



AUDIT

OF

THE PROCUREMENT FUNCTION

OF THE

**UNITED NATIONS ENTITY FOR GENDER EQUALITY
AND THE EMPOWERMENT OF WOMEN (UN WOMEN)**

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Report on the audit of the procurement function of UN Women Executive Summary

From 1 to 20 August 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the procurement function of the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women). The audit was requested by the Division of Management and Administration to provide critical input into its review of the organization's procurement function and the capacity of the Procurement Section. The audit covered procurement activities of UN Women from 1 January 2012 to 30 April 2013 amounting to \$120 million. This was OAI's first audit of this function since the establishment of UN Women in 2010.

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 procurement function of UN Women as **unsatisfactory**, which means "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." This rating was mainly due to the lack of adequate governance and oversight over the procurement function, the inadequate system for the provision and management of advisory services, as well as the weak procurement operations. Several of these issues emanated from the decentralization of the procurement function without the necessary assessments of the following: (a) the organization's procurement needs and profile; (b) the inherent risks in a decentralized structure; (c) the resources (staffing, systems, processes, and training) required to have a robust organizational structure; and (d) the institutional arrangements that support the discharge of procurement roles, responsibilities and accountabilities. The report sets out the consequences and risks that materialized from the decentralization. Upon receipt of the results of the audit, management proactively took corrective measures, particularly the review and re-design of the decentralized structures, institutional arrangements, and the relevant resources, systems and processes. Ratings per audit area and sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Regulatory framework				
1.1 Programme and operational policies and procedures	Satisfactory			
2. Institutional arrangements				
2.1 Governance and strategic management	Unsatisfactory			
2.2 Procurement oversight	Unsatisfactory			
2.3 Advisory services	Unsatisfactory			
3. Procurement operations				

3.1	Planning and preparedness	Unsatisfactory
3.2	Vendor management	Unsatisfactory
3.3	Procurement capacity	Unsatisfactory
3.4	Management of Special Service Agreements	Unsatisfactory

Key issues and recommendations

The audit raised 12 issues and resulted in 12 recommendations, of which 9 (75 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.”

The high priority recommendations are as follows:

- Governance and strategic management (Issue 1) Inadequate staffing resources and office structure. Inadequate staffing and capacity resulted in the insufficient discharge of the roles and functions of the Procurement Section. OAI recommends that the Director of the Division of Management and Administration strengthen the capacity and ability of the Procurement Section to satisfactorily perform its roles and responsibilities by (a) ensuring that there are an adequate number of posts and that the levels are commensurate with the required knowledge, skills and abilities; (b) clearly defining and communicating functional responsibilities and roles; and (c) filling vacant posts in a timely manner.
- (Issue 2) Inadequate mechanisms for resource assessment. UN Women lacked a mechanism to assess the optimal level of resources required for the proper discharge of departments/units’ roles and responsibilities as set out in the regulatory framework. OAI recommends that the Division of Management and Administration develop and implement a mechanism to directly align the roles and responsibilities of departments and units as delineated in the regulatory framework with the corresponding resource allocation. This may be performed through the systematic assessments of needs and resource requirements through the annual planning and budget review processes prior to initial implementation, or whenever significant changes to the roles and responsibilities occur.
- Procurement oversight (Issue 3) Lack of monitoring and oversight over decentralized units and weak risk management. There was no systematic process for monitoring and oversight over the decentralized procurement units and no corporate reporting to senior management. Overall risk management of procurement activities was also weak. OAI recommends that the Procurement Section strengthen the management of procurement by developing and implementing a systematic process for managing procurement risks, maintaining oversight, and monitoring the decentralized units. This should include: (a) developing tools and mechanisms for systematic and periodic monitoring and oversight; (b) designing corporate level reports for senior management on all procurement activities; (c) identifying key risk areas relating to the decentralized procurement structure and implementing the necessary controls and reporting to minimize or mitigate these risks; (d) coordinating with the heads of Headquarters business units and field-based offices to identify information that is relevant and necessary for monitoring and the frequency with which it should be provided; (e) clearly defining and assigning the responsibilities for

gathering and analysing the information; and (f) configuring Atlas to generate the appropriate reports.

- (Issue 4) Responsibilities for providing guidance, training and support not adequately discharged. The inadequate staffing resources and systems in place contributed to the inability of the Procurement Section to provide adequate procurement training, guidance and support across the organization. As a result, the Procurement Section had not positioned itself as the “expert authority” on procurement related matters. OAI recommends that the Procurement Section should meet its guidance, training and support mandate through the: (a) implementation of a clearly articulated training programme for all personnel involved in the procurement processes; (b) development and implementation of a global procurement forum and strategic alliances with procurement experts to encourage and facilitate continuous learning, regular discussions and knowledge sharing throughout the organization; and (c) re-design of the procurement website to document and highlight best practices and risks and how they are managed, and financial data and statistics on procurement actions taken individually and collectively for offices/units to have the opportunity to benchmark their procurement actions and/decisions.
- (Issue 5) Inadequate structure of the Acquisition Management Review Committee. The Acquisitions Management Review Committee was not structured and functioning in accordance with the Programme and Operations Manual. Roles and responsibilities of all actors were not clearly defined and there was no documentation of their knowledge of procurement policies as well as their acceptance of their responsibilities. OAI recommends that the Director of the Division of Management and Administration ensure compliance with the Financial Rules and Regulations and the Programme and Operations Manual by enhancing the independent review of all high value and complex procurement cases. It is important to ensure that: (a) the roles, responsibilities and accountabilities of all Acquisitions Management Review Committee members are clearly defined in the terms of reference and all their actions and decisions properly documented; (b) there is a process for assessing and documenting the procurement knowledge and independence of members and they receive relevant training prior to their appointment; (c) members’ understanding and acceptance of the independence, accountabilities and capacity required of them to take on are documented; and (d) the role of the Committee Secretary is reviewed and clearly defined to ensure (s)he is not put in a position of having a conflict of interest.
- (Issue 6) Ineffective reviews by the Acquisitions Management Review Committee. All cases that were sampled by OAI which were reviewed and recommended for approval by the Acquisitions Management Review Committee had deficiencies. Some of the deficiencies were significant enough to be rejected or returned to the requesting business unit but instead were submitted for approval to the Chief Procurement Officer based on the justification that these were urgently needed. OAI recommends that the Procurement Section strengthen the performance and documentation of the procurement review process and the rules of procedures of the Acquisitions Management Review Committee by ensuring that: (a) proper minutes of all procurement review meetings are maintained as a record of the decisions taken; (b) a complete copy of all submissions including supporting documents are retained as an audit trail; and (c) procurement contracts are recommended by the Acquisitions Management Review Committee only upon submission of adequate information relevant to the procurement case, a thorough

review is performed and documented, and the recommendation is appropriate and justified.

