

**AUDIT
OF
UN WOMEN COUNTRY OFFICE
IN
NEPAL**

Report No. IEAS/IAS/CO/2018/002

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Report on the Audit of UN Women Country Office in Nepal

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 Nepal (the Country Office) from April to May 2018, which included a field visit to the Country Office from 1 to 21 May 2018. The audit aimed to assess the adequacy and effectiveness of the governance arrangements, risk management practices 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 (gender mainstreaming in development coordination, programme and project management, partnerships and resource mobilization).
- (c) Operations (human resources, finance, procurement, information and communication technology, general administration, safety and security, and United Nations Development Programme (UNDP) support to the Country Office).

The audit covered Country Office activities from 1 January to 31 December 2017. However, where changes in key processes were noted, audit testing was extended to 30 April 2018. The Country Office recorded programme and management expenses of US\$ 4.19 million in 2017 and US\$ 0.5 million from 1 January to 30 April 2018. This was the first internal audit of the Country Office.

IAS followed the International Standards for the Professional Practice of Internal Auditing in conducting this audit.

Overall audit rating

IAS assessed the Country Office as **partially satisfactory (some improvement needed)**, meaning, *"The assessed governance arrangements, risk management practices and control processes 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 improvements needed in:

- Governance and strategic management: regular testing and keeping the Business Continuity and Disaster Recovery Plans up-to-date.
- Programme activities: i) strengthening the Country Office's planning process in terms of adequate baselines, milestones, and targets; ii) enhancing management of advances and regular monitoring of activities conducted by implementing partners.
- Operations: improving management of the Country Office's multi-year contracts as well as the performance of its contractors.

Good practices

The audit identified two good practices (refer to page 1 for details):

- In Governance and strategic management under *"Leadership, ethics and values"*, the Country Office implemented a highly participatory management process to mitigate the risks associated with the major reduction and high turnover of staff.
- In Operations under *"Procurement"*, the Country Office made extensive use of long-term agreements (LTAs) to streamline the procurement process resulting in efficiencies.

Key recommendations: Total = 7, none high priority, 7 medium priority

IAS made seven medium (important) priority recommendations, meaning, “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.” Of the seven medium priority recommendations, six were for action by the Country Office and one was for action by the relevant headquarters Bureau/Division.

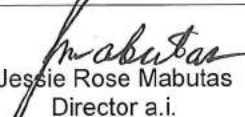
IAS categorized the audit recommendations according to the internal control objectives stated in the UN Women’s Internal Control Framework:

Internal Control Objectives	Recommendation No.	Priority Rating
Operational (strategic and operating objectives, effectiveness and efficiency, safeguarding of resources)	1, 2, 3, 4, 5, 7	Medium
Financial (safety and maintenance of records and preparation of reliable financial and operational information)	6	Medium
Compliance (regulations and rules, policies and procedures)	1, 3, 5	Medium

Management comments and action plan

The Representative of the Nepal Country Office and the Director of Policy and Programme Bureau accepted all the recommendations pertaining to their respective offices and had already started to implement them.

The medium priority recommendations that the Country Office advised had already been implemented prior to the issuance of this report are not included in this report. Low priority issues are not included in this report but 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 Nepal (the Country Office) is located in Kathmandu. 2017 was the last year of the Country Office's Strategic Note (SN) and Annual Work Plan (AWP) for 2014–2017. The SN was aligned with Nepal's national priorities and the 2013–2017 United Nations Development Assistance Framework (UNDAF). The SN included 32 approved staffing positions. The approved budget for the entire programme cycle was US\$ 20.3 million. The total budget for 2017 was US\$ 4.3 million. The Country Office's multi-pronged country programme focused on women's economic empowerment, ending violence against women and disaster risk reduction. This involved three Flagship Programmes: Women's Access to Land and Other Productive Assets for Climate Resilient Agriculture (under Nepal's Agriculture Development Strategy); Safe Cities and Safe Public Spaces; and Gender Equality Commitment in the Disaster Risk Management Strategy (by applying lessons learned from the 2015 humanitarian response and implementing the Gender Equality Resource Guide).

At the time of audit in May 2018, the Country Office had 26 approved staffing positions for the 2018–2022 Strategic Note, which like the previous SN was aligned with Nepal's national priorities and the 2018–2022 UNDAF. The 2018–2022 SN was focused on two main outcomes: (1) inclusive governance and access to justice; and (2) women's economic empowerment. The total approved budget for the 2018–2022 SN was US\$ 20.1 million, while the approved budget for 2018 was US\$ 4.6 million. The 2018–2022 SN was prepared at a time when Nepal was undergoing a period of transition and, while faced with myriad obstacles over the last 20 years, the country has made significant development progress.

