

THEMATIC AUDIT

INTERNAL AUDIT REPORT

GOVERNANCE AND MANAGEMENT
OF PROCUREMENT OF SERVICES



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INDEPENDENT EVALUATION AND AUDIT SERVICES (IEAS)

Internal Audit Service (IAS)

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EXECUTIVE SUMMARY

Introduction

In its 2019–2021 multi-year audit plan, the Internal Audit Service (IAS) identified UN Women’s procurement of services as a high inherent risk area due to: (a) the materiality of procurement expenditure, particularly for services; (b) decentralized organizational structure of procurement; (c) insufficient staffing structures for procurement functions at headquarters and individual field locations; and (d) issues with sustaining audit recommendations from past internal audits.

Table 1: Procurement and related transactions (processed by Buyers), 2019-2021

Offices	Expenditure, US\$
Procurement Section	46.6 million (procurement POs ¹)
	0.6 million (non-PO vouchers)
	9.0 million (travel POs)
	15.1 million (building rent POs)
	71.3 million in total
Field offices	172.5 million (procurement POs)
	9.9 million (non-PO vouchers)
	45.2 million (travel POs)
	118.4 million (personnel related POs)
	14.8 million (premises related POs)
	360.8 million in total

Sources: Atlas data, Procurement Dashboard (for non-PO vouchers) and Travel dashboard, March 2022

The United Nations Development Programme’s (UNDP) Office of Audit and Investigations (OAI) previously reported on the UN Women’s procurement function in 2014. At that time, **UNDP OAI assessed it as unsatisfactory**, which meant that “*internal controls, governance and risk management processes were either not established or not functioning well*”. This rating was mainly due to the **lack of adequate governance and oversight over the procurement function; inadequate system for the provision and**

management of advisory services; and weak procurement operations.

Audit objective and scope

Management is responsible for establishing and implementing effective governance, risk management and internal control. The responsibility of internal audit is to assist management in carrying out its duties by providing assurance and advising on the discharge of management’s obligations.

The audit’s objective was to assess **whether UN Women manages its procurement of services in an effective and efficient manner, and in compliance with applicable regulations**. IAS’ approach was guided by the four procurement principles prescribed in the UN Women Financial Regulations and Rules: (i) best value for money; (ii) fairness, integrity and transparency; (iii) effective competition; and (iv) interests of UN Women.

The audit scope covered: (a) effectiveness of governance arrangements in defining ownership and accountability for implementation of the Procurement Policy; (b) adequacy of the procurement function’s structure, procurement strategy and planning in the context of a decentralized organization and United Nations reforms; (c) adequacy of policy, procedure and guidance (PPG), and ensuring that key procurement risks are addressed; (d) effectiveness of existing controls; and (e) efficiency of the procurement process to serve the needs of UN Women management and personnel. The audit focused on procurement of services from January 2019 to March 2021 and the state of the procurement function in late 2021/early 2022. The audit experienced some scope limitations due to data search constraints in UN Women’s enterprise resource planning (ERP) system Atlas, other systems or dashboards (and data or responses not being provided by some Regional and Country Offices). Therefore, it was not possible to define accurately the total population of non-competitive Direct Contracts as well as

¹ Purchase orders

procurements not processed through purchase orders ('non-PO vouchers'). Consequently, the assurance provided by IAS is limited to the extent of data that was identified.

Audit opinion and overall audit rating

IAS would like to begin by recognizing the following **progress and achievements in corporate procurement management by the small Procurement Section** in Management and Administrative Division (DMA), which have increased productivity, standardized processes and improved records management:

- Elaborated Procurement PPG and checklists, and ongoing work on their updates, including set-up of the Procurement Policy Advisory Group. In 2015 and 2017, the Procurement Section had also proposed a corporate procurement strategy.
- A professional training programme in collaboration with Chartered Institute of Procurement and Supply (CIPS); between 2016 and 2021, 468 personnel were certified at CIPS Level 3 (Certificate) and 24 personnel at Level 4 (Diploma). The Procurement Section also managed UN Women's procurement community of practice and provided periodic webinars and tutorials.
- Online procurement planning tool; however, it is not yet fully and consistently used throughout UN Women. There was some improvement during 2021.
- E-Procurement system, used progressively but not consistently by all field offices.
- Numerous long-term agreements (LTAs) with vendors.
- Gender-Responsive Procurement guidelines, advocating Gender Responsive Procurement in the United Nations system, and chairing the UN Procurement Harmonization Project Working Group.
- Procurement Dashboard (as well as Travel Dashboard) providing interactive data; however, not separated from some non-procurement data, e.g. on individual consultant contracts, or disaggregating essential data, e.g. on non-competitive Direct Contracts.

- Procurement service request system (used at headquarters); procurement time calculator and internal dashboard to track procurement timelines and exchanges with requestors; development of some key performance indicators (KPIs), cost efficiency analysis and statistics by the Procurement Section and headquarters Procurement Review Committee.
- Ongoing work on the procurement function in the new ERP system to be launched in 2022.

Overall, IAS rated UN Women's governance, risk management and control framework for the procurement function, as it relates to the scope of the audit on procurement of services, as **Major Improvement Needed**, meaning that *"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."* Specific areas under review were assessed as follows:

- **Unsatisfactory:** (i) **Clearly inadequate procurement staffing capacity at headquarters** with no Chief of Procurement position formally in place, very few professional staff (one P4 and two vacant P3 positions) and excessive reliance on General Service staff and consultants for core procurement functions, including highly complex procurement of specialized services prevalent in UN Women. This also significantly weakened corporate procurement monitoring and oversight. The headquarters Procurement Review Committee did not have any dedicated staff position. In IAS' view, **the procurement function appears to have the least capacity of all administrative business processes in UN Women.** (ii) **Inadequate procurement staffing capacity in the field** (of 40 procurement personnel, only about half were staff and **only two were professional staff**, at NOB level), and need for a more streamlined corporate procurement model (for example, using **a professionalized procurement hub in one or more Regional Offices**) with **stronger client-centric focus and support by professional procurement staff in planning complex procurements**, including developing Terms of Reference and Requests for Proposal. (iii) **Need for a fair and systematic cost recovery mechanism** through Direct Project Management Costs to fund the procurement function's operational services. (iv) **Need for a major change in UN Women's procurement control**

environment, culture and accountability, to avoid inappropriate use of the non-competitive Direct Contract modality, including by senior managers at headquarters. In IAS view, the headquarters Procurement Review Committee and the Chief Procurement Officer (the Director, DMA) **sometimes sided with such managers due to pressure to address strategic priorities**. Of 13 high-value Direct Contract cases totalling US\$ 4.6 million (reviewed by the headquarters Procurement Review Committee and approved by the Chief Procurement Officer) that were assessed by IAS, **nine cases totalling US\$ 2.9 million (63 per cent) did not comply with Financial Regulations and Rules and required competitive bidding. They may have** followed the interests of UN Women but may have **not always provided value for money**. Misalignment in delegation of authority excluded the Procurement Section from systematic review of such high-value Direct Contract cases, relying on the headquarters Procurement Review Committee. IAS also found that a significant portion of lower value Direct Contracts (under US\$ 50,000) issued by field offices were non-compliant. Some instances of **non-disclosure of conflicts of interest in procurement by senior managers** (as identified by UN Women's investigation services provider, the United Nations Office for Internal Oversight Services (UN OIOS)) **as well as frequent direct solicitation of vendors by managers** (which is not permitted and must be done by procurement function) **also indicated a need to strengthen UN Women's procurement control culture**.

- **Major Improvement Needed:** (i) Need to endorse the corporate procurement strategy aligned to UN Women's business needs and addressing procurement risks. (ii) Need to revisit the regulatory framework defining the Second Line of Defence concept for procurement, including responsibilities and accountability for procurement monitoring and oversight, for both the Procurement Section and Regional Offices. (iii) Need to operationalize systematic procurement monitoring and exception-based reporting which were practically absent, despite the fact that over 70 per cent of procurement expenditure was in the field, including Direct Contracts. (iv) Need to strengthen procurement-related data integrity and availability (e.g. dashboards providing more disaggregated data on types of procurement, Direct Contracts, non-PO vouchers etc.).

- **Some Improvement Needed:** (i) Need to align delegation of authority for procurement with procurement staff capacity, risks and needs (a corporate proposal was developed in early 2022), discontinue unsupervised procurement process by field offices above their delegation of authority levels, and automate delegation of authority controls in the new ERP system. (ii) Need to improve procurement planning (including regular procurement plan updates) and advertising, and expand the vendor base of field offices. (iii) Need to strengthen use of E-Procurement. (iv) Need to strengthen procurement risk management, performance management and reporting, and senior management's use of performance data. (v) Need to formalize the vendor sanction process.

Various audit recommendations from 2014 had not been implemented sustainably or had failed to achieve the desired impact (this was also as a result of the growing UN Women programme and increasing volume and complexity of procurement), with recurring issues identified by the current audit. Many of these issues stem from **a basic lack of procurement staffing capacity** at headquarters, Regional and Country Offices, which had **previously been communicated by the Chief Procurement Officer to senior management**, which neither endorsed a corporate procurement strategy proposed in 2015 and 2017. In IAS' view, **there may have been insufficient understanding by senior management of the major risks** of potential poor value for money, fraud, corruption and reputational damage, which relate to a weak procurement function. It should be noted that UN OIOS periodically receives allegations of potential procurement irregularities across UN Women offices. A cost-effective procurement strategy, supported with adequate resources **(institutional resources combined with appropriate cost recovery of Direct Project Management Costs for provided procurement services)**, is essential to empower a strong procurement function, striving for the best value for money, saving funds and meeting UN Women and donor interests.

IAS made **nine recommendations**, of which **four** are ranked as **High priority** and **five** as **Medium priority** (see Annex 1 for the definition of priorities). Considering the cross-dependencies of a variety of issues identified in this broad audit, these **recommendations are not made in response to each Observation but are compiled in Section V, Recommendations**.

The **four High (Critical) priority recommendations** are summarized as follows:

Recommendation 1: To comply with UN Women’s procurement principles and ensure process efficiencies, the Chief Procurement Officer to present a plan to the Executive Leadership Team to enhance the corporate procurement process vis-à-vis capacity and funding structure, and the Executive Leadership Team to make a decision on strengthening the procurement function both at headquarters and in the field (with sufficient budget combined of Institutional Budget funds and recovery of Direct Project Management Costs). **It should be noted that implementation of some other recommendations may be contingent on implementation of Recommendation 1.**

Recommendation 2: The Chief Procurement Officer to revisit the corporate procurement strategy for 2022–2025 (either as part of the Strategic Note for DMA or as a separate document for approval by Executive Leadership Team) to identify key business objectives for the procurement function aligned with corporate objectives, associated risks and allocated resources, including performance evaluation and reporting mechanisms on strategy implementation.