Planning and preparedness
(Issue 8)

Lack of corporate procurement strategy and planning. Contrary to the Programme and Operations Manual, no procurement strategy and corporate procurement plan were developed and no corporate planning process was undertaken. OAI recommends that the Procurement Section develop and implement a corporate procurement strategy and plan that is aligned with the UN Women strategic plan by: (a) identifying strategic procurement objectives; (b) developing a comprehensive profile of the organization's procurement needs (including a spending analysis, and risk analysis); (c) analysing the organization's procurement function and capabilities; (d) ensuring that the corporate procurement plan is based on inputs from the plans of Headquarters business units and field-based offices; and (e) considering implementing an electronic solution to enhance these processes.

Vendor management
(Issue 9)

Inadequate vendor management. Based on documents supporting the creation of 25 vendors and 29 procurement actions totalling \$14 million, it was noted that due diligence in vetting vendors was not sufficiently undertaken, the roles of buyers and vendor approvers in Atlas were not clearly defined and delineated, and there were significant number of unapproved and inactive vendors. As a result, approximately 2,000 vendors needed to be deactivated in Atlas. OAI recommends that the Procurement Section strengthen vendor management and the controls over the vendor database by: (a) clarifying and delineating the responsibilities of the buyer and vendor approver roles and ensuring that adequate due diligence is performed prior to creating a new vendor in Atlas; (b) ensuring that all buyers and vendor approvers are adequately trained to be able to perform their respective functions; and (c) implementing a process of periodic review and proper maintenance of the vendor database to ensure that only valid approved vendors are included and there are no duplications.

Procurement capacity
(Issue 10)

Inadequate segregation of duties and oversight over decentralized business units at Headquarters. Procurement activities performed by the business units at the Headquarters were not adequately segregated resulting in business units having full control of the entire procurement process from beginning to end. This included defining the specifications, soliciting proposals and communicating with potential vendors, preparing the tender documents, receiving proposals and evaluating them, drafting the contract, receiving the services and performing contract management. OAI recommends that the Procurement Section ensure the adequate segregation of duties. This should involve consideration of various models of segregation, including: (a) appointing procurement focal points in the business units at Headquarters to conduct basic procurement procedures (complex cases could be conducted by the Procurement Section); and (b) aligning the Delegation of Authority Framework with the new procurement processes.

Management comments and action plan

The Director, Division of Management and Administration, and the Chief, Procurement Section accepted all of the recommendations and are in the process of implementing them.



Helge S. Ostveiten
Director
Office of Audit and Investigations

I. Introduction

Based on a request from the UN Women Division of Management and Administration, OAI conducted an audit of the procurement function of UN Women from 1 to 20 August 2013. 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. This was OAI's first audit of this function since the establishment of UN Women in 2010.

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 UN Women in continuously improving governance, risk management and control processes.

Specifically, this audit reviewed the regulatory framework for procurement decisions and actions with emphasis on existence and adequacy of procurement policies and procedures, the efficiency and effectiveness of institutional and management arrangements for the procurement function and compliance with these policies and procedures, the International Public Sector Accounting Standards and best practices. The audit also covered the progress made toward implementation of the outstanding recommendations of the UN Board of Auditors in its report (A/67/5/Add.13) as well as the corporate recommendation made by OAI in its Report No. 688, issued on 14 February 2010 to UNIFEM Southern Cone Regional Office relating to the lack of controls over vendor creation and maintenance in the procurement function (Issue 13). UN Women is now responsible for the implementation of any outstanding recommendations from prior OAI audits of UNIFEM, which was one of the four entities that merged into UN Women.

II. About the procurement function

Procurement is one of the most critical business support functions in UN Women. For increased operational efficiency, the Executive Director has delegated to the Deputy Executive Directors, the Director of the Division of Management and Administration and all Heads of Office, specific authorities which includes (but is not limited to) approval authority in country programming, resource mobilization, procurement and contract matters, assets, finance and budget management matters and human resources management.¹ The Director, Division of Management and Administration, acts as the Chief Procurement Officer and is accountable to the Executive Director for the appropriate discharge of the procurement function in UN Women. The procurement function is decentralized. Delegated authorities along with levels of delegations are set out in the Delegation of Authority Framework. This means that purchasing transactions are initiated and processed in the various business units at Headquarters and in field-based offices. In addition to the Delegation of Authority Framework, procurement policies procedures and processes are set out in UN Women's Financial Regulations and Rules, the Internal Control Framework, and the Programme and Operations Manual.

¹ The sources, principles and procedures governing delegation of authority in UN Women are provided in the Policies and Procedures for the Delegation of Authorities and the specific levels of delegated authorities are set out in Annex A (Delegation of Authority Framework) thereof. This document was issued on 26 November 2012 and reissued with some revisions on 24 September 2013.

In performing the Chief Procurement Officer role, the Director, Division of Management and Administration is supported by the Procurement Section at Headquarters. This Section, which is directly under the supervision of the said Director, has overall responsibility for providing the following: (a) strategic guidance, training, and advice; (b) technical and Atlas-related procedures training and support; (c) procurement oversight and monitoring; and (d) the secretariat role to the Headquarters' Acquisitions Management Review Committee. In addition, the Section is responsible for the procurement of goods and services, the cost of which are within the delegated authority of the Director. The total procurement processed at Headquarters and field-based offices² during the audit period from 1 January 2012 to 30 April 2013 amounted to \$120 million, consisting of \$90 million in purchase orders in 2012, and \$30 million in purchase orders during the first four months of 2013.

From the inception of UN Women in July 2010, to the commencement of the audit in August 2013, the Procurement Section had three personnel: two staff members at the General Service level and one contractor holding a Special Service Agreement. The position of Chief of Procurement (P4) approved as part of the Institutional budget allocation for 2012-2013 was advertised in January 2012 and filled in July 2012, but was again vacated after only seven months when the concerned staff separated for personal reasons. The post was subsequently filled in May 2013 and was still encumbered during the audit.

