



AUDIT

OF

UN WOMEN MULTI-COUNTRY OFFICE

IN

FIJI

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Report on the audit of UN Women Multi-Country Office in Fiji Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UN Women Multi-Country Office in Fiji from 12 May to 2 June 2014. 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 and delegations of authority, leadership/ethics and values, risk management, planning, monitoring and evaluation);
- (b) programme activities (programme and project management, partnerships and resource mobilization); and
- (c) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security, operational support provided by UNDP, asset management, and leave management).

The audit covered the activities of the Office from 1 January to 31 December 2013. The Office recorded programme and management expenditures totalling \$5.6 million. The last audit of the Office was conducted by OAI in 2010.

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."

Key recommendations: Total = 5, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are five medium (important) priority recommendations, which means, "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." These recommendations include actions to address: inadequate use of capacity assessment results; pre-funding development projects and reporting expenditures as management results; inaccurate recording of financial obligations; improper use of special service agreements; and inadequate control over assets.

Management comments and action plan

The Country Representative accepted all of the recommendations and is 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 Ostveiten
Director
Office of Audit and Investigations

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I. About the Office

The Office, located in Suva, Fiji, covers 14 Pacific Island Countries and Territories and has responsibility as a Multi-Country Office for UN Women's country presence in Kiribati, Samoa, Solomon Islands, Nauru and Vanuatu. The Office was operating under the leadership of the Representative, Fiji Multi-Country Office, with the support of 12 staff members, 6 volunteers, 19 service contract holders, and 2 special service agreement holders. In its 'Strategic Note/Annual Work Plan 2014-2017', which was aligned with the United Nations Development Assistance Framework for 2013-2017, the Office had targeted four interlinked programmes related to: (1) Advancing Gender Justice in the Pacific; (2) Markets for Change and the overarching Women's Economic Empowerment programme; (3) Ending Violence Against Women; and (4) Increasing Community Resilience through the Empowerment of Women to Address Climate Change and Natural Hazards. The 'Strategic Plan/Annual Work Plan 2014-2017' was developed after taking into consideration the recommendations and lessons learned as highlighted in the evaluation of the previous 'Strategic Plan 2011-2013'. The Office had also prepared, in collaboration with relevant governments, specific 'Annual Work Plans' for its operations in Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

At the time of the audit, the Office had already redesigned its structure, processes, programmes and operations to improve its ability to achieve the goals identified in its new 'Strategic Plan/Annual Work Plan 2014-2017'. Although the audit covered activities undertaken during the period from 1 January to 31 December 2013, OAI also considered and validated strategic and structural actions taken by the Office from January to May 2014. From 1 January to 31 December 2013, the Office recorded programme and management expenditures of \$5.6 million and the 2014 budget totalled \$7.3 million.

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance and strategic management. OAI assessed the existence, adequacy and reliability of the governance and strategic management function as satisfactory. There was a comprehensive system for reporting and managing all of the Office's activities. Furthermore, quarterly monitoring reports were prepared and submitted to the Representative, with information on external factors such as trends and development in legislation within individual Pacific Island Countries, key programmatic and operational achievements and challenges, advocacy and awareness activities, and the status of resource mobilization, donor reporting and project delivery.
- (b) Partnerships and resource mobilization. Meetings with 2 donors and 10 implementing partners indicated a satisfactory working relationship with the Office. Additionally, as part of its overall responsibilities, the Office had proactively communicated with Government partners in Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu to share its '2013 Annual Report' and its '2014 Annual Work Plan' of in-country initiatives.
- (c) Operations. No reportable issues were identified concerning general administration, safety and security, leave management and operational support to the Office by UNDP. Supporting documentation on operational matters were properly kept and classified in an orderly manner. Information and communication technology managed by the Office, including hardware, software, systems security, and disaster recovery mechanisms were adequate.

OAI made five recommendations ranked medium (important) priority.

Low priority recommendations were discussed directly and agreed upon with the Office and are not included in this report.

