United Nations Entity for Gender Equality and the Empowerment of Women

Independent Evaluation and Audit Services
Internal Audit Service

AUDIT

OF

UN WOMEN COUNTRY OFFICE IN NIGERIA

Report No. IEAS/IAS/CO/2018/004

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

The UN Women Internal Audit Service (IAS) of the Independent Evaluation and Audit Services (IEAS) conducted an audit of the UN Women Country Office in Nigeria (the Country Office) from March to May 2018 with a field visit to the Country Office during 9 to 27 April 2018. 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) 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, and UNDP support to the Country Office).

The audit covered the activities of the Country Office from 1 January to 31 December 2017. Where changes in key processes were noted between 2017 and 2018, audit testing was extended to 31 March 2018. The Country Office recorded programme and management expenses of approximately US$ 6.79 million.

This is the first internal audit of the Country Office. Financial audits of two directly implemented projects (90680 and 99893) were undertaken by Moore Stephens on behalf of IEAS in March 2018 and both had unmodified audit opinions. There were no UN Women completed evaluations of the Country Office or programmes in the country.

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

Overall audit rating

IAS assessed the Country 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.

Good practice

A good practice on resource mobilization was identified that resulted in significant amounts of funds raised to close a gap between actual resources received or about to be received and the estimated amount needed to finance the Annual Work Plan for 2018.

Audit Results

The audit resulted in seven 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."

Three of the seven recommendations are corporate in scope; actions are needed that will provide improvement to UN Women operations on an organizational scope.

Management comments and action plan

The Representative; the Director, Human Resources; the Deputy Director, Financial Management Unit; the Director, Programme Division; and the Chief, Strategic Planning, Programme and Effectiveness Unit accepted all the recommendations and implementation had been planned or in progress.

Medium priority recommendations that have been implemented as advised by the Country Office prior to the issuance of this report are not included in this report. Low priority issues are also not included in this report but they have been discussed directly with management and actions have been initiated to address them.

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I. About the Country Office

The UN Women Country Office in Nigeria (the Country Office), located in Abuja, became a full-fledged office in 2012.[1] Nigeria is the most populous country in Africa, with an estimated 186 million people (2016). The country is a federal constitutional republic consisting of the Federal Capital Territory and 36 states with nearly 800 local government areas (LGAs). Despite having abundant natural resources, including the largest natural gas reserves in Africa, Nigeria ranks as a low middle-income country. The most current Multidimensional Poverty Index (MPI) (2013) classified 50.9 per cent of the population as multidimensionally poor. The 2016 UNDP Human Development Report ranked Nigeria at 152 of 188 countries placing it in the low human development category with a Human Development Index (HDI) of 0.527. It has a Gender Development Index (GDI) of 0.847, the ratio of female to male HDI values which measures the gender gap in three basic dimensions of human development – health, knowledge and living standards. Based on the International Organization for Migration (IOM) Displacement Tracking Matrix, there were an estimated 1.9 million internally displaced persons as of June 2018, 89 per cent of which were displaced due to conflicts.

The Country Office adopted a Strategic Note 2018-2022 and an Annual Work Plan for 2018 in line with the UN Sustainable Development Partners Framework in Nigeria (the replacement for the UN Development Assistance Framework). The five-year programme focuses on women's leadership and economic empowerment as the key tools for increasing participation in government and politics, helping rural women secure resources, helping women entrepreneurs in business management, and addressing women's security and humanitarian needs in conflict areas.

The Country Office is housed in a government-owned building pending completion of renovation and security upgrades at the UN House, which was destroyed in August 2011. UN Women and other UN partner agencies, also located in various government facilities, expect to relocate to the UN House in 2018.

II. Audit results

Satisfactory performance was noted in the following areas:

(a) Gender mainstreaming in development coordination: The Country Office has taken adequate steps to fulfill its coordination and normative role in mainstreaming gender perspectives at both national and UN Country Team (UNCT) levels.

(b) Asset management: The Country Office has adequate procedures for recording, identifying, verifying and reporting assets.