III. Detailed assessment

1. Regulatory framework

Satisfactory

1.1 Programme and operational policies and procedures

Satisfactory

The regulatory framework for procurement consists of the Financial Regulations and Rules, Internal Control Framework, the "Contract and Procurement Management" chapter of the Programme and Operations Manual, and the Policies and Procedures for the Delegation of Authorities and its Annex A – Delegation of Authority Framework. These are supplemented by circulars and memoranda issued by senior management, as necessary.

With the issuance of the Programme and Operations Manual, UN Women significantly expanded the specific guidance which supplemented the procurement policies and procedures in the UNDP Contracts, Asset and Procurement User Guide which were the applicable regulatory framework for the first 11 months of the audit period. The "Contract and Procurement Management" chapter of the Programme and Operations Manual establishes the framework for the entire procurement process, including procurement policies and strategy, supplier/vendor management, processes for reviewing requirements and making decisions, procurement logistics and contract management. It also provides examples of procurement fraud and corrupt practices to be avoided, and establishes requirements for mandatory supplier performance monitoring. OAI identified and recommended some areas of the chapter for review and further improvement, which management immediately initiated at the time of the audit.

2. Institutional arrangements

Unsatisfactory

OAI assessed the institutional arrangements designed by management for the procurement function, including the strategic positioning of the Procurement Section within the organization, the extent to which the concept of accountability has been operationalized, and the planning and strategic management of procurement actions

² For purposes of this report, this term "field-based offices" refers to the regional offices, multi-Country Offices and liaison offices whose heads have a delegated authority for relevant procurement activities.

within the organization. OAI also assessed the ability of the Procurement Section to discharge its oversight functions over those field-based offices with delegated authorities and to manage the procurement activities at Headquarters. As detailed in this section, several issues were noted which resulted in an overall “unsatisfactory” rating.

2.1 Governance and strategic management

Unsatisfactory

Financial Regulation 24.2 indicates that procurement actions shall follow four general principles: (a) best value for money is attained considering all relevant factors, including costs and benefits to UN Women; (b) fairness, integrity and transparency; (c) open and effective international competition; and (d) interests of UN Women are protected. On an operational level, the procurement activities should support the achievement of organizational objectives on a daily basis by procuring the necessary inputs in a timely manner, and in compliance with the four general principles. Thus, the procurement function is critical to enabling UN Women to meet its strategic objectives.

As earlier stated, certain levels of procurement authority have been delegated to all field-based offices and some business units at Headquarters. Within this decentralized structure, the Procurement Section is required to provide guidance, oversight and advisory services in support of procurement and contracting activities throughout the organization.

The Programme and Operations Manual requires the Procurement Section to:

- provide strategic guidance, training and advice on all procurement matters;
- provide technical and Atlas-related procedures, training and support on all procurement matters;
- draft, maintain and update all documents and templates relating to procurement;
- oversee procurement planning and monitoring;
- host the Secretariat of the Headquarters’ Acquisition Management Review Committee;
- promote knowledge building/sharing regarding procurement and related matters; and
- manage audit and compliance with relevant International Public Sector Accounting Standards.

Issue 1 Inadequate staffing resources and office structure

The approved staffing for the Procurement Section for the audited period was comprised of one P4 position (Chief) and three General Service level staff. During the audit, OAI noted that although the personnel were willing to perform their duties, the number and levels of posts may not have been commensurate with the intended functional responsibilities. This did not enable the staff to adequately carry out the required activities, such as conducting high value procurements and interacting effectively with senior personnel at Headquarters and in the field-based offices (Regional/Country/Liaison Offices).

In addition, these posts were not filled in a timely manner. With the exception of a seven-month period between July 2012 and January 2013, the post of Chief at the P4 level had been vacant and was only filled in May 2013.

Further, OAI noted that with the exception of the role of secretariat for the Acquisitions Management Review Committee, the Procurement Section was not well structured and roles and responsibilities of the staff were not clearly defined and delineated for effective checks and balances of controls. The staff distributed their own work based on deadlines rather than on clearly defined roles and responsibilities.

In the Delegation of Authority Framework, approval for significant and high risk transactions is vested with the Chief Procurement Officer and therefore these are managed and undertaken by the Procurement Section.³ OAI's review indicated that procurement risks were not measured as to their criticality in achieving corporate delivery targets and programmatic objectives. As a result, the procurement principles of fairness, transparency and best value for money had not been consistently applied, particularly for high value procurements. This issue had further consequences as described in Issue 5 (Inadequate structure of the Acquisition Management Review Committee); Issue 8 (Lack of corporate procurement strategy and planning); and Issue 10 (Inadequate segregation of duties and oversight over decentralized business units at Headquarters).

Inadequate staffing resources resulted in the unsatisfactory completion of procurement activities. In addition, it prevented the organization from getting best value for money, and increased the risk of improper or fraudulent activities going undetected.

Priority	High (Critical)
Recommendation 1:	
<p>The Director of the Division of Management and Administration should strengthen the capacity and the ability of the Procurement Section to satisfactorily perform its roles and responsibilities by:</p> <ul style="list-style-type: none"> (a) ensuring that there are an adequate number of posts and that the levels are commensurate with the required knowledge, skills and abilities; (b) clearly defining and communicating functional responsibilities and roles; and (c) filling vacant posts in a timely manner. 	
<p>Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed</p> <p>Management stated that two new (P3) Procurement Specialist positions were established as an interim solution and management is re-examining the procurement function, capacities and resources to ensure that all posts are set at levels which correspond with the knowledge, skills and abilities required to carry out assigned procurement activities. The funding requirements of the new structure will be discussed and agreed with UN Women's senior management. If approved, the Procurement Section will designate units/individuals with responsibility for the procurement needs of the organization according to the functional and/or geographical structure of the offices, or with responsibility for supply chain cycles or macro-processes as per the unit/individuals' areas of expertise. The new structure and the responsibilities of the Section will be communicated globally to all UN Women personnel.</p>	

Issue 2 Inadequate mechanisms for resource assessment

While roles and responsibilities are set out in the regulatory framework, it is necessary to have a mechanism for assessing the optimal level of resources required to adequately carry these out. Such a mechanism should be designed in such a way that assessments of resources are conducted whenever there are changes to any parts of

³ Approval of Special Service Agreements, contracts and purchase orders, directly negotiated contracts for over \$100,000, \$200,000 and \$30,000, respectively for field-based offices procurement and for all of these agreements and contracts in the case of Headquarters procurement. In addition, approval of all Special Service Agreement daily rates above \$1,000 and of post facto procurement cases of up to \$100,000.

the framework, the roles and responsibilities of officers and staff, corporate objectives and priorities, or when new risks emerge.

