

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
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AUDIT

OF

UN WOMEN COUNTRY OFFICE

IN

BANGLADESH

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(REDACTED)

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

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UN Women Country Office in Bangladesh (the Office) from 24 April to 12 May 2017. 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, business continuity, 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, and UNDP support to the Office).

The audit covered the activities of the Office from 1 January 2016 to 28 February 2017. The Office recorded programme and management expenditures of approximately \$2.2 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 **partially satisfactory / some improvement needed**, which means, “The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.” This rating was mainly due to weaknesses noted in governance and strategic management, programme activities, and operations.

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. Failure to take action could result in negative consequences for UN Women.”

The five recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1	Medium
Effectiveness and efficiency of operations	5	Medium
Safeguarding of assets	3, 4	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	2	Medium

Management comments and action plan

The UN Women Representative and the Regional Director for Asia and the Pacific accepted all of the recommendations and 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.



Helge S. Ostveiten
Director
Office of Audit and Investigations

I. About the Office

The Office is located in Dhaka, Bangladesh (the Country). The Office's programme is based on 'Agenda 2030', building on UN Women's comparative advantage to address specific gaps in national capacity to implement gender equality commitments. It is aligned with the Government's priorities as reflected in the 7th five-year plan of the United Nations Development Assistance Framework (UNDAF) for the period 2017-2020. Under the 'Strategic Note of 2017-2020', the Office aims to help strengthen gender equality institutions and accountability mechanisms to support the implementation of the Government's commitments to gender equality.

During the implementation of its operations, the Office continuously experienced events that affected regular movement within the Country, such as cessations of work and business, and large demonstrations. The Office's risk management and planning team considered the likelihood of such disruptions and established procedures for alternate work modalities to minimize the impact of disruptions on programme implementation. These procedures were shared with staff and were regularly reviewed and updated.

During the period under audit, the Office was implementing 11 projects with programme and management expenditures of \$2.2 million. The Office had a total of 19 personnel at the time of the audit.

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Gender mainstreaming in development coordination. No reportable issues were noted.
- (b) Partnerships and resource mobilization. The audit team reviewed the Office's activities around partnerships and resource mobilization activities. No reportable issues were noted.
- (c) General administration. The audit team reviewed fixed assets, leave management, motor vehicle management and travel-related activities. No reportable issues were noted.

OAI made five 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) Improve implementing partner selection process (Recommendation 1).
- (b) Comply with the cash advance chapter of the 'UN Women Programme and Operations Manual' (Recommendation 2).
- (c) Retire server and transfer all corporate data to the Office's SharePoint site (Recommendation 3).
- (d) [REDACTED]
- (e) Update the Service Level Agreement with the UNDP Country Office in line with the new operating environment (Recommendation 5).

The detailed assessment is presented below, per audit area:

A. Programme activities

1. Programme and project management

Issue 1 Weaknesses in implementing partner selection process and Project Cooperation Agreement management

The 'UN Women Programme and Operations Manual' provides a detailed description of the process and criteria for selecting implementing partners and responsible parties. There are five categories of implementing partners: (1) government entities; (2) non-UN inter-governmental organizations; (3) non-governmental organizations (NGOs); (4) UN agencies; and (5) UN Women offices (direct implementation). Implementing partners and responsible parties may be identified during programme formulation and/or during programme implementation. Where a firm is selected as a responsible party, a competitive bidding will be required, while where an implementing partner or responsible party is an NGO, a comparative screening and capacity assessment must be undertaken. In such cases, the selection of an NGO must be based on an objective comparative analysis of the NGOs in the country that are considered capable of delivering planned results, as well as capacity assessments.

