

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNITED NATIONS TRUST FUND TO END VIOLENCE AGAINST WOMEN

Report No. 1227

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Report on the audit of the United Nations Trust Fund to End Violence against Women Executive Summary

From 21 November to 13 December 2013, the UNDP Office of Audit and Investigations (OAI) conducted an audit of the United Nations Trust Fund to End Violence against Women (the Trust Fund), which is administered by the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women). The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance and strategic management (organizational structure, risk management, planning, and monitoring and reporting);
- (b) programme and project management;
- (c) grantee management; and
- (d) operations (financial management and reporting). The procurement and supply management, human resources management, and asset management functions are centralized within the Division for Management and Administration and were not covered by the audit.

The Trust Fund is managed by the secretariat within the Programme Division (the Office). The audit covered the activities of the Trust Fund from 1 July 2012 to 30 September 2013. The Trust Fund recorded expenditures totalling \$23.6 million. This was the first audit of the Trust Fund.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **satisfactory**, which means “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.” This rating takes into consideration that the issue within governance and strategic management, resulting in a high priority recommendation, is partly outside the control of the Office.

Key recommendations Total = 2, high priority = 1

For high (critical) priority recommendations, 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 (critical) priority recommendation is presented below:


Unclear oversight role over the Trust Fund (Issue 1)	Aside from General Assembly Resolution 50/166 that prescribes the creation of the Trust Fund following the mandate, structure and management of United Nations Development Fund for Women (UNIFEM), which was one of the four entities that merged into UN Women, the relationship and oversight role of UN Women over the Trust Fund has not been adequately operationalized. This has resulted in a lack of clarity as to the application of UN Women regulations and rules, policies and procedures over the operations of the Trust Fund and the administrative and oversight role of UN Women.
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Recommendation: Clarify the oversight role over the functions and activities of the Trust Fund by: (a) defining, documenting and communicating its responsibilities; (b) determining monitoring activities to be performed by UN Women field offices; and (c) documenting the requirement for, and the acceptable uses of support fees charged to the Trust Fund.

Management comments and action plan

The Chief, United Nations Trust Fund to End Violence against Women, and the Director, Programme Division, accepted both recommendations ranked medium and high priority and are in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Trust Fund

The Trust Fund is a global multi-lateral grant-making entity. Established in 1995 by UN General Assembly Resolution 50/166, the Trust Fund is administered by the UN Women on behalf of the United Nations system. The Headquarters for the Trust Fund is located in New York. The Trust Fund is comprised of 18 UN agencies and international gender experts. Since its inception, the Trust Fund has supported 351 initiatives in 128 countries and territories through grants of more than \$86 million. The Trust Fund continues to experience a decrease in donor funding due to the effects of a global recession. At the same time, the demand for grants has increased with each call for proposals cycle. In the last call for proposals for grant making cycle 16, the Trust Fund was only able to cover 1 percent (about \$8.4 million) of the total grant applications received (approximately \$1.06 billion). The Trust Fund invested in information technology in an effort to improve the efficiency of the grant-making and management processes, specifically in the development and deployment of a Grant Management System. Recently, the Trust Fund commenced giving grants to small civil society organizations, especially grassroots women's and youth led organizations, with grant requests between \$50,000 and \$100,000.¹

The Trust Fund operates based on the voluntary contributions of UN Member States, non-profit organizations, foundations, the private sector and concerned individuals. Its governance and grant-making is guided by consultative committees at global and sub-regional levels, comprised of UN agencies, leading experts and other key stakeholders.

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Programme and project management. No reportable issues were noted during the review of grant documents as well as during field visits to two grantees located in Mexico and Panama.
- (b) Finance management and reporting. No inconsistencies or inaccuracies were noted in the sample of payments reviewed, and existing controls were found to be adequate.

OAI proposes two recommendations that are ranked high (critical) and medium (important) priority.

Low priority recommendations were discussed directly with and agreed to by the Trust Fund management and are not included in this report.

High priority recommendation:

- (a) Clarify the oversight role over the functions and activities of the Trust Fund (Recommendation 1).

Medium priority recommendation:

- (a) Perform an independent post-implementation review of all deployed modules of the Grantee Management System (Recommendation 2).

The detailed assessment by audit area is presented below:

¹ Information taken from the Trust Fund 2012 Call for Proposals, 17 Nov 2012 and the 2012 UNTF Donor Report, January 2013.

A. Governance and strategic management

Issue 1 Unclear oversight role over the Trust Fund

Best practices require effective and efficient organizational structure, work processes and systems as the foundation for achieving desired results. Therefore, it is critical that a coherent and clearly communicated structure exists to support attainment of the desired objectives and to allow for effective execution of work processes.

In compliance with General Assembly Resolution A/RES/50/166 of 22 December 1995, the Trust Fund was created by UNIFEM on 6 May 1996 under the financial regulations and rules of UNDP with UNIFEM as the administrator of the Trust Fund. In July 2010, when UNIFEM activities were merged with three other UN entities to create UN Women, all activities of the Trust Fund became part of the mandate of UN Women. Subsequent to the creation of UN Women, no action has been taken to clearly define UN Women's role and responsibilities as the administrator of the Trust Fund.

OAI noted that there was lack of clarity by staff at UN Women and grantees regarding the relationship between the Trust Fund and UN Women. For example, there were different interpretations on the extent to which the UN Women financial regulations and rules applied to the Trust Fund. Further, the general perception was that the Trust Fund was an external party to UN Women activities, especially at the Country Office /Regional Office level.