Nepal is a young and rapidly urbanizing country. It is estimated that some 44 per cent of its approximately 28.4 million population is under the age of 19. Given current population trends, the country should be able to benefit from its youth-based demographic dividend until at least 2050. Nepal has set itself the goal to graduate from least developed country status by 2030. Cited as one of the 'fastest movers' in the Human Development Report, the country has made significant progress towards achieving its development goals. The country achieved one of the Millennium Development Goals (MDG 4 on reducing child mortality) and has made significant progress towards others.

II. Good practices

The audit identified good practices, as follows:

Governance and strategic management/Leadership, ethics and values: Highly participatory change management process

With projects closing in 2017 and new projects anticipated in 2018, the Country Office faced risks associated with a major reduction and high turnover of staff. To mitigate these risks, the Country Office established an internal change management taskforce and conducted two staff surveys to engage staff in the transition process. Participation in staff meetings was expanded and the format changed, with different staff, regardless of position, taking turns to chair meetings. As a result, staff demonstrated active leadership, team cohesion and greater ownership of problems and their solutions. This facilitated the change process and was continued in 2018.

Operations/Procurement: Extensive use of long-term agreements (LTAs)

To improve efficiency, the Country Office made use of 42 LTAs covering frequently procured items/services. Twenty-two of these LTAs were developed with other UN agencies in Nepal. The Country Office also made use of LTAs issued by other UN agencies (i.e. UNDP and United Nations Children Fund). Where there were two or more LTA holders for a good or service, the Country Office requested that LTA holders submit quotations and offers were vetted, with the contract issued to the LTA holder providing the best offer. For long-term services such as transportation rental and travel, the Country Office issued annual contracts have the opportunity to assess the performance of the service provider before renewing a contract. Almost all Country Office procurements were conducted through LTAs, substantially expediting the process and achieving efficiencies. This

is a lesson that can be shared with other country offices in view of the on-going reforms to back offices and common services.

III. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance and strategic management: Organizational structure and delegation of authority. The organizational structure for both the 2014–2017 SN/AWP and 2018–2022 SN/AWP were aligned to the country programme. The Representative issued clear delegations of authority and staff were trained on the UN Women internal control framework.
- (b) Governance and strategic management: Leadership, ethics and values. In general, an open and transparent change management process was in place within the Country Office which encouraged staff participation. Issues relating to ethics and values were openly discussed. All staff completed the mandatory courses on “Ethics and Integrity” and “Harassment”.
- (c) Programme activities: Gender mainstreaming in development coordination. The Country Office established effective governance, planning and monitoring systems to monitor UN Women’s coordination role on gender equality and women empowerment (GEWE) at the country level. The Country Office provided substantive input in developing the common country assessment (CCA) and UNDAF 2018–2022, ensuring that gender equality was mainstreamed in all UNDAF outcomes. The Country Office effectively led and participated in the various inter-agency groups on gender and its efforts were highly appreciated by the UN Country Team.
- (d) Programme activities: Partnerships and resource mobilization. The Country Office developed a resource mobilization strategy and effective tools to monitor the progress of funding initiatives. The Country Office is on track in generating funding for its 2018–2022 SN/AWP. In a meeting with the audit team, the main donor confirmed its satisfaction with the Country Office.
- (e) Operation: Human resources. Adequate systems and procedures for managing human resources covering recruitment, onboarding, continuous learning and development, and performance assessment were established. The Country Office promoted staff welfare by establishing an “Emergency Support System” that provided support to its staff in case of emergencies.
- (f) Operation: General Administration. Systems and procedures for general administration were adequate. Vehicles, premises and assets were adequately controlled.
- (g) Operation: UNDP support to the Country Office. Services outsourced to UNDP were covered by service agreements and the Country Office was satisfied with the services it received.

IAS raised seven recommendations of medium (important) priority. Medium priority recommendations that the Country Office advised had already been implemented (independently validated by IAS) prior to the issuance of this report are not included in this report. Low priority issues/recommendations were discussed and agreed directly with the Country Office and are also not included in this report.

The medium priority recommendations, arranged according to significance, are that the Representative ensures the Country Office:

- (a) Finalize, regularly test and update the Office’s Business Continuity and Disaster Recovery Plans (Recommendation 1).