OAI observed that such a mechanism was not in place. As a result, the resources allocated to the Procurement Section were not based on an adequate assessment of the prescribed roles and responsibilities, thus increasing the risk of inadequate performance of the procurement function.

Priority	High (Critical)
Recommendation 2:	
The Division of Management and Administration should develop and implement a mechanism to directly align the roles and responsibilities of departments and units as delineated in the regulatory framework with the corresponding resource allocation. This may be performed through the systematic assessments of needs and resource requirements through the annual planning and budget review processes prior to initial implementation, or whenever significant changes to the roles and responsibilities occur.	
Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
Management plans to map the procurement capacity with the requirements in order to achieve strategic alignment between resources and demands.	

2.2 Procurement oversight

Unsatisfactory

Issue 3 Lack of monitoring and oversight over decentralized procurement units and weak risk management

The Internal Control Framework requires that there has to be a monitoring system to ensure that all controls are in place and functioning. Monitoring activities must be ongoing and include regular management and supervisory authorizations, review and assessment activities over all actions taken by personnel in performing their procurement related duties. The Programme and Operations Manual assigns to the Procurement Section the responsibility for performing overall monitoring and oversight.

For the period reviewed by OAI, the Procurement Section did not monitor corporate procurement activities, such as spot-checks of procurement transactions, checks for compliance with controls relating to the cumulative value of procurement transactions, or compliance with thresholds requiring submission to the Acquisitions Management Review Committee. There was no systematic process for monitoring and oversight over the decentralized procurement units.

There was no corporate level reporting to senior management that provided them with consolidated information on all procurement actions undertaken in order to facilitate and enhance decision-making. As such, senior management may not have had the assurance that procurement had been conducted and managed in accordance with the UN Women procurement principles.

Moreover, the Internal Control Framework has a component for Risk Assessment and Management, which explains that the organization is required to identify and assess the various risks, such as external, relational,

process, people and technology and systems risks against UN Women’s objectives as the basis for determining how the risks should be managed. With the inherent risks in a decentralized procurement function, it is essential to have adequate monitoring and oversight as part of a comprehensive control system that ensures consistent interpretation and application of policies and procedures and operationalization of plans throughout the organization.

OAI noted that while the Procurement Section is charged with the responsibility for planning and monitoring of all procurement activities, the risk management of the procurement function was minimal because of the absence of systematic monitoring and oversight mechanisms over the activities of the decentralized units both at Headquarters and in field-based offices. Thus, there was no assurance that the strategic, operational and financial risks were being adequately addressed, which may result in operational inefficiencies and/or fraud, negatively affecting UN Women’s ability to meet programmatic objectives and deliver on its mandate.

The problems and deficiencies noted in this report, namely: Issue 4 (Responsibilities for providing guidance, training and support not adequately discharged), Issue 8 (Lack of procurement strategy and planning), Issue 9 (Inadequate vendor management), and Issue 10 (Inadequate segregation of duties and oversight over decentralized business units at Headquarters) could have been proactively detected by the Procurement Section and immediately corrected had there been adequate monitoring mechanisms and control structures.

Priority	High (Critical)
Recommendation 3:	
<p>The Procurement Section should strengthen the management of procurement by developing and implementing a systematic process for managing procurement risks, maintaining oversight and monitoring the decentralized units. This should include:</p> <ul style="list-style-type: none"> (a) developing tools and mechanisms for systematic and periodic monitoring and oversight; (b) designing corporate level reports for senior management on all procurement activities; (c) identifying key risk areas relating to the decentralized procurement structure and implementing the necessary controls and reporting to minimize or mitigate these risks; (d) coordinating with the heads of Headquarters business units and field-based offices to identify information that is relevant and necessary for monitoring and the frequency with which it should be provided; (e) clearly defining and assigning the responsibilities for gathering and analysing the information; and (f) configuring Atlas to generate the appropriate reports. 	
<p>Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed</p> <p>Management took measures to enhance systematic oversight and monitoring of procurement activities which included creating checklists for all procurement activities that provide the requesters, buyers and approving authorities with a list of mandatory documents, steps and actions - supported by guidelines and/or training materials and revising the Programme and Operations Manual to include adequate oversight and monitoring mechanisms to mitigate risks.</p> <p>Management intends to perform a structural and functional review of the Procurement Section to ensure adequate segregation of duties, monitoring and oversight in the decentralized environment. Activities which are of a significant risk will be defined and procurement advisors will be trained and equipped with</p>	

appropriate procurement knowledge.

Additionally, a number of Atlas reporting queries/tools are being developed to generate useful information to help buyers and users with the periodic closure processes, review of purchase orders, review and accrual of Atlas receipts, and monitor and trace aggregate amounts for a supplier. The Atlas procurement catalogue will be revised to streamline the reporting modalities on procurement expenditure and the Procurement Section will integrate all internal stakeholders through the Procurement Community Network and cross-functional working groups for updating existing and upcoming tools, processes and procedures.

Issue 4 Responsibilities for providing guidance, training and support not adequately discharged

The Programme and Operations Manual requires that the Procurement Section provide strategic guidance, training and advice on all procurement matters, as well as training and support on technical and Atlas-related procedures to all offices, staff and management across the organization.

There was little evidence that these responsibilities were adequately performed, and as a result, the Procurement Section had neither positioned itself as an expert authority on procurement matters, nor provided support due to inadequate resources and the absence of systematic and timely monitoring of procurement activities as indicated in Issues 1 and 3, respectively. Also, OAI noted that there was no stated requirement for UN Women personnel performing procurement actions, including those in the decentralized units, to obtain procurement certification prior to taking on their responsibilities.

Management informed OAI that it had rolled out global Operations Managers training in May 2013 when the procurement topic was covered, and subsequent to the audit in October 2013, performed regional training in Dar es Salaam which included a five-hour procurement session and a three-day procurement track, which included presentations from Operations Managers who had benefited from the earlier training.

Inadequate guidance, training and support to business units could result in lack of knowledge of procurement policies, procedures, techniques, and best practices and may increase the risk of the organization not getting the best value for money.

