

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
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AUDIT

OF

UN WOMEN COUNTRY OFFICE

IN

KENYA

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Report on the Audit of UN Women Country Office in Kenya Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UN Women Country Office in Kenya (the Office) from 13 June to 1 July 2016. 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 reporting);
- (b) gender mainstreaming in development coordination;
- (c) programme activities (programme and project management, partnerships and resource mobilization); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security, UNDP support to the Office).

The audit covered the activities of the Office from 1 January 2015 to 31 March 2016. The Office recorded programme and management expenditures of approximately \$6.6 million. This was the first audit of the Office.

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."

Good practice

The Office introduced an assessment of the project progress reports prior to the liquidation of advances. The progress reports are reviewed using a self-designed tool that analyses the following: key results achieved and key outputs against outcome indicators; the quality of the progress report; the evidence of results; the accuracy of financial reporting; the progress in institutional capacity; and the status of equipment/assets. Finally, an informed decision is made on whether or not to release the next advance based on this analysis.

Key recommendations: Total = 3, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are three 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: (i) suboptimal business processes in programme/project management; (ii) lack of disclosure of conflict of interest in recruitment panels; and (iii) lack of tracking of procurement transactions outside of Atlas (enterprise resource planning system of UN Women).

The three recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 1); (b) reliability and integrity of financial and operational information (Recommendation 3); and (c) effectiveness and efficiency of operations (Recommendation 2).

OAI had ongoing investigations within procurement in the Country, not related to the Office, at the time of the audit. This audit thus included extra tests on the procurement process and extended testing samples of procured goods and services. No indication of wrongdoing was identified in the Office.

Management comments and action plan

The Country Director accepted the recommendations, and the Director of the Division of Management and Administration accepted the one corporate recommendation, and they are in the process of implementing them. Comments and/or additional information provided have 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.



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I. About the Office

The Office is located in Nairobi, Kenya (the Country). At the time of the audit, the Office had a total of 30 personnel, comprised of 3 international and 4 local fixed-term appointment staff, and 23 service contract/special service agreement holders. The Government aligned its priorities to the "Vision 2030" with the goal of achieving sustained economic growth and becoming a middle-income country by 2030. The Country had persevered through the global financial crisis by maintaining an average growth rate of 4-5 percent. With a programmatic focus fully aligned with the 2014-2018 United Nations Development Assistance Framework, the three main areas of the Office's interventions were: democratic governance; social economic development; and peace and security. During the period under review, the Office was implementing a total of eight projects with a 2015 budget of \$5 million.

II. Good practice

OAI identified a good practice, as follows:

Programme activities/project implementation

The Office introduced an assessment of the project progress reports prior to the liquidation of advances. The progress reports are reviewed using a self-designed tool that analyses the following: the key results achieved and key outputs against outcome indicators; the quality of the progress report; the evidence of results; the accuracy of financial reporting; the progress in institutional capacity; and the status of equipment/assets provided through the project. The review enabled the Office to make an informed decision on whether to release the next advance.

III. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance and strategic management. Management established and implemented various risk management, compliance and control functions, serving as a good second line of defense. Staff were aware of the Office's mandate, priorities, challenges and objectives of management controls. No reportable issues were noted.
- (b) Gender mainstreaming in development coordination. A Gender Working Group was set up to coordinate efforts on gender equality and women's empowerment among all 23 United Nations agencies present in the Country. Through regular meetings and systematic cooperation, a joint Government-UN work plan on gender equality and women's empowerment was created. No reportable issues were noted.
- (c) General administration. The audit team reviewed leave management, motor vehicle management and travel-related activities. No reportable issues were observed.
- (d) Fixed assets management. The Office maintained a proper record of its assets. All assets were properly tagged. The tags indicated the custodian of the assets, which supported the tracking of the assets. No reportable issues were observed.
- (e) Safety and security. The Office had a Business Continuity Plan and an overall compliance score of 100 percent on the UN Women Security Compliance Survey.

- (f) Information and communication technology. The Office had service level agreements with the UNDP Country Office and the United Nations Office in Nairobi (UNON) to provide information technology and related services to the Office. No reportable issues were noted.
- (g) UNDP support to the Office. The Office had a good working relationship with the UNDP Country Office. A new service level agreement had been signed with the UNDP Country Office and became effective from 5 April 2016. No reportable issues were noted.

OAI made three recommendations ranked medium (important) priority.

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

Medium priority recommendations, arranged according to significance:

- (a) The Headquarters Procurement Unit should review and update the limits for the non-purchase order transactions in the contract and procurement chapter of the 'Programme and Operations Manual' (Recommendation 3).
- (b) The Office should improve project/programme management (Recommendation 1).
- (c) The Office should document all instances of conflict of interest during the recruitment process (Recommendation 2).