Recommendation 3: Migrating to a new ERP system, the Chief Procurement Officer to introduce a comprehensive framework for monitoring procurement transactions (e.g. automation of exceptions reporting, dashboards of disaggregated data, reporting to senior management and acting on non-compliance trends).

Recommendation 5: The Chief Procurement Officer to brief senior management on significant risks of fraud and non-compliance for Direct Contracts and limited competition; present a risk mitigation and compliance monitoring plan; and clarify or revisit and implement procurement policies to ensure all Direct Contracts comply with Financial Regulations and Rules.

The **five Medium (Important) priority recommendations** are related to: (i) strengthening and monitoring procurement planning; (ii) strengthening accountability of managers through induction and performance management; (iii) revising procurement procedures to foster greater vendor interest and competition; (iv) using lessons from E-Procurement in implementation of the new ERP system; and (v) adopting a vendor sanctions procedure.

Low priority recommendations are not included in this report but were discussed directly with management.

IAS also reiterates several recommendations from earlier audits in this report.

Management comments and action plans

Management comments have been taken into account in this report, where appropriate. DMA accepted the above recommendations in principle, subject to the availability of resources. In June 2022, the Chief Procurement Officer submitted an updated business case for UN Women’s procurement and travel functions at headquarters to senior management, also to support implementation of audit recommendations.

The Chief Procurement Officer did not provide, at the time of report issuance, the action plans or implementation dates for the recommendations, citing the pending approval of the business case by senior management. As cited above, IAS understands that their implementation may be contingent on the availability of resources (implementation of Recommendation 1). In accordance with the Charter of the IAS, Section 4.2.f, *“the management of relevant functional units are responsible for responding to recommendations from internal audits and for implementing agreed actions as deemed appropriate.”* Accordingly, the Chief Procurement Officer should provide the action plans as soon as possible. IAS believes the recommendations can be implemented **by 31 December 2023** and has estimated it as their implementation date.

Lisa Sutton

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ACRONYMS AND ABBREVIATIONS

CIPS	Chartered Institute of Procurement and Supply
DMA	Management and Administration Division
ERP	Enterprise Resource Planning
FAS	Facilities and Administrative Services Section
FMS	Financial Management Section
HR	Human resources
IAS	Internal Audit Service
IEAS	Internal Evaluation and Audit Services
JIU	Joint Inspection Unit
KPI	Key performance indicator
LTA	Long-term agreement
P2P	Procure-to-Pay
PO	Purchase order
PPG	Policy, Procedure and Guidance
UNDP	United Nations Development Programme
UNDP OAI	United Nations Development Programme Office of Audit and Investigations
UNFPA	United Nations Population Fund
UN OIOS	United Nations Office of Internal Oversight Services
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
US\$	United States dollar

I. INTRODUCTION

During the risk assessment for its 2019–2021 multi-year audit plan, the Internal Audit Service (IAS) identified UN Women’s procurement of services as a high inherent risk area due to: (a) the materiality of procurement expenditure, particularly for services; (b) decentralized organizational structure of operations, including procurement; (c) inadequate staffing structures for procurement functions at headquarters and individual field locations; and (d) issues with sustaining audit recommendations from past internal audits.

The procurement process was audited as a stand-alone process by the United Nations Development Programme’s Office of Audit and Investigations (UNDP OAI) in 2014.² At that time, **UNDP OAI assessed the UN Women procurement function as unsatisfactory**, which means that *“internal controls, governance and risk management processes were either not established or not functioning well”*. This rating was mainly due to the **lack of adequate governance and oversight over the procurement function**; the **inadequate system for the provision and management of advisory services**; and **weak procurement operations**.

The UN Women IAS 2021 Summary Report on Meta-synthesis of Results from Field Office Internal Audits³ summarized common issues identified in governance, risk management and controls in 14 field offices between 2018 and 2020. The main areas noted for improvement related to the procurement function in field offices including inadequate procurement planning or not using plans proactively for timely sourcing strategies and actions; absence of exception reporting to monitor deviations from the Procurement Policy; and insufficient market research to generate effective competition.

² UNDP OAI Report No. 1223, 13 February 2014: <https://www.unwomen.org/en/about-us/accountability/audit/internal-audit-reports>

³ Report IEAS/IAS/2021/002: <https://www.unwomen.org/en/about-us/accountability/audit/internal-audit-reports>

II. BACKGROUND

Procurement is a vital business support function which enables UN Women to deliver its programme objectives. Its conduct and management are governed by UN Women’s *Financial Regulations and Rules*,⁴ which guided UN Women’s *Contract and Procurement Management Policy*, issued in December 2015, and other procedures and guidance. In November 2021, the Contract and Procurement Management Policy was superseded by an updated Procurement and Contracts Management Policy and a set of procurement procedures. Under delegated authority from the Executive Director, the Director, Division of Management and Administration (DMA) is the Chief Procurement Officer for UN Women and is accountable for all procurement functions (Financial Regulations and Rules, Rule 2401). UN Women’s procurement function is largely decentralized. Delegated authority and levels of delegation are set out in the Delegation of Authority Framework Policy. This means that purchasing transactions are initiated and processed in various field offices, with approval ceilings for Country Offices and Multi-Country Offices up to US\$ 100,000, and for Regional Offices up to US\$ 250,000. Transactions are also initiated in business units at headquarters and processed by the headquarters Procurement Section, with the Chief Procurement Officer’s approval. The Procurement Section reports to the Chief Procurement Officer, via the Deputy Director of Operations, DMA.

UN Women’s procurement is founded upon four general principles, defined in Financial Regulations and Rules and further explained in the Contract and Procurement Management Policy:

Best Value for Money. *The bid is selected that presents the optimum combination of life cycle costs and benefits that meet the needs of the business unit or programme. ... To ensure that best value for money is obtained, the process of soliciting bids and selecting a contractor shall: (i) maximize competition; (ii) minimize the complexity; (iii) ensure impartial and comprehensive evaluation of*

⁴ UN Women’s Financial Regulations and Rules, 9 April 2012: <https://digitallibrary.un.org/record/726808?ln=en>

solicited bids; and (iv) ensure selection of the contractor whose bid has the highest degree of realism and whose performance is expected to best meet the business unit's specifications, statement of works, or terms of reference.

Fairness, Integrity and Transparency. *Business units are responsible for protecting the integrity of the procurement process and maintaining fairness in the treatment of all parties presenting bids. Sound procurement requires that business units ensure openness of the process, probity, complete and accurate records, accountability, and confidentiality.*

Effective Competition. *The objective of competitive processes is to provide all eligible potential contractors with timely and adequate notification of the procurement requirements and an equal opportunity to tender for the required goods, civil works and services. Business Units shall ensure that restrictions are not placed on the competitive processes limiting the pool of potential contractors.*

Interests of UN Women. *Four considerations guide the determination of the interests of UN-Women. Briefly summarized they are: (i) the need for economy and efficiency; (ii) equitable access to procurement opportunities; (iii) equal opportunity to compete in providing goods, civil works or services; and (iv) transparency in the procurement process.*

In global terms, **UN Women's procurement spend** is only 0.7 per cent of the total United Nations procurement expenditure.⁵ However, it is a **material element of UN Women's expenditure**. Based on the UN Women Procurement Dashboard, the **combined procurement spend for 2019–2021 was US\$ 419.7 million**,⁶ approximately **30 per cent of UN Women's total expenditure** of US\$ 1,417.3 million.⁷ However, IAS noted that Procurement Dashboard data also included purchase order (PO) values for

individual consultant contracts and some other personnel emoluments, building rent and field common premises costs. These are not part of the audit scope and generally not part of procurement workflow in UN Women (these areas are sometimes serviced by the Buyer function in field offices, e.g. where procurement, human resources (HR) and administration tasks are performed by the same personnel. The headquarters Procurement Section also has a limited role in lease renewal (building rent) for headquarters premises, principally handled by the DMA Facilities and Administrative Services Section (FAS)). For this audit, IAS primarily used comparative Atlas data on the procurement POs issued, based on which the **combined procurement spend for 2019–2021 was US\$ 219.1 million**.⁸ This did not include **small value procurements for 2019–2021** not processed through POs (called 'non-PO vouchers'), **totalling US\$ 10.5 million** (based on the Procurement Dashboard).⁹ **Both PO and non-PO procurement totalled US\$ 229.6 million or approximately 16 per cent of UN Women's total expenditure.**

Based on Atlas data on issued POs, **headquarters' procurement in 2019–2021 was US\$ 46.6 million (or US\$ 47.2 million including non-PO vouchers) or 21 per cent of the global procurement value**.¹⁰ While outside of the audit scope, importantly, the **Procurement Section** was also interim business process owner for travel and **cleared travel POs for headquarters, with a total value of US\$ 5.9 million in 2019–2021** for travel POs issued through the Atlas Travel module **and an additional US\$ 3.1 million** for regular travel POs (based on Travel Dashboard).¹¹ In addition, based on Atlas data on issued POs, **building rent at headquarters in 2019–2021 totalled US\$ 15.1 million**¹² (see the Procurement Section's role discussed above).

Based on Atlas data on issued POs, **field office procurement in 2019–2021 was US\$ 172.5 million (or US\$ 182.4 million including non-PO vouchers) or 79 per cent of the global procurement value**.¹³ While outside of the audit scope, Buyers in **field offices**

⁵ 2019 Annual Statistical Report of United Nations Procurement: https://content.unops.org/publications/ASR/ASR2019_EN.pdf

⁶ Procurement Dashboard data as at March 2022. There may be rounding errors and adjustments in Dashboard data, which may also be subject to subsequent changes.

⁷ Total expenditures for 2019 (US\$420.9 million) and 2020 (US\$439.5 million) according to UN Women's audited financial statements, and for 2021 (US\$556.9 million) based on Atlas general ledger trial balances data.

⁸ Atlas data on issued POs as at March 2022. PO values may or may not have been ultimately paid.

⁹ Procurement Dashboard data as at March 2022.

¹⁰ Atlas data on issued POs as at March 2022; non-PO voucher data based on Procurement Dashboard as at March 2022.

¹¹ Travel Dashboard data as at March 2022. There may be rounding errors and adjustments in Dashboard data, which may also be subject to subsequent changes.

¹² Atlas data on issued POs as at March 2022.