- (b) Raise POs for multi-year contracts for the whole amount: i) for multi-year projects, the budget to be properly planned, ii) for core funding, approval from the Chief of Budget need to be obtained (Recommendation 6).
- (c) Clearly define the nature of the intervention and the type of entity expected to implement a project and then choose the proper type of selection modality, i.e. call for proposal for NGOs or request for proposal from for-profit companies (Recommendation 2).
- (d) Strengthen the management of cash advances to implementing partners (IPs)/responsible parties (RPs) (Recommendation 3).
- (e) Strengthen monitoring of the activities conducted by IPs/RPs (Recommendation 5).
- (f) Establish a protocol for conducting reference checks of prospective suppliers/contractors in cases where specific risk/s have been identified or when this has been requested by the Local Procurement Review Committee (LPRC), regardless of the amount (Recommendation 7).

Recommendations for corporate issues, are as follows:

- (a) The Policy and Programme Bureau in headquarters to review and update the prescribed Project Cooperation Agreement (PCA) and Letter of Agreement (LOA) formats to define IP/RP obligations in providing appropriate documents to support liquidation of advances, the documentation retention period and access clause for UN Women external and internal auditors (Recommendation 4).

A detailed assessment is presented below by audit area.

A. Governance and strategic management

1. Business Continuity

Issue 1 The 2018 Business Continuity and Disaster Recovery Plans have not been tested

The UN Women Policy and Guidelines on Crisis Response and BCP requires all crisis management, business continuity and technology disaster recovery plans to be tested at planned intervals to ensure viable recovery preparedness. The following two areas need improvement:

- While the Office’s BCP was updated and approved by headquarters during the audit, it has not yet been tested. The Country Office planned to coordinate the testing with the UNDSS Local Security Advisor. The delay in finalizing, approval and testing of the BCP was mainly due to competing priorities within the Country Office.
- The Country Office’s Disaster Recovery Plan (DRP) has been in draft since February 2016. According to the Country Office, some elements of the plan (such as arrangements for working at home during major strikes and use of the generator) have been tested and the Country Office is in the process of finalizing the plan.

Not having an updated DRP and the lack of testing for both BCP and DRP increase the risk that the plans, or some of their critical elements, might not work and may negatively affect the Country Office’s operations during unforeseen events.

Priority	Medium (Important)
Recommendation 1:	

The Representative ensures that the Country Office finalize the Disaster Recovery Plan and conduct regular testing of its Business Continuity and Disaster Recovery Plans.

Management action plan:

- i. Organize a re-orientation on Crisis Response and Business Continuity Plan (CRBCP) – done on August 29.
- ii. CRBCP testing for all staff – done on August 29.
- iii. Every year on 30 July has been decided as BCP comprehensive testing date.
- iv. Necessary amendments and the approved BCP will be uploaded by 31 August each year.
- v. The Country Office will undertake a test of its Disaster Recovery Plan (DRP) and will make adjustments as needed.
- vi. The Country Office will review the DRP every year in the first week of July. The action is linked to an automatic notification system which commences two months prior to 7 July each year.

Estimated completion date: 31 December 2018

B. Programme activities

1. Project Cooperation Agreements

Issue 2 Project Cooperation Agreement (PCA) with NGOs and non-profit entities was used for an agreement with a for-profit entity

The PCA form is used for collaboration with NGOs and non-profit entities. Registration of NGOs in Nepal is primarily handled by the District Administration Office. In addition, local NGOs are required to obtain a certificate of affiliation with the Social Welfare Council of Nepal to be eligible to receive funds from a foreign entity.

On 1 June 2016, the Country Office entered into a PCA with an entity, which was an NGO with a social enterprise goal that generates income solely for the non-for-profit purpose operating in social welfare activities. The PCA covered the period 1 June 2016 to 30 September 2018 with a total contract value of NPR 33,355,966 or US\$ 310,982. The company had a certificate of affiliation with the Social Welfare Council but was identified by the Social Welfare Council as “a Company not Distributing Profit” while at the same time listed as an entity in the NGO Database of the Social Welfare Council. It was a registered business association organized for profit and used for the benefit of its members. The entity was selected for the project following a competitive bidding and selection process from among four pre-qualified bidders, of which three were registered NGOs. The proposed PCA was reviewed and endorsed by the Local Project Appraisal Committee (LPAC).

