acquisition cost related to the asset. The asset records had been signed-off on by the country representative but there was no evidence that these assets were physically verified.

(d) Asset records submitted by the UN Women Office in Ethiopia showed that out of a total of 131 assets that the country representative had certified, only 87 assets included the acquisition cost and of those only 15 (total value of $28,436) were above the threshold amount of $500 that is stipulated for capitalization.

(e) Asset records received from the UN Women Office in Juba showed that assets recorded were above $1,000 which is not in line with corporate policy after the introduction of IPSAS, which states that assets valued at over $500 should be capitalized.

(f) Asset records for the Office and the Kenya Country Office combined with a total value of $34,973 show 9 assets out of total of 73 listed assets without an acquisition cost and only 17 assets with Atlas asset tag numbers assigned.

(g) Reports received from the Juba office and the Tanzania offices include a schedule of lost and stolen assets with no costs or details of the loss of the assets. There was no evidence that any further action had been taken to investigate the loss of assets or to establish if staff were accountable for the loss. This is contrary to UN Women's procedures on asset disposal.

Certification that was signed by the Office was based on the assets listed in Atlas and not the physical records submitted by the individual offices. Taking into consideration the weaknesses noted in the individual asset listings, it was not clear to OAI what controls had been implemented by the Office to ensure that the certification was based on assets that exist and in use by the various offices.

Under IPSAS, the accurate recording of assets is critical to ensuring accurate reporting of capital assets owned by UN Women, as well as an accurate base for computations of depreciation expense charged annually. Also, a lack of physical verification of assets increases the risk that lost/damaged/stolen assets will not be detected.

Priority	High (Critical)
Recommendation 15: The Office should strengthen its asset management procedures and ensure that staff with responsibility for asset monitoring and management are trained to ensure: (a) proper tagging and designation of the physical location of assets; (b) performance of regular, periodic physical verifications; (c) reconciliation of the physical verification with Atlas records and follow-up of any discrepancies ensuring all discrepancies are clarified, documented and that appropriate adjustments are recorded; (d) records are adjusted for any assets no longer in use or in custody in accordance with UN Women asset disposal procedures; (e) country representatives are aware of their responsibilities to provide complete and accurate country asset listings; and (f) acquisition date and acquisition price of assets, and certification by the Sub-Regional Office annually.	
Management Comments: __√__ Agreed ____ Disagreed The Office stated that it will take the necessary actions to implement the recommendations.	

3.9 Leave management — Satisfactory

Issue 15 Inaccurate annual leave balances

Best practices recognize that the correct accrual and recording of different types of leave is central to managerial control of staff. Also, under IPSAS, staff holding fixed-term or temporary appointments can receive a cash payment of their unused annual leave upon expiration of their contract. As a result, annual leave is to be closely monitored since the "true cost" associated with employing staff on a monthly basis must be recorded, at the beginning of the year, and all accrued annual leave for the organization are reflected as a liability in the financial statements of the organization.

OAI tested a sample of leave records for three staff members holding fixed-term appointments and found the following variances from the paper-based leave records held on file at the Office by the leave monitor and the data uploaded into Atlas by UNDP Country Office in Kenya:

Staff	Annual leave balance in Atlas 31 July 2012	Annual leave balance in the Office's leave monitor records 31 July 2012
1	-162.5	29.5
2	65.5	22
3	17	8.5

The person responsible for leave monitoring at the Office held a service contract, which precluded him from having the appropriate user rights in Atlas to monitor UNDP Country Office in Kenya's recording of annual and other forms of leave for staff and service contractors. The Office had not sought any waiver or additional user rights in Atlas from the UNDP Office of Information Systems and Technology for the service contractor. To get a better understanding of the reasons triggering the variance in annual leave, OAI also met with the Human Resources Unit at UNDP Kenya, tasked with recording leave in Atlas for personnel in the Office. For two of the staff members involved, the Human Resources Office at UNDP Country Office in Kenya stated that the Office had never provided a Certificate of Annual Leave Balance form for either staff member to reconcile the accrued annual leave information from the releasing unit to the opening leave balance of the Office. For the other staff member, who had a large negative annual leave balance, the Human Resources Office at UNDP Kenya had inadvertently recorded the first day of the annual leave requested by the staff member as starting a year earlier, in 2011, thus generating a year-long absence.

UNDP Kenya also mentioned that personnel at the Office holding service contracts that had been renewed in June 2012 were accruing leave at a rate below what had been agreed upon in the contract (1.5 days per month as opposed to 2). The leave monitor at the Sub-Regional Office was unaware of these variances. During the audit mission, the UNDP Country Office in Kenya had taken steps to correct this problem.

Priority	Medium (Important)

Recommendation 16:

The Office should:

(a) implement a procedure of verifying and reconciling the leave recorded for each staff member and service contract holder with the service provider (UNDP) responsible for recording leave; and

(b) reassign the human resources role to personal with a staff contract to ensure the individual can be provided with authority to utilize Atlas in accordance with their responsibilities and function within the Office.

Management Comments: __√__ Agreed ____ Disagreed

Management added that:

(a) The Office has put in place a procedure to regularly monitor and reconcile leave records for each staff member with Atlas data entries made by UNDP. The Office is providing two days of leave per month to service contracts which is aligned with local UNDP practice. The 1.5 days was an error in the UNDP system but has subsequently been resolved (evidence of the accurate leave balance per the pay slip reconciled with the leave balance per the Office's manual leave record).

(b) The issue is being addressed with the new staffing structure of the Regional Office for which recruitments are ongoing.

ANNEX Definitions of audit terms - Ratings and Priorities

UNDP provides internal audit services to UN Women on the basis of a Service Level Agreement. Thus, the following definitions are also applicable to UN Women audits.

A. AUDIT RATINGS

In providing the auditors' assessment, the Internal Audit Services of UNDP, UNFPA, UNICEF, and WFP use the following harmonized audit rating definitions. OAI assesses the Country Office or audited HQ unit as a whole as well as the specific audit areas within the Country Office/HQ unit.

- **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. *(While all UN Women offices strive at continuously enhancing their controls, governance and risk management, it is expected that this top rating will only be achieved by a limited number of business units.)*

- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity. *(A partially satisfactory rating describes an overall acceptable situation with a need for improvement in specific areas. It is expected that the majority of business units will fall into this rating category.)*

- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised. *Given the environment UN Women operates in, it is unavoidable that a small number of business units with serious challenges will fall into this category.)*

B. PRIORITIES OF AUDIT RECOMMENDATIONS

The audit recommendations are categorized according to priority, as a further guide to UN Women management in addressing the issues. The following categories are used:

- **High (Critical)** Prompt action is required to ensure that UN Women is not exposed to high risks. Failure to take action could result in major negative consequences for UN Women and may affect the organization at the global level.

- **Medium (Important)** Action is required to ensure that UN Women is not exposed to significant risks. Failure to take action could result in negative consequences for UN Women.

- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.