¹³ Atlas data on issued POs as at March 2022; non-PO voucher data based on Procurement Dashboard as at March 2022.

generally also processed **travel POs, with a total value in 2019–2021** (based on [Travel Dashboard](#)) of **US\$ 45.2 million**.¹⁴ In addition, based on [Atlas data](#) on issued POs for field offices in 2019–2021, individual consultant contracts and some other personnel emoluments totalled **US\$ 118.4 million**, and **building rent and common premises costs in the field totalled US\$ 14.8 million**,¹⁵ areas that were sometimes serviced by Buyers in field offices.

In field offices, procurement activity was distributed across approximately 98 field offices, i.e. Regional, Multi-Country, Country, Programme Presence¹⁶ and Liaison Offices (in 2021 – 93 field offices). In 2021, 24 field offices each spent more than US\$ 1 million on procurement, a total of US\$ 39.1 million, or 58 per cent of total field procurement value. The average procurement spend per field office location was well below US\$ 1 million (US\$ 726,000).¹⁷

As shown in **Table 2** below, the largest portion of procurement expenditure relates to services (81 per cent), followed by goods (14 per cent) and small procurement through non-PO vouchers (5 per cent). Average headquarters PO values were three to five times higher than field office PO values. This was mainly attributable to high-value information technology, consulting and other services.

Table 2: UN Women annual procurement expenditure, 2019–2021

Procurement spend nature	2019 (US\$ million)	2019 PO number & average values	2020 (US\$ million)	2020 PO number & average values	2021 (US\$ million)	2021 PO number & average values
Headquarters	14.5	633	16.6	498	16.2	421
Services (POs)	13.7		16.3		15.3	
Goods (POs)	0.4		0.2		0.7	
Non-PO Vouchers	0.4		0.1		0.2	
Field offices	52.8	8,489	58.2	6,939	71.4	8,341
Services (POs)	41.8		43.7		56.0	
Goods (POs)	8.4		11.1		11.5	

¹⁴ Travel Dashboard data as at March 2022.

¹⁵ Atlas data on issued POs as at March 2022.

Procurement spend nature	2019 (US\$ million)	2019 PO number & average values	2020 (US\$ million)	2020 PO number & average values	2021 (US\$ million)	2021 PO number & average values
Non-PO Vouchers	2.6		3.4		3.9	
Total	67.3	9,122	74.8	7,437	87.6	8,762
Total, POs only	64.3	9,122	71.3	7,437	83.5	8,762
Average PO values, headquarters		22,201		33,126		38,068
Average PO values, field offices		5,914		7,900		8,094
Average PO values, globally		7,045		9,590		9,534

Source: Atlas data on issued procurement POs and Procurement Dashboard data (for non-PO vouchers) as at March 2022. Note: Average spend per PO excludes values of non-PO vouchers.

Table 3 analyses procurement POs in 2019–2021 by monetary strata. It indicates that larger numbers of POs are processed with smaller values; however, the largest total procurement values (for POs between US\$ 5,000 and US\$ 50,000) generally corresponded either to competitive procurements following informal methods of solicitation or to direct procurements:

Table 3: Procurement POs by monetary strata, 2019–2021

PO strata band in US\$	2019		2020		2021	
	No. of POs	Sum of PO values, US\$ million	No. of POs	Sum of PO values, US\$ million	No. of POs	Sum of PO values, US\$ million
Below 500	2,221	0.5	1,720	0.4	1,829	0.4
500-2,500	2,939	3.8	2,182	2.9	2,615	3.4

¹⁶ During the audit period, the status of UN Women's earlier Programme Presence Offices was progressively reviewed for transition to other modalities.

¹⁷ Atlas data on issued POs as at March 2022.

PO strata band in US\$	2019		2020		2021	
	No. of POs	Sum of PO values, US\$ million	No. of POs	Sum of PO values, US\$ million	No. of POs	Sum of PO values, US\$ million
2,500-5,000	1,786	6.5	1,440	5.3	1,823	6.8
5,000-50,000	1,983	29.2	1,878	30.7	2,218	38.0
50,000-100,000	120	8.1	120	8.3	174	12.2
100,000-250,000	59	9.4	70	11.3	78	11.4
250,000-500,000	7	2.3	17	5.8	19	6.4
Above 500,000	7	4.4	10	6.6	6	4.9
Total	9,122	64.3	7,437	71.3	8,762	83.5

Source: Atlas data on issued procurement POs as at March 2022

Table 4 analyses 2019-2021 combined procurement expenditure for headquarters and 19 field offices for expenditure above US\$ 3 million. As indicated, several of these offices did not have dedicated procurement personnel. IAS attempted to assess procurement personnel costs for each location, but this was not practical because various personnel in field offices (not counted in **Table 3**) had other duties besides procurement.

Table 4: Headquarters and individual field office procurement expenditure (POs) over US\$ 3 million in 2019-2021 combined

Location	2019-2021 Combined procurement expenditure (POs only, US\$ million)	No. of POs, 2019-2021	Dedicated Procurement personnel, December 2021
Headquarters (42 business units)	46.6	1,552	8 (7 Buyers, of which 3 worked remotely & 1 Approver)
Jordan CO	10.0	582	3
Regional Office for Asia & Pacific	7.4	403	3

¹⁸ The two vacancies at P3 level were filled in mid-2022.

Location	2019-2021 Combined procurement expenditure (POs only, US\$ million)	No. of POs, 2019-2021	Dedicated Procurement personnel, December 2021
Uganda CO	4.9	267	0
Liberia CO	4.8	900	1
Ethiopia CO	4.6	640	0
Fiji MCO	4.6	347	0
Mali CO	4.6	712	2
Nepal CO	4.2	269	0
Colombia CO	3.9	619	1
Ukraine CO	3.8	623	1
Egypt CO	3.8	351	1
Pakistan CO	3.5	1266	1
Moldova CO	3.4	286	0
Papua New Guinea CO	3.3	728	0
Mozambique CO	3.3	406	1
Mexico CO	3.2	274	1
Afghanistan CO	3.1	283	1
Georgia CO	3.1	503	0
Chile 'non-resident' Office	3.1	158	0

Source: Atlas data on issued procurement POs as at March 2022 and HR Dashboard data as at December 2021. **Note:** Field offices may not always have a fully dedicated procurement function in their structure, in general they have dedicated Buyer(s). HR Dashboard does not capture the number of Buyers who might have other responsibilities beyond procurement.

During the audit, the **headquarters Procurement Section**, led by a Procurement Specialist (P4), had only one other professional staff (and one professional staff member on long-term sick leave), seven General Services staff and one consultant. At the end of the audit, the Procurement Section's HR situation weakened further (due to staff departures as well as discontinued funding), leaving only a Procurement Specialist (P4), five General Services staff, three consultants and vacancies for two professional staff positions.¹⁸ Three of the personnel worked remotely. Seven of the personnel were dedicated Buyers and one was an Approver for procurement transactions. In addition, two other consultants worked on integrating procurement in UN Women's new enterprise resource planning (ERP) system. One other part-time consultant also served

as the Secretary to the headquarters Procurement Review Committee and reported directly to the Chief Procurement Officer.

The Procurement Section's budget and expenditure in 2019–2021 are summarized in **Table 5** below. In 2021, the budget provided comprised 71 per cent of the amount requested in the Annual Work Plan.

Table 5: Headquarters Procurement Section's budget and expenditure, 2019–2021

Year	2019	2020	2021
Budget requested, US\$	2,449,660	1,738,956	2,093,839
Budget provided (Institutional Budget resources), US\$	1,560,767	1,760,636	1,476,839
Expenditure (Institutional Budget resources), US\$	1,680,113	1,622,465	1,408,253

Source: Results Management System and Project Delivery Dashboard data as at March 2022. Note: In 2020, the 'requested budget' had to match the allocation provided by senior management.

For **field offices**, at the end of the audit, IAS identified 40 locally recruited personnel with job titles involving procurement, including only 2 National Professional Officers at NOB level, 20 General Service staff, 14 service contractors, 2 consultants and 2 UN volunteers.¹⁹ Approximately half of all field offices had designated procurement positions. Many administrative associates and assistants also were designated Buyers and performed procurement tasks but were not classified as procurement associates or assistants.

Overall, 175 personnel organization-wide performed Buyer functions in 2021; 135 of whom each processed POs totalling more than US\$ 100,000 and 40 processed less POs, possibly assisting as an alternate Buyers.²⁰ At the same time, 468 personnel had completed UN Women's CIPS²¹ Level 3 (Certificate) training, and an additional 24 personnel had completed Level 4 (Diploma) training, all of whom could support the procurement function.²²

Members of headquarters, regional and local Procurement Review Committees are

appointed from UN Women staff, in accordance with the Contract and Procurement Management Policy. The Procurement Review Committees' mandate is to determine whether procurements above established thresholds were conducted in accordance with the policy, and submit written recommendations to the delegated procurement authority.²³

III. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

The audit objective was to assess **whether UN Women manages its procurement of services in an effective and efficient manner, and in compliance with applicable regulations**. IAS' approach was guided by the four general procurement principles prescribed in the Financial Regulations and Rules, namely: (i) best value for money; (ii) fairness, integrity and transparency; (iii) (open and) effective (international) competition; and (iv) the interests of UN Women.

The audit scope covered the following areas:

- (a) **Effectiveness of governance arrangements** in defining ownership and accountability for implementation of the Contract and Procurement Management Policy, including management oversight of headquarters and field office procurement activities.
- (b) **Adequacy of the procurement function's structure, procurement strategy and planning** in the context of a decentralized organization and United Nations reforms (for example, outsourcing of procurement services through 'Common Back Offices').
- (c) **Adequacy of policy, procedure and guidance (PPG)**, and ensuring that key risks associated with procurement are properly addressed.
- (d) **Effectiveness of existing controls** (Contract and Procurement Management Policy and related PPG), including compliance thereto, ensuring that procurement

¹⁹ HR Dashboard data as at December 2021.

²⁰ Besides procurement, this also includes POs for travel, individual consultant contracts and some other personnel emoluments, building rent and field common premises costs.

²¹ Chartered Institute of Procurement and Supply.

²² IAS did not determine the Full-Time Equivalent number of personnel involved in procurement, among those who had completed the training.

²³ See Contract and Procurement Management Policy, section 9, for details.

practices are aligned with organizational policies and priorities, and are not misused.

- (e) **Efficiency of the procurement process** to serve the needs and requirements of UN Women management and personnel.

The audit focused on the transactions and risks identified in the **procurement of services** from **1 January 2019 to 31 March 2021**. Sampled procurement transactions were drawn from headquarters and field offices. The audit also focused on the state of procurement function in late 2021/early 2022.

The audit excluded the procurement of travel services, leases of premises and engagement of individual consultants from its overall scope and transaction testing because these subject matters were addressed in earlier IAS audit reports.