Priority	High (Critical)
Recommendation 4:	
The Procurement Section should meet its guidance, training and support mandate through the:	
<ul style="list-style-type: none"> (a) implementation of a clearly articulated training programme for all personnel involved in the procurement processes; (b) development and implementation of a global procurement forum and strategic alliances with procurement experts to encourage and facilitate continuous learning, regular discussions and knowledge sharing throughout the organization; and (c) re-design of the procurement website to document and highlight best practices and risks and how they are managed, and financial data and statistics on procurement actions taken individually and collectively for offices/units to have the opportunity to benchmark their procurement actions and/decisions. 	

Management comments and action plan: Agreed Disagreed

Management advised that:

- A new forum/network called “Procurement Community Network” was introduced and is open to all UN Women personnel and at audit report date has over 200 members. The participation of Operations Managers, Atlas buyers and procurement practitioners is mandatory and all aforementioned profile holders are automatically subscribed to this forum.
- In 2014, the Division of Management and Administration will introduce a full-cycle procurement training calendar to be delivered at the regional level and will target field-based offices which have a large procurement portfolio.
- The redesign of the procurement homepage of the intranet is an ongoing activity and working groups across geographic and functional focus were organized to provide input. A comprehensive document library is under development, which contains all procurement related forms and templates, as well as a knowledge management area that contains hands-on training materials, presentations and “How To” step-by-step Atlas training guides.

Issue 5 Inadequate structure of Acquisition Management Review Committee

UN Women Financial Rule 2401 requires that the Chief Procurement Officer establish review committees such as the Acquisition Management Review Committee at Headquarters, the Regional Acquisition Management Review Committee and the Local Acquisition Management Review Committee in other locations to provide written advice on procurement actions leading to the award of procurement contracts. Further, the Programme and Operations Manual requires that the Chief Procurement Officer determine the composition and the terms of reference of such committees. These committees are to assist and provide advice and recommendations to the Chief Procurement Officer when approving procurement transactions that are within his delegated authority as set out in the Delegation of Authority Framework. Moreover, staff designated as members of these committees, including the Acquisitions Management Review Committee Secretary, are expected to have sound knowledge of procurement practices and of all UN Women procurement regulations and rules, policies and procedures.

In reviewing the minutes of meetings of the Acquisitions Management Review Committee, OAI noted that it was not functioning in accordance with the Programme and Operations Manual. Specifically:

- (a) The terms of reference in the Programme and Operations Manual did not clearly and individually define the specific roles, responsibilities and accountabilities of the members, the Chair, and of observers.
- (b) There was no written documentation indicating that Committee members had accepted the responsibilities of their appointment.
- (c) There was no evidence of an assessment made on the level of procurement knowledge and independence of the members and the Secretary prior to their appointment.
- (d) There was a perceived conflict of interest on the part of the Secretary of the Acquisitions Management Review Committee, as he was also providing advice to business units that were submitting proposals to the Acquisitions Management Review Committee. In some instances, the advice of the Secretary was contrary to the requirements of the Acquisitions Management Review Committee and the business units informed the Committee of the initial advice provided to them.
- (e) Members had not been rotated for extended periods because of difficulties in recruiting qualified staff members who were willing to serve as Acquisitions Management Review Committee members.

Lack of clarity regarding the roles, responsibilities and experience requirements from the Acquisitions Management Review Committee members may prevent the Committee from effectively discharging its responsibilities. This may increase the risk of procurement actions being approved that are not in accordance with the procurement principles of fairness, integrity, transparency, best value for money and in the interest of UN Women.

Priority	High (Critical)
Recommendation 5:	
<p>The Director of the Division of Management and Administration should ensure compliance with the Financial Rules and Regulations and the Programme and Operations Manual by enhancing the independent review of all high value and complex procurement cases. The Director could consider outsourcing some functions of the Acquisitions Management Review Committee when adequate resources, qualifications and experience do not exist within UN Women or adding an external person or one from another UN organization who has the appropriate expertise and knowledge of the nature and complexity of the goods or services being procured. It is important to ensure that:</p> <ul style="list-style-type: none"> (a) the roles, responsibilities and accountabilities of all Acquisitions Management Review Committee members are clearly defined in the terms of reference and all their actions and decisions properly documented; (b) there is a process for assessing and documenting the procurement knowledge and independence of members and they receive relevant training prior to their appointment; (c) members' understanding and acceptance of the independence, accountabilities and capacity required of them to take on are documented; and (d) the role of the Committee Secretary is reviewed and clearly defined to ensure (s)he is not put in a position of having a conflict of interest. 	
<p>Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed</p> <p>Management agreed to enhance and streamline the Acquisitions Management Review Committee's establishment, functioning and capacity by formally introducing Acquisitions Management Review Committee terms of reference and responsibilities; procedures for appointment of Local and Regional Committees ensuring that members of committees have requisite knowledge and are appropriately trained when necessary; that the Secretary's role is well defined; and all members provide written confirmation of their responsibilities.</p>	

Issue 6 Ineffective reviews by the Acquisition Management and Review Committee

In accordance with the Programme and Operations Manual, the Acquisitions Management Review Committee is required to review all high risk cases including procurement of goods and services over \$200,000 and all requests for direct procurement over \$30,000 as a waiver of competitive process.

OAI selected a sample of 12 procurement cases totalling \$5.6 million or 21 percent of the all cases (\$26.4 million) that were reviewed and recommended by the Acquisitions Management Review Committee to the Chief Procurement Officer for approval. Eight of these cases related to the purchase of goods and services and four related to the contracting of individuals under Special Service Agreements.

OAI noted deficiencies in the review and recommendation of all 12 cases. Significant deficiencies were not identified or reviewed by the Acquisitions Management Review Committee. All these cases were presented to the Chief Procurement Officer and were approved without adequate supporting information mostly because of the urgency of the requests by the concerned units. Moreover, the information included in the minutes of the Acquisitions Management Review Committee meetings regarding the submitted procurements merely repeated the information in the submissions of the procuring units or in some cases, some submitted documents were disaggregated and some of these were returned to the requesting units. The minutes did not provide sufficient information to substantiate the decisions taken by the Committee.

The processes for submissions, reviews, requests for additional information, responses and resubmissions of cases to the Acquisitions Management Review Committee had not been well defined. In three cases, the requests for Committee clearance was either communicated as being urgent or was done on a post facto basis, as the contractor had already commenced providing services. Specific details of the deficiencies noted in all of the 12 cases reviewed during the audit were communicated to management during the exit conference for immediate corrective actions.