(c) ICT management: The Country Office has adequate procedures to manage its information and communications, protect the integrity of the data, and plan for data recovery and business continuity, if needed.

(d) UNDP support to the UN Women Country Office: The Country Office has resolved concerns about UNDP coverage and performance through the Service Level Agreements.

IAS made seven recommendations ranked medium (important) priority. Three recommendations require actions that are corporate in scope.

The recommendations are that:

[1] The Country Office is part of UN Women's West and Central Africa Region.

(a) The Chief, Strategic Planning, Programme and Effectiveness Unit (SPPEU) strengthen the guidance on monitoring and quality assurance of data and information that are to be included in QMRs and in the RMS as well as identifying those responsible for these activities.
(b) The Representative design and implement a monitoring and data validation process and identify the responsible staff that regularly captures the status of programme implementation in relation to planned indicators and targets in the Annual Work Plan and enters the status in the Results Management System and in the Quarterly Monitoring Reports.
(c) The Representative supplement the Implementing Partners' capacity assessment to examine cumulative risks when an implementing partner is considered for additional Project Cooperation Agreement on simultaneous but different projects.
(d) The Representative ensure that the Programme Manager(s) re-assess prioritization of its process for reviewing FACE forms and supporting documents submitted by implementing partners, including capacity building of the implementing partners, with the objective of timely liquidation of advances.
(e) The Director, Programme Division, add a standard indicator to the Performance Management and Development of programme managers regarding management of advances to implementing partners.
(f) The Representative, in consultation with the Management and Administration Division, raise and approve PO ahead of the event, to secure the timely approval of the event and commit funds based on the planned estimate, and subsequently adjust the PO, if applicable.
(g) The Finance Section at headquarters expedite the development of a Standard Operating Procedure that prescribes the use of a coding system unique for every implementing partner. This is to systematically identify and account for advances made and expenditures incurred by implementing partners.

Medium priority recommendations that have been implemented as advised by the Country Office prior to the issuance of this report are not included in this report. Likewise, low priority issues are not included in this report, but they have been discussed directly with management and actions have been initiated to address them.

Good practice in partnerships and resource mobilization

In early 2017, the Country Office mobilized US$ 50,000 in non-core funds against a planned target of US$ 3,336,593, or 1.5 per cent of the target by relying heavily on one programme scheduled to end in September 2018. The ratio of its institutional budget to total budget was about 10 per cent and the ratio of staff costs in relation to the core funds was about 30 per cent.

In September 2017, the new Representative launched the preparation of a new resource mobilization strategy in parallel with the new Strategic Note (SN) / Annual Work Plan (AWP) that identified a need for US$ 11,053,706 in non-core resources. Four new project concepts were developed, as well as a proposal to extend a project that ended in March 2017, were presented to potential resource partners.

The new strategy was designed to attract new funds, including joint programming with United Nations partner agencies, working with the Development Partners Group on Gender, seeking support from the Government of Nigeria, and leveraging partnerships with the private sector. The Representative actively networked with potential partners as well. Thus, at the beginning of 2018, the Country Office had US$ 3,556,531 in non-core resources and by end of April, new projects and activities led to the receipt of an additional US$ 1,274,760 in non-core funds, raising the available resources to US$ 4,831,291.

The new funding and the ongoing negotiations for additional projects (at least three with different partners) are expected to add at least US$ 5 million to its non-core resources, which would leave a resource gap of about

US$ 2.5 million from the estimated US$ 11,053,706. The new funding commitments, as well as adopting diversity of partners, and proactive networking with partners significantly reduced the financial risk of sustainability for the Country Office and enabled the resourcing and implementation of the AWP.

The detailed assessment of the areas for improvement is presented below, per audit area.

1. Risk Management, Planning, Monitoring, and Reporting

Issue # 1 **Corporate issue: Information in the Quarterly Monitoring Reports not aligned with Annual Work Plan and with the Results Management System.**

Monitoring[2] is a tool for programme management by providing systematic, consistent and reliable information about actual progress, measured against the planned results, indicators, and activities described in the AWPs. The requirement for continuous monitoring is done through Quarterly Monitoring Reports (QMR), which roll up into the Annual Report which is then included in the Results Management System (RMS) as a reporting mechanism on the office performance against its AWP.