The audit experienced some **scope limitations** (referred to within the report) due to data search constraints in UN Women's ERP system Atlas, other systems or dashboards, and data or responses not being provided by some Regional and Country Offices. Therefore it was not possible to define total accurate populations of Direct Contracts and non-PO vouchers.

IAS followed the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing*²⁴ in conducting this audit.

The audit included a review of relevant documents, information systems and dashboards on procurement (including UN Women PPG, strategic, planning and HR information, previous audits and other reviews, Procurement dashboards, Atlas, E-Procurement and headquarters Procurement Review Committee data, as well as other United Nations organizations documents and data for benchmarking purposes); a review of case studies of procurement transactions (including detailed documents evidencing the procurement process); interviews of and exchanges with personnel at UN Women headquarters, Regional Offices, some Country Offices, and other United Nations organizations; and a procurement survey of UN Women personnel both at headquarters and field offices. The headquarters survey aimed to obtain feedback from Heads of business units: 19 participants responded of 42 contacted (none of IEAS

business units were involved), while the field office survey to 85 heads of offices generated 20 responses.

²⁴ <https://na.theiia.org/standards-guidance/mandatory-guidance/pages/standards.aspx>

IV. AUDIT RESULTS

A. Sustainability of implementation of previous audit recommendations

Observation 1: Previously identified procurement governance, risk management and internal control issues should be sustainably addressed

IAS reviewed previous internal audit findings and recommendations,²⁵ where procurement was reviewed as a stand-alone process, as part of comprehensive field audits, or in some investigations:

The *Audit of the Procurement Function of UN Women* by UNDP OAI in 2014²⁶ assessed the procurement function as **unsatisfactory** mainly due to: the **lack of adequate governance and oversight over the procurement function**; the **inadequate system for the provision and management of advisory services**; and **weak procurement operations**. Several of these issues emanated from the decentralization of the procurement function without necessary assessment of the following: (a) the organization's procurement needs and profile; (b) the inherent risks in a decentralized structure; (c) the resources (staffing, systems, processes and training) required to have a robust organizational structure; and (d) the institutional arrangements that support the discharge of procurement roles, responsibilities and accountabilities. Every area of institutional arrangements that were audited at that time (governance and strategic management, procurement oversight and advisory services) and of procurement operations (planning and preparedness, vendor management and procurement capacity) were rated as *unsatisfactory*. The UNDP OAI audit raised 12 issues and made 12 recommendations (of which ten related to procurement): nine were ranked high (critical) priority, meaning that *"prompt action was required to ensure that UN Women was not*

exposed to high risks. Failure to take action could result in major negative consequences for UN Women." A follow-up audit report issued by UNDP OAI in June 2015²⁷ reported that ten of the recommendations had been implemented (one more was closed as implemented in December 2015 and one more was withdrawn). This report provided a good degree of assurance that UN Women's procurement function had improved and was operating satisfactorily.

However, the current IAS audit established (see further sections) that several of the most critical actions proposed by management to address the serious shortcomings identified had either not been fully sustained after they were considered implemented, were only partially implemented, or were implemented over a longer period than originally planned. Some of the UNDP OAI recommendations also failed to achieve the desired impact. In the critical area of staffing capacity (e.g. UNDP OAI Recommendations 1, 2 and 3), while some additional resources had been provided, **they were insufficient to reform and strengthen a growing procurement function**. Significant additional tasks and responsibilities also arose from the introduction of an E-Procurement system, procurement planning and advisory services. The major weaknesses identified in 2014 i.e. **lack of monitoring and oversight over decentralized units** (field offices) and **weak risk management**, also remained unaddressed. In IAS' view, the main reason for not fully implementing key recommendations appeared to be **senior management's lack of attention or unwillingness to allocate sufficient resources (despite several requests by the Chief Procurement Officer) to address staffing and structural issues in a fast-growing field programme, to enable a procurement function with strong capacity, to strive for the best value for money (and saving funds) in procurement and to meet the needs of UN Women and donors**. These defects and further governance and control weaknesses identified further in this report have resulted in a substandard operating environment and elevated risks related to the procurement of services. The

²⁵ UN Women did not establish its own Internal Audit Service until 2018. Prior to this, internal audits were conducted by UNDP OAI.

²⁶ UNDP OAI Report No. 1223, 13 February 2014: <https://www.unwomen.org/en/about-us/accountability/audit/internal-audit-reports>

²⁷ UNDP OAI Report No. 1435, 3 June 2015: <https://www.unwomen.org/en/about-us/accountability/audit/internal-audit-reports>

consequences of the weak governance and control environment in UN Women, in terms of procurement, have been acknowledged in the headquarters Procurement Section's risk register. IAS did not re-open any earlier closed recommendations but has made new recommendations addressing weaknesses in procurement governance and internal controls observed in the current audit (**see Section V, Recommendations**).

Several positive achievements by the small Procurement Section were noted, including implementation of a procurement planning process and an E-Procurement system, which increased productivity, standardized processes and improved records management. One of the Procurement Section's main responsibilities is to provide training on all procurement matters. A component of the section's strategy elaborated in 2015 (see also Section C) was to provide training to build internal capacity and skills, and to ensure a qualified and externally certified cadre of procurement practitioners in UN Women. As mentioned previously, between 2016 and 2021, 468 personnel were certified by CIPS at Level 3 (Certificate) and further 24 personnel at Level 4 (Diploma). The certified personnel were distributed across the organization, with most of them (28 per cent) in the Asia and the Pacific region. This is an excellent result, and management can have assurance that there is a cadre of professionally trained personnel to support the procurement function. However, while CIPS training is relatively expensive (around US\$ 1,200 per person, as well as potential travel costs), the majority of these personnel were not deployed in procurement roles.

The Procurement Section also led a gender-responsive procurement initiative among United Nations organizations.

The **IAS 2020 Lessons Learned Report**²⁸ communicated to UN Women management the gaps in internal control design, or failures by personnel or their respective managers to comply with controls, as identified by UN Women's investigation services provider, the United Nations Office of Internal Oversight Services (UN OIOS) during its official investigations related to UN Women in 2019. These gaps and failures may have contributed in part to wrongdoing. IAS made several recommendations to ensure that UN Women's internal control environment and system mitigates, to the extent possible,

the risk of wrongdoing, and that personnel and managers responsible for compliance with policy and controls, are aware of potential deviations. Three of the recommendations related to procurement: to strengthen corporate processes and monitor compliance with the Contract and Procurement Management Policy; to strengthen accountability and independence of local Procurement Review Committees, raising awareness through training; and to ensure procurement training on confidentiality in procurement process and disclosing potential conflicts of interest. IAS would like to reiterate their continuous implementation, noting that some of these issues were also observed in the current audit. Furthermore, some other instances of non-disclosed conflicts of interest in procurement had been reported by various sources to UN OIOS and investigated.

IAS 2021 Summary Report on Meta-synthesis of Results from Field Office Internal Audits²⁹ summarized common issues identified in governance, risk management and controls in 14 field offices between 2018 and 2020. In ten offices, procurement management was assessed overall with *some improvement needed* and, in two offices, as *major improvement needed*. The main areas for improvement in the procurement function included: (a) field offices did not always plan timely and proactive procurement actions; (b) absence of exception reports to monitor frequent deviations from policy; and (c) insufficient market research, potentially leading to inherent problems in securing a sufficient number of participating bidders to ensure effective competition and good value for money.

IAS made various recommendations to business process owners at headquarters. Recommendation 15 in that report was made to the headquarters Procurement Section to (a) *work on a strategy to professionalize the regional procurement function*; (b) *remind field offices to record procurement exceptions, using templates or a system*; (c) *explore the new ERP system for procurement exception reports and monitoring dashboards*; and (d) *assess the costs and benefits, and take necessary action to automate procurement planning and contract management as part of the plan-procure-pay cycle, including receipt of bids in a dedicated centralized email account*. At the time of the current audit, this recommendation had not yet been implemented. While taking into consideration

²⁸ Interoffice memorandum dated 9 July 2020 from the Director, IEAS, to the Director, DMA.

²⁹ Report IEAS/IAS/2021/002, 5 April 2021: <https://www.unwomen.org/en/about-us/accountability/audit/internal-audit-reports>

resource limitations and ongoing corporate initiatives, which should provide direction, including implementation of the new ERP system (see further sections for more details), IAS would like to reiterate the above-mentioned recommendation.

B. Procurement governance and institutional arrangements

Observation 2: The procurement regulatory framework should define responsibilities and accountabilities for procurement monitoring, while procurement delegation of authority limits should be better aligned with procurement capacities, risks and needs

The regulatory framework does not include a Second Line of Defence concept

The UN Women procurement regulatory framework is similar to most other United Nations organizations. It consists of the Financial Regulations and Rules, specifically Regulation 24; the Contract and Procurement Management Policy containing UN Women's procurement principles and procedures, issued in December 2015 and which by inference reflects prior audit recommendations and management commitments; the Rapid Response Procurement Procedures issued in October 2017; the Delegation of Authority Framework Policy; and the Internal Control Policy. In November 2021, the previous Contract and Procurement Management Policy was superseded with an updated Procurement and Contracts Management Policy and a separate set of procurement Procedures. This revision did not make changes to policy, but its purpose was to separate policy content from procedural guidance, which was moved to the Procedures. However, UN Women intended to make further material revisions to both the Policy and the Procedures (altogether also referred to as 'PPG'). In early 2022, a Procurement Policy Advisory Group was established to make proposals for further changes to such PPG and procurement practices.

No formalized Second Line of Defence concept has been established in the policy for field procurement. The headquarters Procurement Section fulfils several functions in support of procurement and contracting organization-wide, as outlined in the policy. However, **the Procurement Section's responsibilities and accountabilities do not extend to management oversight of the procurement function in field offices, which**

collectively incur over 70 per cent of procurement expenditure. Under existing decentralization, responsibility and accountability for field procurement rests with Country Office, Multi-Country Office and Regional Office Heads, operating under delegated authority from the Chief Procurement Officer. Furthermore, **the policy does not set out formal responsibility for Regional Offices to monitor or review procurement in individual Country Offices within their regions**, as confirmed by Regional Operations Managers. The Chief Procurement Officer has no designated resources through the Regional Offices to monitor or oversee local procurement to derive assurance that such procurement conforms with Financial Regulations and Rules, PPG and four procurement principles.

Procurement delegation of authority limits are not aligned with procurement capacities, risks and needs

UN Women operates under a fully decentralized organizational approach to procurement through delegation of procurement authority. The Executive Director is responsible and accountable to the Executive Board for all phases and operational aspects of UN Women activities under the Financial Regulations and Rules but, while retaining all accountability, may delegate to Deputy Executive Directors, the Director, DMA, or to other UN Women officials any such authority not expressly assigned under the Financial Regulations and Rules.