In reviewing the four cases relating to the procurement of consultancy services using Special Service Agreements, additional deficiencies were identified. For the four cases, there were no internal cost estimates for services to be rendered, no assessment of value for money, and no evidence of reference checks. Three cases had no proposals from candidates indicating the cost of the services proposed. Two cases had no description of solicitation/advertisement and no evidence of review by an evaluation committee. One had no evaluation documentation.

Finally, it was not clear what factors were used as the basis for the Chief Procurement Officer's decision to sign one Special Service Agreement contract in March 2013 for \$141,900 instead of a Temporary Appointment given the duration of the delivery of required services and the cost. No consideration was given to the principle of value for money and to adherence with proper selection and contract modalities throughout the whole process. The selection decision was made prior to submission of the procurement case to the Acquisitions Management Review Committee and the review process was performed on a post facto basis only to ratify the requesting unit's actions.

As a result of the review, the audit team referred two of these four cases with a combined value of approximately \$1.5 million to OAI's Investigations Section for further review.

Ineffective review and recommendations by the Acquisitions Management Review Committee increases the risks that procurement actions are not undertaken in accordance with the procurement principles or that of inappropriate or ineffective use of resources and of undetected fraudulent transactions.

Priority	High (Critical)
Recommendation 6:	
The Procurement Section should strengthen the performance and documentation of the review processes and rules of procedures of the Acquisitions Management Review Committee by ensuring that:	
<ul style="list-style-type: none"> (a) proper minutes of all procurement review meetings are maintained as a record of the decisions taken; (b) a complete copy of all submissions including supporting documents are retained as an audit trail; and (c) procurement contracts are recommended by the Acquisitions Management Review Committee only 	

upon submission of adequate information relevant to the procurement case, a thorough review is performed and documented, and the recommendation is appropriate and justified.

Management comments and action plan: Agreed Disagreed

Management stated that in addition to the review of the Acquisitions Management Review Committee function at UN Women Headquarters and field-based offices, a new online submission tool for the Headquarters' Acquisitions Management Review Committee was introduced. The online tool strengthens the performance and documentation of the procurement review process by the Acquisitions Management Review Committee and further maintains minutes of all procurement review meetings and decisions taken.

2.3 Advisory services

Unsatisfactory

Issue 7 Inadequate processes for rendering and documenting advisory services

With the decentralized structure of the procurement function, the Procurement Section is to support procurement and contracting activities throughout UN Women by providing strategic guidance and advice on all related matters. Provision of accurate and consistent advice to Country Offices and Headquarters units enhances their capabilities in complying with the regulatory framework and the procurement principles as well as in achieving operational effectiveness and efficiency.

There was no defined process on how the Procurement Section was to provide advisory services. The absence of this process combined with the lack of adequate staffing resulted in:

- (a) Lack of clarity on the accountabilities and responsibilities of the Procurement Section, and the recipients of advice.
- (b) Lack of consistency and uncertainty on the correctness of the advice given. In several e-mails reviewed by OAI, the business unit had indicated that the advice they received was at times inconsistent and different depending on who in the Procurement Section was providing them.
- (c) Due to the absence of a data repository for the advisory services provided (such as requestor, date of request, issues raised, and advice given), it was not possible to identify or review the advice provided and so issues could not be addressed or rectified. It was also not possible to gather and report any performance metrics.

Advisory services had been provided on an ad hoc basis depending on the availability of staff. In the absence of a well-defined process of providing and documenting advisory services, there was an increased risk that the Procurement Section would provide inconsistent or poor technical guidance and advice on procurement matters which may have resulted in non-compliant, inefficient, ineffective or fraudulent procurement actions or decisions.

Priority	Medium (Important)
Recommendation 7:	
<p>The Procurement Section should develop and implement processes that will enable it to provide consistent, adequate and competent advisory services throughout the organization. This should include:</p> <ul style="list-style-type: none"> (a) defining levels of authority, accountabilities and responsibilities for Procurement Section staff and recipients; (b) establishing a system to record queries received and the advice given; (c) implementing a process to monitor and improve the correctness and consistency of advice, and to increase the capacity of advisors; and (d) considering allocating specific areas of procurement to specific staff advisors based on their expertise. 	
<p>Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed</p> <p>Management explained that the inconsistency of advice was due to understaffing and the absence of a professional level staff member. The new Chief of Procurement has taken steps to enhance the advisory role, including the establishment of the online Procurement Community Network. And upon recruitment of two Procurement Specialists, one will have the responsibility for providing and documenting advisory services.</p>	

3. Procurement operations **Unsatisfactory**

3.1 Planning and preparedness **Unsatisfactory**

Issue 8 Lack of corporate procurement strategy and planning

The Programme and Operations Manual provides for the preparation of a procurement strategy and based on this, a procurement plan. The plan identifies procurement activities, timeframes and responsible officers to ensure that efficiency and cost-effectiveness as well as economy of scale is achieved. Due to the decentralized nature of the procurement function, corporate procurement planning must be initiated at the business unit level at Headquarters and in field-based offices and then consolidated by the Procurement Section at the beginning of each year.

Contrary to the requirements of the Programme and Operations Manual, no corporate procurement strategy and plan was developed. Moreover, OAI found no evidence of a comprehensive procurement profile that sets out spending and risk analyses; business units' unique procurement needs and related strategies; analyses of the organization's procurement functions and capabilities; and identification of corporate procurement objectives and how these are to be achieved.

The Procurement Section informed OAI that no procurement plans were received from the Headquarters business units and field-based offices to facilitate the preparation of a corporate procurement plan. It should be noted that this issue was raised by the UN Board of Auditors in 2011 and management committed to addressing their concerns by 2012/13.

Without a corporate procurement strategy and plan, the organization is unable to proactively monitor, or avail itself of price discounts related to bulk procurements (economy of scale) and obtain best value for money. This may result in the inefficient use of resources or costly acquisitions of goods and services that may negatively affect the ability of the organization to meet its programmatic objectives.