The audit team selected two projects for detailed testing to assess the Office's approach in initiating, approving and implementing its programmes and projects in accordance with the relevant regulations and rules, and policies and procedures. The following weaknesses were noted:

- There was a sub-optimal process of partner selection and engagement noted in the case of one project. The Office had announced a Request for Proposal for the selection of an implementing partner on 24 March 2015. The bid opening was done on 9 April 2015 and the implementing partners were shortlisted. One day before the Local Project Appraisal and Approval Committee session that was expected to deliberate and decide on the selection, the head of the office requested the responsible staff to review the 'UN Women Programme and Operations Manual' to better understand the process of selecting an implementing partner. The Office staff had to make changes in order to comply with the 'comparative screening' requirement. There was also lack of clarity related to the engagement of NGOs in the second component of the same project. The Office was expected to select NGOs to implement activities related to four theatrical plays. The documentation and correspondence reviewed indicated that the responsible Office personnel had insufficient knowledge of the NGO/civil society organization selection process. The final selection decision was reached only after several consultations within the Office and upon seeking advice from the Regional Office.
- There were frequent extensions of the Project Cooperation Agreement indicating sub-optimal project planning in one case. Within the framework of the project, the first Project Cooperation Agreement was signed with the implementing partner with a duration of one year (until 14 May 2015). An amendment to this agreement was subsequently signed, which extended the project up to 30 April 2016. In addition, there were two more amendments to the Project Cooperation Agreement on no-cost extensions, for a period of one month each. It was unclear why these two one-month extensions could not be planned for ahead of time. Programme/project documents reviewed were often missing dates, signatures, or clear indications of the names and functions of the signatories.
- The Office's management indicated that they were aware of the limited understanding of the partner selection processes by staff. Therefore, capacity-building was undertaken through sessions at staff meetings and a support mission in 2016 by a Headquarters Programme Support Specialist. In early

2017, a Programme Specialist from the Regional Office for Asia and the Pacific also undertook a mission to assess what capacities required further strengthening.

There is a risk of delays and inefficiencies in programme/project implementation.

Priority	Medium (Important)
Recommendation 1:	
<p>The Office should improve the implementing partner selection process by:</p> <ul style="list-style-type: none"> (a) scheduling follow-up capacity-building sessions of partner selection and engagement to ensure that Office personnel are fully conversant with the processes and criteria for selecting the most appropriate implementing partners and responsible parties; (b) developing and implementing a programme/project planning process that would reduce frequent and unnecessary Project Cooperation Agreement extensions over short durations, unless fully justified; and (c) developing and implementing a proper documentation management process. 	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office's management and Regional Office Programme Specialist are currently discussing next steps based on her recommendations for implementation in quarters 3 and 4 of 2017. In addition, an intra-office memo was issued on 18 May, setting out specific strategies to improve efficiency and internal controls including the importance of effective work planning and appropriate processes for partner selection. Improvements in programme planning and partner selection have already been noted. (b) The recommendation is accepted and is already being implemented. Since the beginning of 2017, all of the Office's programme teams have plans with monthly and quarterly milestones, which are reviewed in weekly team meetings so that any challenges or potential delays are identified immediately and addressed in a timely way. In-depth planning meetings are held with partners from the beginning of a project, followed by regular coordination meetings as well as regular monitoring. (c) The recommendation is accepted and has already been discussed in programme team meetings. A note on documentation process management has been developed, and implementation will be monitored weekly in programme team meetings. 	
Estimated completion date: December 2017	
OAI Response	
<p>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.</p>	

B. Operations

1. Financial management

Issue 2 Non-compliance with reporting and liquidation of advances requirements of the cash advances chapter of the 'UN Women Programme and Operations Manual'

The 'UN Women Programme and Operations Manual' chapter on cash advances requires the UN Women Project Manager, upon receipt of the original expenditure documents, to stamp with a UN Women logo stamp each individual receipt and invoice, in order to ensure that they are marked as having been processed. The receipts and supporting documentation should then be returned to the implementing partner for storage.

The audit team reviewed the process of clearing the liquidation of cash advances from partners and noted that the Office did not stamp each individual receipt and invoice upon receipt of the original expenditure documents to ensure that they were marked as having been processed. In one instance, for one voucher amounting to \$28,021, the Office did not stamp any of the supporting documentation provided to support the Funding Authorization and Certificate of Expenditure (FACE) form. The Office partially rectified this omission in subsequent cash advance liquidations by stamping the partner's payment vouchers only, and not stamping all receipts and invoices.