Table 4 of the Delegation of Authority Framework Policy establishes monetary limits for the value of contracts that may be awarded by field office management. Regional Directors are authorized to award contracts up to US\$ 250,000 (or up to US\$ 500,000, if provided additional delegation of authority). These levels appeared high compared to average PO values: only eight POs above US\$ 100,000 were issued by all Regional Offices combined in 2021. Also, Country Office Representatives can award contracts up to US\$ 100,000 or US\$ 250,000, depending on their delegation of authority. However, in 2021, only 49 POs from field offices were issued with a value between US\$ 100,000 and US\$ 250,000; 13 POs between US\$ 250,000 and US\$ 500,000; and only one PO above US\$ 500,000.³⁰

³⁰ Atlas data on issued POs as at March 2022.

Furthermore, field offices are allowed to initiate and conduct procurement transactions above their delegation of authority, subject to later review of these transactions by the respective regional or headquarters Procurement Review Committee and approval by the Regional Director or the Chief Procurement Officer, respectively. Other United Nations organizations generally do not allow field offices to initiate and conduct procurement transactions above the established delegation of authority, centralizing these transactions within the headquarters procurement team or a dedicated shared services centre, i.e. procurement hub (unless the field offices concerned have a professional procurement officer with a dual reporting line, for example, to the headquarters procurement team and the field office head).

Unlike HR, Security or Finance, the procurement function is not fully professionalized in all Regional Offices and has not been fully extended to monitoring and oversight of procurement activities by Country Offices within the regions. There is a need for increased procurement function capacity at the regional level, to correspond to the overall growth of UN Women's programme of work (field procurement has increased from US\$ 52.8 million in 2019 to US\$ 71.4 million in 2021). Increased capacity would enable Regional Offices to provide oversight, conduct complex procurement and provide the support required by Country Offices. Current procurement staffing levels at Regional Offices were not adequate to provide such services. At the end of the audit, only one Regional Office (Arab States) had a professional Procurement Officer (NOB level). Other Regional Offices had General Service procurement associates (G5 to G7 level), consultants or other personnel supporting the procurement function. The risks related to lack of capacity were further elevated by the reporting lines of procurement associates to regional management. For General Service staff, it might be difficult to challenge decisions made by senior international colleagues.

Furthermore, although procurement has been decentralized to Country Offices, their procurement function was sometimes performed by an administrative associate in addition to other functions, such as HR, rather than by a dedicated procurement associate. Without a professionalized procurement function in field offices to effectively adhere to public procurement principles, and with no formal monitoring or oversight by

a Second Line of Defence, the risks of fraud and corruption occurring, or not being detected in a timely manner, and of poor value for money, are very high. Moreover, subsequent detective controls are very limited due to the absence of exception-based reporting to identify cases of exceptional procurements (direct procurements or solicitations with limited bids) by an office or vendor.

In early 2022, a corporate working group on delegation of authority matters was established to make proposals for changes to the delegation of authority framework, including in procurement. The proposals were reviewed by the Procurement Policy Advisory Group. The working group developed a proposal (yet to be formalized and implemented) with several levels of delegation of authority for procurement, depending on each office's annual procurement volume, capacity (professionalization), performance and risk indicators.

Observation 3: Procurement delegation of authority controls should be automated

Authorizations of delegation of authority were communicated through letters, which sometimes did not indicate the exact level of the delegation of authority and were not incorporated in Atlas or any other automated control system. Therefore, there was no validation that contracts were actually approved by persons possessing the correct level of delegation of authority. The audit was not designed to include a substantive validation of delegated contract awards; however, one case was noted where a Regional HR Business Partner (untrained in procurement) signed a Direct Contract valued at US\$ 48,750, while the individual was only delegated to award contracts up to US\$ 30,000.³¹

Furthermore, although, at the end of 2021, UN Women had just 48 procurement personnel (8 Buyers or Approvers at headquarters and 40 procurement personnel in field), overall, 175 Buyers had processed POs in Atlas during 2021 (part of these POs were not related to procurement but to travel, individual consultant contracts or office premises). However, there were no controls in Atlas to differentiate if an authorized Buyer was qualified (e.g. CIPS-certified) to conduct procurement or assigned only to

³¹ As there were multiple failures involved, this transaction is discussed in Section C.

process POs. Procurement Section was not involved in assigning or monitoring Buyer roles in Atlas.

UN Women's new ERP system ideally should include automated delegation controls to ensure that procurement delegation limits are not exceeded as well as that 'case manager' (to conduct procurements and process procurement POs) and 'general Buyer' (to process other POs) roles are separated.

In its Summary Report on Meta-synthesis of Results from Field Office Internal Audits,³² IAS recommended (Recommendation 12) that DMA *automate the Internal Control Framework and Delegation of Authority processes via an online tool*.

Observation 4: Committing to and implementing a procurement strategy

The 2014 UNDP OAI audit noted the lack of a corporate procurement strategy and planning. It recommended that the headquarters Procurement Section develop and implement a corporate procurement strategy and plan aligned with the UN Women Strategic Plan. The first iteration of the proposed corporate procurement strategy (plan) was presented in December 2015.³³ Five main objectives were outlined to: (i) identify strategic procurement objectives; (ii) develop a comprehensive profile of the organization's procurement needs (including spending analysis and risk analysis); (iii) analyse the organization's procurement function and capabilities; (iv) ensure the corporate procurement plan is based on inputs from headquarters business units and field office plans; and (v) consider implementing an electronic solution to enhance these processes. IAS was informed that the proposed strategy (plan) was not endorsed by senior management; therefore, some of the objectives in the strategy could not be delivered. This has contributed to notable long-term negative impacts, particularly on procurement staffing, structure and resources (see further findings). IAS' view is that the objectives in the proposed strategy were valid and, if properly approached, could

provide senior management with the fundamental basis to follow public procurement principles.

A subsequent strategy iteration was proposed (but not formally endorsed) for 2017–2018, focusing on four objectives: (i) simplification of policies and procedures; (ii) automation of processing (introducing an E-Procurement system); (iii) cost reduction; and (iv) acceleration of processing speed, by reducing bidding lead times by 50 per cent and increasing Procurement Review Committee review thresholds (eliminating Procurement Review Committee reviews of contracts under US\$ 100,000). However, the proposed strategy did not cover key objectives related to the procurement function, but rather focused on process streamlining, which was a quite different approach and did not replace the need for a procurement function strategy. Some positive improvements were noted, e.g. the introduction of an E-Procurement system.

These strategy documents had not been communicated across the organization. The Procurement Section tried to implement the proposed strategies but, without senior management's endorsement and appropriate resource allocation, its efforts were only partially successful. Critically, the structural and staffing issues highlighted in the first strategy iteration as well as defining the organization's procurement needs, risks and mitigating actions, seem to have disappeared from the second strategy document, without resolving the situation.

In addition, the Procurement Section drafted a brief 'Strategic Note 2016–2023', outlining some 'key risks and risk mitigation' for UN Women's procurement and basic output measures and targets (see Observation 8). However, this did not serve as a strategy document.

In mid-2022, DMA was preparing its Strategic Note for entire Division, following the corporate initiative to elaborate Strategic Notes for headquarter Divisions. This Strategic Note covered in part also the procurement function. However, corporate procurement will benefit from a further elaborated strategy (see Recommendation 2).

³² Report IEAS/IAS/2021/002: <https://www.unwomen.org/en/about-us/accountability/audit/internal-audit-reports>

³³ "Strategy to Achieve Procurement Excellence 2015 Beyond", Procurement Section, December 2015

Observation 5: Headquarters and field procurement staffing capacity should be strengthened

The Director (D2 level), DMA, is the Chief Procurement Officer for UN Women and is responsible and accountable to the Executive Director for the procurement function in all UN Women locations (Financial Regulations and Rules, Rule 2401). However, the Chief Procurement Officer's direct authority is limited to the headquarters Procurement Section. The Chief Procurement Officer lacks formalized direct authority and control over field procurement activities where the function is controlled by the Head of each Regional, Multi-Country or Country Office. In the past, the Chief Procurement Officer has also been assigned additional temporary senior regional roles, and the Chief Procurement Officer's role has been delegated to Officer(s) in Charge on a rotation basis. While serving other organizational priorities and needs, this also naturally reduced the time available to oversee and manage the entire procurement function. The Chief Procurement Officer is supported by a Deputy Director of Operations (D1 level), DMA, who has specific responsibility for: procurement planning and monitoring to maintain oversight, including development of procurement planning; ensuring compliance with procurement guidelines; evaluating the attainment of value for money; and monitoring, identifying and reporting on any irregularities in the procurement process. However, as mentioned in Observation 2, the Chief Procurement Officer (or his Deputy) have no designated resources to monitor procurement in the field.

Headquarters procurement staffing

The headquarters Procurement Section formally had no Chief and was led by a Procurement Specialist (P4). At the end of the audit, the section had only two vacant professional positions (2 x P3) under recruitment,³⁴ five General Service staff (4 x G7, 1 x G6) and three consultants. Three of the personnel worked remotely. One of the General Service staff (G7) focused on procurement policy support, and only seven personnel (including three consultants) were dedicated Buyers, none of whom were

professional staff (despite this being a core function for staff [not consultants] and, primarily, professionals). During the audit, the Procurement Section filled two more General Service staff positions (2 x G6), but their funding was discontinued in late 2021. Incumbents of these two positions were rehired among the consultants cited above.

While not involved in the Procurement Section's core work, two additional consultants worked on integrating procurement in UN Women's new ERP system, and one additional part-time consultant served as the Secretary to the headquarters Procurement Review Committee and reported directly to the Chief Procurement Officer.

In addition to servicing the procurement demands of all headquarter business units, Trust Funds and Liaison Offices (42 entities), the Procurement Section must fulfil several functions in support of procurement and contracting organization-wide, for example:

- Provide strategic guidance, training and advice on all procurement matters.
- Provide technical Atlas-related procedures training and support on all procurement matters.
- Draft, maintain and update all documents and templates related to the procurement framework.
- Oversee procurement planning and monitoring at UN Women.
- Host the secretariat to the headquarters Procurement Review Committee.³⁵
- Promote knowledge building / sharing in relation to procurement and related matters.
- Manage audit and International Public Sector Accounting Standards (IPSAS) related activities in relation to the procurement function.
- Develop and support the E-Procurement system.

³⁴ One position was on hold from January 2020 to May 2021 due to a staff member's sick leave, following which it became vacant, and one had been temporarily vacant since December 2021 due to the staff member's secondment. Both vacancies were filled in mid-2022.

³⁵ Since 2019, a part-time consultant performing this Secretariat function reported directly to the Chief Procurement Officer and not to the Procurement Section.