Medium priority recommendations, arranged according to significance:

- (a) Utilize the results obtained from capacity assessments to improve capacity development of implementing partners and to enhance monitoring activities (Recommendation 1).
- (b) Comply with the UN Women 'Programme and Operations Manual', which prohibits pre-funding of development expenditures (Recommendation 2).
- (c) Comply with UN Women procurement policies and procedures regarding the raising of purchase orders (Recommendation 3).
- (d) Reassess the use of special service agreements for core functions (Recommendation 4).
- (e) Strengthen management and recording of assets (Recommendation 5).

The detailed assessment is presented below:

A. Programme activities

1. Programme and project management

Issue 1 Inadequate use of capacity assessment results

The UN Women 'Programme and Operations Manual' stipulates that the Office should conduct capacity assessments to gauge the implementing partners' capability and readiness to carry out the necessary activities and achieve the planned project results. Such assessments are the first step in identifying and determining how to address any deficiencies on the part of the implementing partners.

In order to build the capacity of implementing partners, the Office organized training activities and created tools to assist with monitoring and managing the performance of partners against the corresponding agreements. OAI reviewed the capacity assessments of five grantees and five implementing partners and noted weaknesses in financial management and reporting on funds received from the Office in three grantees and two implementing partners.

OAI noted that programmatic interventions did not differ with each implementing partner, as the interventions did not take into account the capacity needs of each partner or the country they were operating in, and did not take into account the existing resources of each office.

The weaknesses relating to financial management and reporting as shown from the capacity assessment results were also not fully addressed. These deficiencies resulted in delays in the submission of Funding Authorization and Certification of Expenditures (FACE) forms, with delays ranging from 3-6 months. While the Office had provided training on how to complete FACE forms, two implementing partners were still unable to accurately complete the forms.

Inadequate use of the results of capacity assessments of implementing partners may result in the Office not contributing to the capacity development of its implementing partners, which could negatively impact the

Office's ability to achieve its programme results in an efficient manner and could also cause delays in the submission of FACE forms by implementing partners.

Priority	Medium (Important)
Recommendation 1:	
Utilize the results obtained from capacity assessments to improve capacity development of implementing partners and to enhance monitoring activities by:	
<ul style="list-style-type: none"> (a) ranking implementing partners and their needs, taking into consideration specific capacity gaps, the resources of the Office and the efforts required to build the capacity of the implementing partners; (b) developing a framework that is linked to the profile of the implementing partners, based on the ranking developed above. Such a framework may include a combination of trainings, as well as defining the programmatic and financial monitoring to be performed. This framework should be supported by an automated system for tracking the status of projects, timeframes for reporting and the deliverables/expected results. 	
Management action plan:	
Management indicated that the process of ranking the responsible parties and development of a risk profile and assurance framework was underway and was expected to be completed by 31 July 2014. Also, the automated platform for tracking the status of projects, timelines for reporting and the expected results was being developed and it was expected to be completed by 31 August 2014. Management also plans to continue its training programme for grantees twice a year and will include all grantees (old and new). Monitoring visits to grantees are expected to be conducted in selected countries on a regular basis.	
Estimated completion date: 31 August 2014	

B. Operations

1. Finance

Issue 2 Pre-funding development projects and reporting expenditures as management results

The UN Women 'Programme and Operations Manual' requires that for non-core funded projects, cash must be received prior to expenditure, and disbursements must be limited to either the amount of the approved budget, or the amount of cash received and recorded (depending on which is lower) in Atlas (the enterprise resource system used by UN Women).

The Office had charged expenditures for the Partners Improving Markets and the Advancing Gender Equality projects to core funds, and coded the transactions to the Management Results Framework outcomes in Atlas, even though some of the expenditures were related to Development Results Framework activities. Subsequent to receiving the donor funds, the Office processed journal entries totalling over \$81,000 to reallocate the transactions to the corresponding non-core project budget and coded them to Development Results Framework

or Management Results Framework outcomes, as appropriate, in Atlas. The Office had not communicated the situation to, or sought the approval of UN Women Headquarters, prior to processing the original transactions.