Non-compliance with UN Women's procedures for liquidating partners' advances increases the risks that staff resources may not be optimally used, and evidence of work performed to validate partners' may not be available.

Priority	Medium (Important)
Recommendation 2:	
The Office should comply with the requirements of the cash advance chapter of the 'UN Women Programme and Operations Manual' by stamping all of the original documents, including payment vouchers, receipts, invoices and any other supporting documents that have been presented to the Office for review.	
Management action plan:	
The Office takes note of this recommendation and wishes to advise that action has already been taken to address it. Beginning May 2017, FACE form supporting documents (voucher, invoice, memo, etc.) received from responsible parties are stamped to provide evidence that each document has been verified by UN Women. In addition, an intra-office memo issued on 18 May 2017 further clarifies and reinforces the need for this procedure for all future FACE forms.	
Estimated completion date: May 2017	
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. Information and communication technology

Issue 3 Information security risks associated with running a server on software that has reached its End-of-Life

The “Minimum Standards for Information and Communication Technology Infrastructure and Telecommunications” section in the ‘UN Women Programme and Operations Manual’ provides the recommended standards for personal computers and server configurations, which include the hardware specifications and software versions to be met by all UN Women field offices. As a minimum, offices should operate servers with a configuration in the Operating System of Windows Server 2012 R2, of 64 bit.

The review of the information technology general controls around the Office’s information systems including but not limited to the server, noted that the Office’s server had been fully depreciated and its operating system – Windows Server 2003 R2 – had reached its End-of-Life on 14 July 2015. This meant that Microsoft no longer issued security updates for any version of Windows Server 2003. While the Office had already migrated to Microsoft OneDrive as a basis for storing corporate data, it had previously used this server to store Office-related information that pre-dated the Microsoft OneDrive rollout. As of the date of the audit, the old files in the server had not yet been transferred to the corporate OneDrive site.

This situation entails information security risks that may result in the possible loss of information and information assets.

Priority	Medium (Important)
Recommendation 3:	
The Office should retire this server from service after transferring all the corporate data to the Office’s SharePoint site, and dispose of the server as soon as it has removed the corporate data out of the server’s hard disk(s).	
Management action plan:	
The Office has retired the server. All documents on the file server were reviewed and saved to OneDrive and SharePoint as needed, and the file server was detached from the network on 20 May. The server disposal will be completed in the next three months.	
The Office issued an intra-office memo with a reminder to all personnel to work only on OneDrive and guidance has been provided on how to use UN Women approved software.	
Estimated completion date: August 2017	
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.	

[NOTE: This section has been redacted as it is deemed to contain sensitive information.]