Moreover, since August 2020, the Procurement Section has been heavily involved with implementation of the new ERP system.

IAS' view is that the Procurement Section is not adequately structured in terms of capacity and skillset to ensure that UN Women procurement principles are effectively followed. In UN Women, complex (and often high-value) service procurements are typical, where business units need specialized, professional guidance and strong involvement of the Procurement Section. This requires seniority and experience in procurements and contract management which is currently weak in the Procurement Section.

Compared to other corporate functions, the Procurement Section has the lowest grade for the function's lead and the lowest professional staff count. IAS staffing analysis of the main business process owners such as Budget, Financial Management, HR, Information Systems and Telecommunications, Legal, Political Analysis and Programme Development, Programme Support Management, Security and Strategic Planning, showed that all were headed by personnel at least at the P5 level and had 3 to 11 additional fixed-term professional staff, mostly at P3 and P4 level.³⁶

In view of the growing volume, value and complexity of procurement activities, in 2020–2021 the Chief Procurement Officer submitted several requests for additional resources on behalf of the Procurement Section. In addition, the Chief Procurement Officer asked that consultant posts be regularized, and that staffing levels be made commensurate with the section's expanded responsibilities and required knowledge and skills. The requests were turned down by senior management, reportedly on financial grounds. In June 2022, the Chief Procurement Officer reapproached and submitted to senior management an updated business case for procurement and travel functions at headquarters.

The Chief Procurement Officer indicated that the Procurement Section's personnel resources and skillset were insufficient to deliver satisfactory, quality and timely services required by headquarter units. This was also noted in the survey of headquarters units conducted by IAS during the audit: the units mostly rated that the Procurement Section's services were efficient, timely and responsive only "sometimes"

or "rarely" (only 20 per cent of respondents rated the services as "mostly" efficient, 10 per cent as "mostly" timely, and 20 per cent as "always" or "mostly" responsive).

In particular, procurement of specialized consulting services and subsequent contract management is an area which is not well supported by the Procurement Section. Headquarters respondents to the IAS survey commented that procurement colleagues' skillset and experience varied widely, lacking uniform, standard, or consistent and proactive guidance and advice. The biggest challenge cited by business units was that they were not receiving relevant or strategic advice from the Procurement Section on the design of Requests for Proposals or identifying the appropriate procurement process to find vendors with the capacity to respond to UN Women's needs. These remarks align closely with the Chief Procurement Officer's recent analysis when requesting additional resources.

The Procurement Section's risk register highlights critical risks arising from the present staffing structure, indicating that the operating model and lack of adequate staffing do not support the principles of economy of scale, efficiency, effectiveness, value for money and strategic procurement. In IAS' view, this led to procurement cases that did not demonstrate value for money (see Section C). Moreover, the Procurement Section is not able to absorb additional work should any team member be absent (e.g. one Procurement Specialist was on prolonged sick leave from January 2020 to May 2021). In IAS' view, these are high impact and high probability risks. The Procurement Section simply does not have the capacity to deliver a full, professional procurement service, especially for high-value complex service procurements; while also supporting the introduction of a new ERP system in procurement and addressing the recommendations from previous assessments and this audit.

Field office procurement structure and staffing

The 2014 UNDP OAI audit recommended that an assessment be made of the optimal level of resources required to adequately carry out procurement tasks. In response, UN Women management committed to map procurement capacity for strategic alignment between resources and demands. IAS notes that proposals were submitted in 2015 to strengthen procurement capacity in every Regional Office by creation of professional

³⁶ HR Dashboard data as at December 2021.

procurement specialist posts.³⁷ These proposals were not accepted by senior management at the time. Only three of the six Regional Offices managed to establish such posts at NOB level. Reportedly, these positions had lower grades than required to manage complex procurements. Two of the positions were later downgraded due to lack of funds. Consequently, the resources allocated to field office procurement were not based on assessment of the prescribed roles and responsibilities, thereby increasing the risk of sub-performance.

As of December 2021, the procurement function for 93 field locations included 40 personnel dedicated to procurement, of which 22 were staff and 18 other personnel (service contractors, consultants and UN volunteers). In IAS' view, staff posts are better suited for procurement work as the individuals need sustained exposure to procurement to develop skills, loyalty and integrity. Details of the distribution of procurement personnel and their workload throughout the organization are provided in Table 5 below.

Table 6: Headquarters and field procurement staffing and workload

Region	Number of field offices with procurement activity	Procurement personnel	2021 procurement spend (POs only), US\$ million ³⁸	POs under US\$ 50,000 in 2021	POs over US\$ 50,000 in 2021
Americas & Caribbean	18	4	9.7	739	40
Arab States	11	7	12.5	955	40
Asia & Pacific	22	11	16.4	2,153	62
East & Southern Africa	13	7	9.4	1,381	25
Europe & Central Asia	13	4	8.6	1,394	15
West & Central Africa	11	7	10.6	1,499	18

³⁷ DMA presentation dated 22 December 2015 "Strategy to Achieve Procurement Excellence"

³⁸ Provisional as of 1 January 2022

³⁹ The Procurement Section indicated that, beyond issuing POs, its total number of 'tasks' requested and registered by clients in the service tracker system in 2021 was 3,243. Furthermore, this excluded

Region	Number of field offices with procurement activity	Procurement personnel	2021 procurement spend (POs only), US\$ million ³⁸	POs under US\$ 50,000 in 2021	POs over US\$ 50,000 in 2021
Liaison offices and training centre	5	Served by Procurement Section	0.3	18	2
Total, field offices	93	40	67.5	8,139	202
Headquarters Procurement Section ³⁹		8 (7 Buyers of which 3 worked remotely & 1 Approver)	16.0	346	75
Grand total		48 (however, 175 personnel performed Buyer functions)	155.1	8,485	277

Source: Atlas data on issued procurement POs as at March 2022 and HR Dashboard data as at December 2021. Note: Field offices may not always have a fully dedicated procurement function in their structure, while in general they have dedicated Buyer(s). HR Dashboard does not capture the number of Buyers who might have other responsibilities beyond procurement.

The 2014 UNDP OAI audit also highlighted the lack of an overall staffing plan or risk-based assessment of needs, capacity and resources, or potential funding proposal. A brief comparison of procurement staffing compared to procurement values indicated contradictions which could lead to inappropriate procurement; non-compliance with the policy; failure to achieve value for money; potential fraud or corruption. Examples of the consequences of inadequate resources include:

- (a) In response to IAS' survey, only 30 per cent of field offices confirmed that their personnel resources were fully sufficient to manage the procurement function; 40

additional procurement policy and other support as well as work on the new ERP implementation by section personnel.

per cent of field offices stated they didn't have a dedicated procurement position and that the function was covered by other staff.⁴⁰

- (b) Only three procurement specialist positions at NOB level were created in the Americas and the Caribbean, Arab States, and East and Southern Africa Regional Offices. In the Americas and the Caribbean Regional Office, the position was subsequently downgraded to G7 level, while in East and Southern Africa Regional Office, it was converted into a consultant position, due to the lack of funds.
- (c) The Americas and the Caribbean and the Europe and Central Asia regions seemed particularly under resourced with only four procurement personnel in each region, despite both regions each processing more procurement transactions (by number) than headquarters.
- (d) Inadequate procurement staffing contributed to excessive or incorrect usage of Direct Contracting, reducing the potential achievement of or ability to demonstrate value for money. For example, one Country Office had no procurement personnel but its Direct Contract values in 2019–2020 totalled US\$ 659,103 representing 37 per cent of its total procurement of US\$ 1.8 million. Only seven of the Country Office's 126 POs exceeded US\$ 50,000, all other procurements being below this threshold and subject to less competition.
- (e) Another Country Office with no procurement personnel also used excessive Direct Contracting: in 2019–2020, it had 34 Direct Contracting cases totalling US\$ 557,746, representing 41 per cent of its total procurement of US\$ 1.4 million. The Direct Contracts included 16 POs of US\$ 50,000 or less to the same vendor, totalling US\$ 336,314. These transactions warrant **further enquiry** by the Regional Office or headquarters Procurement Section for probity purposes.

In its Summary Report on Meta-synthesis of Results from Field Office Internal Audits,⁴¹ IAS recommended (Recommendation 15, a) that the Procurement Section *work on a strategy to professionalize the regional procurement function*.

⁴⁰ Based on 20 responses to IAS' survey (may or may not be statistically representative).

⁴¹ Report IEAS/IAS/2021/002: <https://www.unwomen.org/en/about-us/accountability/audit/internal-audit-reports>

Observation 6: Strengthening procurement risk management

A United Nations Joint Inspection Unit (JIU) report in 2011 highlighted that procurement activities carry a high inherent risk and therefore require proper risk management.⁴² Risk is elevated in a decentralized organization such as UN Women where procurement is delegated to field offices. The JIU recommended integrating risk management into the procurement process; addressing the operation of procurement units; analysis of procurement activities; and conducting individual procurements.

UN Women does not have a targeted corporate risk assessment or risk mitigation plan linked to a corporate procurement strategy (which has yet to be formalized) or of the end-to-end procurement process, including for decentralized operations (which comprised 75 per cent of procurement expenditure). While the headquarters Procurement Section has a risk register focusing on headquarters operations, the Procurement and Contract Management Policy has not yet been formulated as a risk-driven document, incorporating UN Women's chosen business model for procurement, related inherent risks and appropriate mitigating measures.

In its Audit of Policy Cycle Management and Maturity Assessment of UN Women Risk Management Process,⁴³ IAS recommended that business process owners conduct end-to-end process risk assessments and revise their policies and business strategies based on the results of these risk assessments.

The risk register could also be revisited based on the findings of this audit, in particular the evident risks arising from decentralization of high-value procurement to field offices without proper procurement capacity, with Direct Contracting or poor competition. Moreover, any risk assessment needs to consider the proposed procurement strategy objectives from 2015 and 2017.