In its response to the draft audit report, management highlighted that the use of core funds was a temporary action to cover agreed project costs when donor funding was not received in accordance with the agreed payment schedule. However, OAI was unable to validate the completeness of the reversals because the Office had not maintained a record to track the transactions when they were originally processed, to allow Management Results Framework and Development Results Framework delivery reporting to be accurately adjusted and to ensure accurate reversal of all expenditures.

Covering non-core project expenditures with core resources and coding the development expenditures as management outcomes, or vice versa, results in inaccurate reporting of activities and delivery, which could negatively impact decisions taken by management.

Priority	Medium (Important)
Recommendation 2:	
Comply with the UN Women 'Programme and Operations Manual', which prohibits pre-funding of development expenditures, by:	
<ul style="list-style-type: none"> (a) informing staff of the requirements regarding expenditure limits and accurate recording of expenses; and (b) implementing a process for the amendment of project timelines when necessitated by the delayed receipt of funds. The process should include negotiations with donors and implementing partners prior to the amendment. 	
Management action plan:	
Management indicated that:	
<ul style="list-style-type: none"> (a) training of staff on proper budgeting and allocation of expenses and limits to spending was carried out in 2013 and 2014; and (b) it agreed to seek prior approval from Headquarters if a similar situation occurs in future. 	
Estimated completion date: Completed	
OAI Response	
OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

2. Procurement

Issue 3 Inaccurate recording of financial obligations

The UN Women 'Programme and Operations Manual' policy on procurement requires that a requisition be raised for the entire amount of the obligation and a purchase order be created for the portion of the obligation that is anticipated or scheduled to be paid within the same calendar year. This policy is designed to provide management with information as to the total financial commitments made, and the portion of commitments to be paid in the current calendar year. The 'Programme and Operations Manual' also provides for budget control by encumbering the amount of the purchase order, and preventing the Office from encumbering or obligating more than the approved budget in Atlas.

Review of support documentation for 45 purchase orders (19 percent of the total purchase orders during the audit period) and 38 payment vouchers amounting to \$1.4 million indicated that the Office had not consistently raised purchase orders for the total obligation scheduled to be paid within the same year. Instead, the Office had raised 16 purchase orders totalling over \$225,000, at the same time that a payment voucher was created, and for the same amount as the payment, resulting in multiple purchase orders in the current year, which related to one contract or obligation. The Office indicated that this practice was often used due to cash flow difficulties experienced in the past.

The Office identified two situations that caused cash flow difficulties. The first was when it raised purchase orders for the entire amount scheduled to be paid for the year, but did not receive the donor funding when scheduled (refer to Issue 2). The second was when there were delays (until late in the first quarter) in the approval of the annual core budget, preventing the proper entry of purchase orders. However, during discussions with the Headquarters Budget Section regarding the delays in budget approval, OAI was informed that the core budget allocations are prepared and are usually communicated to Offices by early January of each year. The Offices then prepare their line item budgets and submit them for approval, giving the Office significant control over the timing of budget approval.

Lack of compliance with procurement policies and procedures may result in inaccurate financial data regarding commitments and existing obligations, and may undermine the expenditure control process.

Priority	Medium (Important)
Recommendation 3:	
Comply with UN Women procurement policies and procedures regarding the raising of purchase orders by:	
<ul style="list-style-type: none"> (a) raising purchase orders for the full amount of the financial obligation for the current year; and (b) liaising with the Division of Management and Administration for guidance on the specific time periods for initiating preparation of the annual budget, in order to minimize the time between allocation notification and budget approval. 	
Management action plan:	
Management will implement the recommendation for all ongoing projects and plans to liaise with Headquarters, when necessary, to seek guidance.	