The detailed assessment is presented below, per audit area:

A. Programme activities

Issue 1 Suboptimal business processes in programme/project management

UN Women adopted Results Based Management (RBM) as its strategy for programme planning and implementation at all levels. The RBM helps to ensure accountability for programmes by offering a process and structure to formulate results and to manage achievements. Some of the key principles of RBM are: (i) efficiency in the utilization of resources; and (ii) effectiveness in attaining development results. In order to validate that the delivery of outputs is on schedule and remains relevant, there is a need for a continuous assessment of the utilization of available resources and achievement of the stipulated aims within the foreseen budget and timeframe. The audit noted the following:

- Delayed disbursement to partners – Out of a total of 52 disbursements issued during the period under review, only 9 were processed within the timeframe indicated in the relevant Letters of Agreement or Project Cooperation Agreements. Delays in disbursements of funds were mentioned by all partners interviewed during the audit fieldwork as a main cause of frustration when dealing with the Office.
- Different timelines for the disbursement of first advances – Contrary to standard practice, the Letters of Agreement/Project Cooperation Agreements reviewed showed different timelines for disbursement of first advances. The Office did not provide the rationale behind the timelines that varied from 15 to 25 working days for the first disbursement of funds.
- The Office opted for direct implementation as a preferred modality given the assessment of the Country context and overall capacity of implementing partners. The total Office budget increased from \$4.6 million in 2014 to \$7 million in 2016.

- During the period from January to June 2016, a total of 21 events/meetings/conferences were organized: 8 in March, 5 in April, 6 in June, 1 in February and 1 in May. Since no Long Term Agreement (LTA) was reached with any conference provider, each event/meeting/conference had to undergo a complete procurement process (i.e., selection of three vendor offers, evaluation and signature of contract). This diverted the focus of programme staff from substantive programmatic tasks and the provision of technical support, to programme, projects and partners.
- OAI had ongoing investigations within procurement in Country, not related to the Office, at the time of the audit. This audit thus included extra tests on the procurement process and has extended testing samples of procured goods and services. No indication of wrongdoing was identified in the Office.

Given the Office’s plans for strategic positioning, partnership development, resource mobilization, and scaling up successful initiatives, there is a need to determine the most efficient way to perform its functions and achieve its mandate. Otherwise, the Office may not be able to achieve planned results, which may have a negative impact on the reputation of the Office.

Priority	Medium (Important)
Recommendation 1:	
The Office should improve project/programme management by:	
<ul style="list-style-type: none"> (a) analysing the process of disbursements to partners in order to identify and resolve bottlenecks and set realistic and optimal timelines for disbursements – such realistic and optimal timelines should be reflected in Letters of Agreements/Project Cooperation Agreements; (b) carefully considering the implementation modality and taking into account the Country context, the partners’ as well as the Office’s capacity, and decide in which cases Letters of Agreements should be fully implemented by partners and where would the direct implementation remain as the most appropriate option; and (c) signing LTAs with the main event/meeting/conference providers following the appropriate procurement procedures as prescribed by UN Women’s ‘Programme and Operations Manual’. 	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office is currently maintaining and updating the Letter of Agreement/Project Cooperation Agreement tracker, which includes tracking of disbursements among other things. The Office has now put in place a mechanism to flag timelines on a weekly basis when processing the disbursements. In addition, the Office will initiate a process to modify the Letter of Agreement/Project Cooperation Agreement to factor in the audit recommendations. (b) The implementation modality has already been discussed during the Mid-Year Review Workshop on 14 and 15 July. A task team was constituted to provide a comprehensive analysis and recommendations to management. This report will be ready by 31 October 2016. (c) As a result of the recent separation of the Operations Unit between the Regional Office and the Office, the Office is now considering signing LTAs for main event/meeting/conference providers in the Country and in particular those in Nairobi where most of our activities take place. An analysis of which UN agencies have existing LTAs with relevant service providers will be completed by 31 August 2016. Based on this analysis, the Office will either ride on existing LTAs of other agencies in need of the same or begin to sign new LTAs with the appropriate service providers to be concluded by 31 December 2016. 	
Estimated completion date: December 2016	

OAI Response

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

B. Operations

1. Human resources management

Issue 2 Lack of disclosure of conflict of interest in recruitment panels

The recruitment and selection of staff members in UN Women is guided by five principles, one of which is competition. The selection process should follow a transparent and fair, competitive process for all vacancies, regardless of post, contractual modality or hiring unit, except when such a competitive process is not considered practical. The hiring units may request non-UN Women personnel to participate in panels (in particular, colleagues from other Common System partner organizations) to offer an objective and substantive perspective to the recruitment process. Any panel members with a conflict of interest pertaining to one or more interviewees should exclude themselves from the interviewing process.