The unclear oversight role of UN Women is further demonstrated by gaps in policy and guidance, as follows:

- (a) The standard operating procedures on grantee management and monitoring were not incorporated into the UN Women Programme and Operations Manual, which is the institutional guidance used by UN Women staff in conducting operational and programmatic work. In particular, this issue negatively impacted the implementation of a consistent and systematic grantee monitoring process by UN Women field offices. For example, some staff in Country Offices were taking on limited responsibilities for monitoring of grantees because there was no directive to indicate what was expected of them. Also, most of the monitoring activities were being done remotely, which limited the independent verification of grantee-reported activities and results.
- (b) There was no policy on the support fee charged by UN Women on donor contributions to the Trust Fund and the corresponding allowable expenses to be funded by the support costs. At the time of audit, UN Women was charging a 7 percent support fee.

The lack of clarity regarding the oversight role can lead to inefficient and ineffective outcomes, operational delays, and inadequate oversight of grantees.

Priority	High (Critical)
Recommendation 1:	
Clarify the oversight role over the functions and activities of the Trust Fund by: (a) defining, documenting and communicating UN Women's responsibilities; (b) determining monitoring activities to be performed by UN Women field offices; and (c) documenting the requirement for, and the acceptable uses of support fees charged to the Trust Fund.	
Responsible HQ bureau: Programme Division	

Management action plan:

The Director, Programme Division accepted the recommendation and indicated that communication will be issued that will clearly define corporate roles and responsibilities with regard to the proper functioning of the Trust Fund, including the expectations for Country Offices to support its activities and engage with grantees. In addition, the Programme Division will ensure that UN Women field office work plans describe the responsibilities and deliverables for relevant Regional and Country Offices, including their reporting to the Trust Fund on the progress of the technical and financial components of the grant monitoring and allocation of support costs.

Management further indicated that in January 2014, information was provided to all UN Women Regional Directors alerting them to: (a) the roles and responsibilities of each office to provide grant management support to active grants in their respective regions and operational support to the Trust Fund's annual call for proposals process; and (b) a detailed work plan for 2014 with monthly tasks for designated focal points in each office, highlighting activities for implementation at Regional and Country Office levels, including an indication of which offices are authorized to use support cost fees charged to the Trust Fund. It is expected that one or more focal points would be appointed in each region (or multi/Country Office as deemed appropriate) along with a finance focal point. Focal points and finance officers in all Regional Offices will be assigned by the end of April 2014. Guidance on the Trust Fund's incorporation in work plan preparation will be sent as part of the broader guidance on work plan preparation at the start of the 3rd quarter in 2014.

Estimated completion date: September 2014

B. Grantee management

Issue 2 Weakness in Grant Management System implementation

A systems development life cycle is an aggregation of a number of clearly defined and distinct work phases which are used by system developers to plan, design, build, test, and deliver systems. The systems development life cycle has three primary objectives: (a) ensure that high quality systems are delivered; (b) provide strong management controls over the projects; and (c) maximize the productivity of the systems development and implementation team and the outputs.

The Trust Fund commenced the development of a Grant Management System in 2011. Several modules had been implemented and were functioning in a beta phase.² In 2013, additional modules were being developed to meet the changing needs of the Trust Fund and the Fund for Gender Equality, jointly.

During a demonstration of the Grant Management System to OAI, the system failed to run a query to search and sort applicants by region. It was explained that this occurs when there are programming modifications such as additions or updates to the Grant Management System. Although, the Grant Management System was still in the beta phase, it was planned that all modules would be fully functional by March 2014. The Trust Fund had agreed to engage the developer for a short-term assignment, on-site, to help in speeding up the development and implementation process of the Grant Management System. However, as observed by OAI, modifications to the

² Beta phase refers to a version of the software that is provided to a potential client to demonstrate the usefulness of the software prior to its final release. The version permits testing and feedback to the developer on improvements required prior to finalization.

Grant Management System caused implemented modules to fail or malfunction. As such, OAI is concerned that the system may not become fully operational without significant technical interventions.

Should the Grant Management System not become functional, the Trust Fund and the Fund for Gender Equality may not be able to automate several of its grant management processes, which may negatively impact its productivity and efficiency. [Also refer to OAI Report No. 1228, Audit of the UN Women Fund for Gender Equality, Issue 2 (b)].

Priority	Medium (Important)
Recommendation 2:	
Perform an independent post-implementation review of all the deployed modules to evaluate the effectiveness of the system and its ability to support the Trust Fund and the Fund for Gender Equality in their daily activities.	
Management action plan:	
<p>The Trust Fund accepts OAI observation and is in the process of implementing the above recommendation. The Grant Management System, which allows Trust Fund grantees to perform key tasks online, is being launched in phases. It is currently in Phase 3 of 4, and all modules of Phase 3 are scheduled to be fully functional by the end of April 2014. In order to make sure that there are no major glitches in the process of developing Phase 4, and that the site is stable for the next development phase, the Trust Fund will test the Grant Management System from 1 April to 31 December 2014. Development of Phase 4 will begin at the end of 2014.</p> <p>Management reiterated that although operational, the Grant Management System was still under development and that certain features were not available for use. Also, given the size and complexity of the system, a period of testing and trouble-shooting was planned and this may introduce some limits as to how quickly it could be made fully operational. Nevertheless, in order to ensure that the system is fully operational by April 2014, the Trust Fund has taken a number of measures, including engaging the support of the developer and contracting additional IT specialists to support the beta-testing of the system on-site. In addition to the post-implementation review, management plans to conduct monitoring missions throughout 2014 to perform on-the-ground verification of the data submitted by grantees into the system.</p>	
Estimated completion date: June 2015	

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.