⁴² JIU Note 2011/1 "Procurement Reforms in the United Nations System", JIU/NOTE/2011/1, Geneva 2011

⁴³ Report IEAS/IAS/2020/010 and In-brief IEAS/IAS/2019/003: <https://www.unwomen.org/en/about-us/accountability/audit/internal-audit-reports>

Observation 7: Procurement monitoring, oversight and reporting on the effectiveness of the procurement policy should be established

Monitoring and oversight

The 2014 UNDP OAI internal audit rated oversight of the procurement function as **Unsatisfactory**. Internal control encompasses processes that provide assurance of an activity's compliance with regulations, rules, policies and procedures to meet UN Women objectives. The internal control system requires regular monitoring⁴⁴ to assess its strength, resilience and performance over time, through a combination of monitoring activities and separate evaluations. The Financial Regulations and Rules and the Internal Control Framework require a monitoring system to ensure that controls are in place and functioning. Monitoring activities should include regular review, exception-based reporting and management of actions taken by personnel in performing procurement-related duties. During the period reviewed by UNDP OAI, the headquarters Procurement Section did not perform corporate procurement monitoring activities, such as spot-checks of procurement transactions; compliance checks relating to cumulative procurement values; or thresholds requiring submissions to the previous Acquisitions Management Review Committee (now the headquarters Procurement Review Committee).⁴⁵

The Second Line of Defence is not yet fully embedded in various UN Women policies, including the Procurement and Contract Management Policy. There is a need to enhance the role and capacity of Regional Offices in overseeing procurement in their regions, as well as the authority and capacity of the Procurement Section to effectively discharge its business process owner responsibilities. Moreover, the availability (or lack) of data to automatically capture, report, consolidate and analyse exceptions from the policy (e.g. whether a PO is based on Direct Contracting or exceptional award, if delegation of authority is not complied with etc.) significantly weakens the Chief Procurement Officer's ability to generate trends by each business unit or field office; identify the root causes of such exceptions; and hold individual managers accountable

(e.g. removing or reducing their delegation of authority). **No formalized monitoring framework was in place to determine 'who does what and how' to ensure that exceptions from policies are detected and corrected.**

With regard to headquarters procurement oversight and monitoring, IAS was informed that the Procurement Section briefs the Chief Procurement Officer orally from time to time. However, as there was no regular written record or directions from the Chief Procurement Officer, it was not easy to assess the effectiveness of these briefings and oversight. The Procurement Section indicated that management has access to the section's risk register and some monitoring tools in the Procurement Dashboard, and the section had submitted some business cases to the Executive Leadership Team, particularly in relation to the procurement resources required. Based on IAS' case studies, the Procurement Section was often excluded from the review of high-value headquarters Direct Contracting cases (see Section C for details), therefore the scope of its monitoring was restricted. The Procurement Section indicated that it advised on some complex procurements and establishment of long-term agreements (LTAs); however, its quality assurance was limited due to its scarce resources.

In terms of field office monitoring, the situation was worse. As confirmed during interviews, no formal systematic procurement oversight or monitoring was performed by either the Chief Procurement Officer, Deputy Director of Operation, Procurement Section, Regional Directors, Regional Operations Managers, or regional procurement staff. Headquarters officials and regional management stated **they had either no capacity or authority to perform reviews or analyses of field offices** (IAS notes again that collectively field offices incurred over 70 per cent of annual procurement expenditure). Consequently, adequate assurance, i.e. the Second Line of Defence, was not being provided to the Executive Director that UN Women procurement was conducted in compliance with the policy and achieving value for money. Having been made aware of the situation by the 2014 UNDP OAI audit and having not intervened, it appears that senior management accepted the high risk associated with these deficiencies.

⁴⁴ Contract and Procurement Management Policy, section 4.91.

⁴⁵ For the period prior to UNDP OAI audit (January 2012 to April 2013), the Procurement Section comprised only four staff, one P4 and three General Services staff. UNDP OAI audit regarded this as inadequate and likely a contributory factor to the lack of monitoring.

In its Summary Report on Meta-synthesis of Results from Field Office Internal Audits,⁴⁶ IAS recommended (Recommendation 15, b & c) that the Procurement Section *remind Field Offices to record procurement exceptions, using templates or a system; and explore the new ERP system for procurement exception reports and monitoring dashboards*. The Procurement Section indicated that all requests for Direct Contracting should be processed through a dedicated portal in SharePoint. However, the Procurement Section and Regional Offices did not monitor whether all Direct Contracts were recorded in this portal. Moreover, the portal is not able to produce data on total POs versus POs exceptional to procurement principles over time, by office or by vendor – information which is required for meaningful monitoring; necessary support to business units and field offices; and accountability of individual managers.

Reporting on the effectiveness of Contract and Procurement Management Policy

In 2014, UNDP OAI noted the lack of corporate-level reporting to senior management, with consolidated information on all procurement activities, to facilitate and enhance decision-making. Senior management may not therefore have had assurance that procurement had been conducted in accordance with UN Women procurement principles. In the intervening eight years, senior management has yet to establish a mechanism requiring the Chief Procurement Officer to regularly report on procurement activities and no consolidated procurement report is periodically presented to either the Chief Procurement Officer or senior management. This represents a significant and ongoing risk.

Observation 8: Need for a client-centric, effective and efficient procurement performance measurement and reporting mechanism

Procurement principles do not include client centrality approach

Almost every United Nations organization has adopted the four procurement principles (see Background section), incorporated in UN Women's Financial Regulations and Rules Rule 2402, as an overarching guide for procurement activities. IAS notes that the United

Nations Secretariat has recently added a fifth principle of **client centrality**, which UN Women may wish to consider:

*"Procurement officials must ensure that they always adopt a client service approach and maintain proper client orientation throughout the procurement process. They must also ensure that clients are informed of, and where necessary, involved in all key decisions as well outcomes thereof. In return, Procurement Officials must ensure that they are fully informed of the client's needs and objectives and that they always foster close cooperative relationships. As a result, Procurement Officials empower the United Nation's supply chain to deliver what clients need, where they need it at the best possible price."*⁴⁷

IAS' survey of headquarters personnel indicated that they would welcome greater client focus by the Procurement Section. Several respondents commented that their business needs were rarely considered, and procurement processes were ineffective for their needs. This related to procurement planning, tender preparations and evaluations, direct contracting, LTA utilization and vendor performance evaluation.

Functional performance Key Performance Indicators (KPIs)

Procurement KPIs are used to evaluate and monitor the efficiency of an organization's procurement function. KPIs help an organization to optimize and regulate spending, quality, time and costs. According to the JIU:

*"Performance measurement and evaluation are crucial to any core activity of organizations. When performance of a function/activity is not measured, it cannot be managed effectively. The procurement units should be able to measure their performance in areas such as the efficiency of operations, customer satisfaction, benchmarking against other organizations, cost-effectiveness, and the contribution procurement makes to achieving the objectives of the organization. Furthermore, without key performance indicators it is difficult to create an environment where performance can be objectively evaluated and improved."*⁴⁸

⁴⁶ Report IEAS/IAS/2021/002: <https://www.unwomen.org/en/about-us/accountability/audit/internal-audit-reports>

⁴⁷ United Nations Secretariat, Procurement Manual, June 2020 Revision, section 1.4.5

⁴⁸ JIU's "Procurement Reforms in the United Nations", JIU/NOTE/2011/1, Geneva 2011, paragraphs 213 - 219

In 2011, the JIU found that most UN agencies had not established KPIs for procurement. Consequently, organizations had not developed a culture of measurable results. The JIU recommended that organizations establish: (a) proper procurement monitoring and performance-evaluation mechanisms; and (b) regular internal (to senior management) and external (to governing bodies) reporting with respect to procurement activities, capturing all essential information, to facilitate analysis and decision-making. Most UN organizations have been slow to adopt and publish KPIs, although some procurement executives consolidate performance data and KPIs.⁴⁹

The UN Women Procurement Section shared various data that had been presented to senior management, including a summary of various projects and success stories, such as the new procurement service request system; improvements in procurement workflow; **procurement time calculator**; the section's internal dashboard to track and evaluate timelines and logs of exchanges with procurement clients; issuance of new PPG and checklists; **Procurement dashboard**; E-Procurement system; streamlining vendor records in Atlas; number of CIPS certifications; UN Women's procurement community of practice; webinars and tutorials; access to the UN Procurement Campus; establishment of many LTAs; partnering with banks for travel disbursements in the field; advocating Gender-Responsive Procurement in the UN system; and UN Women's chair of the UN Procurement Harmonization Project Working Group for New-York based agencies and of the Gender-Responsive Procurement Working Group. The presentation also included **some functional KPIs proposed for the Section**, e.g. 'time-cost of POs', 'travel management time cost', 'time-cost of other activities', 'procurement cost reduction', 'procurement cost avoidance', 'lead time', 'procurement impact' (e.g. through various efficiency initiatives), and some data reported on these indicators, including analysis of cost efficiency and the section's workload and capacity constraints. The Procurement Section's 2021 Strategic Note also included some basic output measures and targets (number of contracts issued, number of individuals trained at CIPS

⁴⁹ In 2011, the United Nations Procurement Division performed a study to set KPIs to measure and manage performance effectively. Twenty-one KPIs were identified to measure efficiency and effectiveness of the procurement function, vendor management and client satisfaction. The KPIs were not implemented, although the division did collect some performance data. The UN OIOS audit in 2019 formally recommended the development and adoption of KPIs, which are being implemented. UNICEF

Level 3, and number of UN Procurement Harmonization Project Working Group meetings attended).

The Secretary of the headquarters Procurement Review Committee was tasked with compiling statistics on (a) the Procurement Review Committee's workload and activities; and (b) submissions to the Procurement Review Committee, including the nature and methods of procurement.⁵⁰ These statistics are a fair indicator of procurement and Procurement Review Committee workload but do not constitute KPIs, and are not a management tool for monitoring procurement activity and performance. In addition, these statistics were prepared by the headquarters Procurement Review Committee but not by any of the regional Procurement Review Committees.

It was not clear if or how the above-mentioned proposed KPIs and various data were used by senior management. The limited availability of accurate procurement statistical data for performance analysis was also a critical weakness. For example, Procurement Dashboard data also included values for individual consultant contracts (primarily an HR-related process) and some other personnel emoluments, which do not constitute procurement and substantially inflated procurement values. These other expenses could not be separated in the Dashboard. IAS needed to compile separate Atlas data to more accurately estimate actual procurement expenses.

Respondents to the IAS survey of headquarters units and field offices stated that the Procurement Section's efficiency needed to be enhanced because, in some cases, procurement was lengthy and complex. At the same time, IAS acknowledges that **procurement requestors could be the source of delays due to inadequate planning of projects and related procurement activities; ineffective utilization of plans to start procurement actions well in advance; incomplete or inaccurate information provided to procurement personnel; as well as other factors.** To ensure that a procurement exercise is successful, and all parties to it know their responsibilities, respect deadlines

also notified the JIU that it had developed performance indicators which are published every month on its Intranet.

⁵⁰ The headquarters Procurement Review Committee statistics for 2020 reported the number of cases: by geographical region (242), including 138 individual consultant contract cases; by value (US\$ 34 million); post facto cases (17, value not stated); and Direct Contracting cases (39, value not stated). Some of the statistics have minor omissions and inaccuracies.

and provide quality inputs, internal Service Level Agreements for procurement or similar tools may be helpful to strengthen these interdependencies, define accountability and support achievement of KPIs. IAS was pleased to note the Procurement Section had already developed a procurement time calculator in this regard.