The audit team noted that one interview panel member, a non-UN Women personnel from another Common System partner organization, was a direct supervisor of three of the six interviewees. The interview panel member was a current supervisor of two interviewees and was a professional reference and former supervisor of the third interviewee, a candidate who was successfully selected to a local fixed-term appointment position. The interview panel member declared her conflict of interest via email when this matter was brought to her attention by the Office's human resources personnel. While the interview panel member indicated that there was no actual conflict of interest and was allowed to sit in the interview panel, there was a perceived conflict of interest due to her existing and prior relationship with the interviewees. In addition, the conflict of interest was not documented in the individual panelist report or the summary report for presentation to the Compliance Review Board.

The Office's management explained that the recruitment process does allow for supervisors to be included in the process, provided that adequate declarations are made. The Office's management also stated that based on supporting documentation, the member of the panel had already declared the supervisory relationship and expressed the intent that the interview would not be prejudiced in any way, which was also shared with the rest of the panel prior to the interview. Inadvertently, this was not recorded in the interview report. The Office reiterated that the Regional Office's Human Resources Unit was now following the necessary steps in ensuring that the forms were being signed and filed appropriately to then be submitted to the UNDP Review Committee. Furthermore, the Operations Manager *ad interim* would also be tasked with ensuring compliance with this recommendation.

Not disclosing conflicts of interest may have a negative impact on the selection process and may lead to reputational risks for the Office.

Priority	Medium (Important)
Recommendation 2:	
The Office should document all instances of conflict of interest during the recruitment process and, where possible, the interview panel member should decline to participate in the recruitment process when there is a conflict.	
Management action plan:	
The Office has included this as a step in the recently reviewed recruitment process.	
Estimated completion date: 1 August 2016	
OAI Response	
OAI acknowledges the action reported by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

2. Procurement and supplies management

Issue 3 Corporate Issue:¹ Need to adjust the limit for not issuing purchase orders

The UN Women 'Programme and Operations Manual' stipulates that a contract or purchase order shall be issued by UN Women for all procurement actions valued at \$2,500 or above. Contracts shall be issued prior to the delivery of goods, and/or the start of services or construction. The designated procurement authority may choose to issue a written contract for specific purchases below \$2,500.

The audit team noted that the Office, under the guidance of the Headquarters Procurement Unit, was using a field purchase order (FPO). The FPO is a manual purchase order that is signed by a committing officer in line with the Office's internal control framework as evidence of commitment to vendors prior to the delivery of goods or performance of small works or services. UN Women's contract and procurement chapter of the 'Programme and Operations Manual' and various procurement guidance issued by the Headquarters Procurement Unit do not provide any guidance with respect to the use of a FPO. Atlas is used to process all procurement actions and commitments valued at \$2,500 or above, while the non-purchase order commitments are tracked on a Microsoft Excel worksheet. This implies that unless the information that is captured in the Excel worksheet is incorporated in the process of reporting financial commitments from the Office, the financial commitment numbers generated out of Atlas understate true commitments.

¹ "Corporate issue" means action is required from a Headquarters' bureau.

The vendor based non-purchase order commitments are only recognized in Atlas when the payments are processed using the accounts payable data entry form. These transactions were mainly payments for taxi services, stationery, motor vehicle repairs, and hospitality services at hotels, among others. During the period under review, the Office had vendor-based non-purchase order transactions worth \$170,000 out of a total expenditure of \$6.6 million, representing 2.6 percent of the total expenditure during the same period. Consequently, during the review of the sampled transactions amounting to \$1.7 million, there were two instances where payments amounting to \$6,520 were processed without a purchase order or an accounts payable data entry form.

Inadequate and inefficient tracking of commitments maintained in both Atlas and the Microsoft Excel worksheet may result in the Office being unable to meet its future obligations.

Priority	Medium (Important)
Recommendation 3:	
The Headquarters Procurement Unit should review and update the limits for the non-purchase order transactions in the contract and procurement chapter of the 'Programme and Operations Manual' to be in line with the operating environment of the field offices while ensuring that all transactions are sufficiently documented in the system.	
Management action plan:	
UN Women is currently reviewing the contract and procurement chapter of the 'Programme and Operations Manual'. The recommendation to bring down the Atlas purchase order requirement from \$2,500 is under consideration in light of an analysis that most procurement transactions fall below \$2,500. In addition, for several countries where UN Women operates, the minimum requirement for the use of a purchase order seemed high due to the highly favorable US dollar currency exchange rates against local currencies.	
Estimated completion date: March 2017	

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.