The information reflected in the year-end 2017 QMR in the RMS was not well-linked to the planned results, activities, indicators, and targets in the 2017 Annual Work Plan. Programme and Operations staff in the Country Office were unaware that the description of achievements in the QMRs need to be compared to the planned results, indicators, and targets. Neither the Programme and Operations Manual (POM) nor the on-line RMS provides clear instructions on how QMRs are to be completed. The Regional Office, though responsible for reviewing the QMRs, did not provide comments on the substance or completeness of the reports submitted by country offices for review. This situation occurred because the Country Office underestimated the importance of the proper use of the RMS which resulted in following:

- There were differences in planned funding, activities and links to the projects;
- There were no indicators or targets shown in the comments section; and
- The information in the Annual Report was not based on the QMR. For example, the Annual Report shows some activities were "On Track" and some were "Achieved", while the QMR has no data to support the reported progress or completion.

At the time of the audit, the Country Office did not have an adequate workflow for monitoring and validating data quality in the QMRs as well as a focal point or a coordinator for data quality assurance and monitoring. This led to an ad hoc way of project status data collection and resulted in the inability of the Representative to readily identify programme achievements or any delays or challenges which may not be conducive for better and more informed decisions. Moreover, the Representative missed the opportunity of ensuring that gender sensitive indicators and targets were in place as basis for assessing the work done on gender mainstreaming in the portfolio of the Country Office.

The Programme Division officers at the Headquarters agreed that the value of the RMS depends on complete and validated data. The importance of performance data and the responsibilities of each office to monitor and provide accurate performance information has not fully matured. As its capacity increases, the Strategic Planning, Programme and Effectiveness Unit (SPPEU) at the Headquarters plans to enhance the quality assurance function for the RMS and to better communicate its importance in corporate-wide visibility and decision making.

[2] Part 4: Programme Monitoring, Reporting, and Oversight

Priority	Medium (Important)
Recommendation 1: *The Chief, Strategic Planning, Programme and Effectiveness Unit (SPPEU) strengthen the guidance on monitoring and quality assurance of data and information that are to be included in QMRs and in the RMS as well as identifying those responsible for these activities.*	
Management action plan: The SPPEU will ensure the strengthening of the guidance on monitoring of data and outline clear responsibilities on quality assurance of data and information in the reports as part of the on-going revision to the Programme and Operations Manual. This change will be reflected in UN Women's new policy, procedure and guidance framework which will replace the current Programme and Operations Manual. **Estimated Completion date:** 31 December 2018	
Priority	Medium (Important)
Recommendation 2: *The Representative design and implement a monitoring and data validation process and identify the responsible staff that regularly captures the status of programme implementation in relation to planned indicators and targets in the Annual Work Plan and enters the status in the Results Management System and in the Quarterly Monitoring Reports.*	
Management action plan: The Strategic Planning, Programme and Effectiveness Unit (SPPEU) at the headquarters to issue clearer guidelines for completing QMR in RMS and ensuring compliance. The Country Office is well aware of the need for this position, which is reflected in the approved organogram accompanying the 2018-2022 Strategic Note. Pending success in resource mobilization efforts by the Country Office to enable the appointment of a full-time Monitoring and Evaluation Officer, the Deputy Country Representative will assume monitoring and evaluation functions. **Estimated Completion date:** 31 December 2018	

B. Programme Activities

1. Programme and Project Management

Issue # 2 **Absence of capacity assessment of Implementing Partners when directly selected for additional projects and given multiple advances**

While the POM provides guidance for the granting of concurrent advances under separate projects to the same implementing partner (e.g. POM requires implementing partner's capacity assessment, Project Cooperation Agreements (PCA) and advances for each activity, call for proposal if the budget exceeds US$ 250,000), it does not address the need to properly assess the effect on the existing capacity of an implementing partner to manage several PCAs and advances beyond the scope of the initial PCA.