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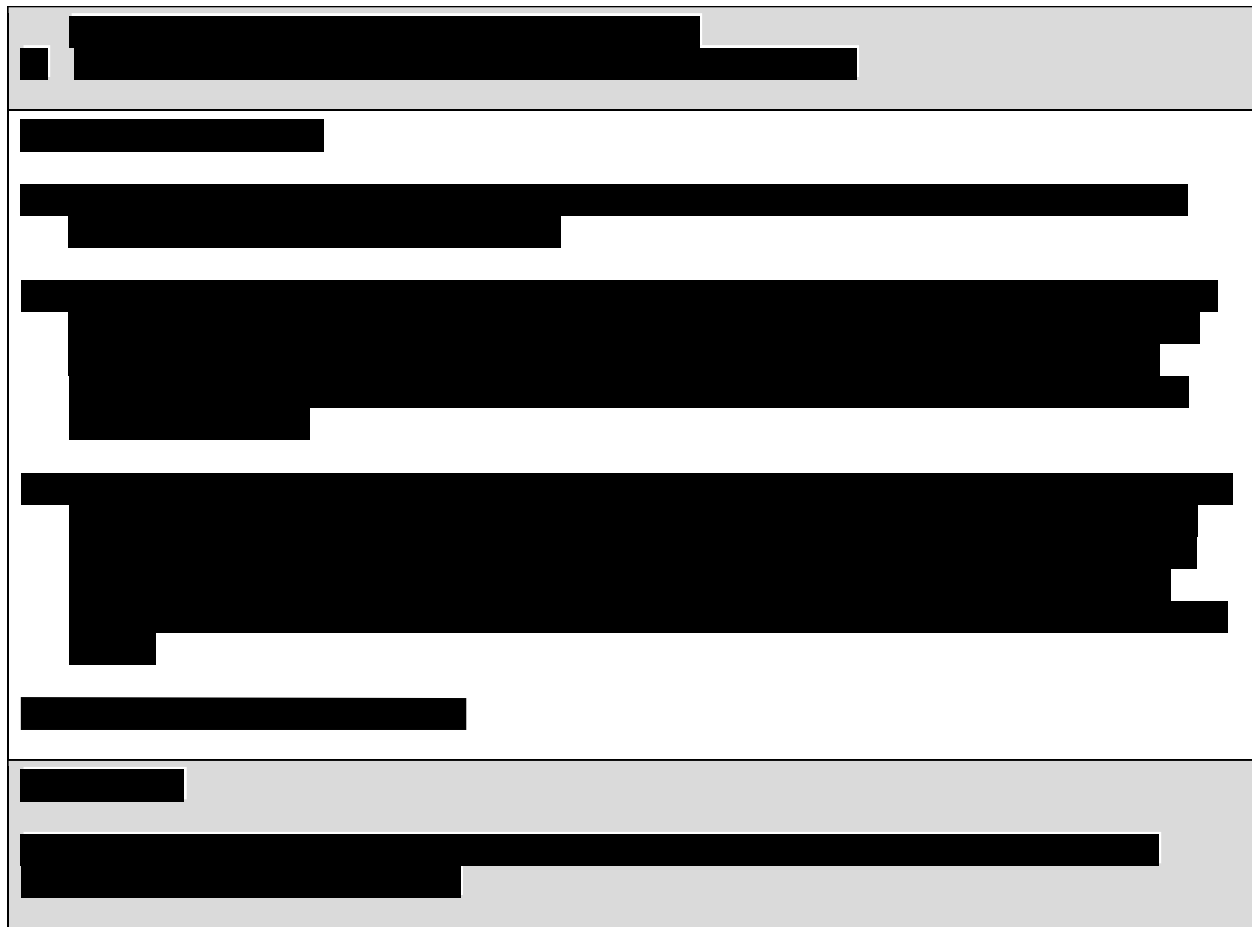
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4. UNDP operational support to Office

Issue 5 Outdated service level agreement between the Office and the UNDP Country Office

The memorandum of understanding (MOU) signed in October 2014 between UNDP and UN Women for cost recovery for operational support states “for the purpose of this MOU, common and shared services shall be governed by separate country-level agreements. The Service Level Agreement (SLA) shall include at a minimum the name and address of the Office providing and receiving the services, a description of services, related costs, client inputs, frequency of service, delivery times, and the duration over which the service shall be provided.”

OAI reviewed the current SLA between the Office and the UNDP Country Office that was signed in April 2013, and noted that the SLA was outdated. The SLA referred to a MOU between UNDP and the former UNIFEM dated 18 September 2003. This MOU had already been superseded by the updated MOU of October 2014 between UNDP and UN Women; therefore, the existing SLA did not reflect the new operating environment.

The existing and outdated SLA may lead to possible loss of value for money.

Priority	Medium (Important)
Recommendation 5: The Office should update the Service Level Agreement with the UNDP Country Office in line with the new operating environment and the updated corporate memorandum of understanding between UNDP and UN Women.	
Management action plan: A draft Service Level Agreement was sent to the UNDP Country Office on 1 June. The Office has communicated with the UNDP Country Office and agreed to sign a new Service Level Agreement by end of August. Estimated completion date: August 2017	
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** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

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