As the entity has a unique status, there is a potential risk that the Country Office may have used incorrect procurement process and contracting modalities:

- While the advertisement for the proposal was not limited to NGOs, the selection modality was a Call for Proposal which is only used for NGOs pre-qualified by the Country Office. Further consultations with the Procurement Unit in headquarters should have been conducted to decide whether another procurement process (e.g. the request for proposal) should be used. The request for proposal would increase the number of potential bidders and the selection results would be reviewed by the HQ Procurement Review Committee.
- The Country Office used a PCA while a service contract agreement could have been a better tool to award a contract to this entity.

The status of the entity was not identified as for-profit in a timely manner because the mandatory requirements for bidders did not include a specific Certificate of Registration as an NGO, and the confusing role of the Social

Welfare Council with respect to NGO registration. The unclear documentation (most was in Nepali and translation into English was not always carried out) also added to the confusion.

Priority	Medium (Important)
Recommendation 2:	
The Representative, in consultation with the relevant business owners at headquarters, ensures that the nature of the intervention and the type of entity expected to implement the project is clearly defined and then chooses the proper type of selection modality, i.e. call for proposal for NGOs or request for proposal from for-profit entities. The Representative ensures that the Country Office put in place a mechanism to ensure so that the correct sourcing and/or contract modality is used for each engagement, determined by the nature of the activity. Important documents about the bidders should be accurately translated into English.	
Management action plan:	
<ul style="list-style-type: none"> (i) In addition to the registration/affiliation certificate with the Social Welfare Council, Registration Certificate with District Administration Office (including in English translation) will be made compulsory in preliminary screening process of the program bidders. (ii) Update on next steps based on discussion with the Asia and Pacific Regional Operations Manager and the Head-of Procurement at HQ. 	
Estimated completion date: 31 December 2018	

2. Implementing Partners

Issue 3 Weaknesses in managing cash advances to implementing partners (IPs)/responsible parties (RPs)

A significant portion of programme and project implementation in the Country Office was conducted through government and NGOs/IPs/RPs. Cash advances granted to the IPs/RPs in 2017 amounted to US\$ 1.23 million, representing 46 per cent of total payments processed by the Country Office that year. A review of 21 sample transactions for cash advances to IPs/RPs, with a total value of US\$ 1.1 million, showed the following weaknesses:

- The Country Office adopted a practice of releasing quarterly cash advances to all IPs/RPs, without assessing the rationale for the frequency in releasing the advances which are based on the IP risk profile.
- Itemized cost estimates were not attached to support the requested amount of cash advances for each quarter. Instead, a detailed budget covering the whole duration of the collaboration was attached to the Funding Authorization and Certificate of Expenditure (FACE) form. There is no indication of details of expenditure for the portion of the collaboration that is being requested for the quarter.
- UN Women Programme and Operations Manual (POM) states that original supporting documents for the FACE forms be submitted unless an exemption is granted by the Operations Manager. However, the Country Office accepted photocopied supporting documents from IPs/RPs without such written exemption. Moreover, the photocopied supporting documents were not stamped as processed for liquidation by UN Women, which risks them being submitted more than once.
- Partners were required to submit from 20 to 100 per cent of documents supporting the advance liquidation, but the basis for the decision on sample size of these documents was not documented.
- Parts of the FACE form were pre-filled by the Country Office prior to certification by the IP/RP, which blurred accountability for the granting of cash advances viz-a-viz the determination of eligibility of expenditures.
- IPs/RPs were submitting inaccurate certification of the FACE, e.g. while the FACE was for cash advance only, the IP/RP also ticked the box for liquidation and in some cases, none of the boxes were ticked.

Moreover, there were some weaknesses in the prescribed PCA and LOA forms as follows:

- The need to submit original supporting documents, the retention period and access of UN Women external and internal auditors to IPs/RPs records are not defined in PCA forms and LOAs.