The Country Office concurrently granted five advances (US$ 107,630) to one implementing partner (IP) during the December 2016 to February 2017 period for different activities on three projects. The capacity assessment for the selection of this IP was performed in 2016 for a PCA for one project. The IP was then directly selected for the additional PCAs because they were performing similar work on related projects and showed good performance. While the PCAs were signed within a two-year period since the initial assessment and multiple PCAs are permitted, there was no assessment made on the capacity of the IP to implement the increased activities and projects.

The responsibility for assessing the cumulative capacity and managing the related risks rests with the Country Office management. Without assessing the IP's capacity to manage the overall increased portfolio of PCAs, there is a risk that IPs may not be able to adequately manage the additional workload and may result in planned activities not being completed on time or on budget. The Country Office recognized this increased risk and plans to expand the roster of qualified implementing partners.

Priority	Medium (Important)
Recommendation 3: *The Representative supplement* the Implementing Partners' *capacity assessment to examine cumulative risks when an implementing partner is considered for additional Project Cooperation Agreement on simultaneous but different projects.*	
Management action plan: The Country Office will ensure that additional capacity assessment is undertaken in situations where an existing implementing partner is required to sign an additional PCA. It will however be necessary for the Country Office to receive from HQ, standard SOPs to guide this exercise. **Estimated Completion date:** 31 December 2018	

Issue # 3 **Advances to Implementing Partners not liquidated on time**

Programme managers are responsible for managing advances and monitoring of activities assigned to the implementing partners to ensure timely completion of activities and liquidation of advances. In 2018, the Organization added a performance indicator for managing outstanding advances to the Performance Management and Development (PMD) of Regional Office Directors and Country Representatives as reinforcement for reducing the incidence of long outstanding advances. Thus, the Country Representatives added this new indicator in the PMD of the programme managers who are accountable for managing implementing partners. The aging of advances is a standard agenda item in programme management meetings of the Country Office.

The existence of long outstanding advances increases the risks of funds not being used for the purposes for which these were granted, resulting in inefficient utilization of these funds. The review of the Detail Partner Advance Aging Report from January 2017 to May 2018 revealed that liquidation for some advances have been delayed for more than seven months. In two months, October 2017 and February 2018, the outstanding amounts over six months old reached 10 per cent or more of the total advances. There were various reasons for the delay in liquidating the advances:

- An IP can be late in completing planned activities and in submitting Funding Authorization and Certificate of Expenditures (FACE) forms;
- An IP can submit FACE forms on time but with incomplete supporting documents that require subsequent significant changes to the FACE forms; and
- An IP may submit a complete FACE form and supporting documents, but the Country Office workload prevents timely processing and liquidation of the advance in the books.

While the first two reasons are outside of the Country Office's control and require ongoing follow up with the IPs, the third reason is well within the Country Office's control and need to be improved. The concerned staff at the Country Office reviews the FACE and supporting documents three times because it has a low risk tolerance level. Sometimes it could take up to two-month interval between the second and third reviews because of other working priorities, such as procurement and managing direct payments to government counterparts. The actual processing time to liquidate the advances is a few hours.

Priority	Medium (Important)
Recommendation 4: *The Representative ensure that the Programme Manager(s) re-assess prioritization of its process for reviewing FACE forms and supporting documents submitted by implementing partners, including capacity building of the implementing partners, with the objective of timely liquidation of advances.*	
Management action plan: The change in implementation modality of the largest programme of the Nigeria Country Office (from direct payment to cash transfer) has been important in helping to address this challenge. Additionally, the Country Office is investing in capacity-building of implementing partners in the areas of financial management and timely submission of financial reports. Internally, the Country Office is also preparing standard SOPs to facilitate prioritization of liquidation of advances. **Estimated Completion date:** 31 December 2018	

Priority	Medium (Important)
Recommendation 5: *The Director, Programme Division, add a standard indicator to the Performance Management and Development of programme managers regarding management of advances to implementing partners.*	

Management action plan:
Monitoring of outstanding advances is a key performance indicator for all PMDs of Programme Managers in 2018. Programme Division, in collaboration with Human Resources, will develop Key Result Areas for Programme Managers to reflect the recovery of advances from implementing partners. **Estimated Completion date***:* 31 December 2018