Estimated completion date: Completed
OAI Response OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

3. Human resources

Issue 4 Improper use of special service agreements

The UN Women 'Programme and Operations Manual' section on human resources states that the fixed-term and temporary appointment contracts are to be used for functions that are continuing in nature and central to UN Women's mandate, and when the activity and funding source are known to be of at least one year in duration. Furthermore, the 'Programme and Operations Manual' section on contract and procurement management states that the special service agreement contract modality should be used to engage individual contractors to perform a specific task for a limited period of time, provided that such work is not work normally performed by staff members.

The Governance Unit used the special service agreement contract modality for two core functions the "Gender Justice and Human Rights Technical Adviser" and the "Technical Adviser, Resource Mobilization and Gender Responsive Governance". Review of their terms of reference indicated that both posts were responsible for core functions central to UN Women's mandate and the incumbents had been holding special service agreement contracts with the Governance Unit since 2012, contrary to the 'Programme and Operations Manual'.

The Office did not provide justification for this exception to the policy.

Using special service contractors for core functions may result in the lack of continuity in the performance of those functions, particularly in cases where the contractors leave with short notice. It may also lead to low staff morale, and may have a negative impact on the reputation of the Office and UN Women.

Priority Medium (Important)
Recommendation 4: Reassess the use of special service agreements for core functions by reviewing the Governance Unit strategy and 'Annual Work Plans' for 2014 and 2015 and determining the correct contract modality for the functions currently performed by the special service agreement holders.
Management action plan: Management stated that the contracts for the two consultants working in the Governance Unit will expire at the end of 2014. Management plans to continue reviewing the staffing needs for the Governance Unit, including the need for expansion of the programme, and mobilizing and adopting the appropriate contract modality in line with UN Women policies and procedures.

Estimated completion date: 31 January 2015

4. Asset management

Issue 5 Inadequate control over assets

The asset management section of the UN Women 'Programme and Operations Manual' requires that asset records be kept current and accurate and that all assets with a cost greater than or equal to \$1,000 be tagged immediately upon receipt. The Manual further requires adequate segregation of duties related to the functions of authorization, recording, custody, physical verification and reconciliation of assets.

OAI physically counted 14 assets, comprising 35 percent of the total value of assets for the Office (\$504,000), and noted the following exceptions:

- While the receipt of assets was recorded in the Atlas module and tag numbers were assigned, the tags were not physically attached to the asset before installation or release to personnel. Six docking stations were still in unopened shipping boxes over nine months after receipt. Of the 14 assets, 6 were untagged. The combined value of the six untagged assets was approximately \$40,000, or 23 percent of the total sample value.
- The Atlas Assets Management Detail report did not include information that adequately identified the asset or its physical location. Assets of similar type had vague description, such as "network equipment", or "computer." Although the Office had developed a separate Asset Control Module in SharePoint that included additional information (such as assigned custody and physical location), the Module was not linked to Atlas.
- While the Office conducted annual asset counts and certifications, the certification for assets located in the country field offices did not comply with proper segregation of duty requirements, as the same individual who had physical custody performed the verifications.

Lack of compliance with asset management policies and procedures exposes the Office to the possibility that the improper use or theft of assets may go undetected.

Priority	Medium (Important)
Recommendation 5:	
Strengthen management and recording of assets by:	
<ul style="list-style-type: none"> (a) inspecting and tagging all assets immediately upon receipt; (b) recording asset descriptions and location information so as to allow assets to be easily distinguished and physically identified; and (c) performing independent verifications of assets located in field office locations. 	

Management action plan:

Management provided the following update:

- (a) Implemented. All the assets that were untagged were immediately tagged on 2 July 2014.
- (b) An exercise has commenced and will be completed by 31 July 2014.
- (c) Implementation commenced. The Programme Specialist - Women Economic Empowerment conducted surprise verification in Vanuatu on 20 June 2014 and the ICT Associate will carry out surprise verifications in Kiribati on 2 July 2014 and Solomon Islands on 11 July 2014.

Estimated completion date: 31 July 2014

OAI Response

OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

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.