Priority	Medium (Important)
Recommendation 3:	
The Representative to strengthen the management of cash advances to IPs/RPs by ensuring that:	
<ul style="list-style-type: none"> (a) A risk profile of IPs/RPs is updated to determine the benefits of providing a cash advance between one or six months based on their respective risk levels. (b) IPs/RPs submit original documents supporting liquidation of cash advances, unless written exemption is granted by the Operations Manager, and that all original receipts and invoices are stamped as processed. (c) The determination of sample size and selection of supporting documents from the IPs/RPs is rationalized and documented based on the criteria from POM. (d) The capacities of the Country Office and the IPs/RPs in properly preparing the FACE forms are strengthened. 	
Management action plan:	
The recommendation has been implemented and the Nepal Country Office will conduct periodic reviews to verify continuing compliance, with an update due by December 31, 2018. Actions implemented included:	
<ul style="list-style-type: none"> (i) orientation for staff on ‘how to assess the partners’ with a follow-up after regional operations meeting. (ii) Joint orientation by programme and finance officers for all new partners as soon as an agreement is signed on the narrative and financial reporting templates. (iii) Project Managers, in coordination with Programme Officers and Programme Associates/ Assistants, conduct a capacity assessment of a new partner and provide the initial rating of the partner (high risk, low risk, etc.) which will serve as a base of a decision on the duration and amount of the initial advance. (iv) Project Manager assess the latest status of partners’ periodic reports and update the periodic rating of partners. The period and amount of the next advances may be revised. (v) Programme Associates/Assistants conduct initial check of the receipt of all required original documents (narrative/financial reports and other supporting documents) before initiating the liquidation processes. Programme Officers confirm and sign-off the submission of all required original documents. After the confirmation by Programme Officer, Programme Associates/Assistants stamp documents for further review and process. (vi) Project Managers, in coordination with Programme Officers and Programme Associates, review appropriate number of vouchers in line with POM- cash advance chapter, based on periodic ratings of partners. Partners will be rated as “Good,” “Satisfactory” or “Poor” by Project Managers based on the criteria defined in the POM and the Operations Manager select specific sample vouchers required for review by the Project Managers. A format will be developed to summarize reasons for selecting specific sample vouchers (inputs to be provided by Operations Manager) and results of the review (inputs to be provided by Project Managers). A format will be signed-off by Operations Manager and Project Manager upon the completion of the review and attached as one of supporting documents to process the liquidation. (vii) Orientation session for all NCO staff and existing IP/RPs and ensure strict compliance to the FACE Form. (viii) The existing template of an “interim financial report” will be amended to show all details of itemized budget and expenditure in line with the FACE Form and all partners will be oriented to follow the revised template. 	
Estimated completion date: 31 December 2018	

Priority	Medium (Important)
Recommendation 4:	
The Policy and Programme Bureau in headquarters to:	
(a) Review and update the prescribed PCA and LOA formats.	
(b) Define IPs/RPs obligation to provide appropriate documents to support the liquidation of cash advances.	
(c) Specify the documentation retention period and access clause for UN Women external and internal auditors.	
Management action plan:	
The inconsistency is duly noted and the new Partner Agreement format is in the process of being revised in line with the Joint Inspection Unit recommendation on retention of documents. The FACE form will also be revised accordingly.	
Estimated completion date: 1 December 2018	

3. Programme/project monitoring

Issue 4 Lack of a clearly defined plan for monitoring cash advance supported activities

The POM highlights the risk that cash transferred to a partner may not be used as intended or reported in accordance with agreements/approved work plans and that the level of risk may differ from institution to institution. To mitigate this risk, close monitoring of cash advances to partners is required to ensure that advanced funds are being used for the purposes for which they were granted. Such monitoring activities include on-site reviews of IP's financial records.

The Country Office developed annual Monitoring, Evaluation and Research Plans (MERPs) as a component of the AWP for 2017 and 2018. The following areas for improvement were noted:

- Monitoring of activities implemented by the IPs/RPs were not reflected in the MERP and AWP.
- The Country Office's mission plan was not aligned with the risks related to cash advances to IPs/RPs. The risks for individual IPs/RPs were identified during their pre-selection capacity assessment but were not used to prioritize the monitoring of IPs/RPs with higher risk or weaker capacities.
- The Country Office did not assess the activities carried out by IPs/RPs during field visits and had not maintained a consolidated record of its assessment on partners' performance.
- In 2017, the Country Office did not conduct spot checks of the IPs/RPs financial records. Two spot checks were conducted during 2018 which identified some weaknesses, but no recommendations were made to address them.

The above could lead to several risks: limiting the Country Office's awareness of the appropriate use of advanced funds for achieving immediate results and expected outputs; ineffective monitoring activities; and insufficiently informed mission planning as well as delayed/inability to take timely corrective actions, when needed.

Priority	Medium (Important)
Recommendation 5:	
The Representative to strengthen monitoring practices of the activities of IPs/RPs by ensuring that the Country Office:	

- (a) Develop clear guidance on how to plan, conduct and document programmatic monitoring and spot checks related to cash advance supported activities.
- (b) Develop, a risk informed mission plan, for both monitoring of operational activities implemented by the IPs/RPs and spot checks of financial records, which is budgeted in the AWP and described in the MERP.
- (c) Clearly identify the areas for improvement and recommendations from the programmatic visits and spot checks; and monitors the follow up action plan.
- (d) Use the results of the above programmatic monitoring and spot checks when assessing IPs/RPs performance.