Priority	High (Critical)
Recommendation 8:	
<p>The Procurement Section should develop and implement a corporate procurement strategy and plan that is aligned with the UN Women strategic plan by:</p> <ul style="list-style-type: none"> (a) identifying strategic procurement objectives; (b) developing a comprehensive profile of the organization’s procurement needs (including a spending analysis, and risk analysis); (c) analysing the organization's procurement function and capabilities; (d) ensuring that the corporate procurement plan is based on inputs from the plans of Headquarters business units and field-based offices; and (e) considering implementing an electronic solution to enhance these processes. 	
<p>Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed</p> <p>Management advised that in December 2013 the Procurement Section introduced an online planning tool that would assist the organization in developing and generating a corporate procurement plan. This functionality will support strategic decision making concerning all procurement activities.</p>	

3.2 Vendor management

Unsatisfactory

Issue 9 Inadequate vendor management

The Programme and Operations Manual requires that all vendors are assessed to ensure that they have the integrity and capacity to conduct business with UN Women and to safeguard against the inappropriate use of UN Women funds that are publicly entrusted to them. Further, procuring units are to perform due diligence by confirming the vendor’s registration with the appropriate government authorities and verifying that it is not in the UN sanctions list. The responsibility for vetting vendors is shared by the personnel who hold buyer and vendor approver profiles in Atlas. The buyer role is decentralized and resides with the requesting units, while the approver role and maintenance of the Atlas vendor database are centralized and managed by the Finance Unit of the Division of Management and Administration.

The Procurement Section staff communicated their understanding of these roles to OAI. The buyer creates the vendor in Atlas and ensures that there is no duplication in the system. The buyer is also responsible for verifying that the vendor is legitimate and is not listed in the UN Global Market Place list of suspended or removed vendors. The approver is responsible for checking that due diligence has been performed and that the vendor has been properly vetted prior to giving approval in Atlas.

OAI reviewed the documentation supporting the creation of 25 vendors in Atlas as well as 29 procurement actions totalling approximately \$14 million (12 percent of total procurement during the period audited). The following weaknesses were noted:

- (a) There was no evidence on file that due diligence was consistently performed.
- (b) Banking details were not verified with independent external sources, such as the presentation of a voided cheque or obtaining details from banks at the time of vendor creation.
- (c) Two purchase orders were issued and payments were made to vendors whose names were different from what was created in Atlas. In discussion with Procurement Section staff, OAI learned that they had insufficient understanding of the potential tax implications and legal risks when documents and payments are made with different vendor names. The documentation on file indicated that although the names in the purchase orders and contracts were different from the bank account and vendor names in Atlas, the vendors were the same or related entities. Specifically:
 - A purchase order for \$151,000 was signed with Vendor A but the bank account and the vendor name in Atlas were that of Vendor B. The Acquisitions Management Review Committee approved the procurement in the name of Vendor B. The explanation on file was that the vendor names of A and B were one and the same entity. The Vendor B name was being used as it was the name registered with the government authority.
 - Another purchase order for \$121,000 was approved on 22 February 2013 in the name of Vendor C. However, invoices and payments were in the name of Vendor D. OAI noted that the bank details in the contract with Vendor C were the same for Vendor D in Atlas.

Additionally, the vendor database in Atlas had not been periodically reviewed to ensure that only valid vendors remained. OAI noted that overall there were:

- 421 unapproved, inactive vendor profiles comprised primarily of outside parties (161) and meeting attendees (112).
- 1,674 approved but inactive vendor profiles including two instances of duplicated profiles. One vendor had three (11344, 12017 and 11343) and another had two (41069 and 41057) profiles.

This situation of the vendor database is untenable particularly because there is some confusion as to which section or unit has primary responsibility for performing due diligence on vendors and for maintaining the vendor database in Atlas as indicated to OAI. These critical responsibilities are not clearly set out and delineated in the Programme and Operations Manual.

Inadequate vetting and management of vendors and ineffective management of the Atlas database increases financial and process risks. In addition, there is an increased risk that errors may occur, or fraudulent activity may take place, which could have a negative impact on the reputation of Un Women.

Priority	High (Critical)
Recommendation 9:	
The Procurement Section should strengthen vendor management and the controls over the vendor database by:	
(a) clarifying and delineating the responsibilities of the buyer and vendor approver roles and ensuring that adequate due diligence is performed prior to creating a new vendor in Atlas;	

- (b) ensuring that all buyers and vendor approvers are adequately trained to be able to perform their respective functions; and
- (c) implementing a process of periodic review and proper maintenance of the vendor database to ensure that only valid approved vendors are included and there are no duplications.

Management comments and action plan: Agreed Disagreed

Subsequent to the audit, the Procurement and Finance Sections have developed guidelines for the creation and approval of vendor profiles in Atlas and will provide training to all staff that have buyer and vendor approver profiles. In addition, a protocol to periodically review and maintain the vendor database and deactivate old unused vendor profiles will be implemented.

3.3 Procurement capacity

Unsatisfactory

Issue 10 Inadequate segregation of duties and oversight over decentralized business units at Headquarters

Financial Regulation and Rule 24.5 requires that there be adequate segregation of duties to implement an appropriate level of checks and balances concerning the activities of individuals, thereby minimizing the risk of error or fraud. The “Procurement Management” chapter of the Programme and Operations Manual requires that the principles of segregation of duties be observed in all aspects of any procurement process.

OAI noted that, with respect to procurement actions conducted at Headquarters, the role of an approving manager was appropriately segregated from the requesting business units as this was vested with the Director, Division of Management and Administration as the Chief Procurement Officer. However at the business unit level, there was no segregation of duties and roles for the entire procurement process. The business units had full control of the entire procurement process from beginning to end. They defined the procurement requirements, prepared the specifications, solicited and directly communicated with the potential vendors, prepared the tender document, received and conducted the evaluation of offers, selected the winning offeror, drafted the contract, verified the delivery or receipt of the procured good or service, and performed contract management. OAI did not find any adequate compensating controls, such as independent review of the specifications to ensure that they were not unduly restrictive, or verification that the proposed procurement was included in the unit’s procurement plan, or the evaluation and selection processes were objectively conducted.

In its review of the procurement sample, OAI noted the following deficiencies:

- No evidence that the proposed purchase was part of a unit’s procurement plan (all cases).
- No evidence of estimated costs of the goods/services prior to soliciting offers, to allow for determination of the reasonableness of the offers and to ensure that best value for money is obtained. Instead there were notations regarding the amount of available funds.
- One procurement totalling \$640,000 was made with incomplete or incorrect solicitation documents (e.g., the instructions to offerors and the technical evaluation criteria and cumulative analysis were omitted), an incorrect version of the General Terms and Conditions was used, and the required use of a two-envelope system was not set out in a Request for Proposal.
- The procurement requirements were not advertised for four cases reviewed by the Acquisitions Management Review Committee.