C. Operations

1. Procurement

Issue # 4 Purchase orders for travel-related transactions raised and approved post facto

The POM requires that purchase orders are created for all travel transactions regardless of amount. If a PO has not been created, the decision should be adequately justified, but ideally minimized. The review of selected payment vouchers revealed a pattern of creating post-facto purchase orders for payment of Daily Subsistence Allowance (DSA) and travel costs to non-staff participants in meetings after the events were completed. As a result of this practice, the Country Office is paying the participants without first committing funds for the event and may be taking the risk of making disbursement without available funds.

The Country Office explained that it is not practical and efficient to create purchase orders in advance of the event because names and payment information of participants as well as the duration of participation are not yet known. Such practice leads to many amendments to the original purchase orders. The Country Office had to wait until it received information on the exact number of participants and calculated the exact costs before preparing the purchase orders. Two other UN agencies confirmed that their office pay travelers after the event, although using non-Purchase Order vouchers for payment.

Priority	Medium (Important)
Recommendation 6: *The Representative, in consultation with the Management and Administration Division, raise and approve PO ahead of the event, to secure the timely approval of the event and commit funds based on the planned estimate, and subsequently adjust the PO, if applicable.*	
Management action plan: During the 2017 Financial Year, a total 115 POs were raised for the Standard Chartered bank, amounting to USD 157,863.20. With respect to the largest ongoing programme of the Nigeria Country Office (the Women Peace and Security Programme), the implementation modality for LOAs with three State ministries is direct payment. As such, the	

Country Office is dependent on federal and state ministries to submit documentation to UN Women for payments to participants attending meetings organized by the government. The Country Office in this case raises and processes PO payments as soon as the documents are submitted by the ministries. The POs raised in 2017 also includes some payments for events directly implemented by UN Women. This approach is in line with UNDP and UNICEF practice at the country level. For all future events directly implemented by the Nigeria Country Office, steps will be taken to ensure that POs are raised in advance, based on estimates, which will be later modified to reflect the actual amount. UN Women is currently negotiating a long-term agreement (LTA) with Western Union as a service provider for direct payments to participants in meetings and conferences. **Estimated completion date:** 30 November 2018

2. Financial Management

Issue #6 Corporate issue: No unique coding system in the Chart of Accounts for different implementing partners

The Atlas Financial System and the UN Women Chart of Accounts enable users to identify multiple characteristics of each expenditure by assigning different codes for an organization, an implementation partner, a vendor, an account, a project, etc. However, in the Chart of Accounts, there are no codes for different implementing partners. For instance, the Country Office uses a Direct Payment modality for invoices submitted by government counterparts recording them under the Country Office as implementing partner code. This is because a different implementing partner code cannot be created unless the partner is a signatory to the project document. As a result, expenditures made by the government counterparts appear to be direct implementation expenditures of the Country Office.

Without a unique code for different implementing partners in the Chart of Accounts, the list of expenditures generated from the system does not fully reflect the various modalities of direct implementation expenses. Therefore, the Country Office had created manual workarounds to identify the transactions paid under the Direct Payment modality from the payments for its own transactions. These workarounds identify the payments made to the government counterpart through the Direct Payment modality but does not identify a specific government counterpart which incurred the expense. This is inefficient and increases the likelihood of errors in the recording and analysis of expenditures.

Priority	Medium (Important)
Recommendation 7: *The Finance Section at headquarters expedite the development of a Standard Operating Procedure that prescribes the use of a coding system unique for every implementing partner. This is to systematically identify and account for advances made and expenditures incurred by implementing partners.*	

Management action plan:

The Finance Section recognizes this limitation, but officials indicated that the information on to whom a payment is made on behalf of another entity is readily available through other means. Nevertheless, the Finance Section is developing a Standard Operating Procedure (SOP) that will enable Finance staff to record and properly identify the entity incurring the expense.

Estimated Completion Date: The new procedure will become effective in 2019.

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 Country 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.