Management action plan:

The recommendation has been implemented and the Nepal Country Office will conduct periodic reviews to verify continuing compliance, with an update due by December 31, 2018. Actions implemented included:

- (i) The Country Office develop risk-based criteria for partners, to determine the monitoring visits and schedule including spot-checks. This informs the monitoring mission plan developed by programme unit in close consultation with Operations, Social Policy and Resource Mobilization- Monitoring & Evaluation units. This draws on elements from POM, (Part 4. Programme Monitoring, Reporting, and Oversight, Annex K on effective field visit- page 24).
- (ii) A synthesis of unit-wise monitoring mission is available in the MERP and will be updated on quarterly basis.
- (iii) Project Managers, in coordination with Programme Officers, review the partners' mission findings, (programmatic and financial), recommendation and status of follow-up actions as per the periodic reporting agreed with respective partners. The progress status will be compiled, documented and shared with relevant staff.

Estimated completion date: 31 December 2018

C. Operations

1. Procurement

Issue 5 Purchase Orders (POs) issued with value less than the actual amount of commitment

Institutional contracts are managed outside of Atlas. A PO is generated from Atlas to record the commitment, but the actual contract is manually prepared. It is important that the contract is fully funded and committed before it is signed.

In four multi-year contracts, with a total value of US\$ 1.02 million, the Country Office only committed funds to the equivalent of US\$ 0.6 million. For example, the Country Office signed a contract for a total value of US\$ 102,902, but the PO issued to record the commitment was only for US\$ 51,451, the portion relating to 2017. In two cases, budget for the full amount of the contract was available at the time of signing the contract but the Country Office decided not to commit the whole amount in 2017. According to the Country Office, this was done in order not to block funds for other activities planned for the year. For the other two contracts, funds were not available in 2017 for the full amount of the contract, but funds became available in 2018. The Country Office maintained a system to monitor the status of multi-year contracts, and POs were issued to commit the funds in the following year as the budget was received.

Lack of budgetary commitment for the total actual value of the signed contract could have legal/administrative implications if the budget does not become available in future years. This practice can also lead to misunderstanding and understates the Country Office's commitments and overstates the available budget.

Priority	Medium (Important)
Recommendation 6:	
The Representative ensures that the Country Office raise POs for multi-year contracts for the whole amount: in case of multi-year projects, the contract provision to be included in the project's annualized budgets. If this is core funding, approval from the Chief of Budget to be obtained.	
Management action plan:	
Implementation of this recommendation began immediately during the audit exercise in May 2018. The recommendation has been implemented and the Nepal Country Office will conduct periodic reviews to verify continuing compliance, with an update due by December 31, 2018.	
Estimated completion date: 31 December 2018	

Issue 6 Reference checks on prospective contractor with questionable capacity not conducted prior to awarding the contract

According to POM, the Evaluation Committee should conduct a background check of the identified best offer and the extent of vetting will depend on the complexity, associated risk and budget of the procurement activity. The Country Office conducted reference checks, as part of background checking, only for contracts valued at US\$ 100,000 and above, but did not consider that background checks should also be carried out depending on the "complexity, associated risk and budget" of the procurement activity.

In one contract reviewed by IAS, the Local Procurement Review Committee (LPRC) raised concern about the ability of a proposed contractor to deliver the required service within the prescribed time, which was referred to as very tight, and recommended that a reference check be conducted prior to the award of the contract. The Country Office had not obtained a reference of the contractor while conducting background checks as the value of the contract was less than US\$ 100,000 (value of the contract was US\$ 73,059). As a result, the Country Office did not foresee the problematic execution and delayed delivery by the selected contractor.

Priority	Medium (Important)
Recommendation 7:	
The Representative ensures that the Country Office establish a protocol for conducting reference checks of prospective suppliers in cases where specific risk/s have been identified, or when this has been recommended by the LPRC, even if the value of the proposed contract is less than US\$ 100,000.	
Management action plan:	
The NCO will undertake reference checks based on its risk analysis. This will be put in the minutes by the LPRC. The LPRC has not met since June 2018. Nevertheless, periodic reviews will be conducted to verify compliance, with an update due by December 31, 2018.	
Estimated completion date: 31 December 2018	

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.