- Unreasonably restrictive procurement specifications for one procurement case amounting to \$640,000.
- No documentation of evaluation was on file for one case valued at \$231,000 and two Special Service Agreement contracts.

Without adequate oversight and controls including adequate segregation of duties relating to procurement activities, the organization cannot assure adherence to the four general principles for procurement. Also, there are increased risks of fraud being committed and UN Women may not be able to meet the objectives of operational effectiveness and efficiency, physical safety and proper maintenance of financial records.

Priority	High (Critical)
Recommendation 10:	
<p>The Procurement Section should ensure the adequate segregation of duties. This should involve consideration of various models of segregation, including: (a) appointing procurement focal points in the business units at Headquarters to conduct basic procurement procedures (complex cases could be conducted by the Procurement Section); and (b) aligning the Delegation of Authority Framework with the new procurement processes.</p>	
<p>Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed</p> <p>Management informed that as part of the planned procurement function reform in UN Women, all policies, procedures, templates including the Delegation of Authority Framework will be aligned with the new modules. The 'hybrid-type' centralization of procurement functions at Headquarters will ensure an optimum level of segregation of duties in carrying out the procurement processes. The Procurement Section will conduct complex and high value procurements for Headquarters-based divisions and will supplement the procurement capacity of field-based offices for similar procurements. The procurement focal points, based in other offices and functional divisions, will be adequately trained to carry out small value and/or straight forward procurements.</p>	

3.4 Management of Special Service Agreements

Unsatisfactory

Issue 11 Deficiencies in the use and management of Special Service Agreements

The UN Women Delegation of Authority Framework dated 26 November 2012 details the relevant thresholds for the delegation of procurement authorities relating to Special Service Agreements. The Chief Procurement Officer retained the authority to sign all Special Service Agreements for Headquarter units and Special Service Agreements exceeding \$100,000 for field-based offices. In addition, the Programme and Operations Manual states that Special Service Agreement contracts will continue to be managed by both the Human Resources Centre and the Procurement Section until the end of the first quarter of 2013, at which point management of Special Service Agreements will be transferred fully to the Procurement Section.

The Procurement Section indicated that there was lack of clarity regarding the management of Special Service Agreement contracts and the policies and procedures to be applied. At the audit report preparation stage, responsibility for the use and management of Special Service Agreements continued to straddle both the Human Resources and Procurement Sections. As a result, the Special Service Agreement contracts were subjected to human resources rules for identifying and evaluating candidates and then they were submitted to

the procurement review committees for recommendation to the Chief Procurement Officer for approval. OAI noted that out of the sample of 10 Special Service Agreements entered into by Headquarter units, 6 cases totalling approximately \$0.4 million were signed by the Chief, Human Resources Centre without the pre-requisite delegation of authority required under the procurement procedures.

Management indicated to the audit team that due to the Procurement Section's lack of resources, the preference was to leave responsibility for contracting of Special Service Agreements with the Human Resources Centre. However, based on OAI's observations, confusion remained as to which rules would be applied to procuring the services of individuals under the Special Service Agreement modality. This lack of clarity resulted in the system of internal controls being undermined, exposing UN Women to an increased risk of unauthorized transactions as well as the risk of impropriety and inefficiency.

Priority	Medium (Important)
Recommendation 11:	
The Procurement Section should strengthen the use and management of Special Service Agreements by: (a) developing in collaboration with the Human Resources Centre a clear hand-over strategy, which takes into consideration the Procurement Section's need for adequate capacity; and (b) ensuring that the Delegation of Authority Framework is amended to appropriately reflect the duties of the Procurement Section.	
Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
The Director of the Division of Management and Administration indicated that the Procurement Section and the Human Resources Section will be working to develop a clear hand-over and transition strategy for Special Service Agreements and that the Delegation of Authority will be amended to reflect the new roles and responsibilities.	

Issue 12 Payments to UN retirees in excess of threshold

The "Special Service Agreement" chapter of the Programme and Operations Manual as well as General Assembly Administrative Decision A/55/451 states that retired UN staff members in receipt of pension benefits from the UN Joint Staff Pension Fund may not receive more than \$22,000 per calendar year in emoluments from the UN system when they are hired to provide services to any UN organization. The \$22,000 annual limit applies to the gross amount of the fee under a Special Service Agreement but does not include payments for travel, terminal fees and Daily Subsistence Allowance.

OAI noted that cumulative direct payments to UN retirees were not monitored by UN Women to ensure that when the threshold of \$22,000 was reached, fees were discontinued. There was no evidence on file indicating whether an inquiry was made with the vendors to determine whether they deferred receipt of their pension benefits while in contract with UN Women.

The Director of the Division of Management and Administration indicated that all UN Women Special Service Agreement contracts for UN retirees are issued only upon receiving a signed declaration from the consultant confirming that she/he may not receive more than the maximum amount of \$22,000 per calendar year in emoluments. The signed declaration is a pre-requisite and it is also to ensure that no payments are made in excess of the threshold.



OAI observed that the payment for direct Special Service Agreement contract did not exceed the \$22,000. However, OAI also noted that when the threshold was attained, the contract modality for the delivery of exactly the same services was changed from a Special Service Agreement contract to a contract with a vendor with whom the retirees are affiliated.

Lack of adherence to the procurement policies and procedures and General Assembly administrative decisions undermines the system of internal controls, exposing UN Women to increased risks of unauthorized transactions. Moreover, the reputation and credibility of UN Women may be compromised.

Priority	Medium (Important)
Recommendation 12:	
<p>The Division of Management and Administration should implement procedures to ensure that UN Women complies with the General Assembly directives and the Programme and Operations Manual regarding payments to UN retirees who are receiving UN Joint Staff Pension Fund pensions by:</p> <ul style="list-style-type: none"> (a) not entering into contracts with UN retirees after the threshold; (b) conducting due diligence on payments made to all UN retirees hired by the organization; and (c) taking corrective actions on the payments made in excess of the threshold. 	
<p>Management comments and action plan: <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed</p> <p>The Director of the Division of Management and Administration took note of the cases highlighted during the review and will initiate corrective actions and remind the offices to strictly adhere to the policies.</p>	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** Internal controls, governance and risk management processes were 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.
- **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.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **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.
- **Medium (Important)** Action is required to ensure that UN Women is not exposed to risks that are considered moderate. Failure to take action could contribute to 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.