Cost-effectiveness measurement

In 2002, the JIU attempted to promote procurement cost effectiveness for 19 UN organizations through two staffing efficiency measures. At that time, the average procurement value per one procurement staff was US\$ 6 million, and procurement staff costs as a percentage of procurement value were 3.8 per cent.⁵¹ It should be noted that these benchmarks are 20 years old. However, procurement cost effectiveness among UN organizations remains an objective in the more recent Sustainable Development Group Efficiency Agenda that includes multiple initiatives.

IAS attempted to benchmark the cost of the UN Women procurement function vs. those of some other UN organizations, and shared such benchmarking results with DMA. In 2021, UN Women headquarters' procurement value (including travel and building rent) was US\$ 2.8 million per procurement personnel (or US\$ 22.1 million per professional staff) and the cost of the procurement function was 6.4 per cent of procurement value.⁵² UN organizations with large procurement volumes and professionalized (and more expensive) procurement functions appeared to have higher procurement cost effectiveness per personnel. However, in IAS' view, these types of UN organizations were not always an appropriate benchmark for UN Women. In fact, **UN Women's procurement function was cost effective, even over-strained** considering multiple factors: (a) UN Women has very few professional procurement staff; (b) as a small organization, UN Women may not be able to achieve the same economies of scale of organizations procuring in large volumes; (c) UN Women mostly procured intellectual services that potentially require more costly professional procurement service; and (d) the Procurement Section is the interim business process owner for travel, an additional responsibility for the same procurement personnel.

UN Women is not properly staffed or structured to deliver a procurement service empowered to safeguard procurement probity and best value for money. Several factors contribute to a higher cost of service:

- (a) UN Women exhibits low procurement values and low average PO values, combined with a large geographical footprint of 98 field locations (in 2021, 93 locations). It is interesting to note that the UN Procurement Division had 97 staff to process **937 POs** (US\$ 2.3 billion), while UN Women had approximately 48 headquarters and field procurement personnel (only half on staff contracts) to process **37,272 POs** (US\$ 156.2 million).
- (b) In 2021, only 3.2 per cent of UN Women's procurement POs (277 transactions) exceeded US\$ 50,000, the level at which formal methods of solicitation (Invitation to Bid or Request for Proposal) are required. Twenty-five per cent of all procurement POs fell in the range US\$ 5,000–US\$ 50,000, which require informal solicitation through a Request for Quotation. A Request for Quotation requests price and other commercial terms and conditions for the required goods or services from a roster of suppliers or through open competition. In compliance with effective competition principles, business units are required to send a Request for Quotation to a minimum of five bidders. This is a time-consuming process and involves a large amount of resources. The average procurement spend per field office location was well below US\$ 1 million (US\$ 726,000).
- (c) Over 90 per cent of UN Women's procurement value is for services which involve greater complexity, additional staff time and fewer opportunities for economies of scale through call-off orders for standardized goods and equipment. There is a higher ratio of one-off POs in UN Women, especially for policy and advisory consulting services.
- (d) There was an imbalanced ratio between Professional (1) versus General Services (5) and non-staff personnel (3) in the Procurement Section, which does not align with the complexity of service procurements and contract management.

⁵¹ JIU Report "Procurement Practices in the United Nations System", JIU/REP/2004/9, Geneva 2004

⁵² Atlas data on issued POs, Procurement Dashboard, Travel Dashboard and Project Delivery Dashboard data as at March 2022; HR Dashboard data as at December 2021

(e) Procurement Section personnel had additional responsibilities for travel, including clearing travel POs for headquarters (US\$ 0.8 million in 2021).

(f) Some organizations had shifted part of their administrative services to less expensive locations.

In view of the above, UN Women management needs to ensure that its procurement function is both properly structured and cost effective.

C. Procurement operations

Observation 9: Need to enhance procurement planning including implementation oversight

According to the Contract and Procurement Management Policy, procurement planning supports:

- (a) better requirements definition, increasing the probability of competitiveness;
- (b) improved sourcing;
- (c) less waste of resources on last minute and often non-competitive Direct Contracts;
- (d) less repetitive, labour-intensive procurement activities; and
- (e) increased efficiency through reduction of delays and lead times due to the ability to perform and proactively conduct a number of procurement tasks in advance.

The 2014 UNDP OAI audit noted that no procurement plans had been undertaken by headquarters business units or field offices to facilitate preparation of a corporate procurement plan. Management advised that, in December 2013, the headquarters Procurement Section had introduced an online planning tool to generate a corporate procurement plan and all headquarters business units and field offices were required to create (and update) online annual procurement plans. The Procurement Section had to monitor the tool's usage and consolidate global data.⁵³

In 2019–2021, the procurement planning undertaken by headquarters business units and field offices varied considerably. The planning tool was not used consistently and in many cases, last minute Direct Contracts arose from the failure to plan the required procurements, leading to lack of competition and potentially less value for money.

Organization-wide, in 2019–2020, the value of planned procurement was just over 50 per cent of actual procurement expenditure. However, in 2021 progressive improvements were noted among Country Offices uploading a procurement plan: only seven small Country Offices failed to do so. In headquarters, 10 smaller business units failed to upload a procurement plan. IAS was surprised to note that five out of six Regional Offices planned procurements poorly: in 2021, only US\$ 5.4 million of US\$ 17.1 million of total procurement was planned – an excess of 200 per cent, and four Regional Offices did not perform within tolerable limits (i.e. spent no more than 150 per cent of the plan).⁵⁴

The main challenges to effective procurement planning included the accuracy, completeness and regular updates of the plans. In IAS view, this was also due to limited risk management culture in the organization. In response to IAS' field offices survey, the most significant factors cited were: uncertainty of project funding; difficulty in forecasting for the year; and insufficient staff resources. At field office level, in 2021, 18 locations each procured at least US\$ 1 million and four times more than planned. Around 50 per cent of survey respondents stated that approximately 70-90 per cent of procurements were planned. However, this is not consistent with the overall Procurement Dashboard planning data cited above.⁵⁵

IAS saw limited evidence of active corporate monitoring of procurement plans either by the Procurement Section or the Deputy Director of Operations, who had specific responsibility for monitoring and overseeing the development of procurement plans, as per the role's job description. A Procurement Dashboard was available, which permits monitoring of procurement plans and enquiries could therefore be made with the offices concerned about the significant gaps in planning, to support them in addressing root causes and in holding managers accountable for non-compliance. Since 2022, procurement planning has been made a mandatory component of the Biennial Work Plan in the Results Management System and plans should be reviewed at regional and

⁵³ Contract and Procurement Management Policy, Section 4.1, page 19

⁵⁴ Procurement Dashboard data as at August 2022. However, its data on actual procurement expenditure includes also values of individual consultant contracts and some other personnel emoluments,

building rent and field common premises costs, most of which by default are not included in its data on planned procurements, increasing the discrepancy between planned and actual procurements.

⁵⁵ As above

headquarters levels. IAS considers this a positive step forward which should strengthen and consolidate the procurement planning process and address past weaknesses. Improvements in the quality and completeness of most headquarters and field procurement plans were noted.

In its Summary Report on Meta-synthesis of Results from Field Office Internal Audits,⁵⁶ IAS recommended (Recommendation 15, d) that the Procurement Section *assess the costs and benefits, and take necessary action to automate procurement planning and contract management as part of the plan-procure-pay cycle, including receipt of bids in a dedicated centralized email account.*

Observation 10: UN Women requires major change in its procurement control environment, procurement control culture and procurement control activities to avoid potential misuse of the Direct Contracting modality, including at headquarters.

While Direct Contracting is permitted in circumstances described in the policy (including Financial Regulations and Rules, Rule 2405), its extensive and often inappropriate use at headquarters and in field offices indicates the need for stronger justifications of Direct Contracting to fully comply with Financial Regulations and Rules provisions while ensuring value for money. Otherwise, competitive procurements should be planned and conducted accordingly.

Direct contracting is a non-competitive procurement process through the solicitation of only one source. It does not require bids or quotes from prospective vendors, implying a lack of full and open competition. It bears inherent risks to obtaining and demonstrating value for money because the price from a sole vendor might not be competitive. The policy states that “*when using Direct Contracting, UN Women staff shall ensure that it would not be feasible or reasonable, as the case may be, to apply a competitive bidding process, and that proper and concrete justification exists and is included in the file.*” There are only 10 circumstances where Direct Contracting is permitted by the policy. When

seeking a Direct Contract, justifications should delineate parameters of impracticality or impossibility, which preclude the use of the standard competitive process.

As part of this audit, IAS examined 13 Direct Contracting cases totalling US\$ 4,600,371 which were submitted to headquarters Procurement Review Committee by headquarters business units in 2019–2020. The Procurement Review Committee recommended 12 for contract award. In one case, the Procurement Review Committee was unable to recommend contract award because the principles of value for money and effective competition had not been observed, and deferred the case to the Chief Procurement Officer for a decision. The Chief Procurement Officer approved the case (valued at US\$ 775,500), stating that rejecting the award would have caused a major delay with negative impacts on both programme execution and UN Women’s standing with donors and partners. However, IAS noted non-compliance with Financial Regulations and Rules and Policy in this case. In summary, of the 13 Direct Contracting cases approved by the Chief Procurement Officer, IAS assessed that only four (totalling US\$ 1,706,234) complied with the requirements of Financial Regulations and Rules, Rule 2405, while the other **nine cases (totalling US\$2,894,137) did not comply.**

Twelve of the above-mentioned cases totalling US\$ 4,441,521 related to business or gender specialist advisory services, including strategic planning, data collection and public relations. The audit confirmed this as a **high-risk and high materiality area**, identified previously as such in the headquarters Procurement Section’s 2015 (draft) procurement strategy⁵⁷ (which was never formally endorsed by senior management, as mentioned in Observation 4). Had this risk been adequately addressed in 2015, the issues identified in this report might have been better managed and risks mitigated; however, this risk does not feature in the Procurement Section’s risk register.

For the 13 reviewed cases, IAS observed that:

- (a) The Procurement Section had limited, if any, involvement in most of these cases. As the Policy did not require submitting larger Direct Contracting cases to the headquarters Procurement Review Committee via the Procurement Section, it was

⁵⁶ Report IEAS/IAS/2021/002: <https://www.unwomen.org/en/about-us/accountability/audit/internal-audit-reports>

⁵⁷ Business consulting services were assessed as the highest risk and highest materiality area for UN Women procurement, according to Supply Positioning and Risk Evaluation Matrix (SUPREM), developed by Queensland State Government of Australia.

normally not consulted on the legitimacy of using Direct Contracting. As already mentioned in Observation 2, the field offices were allowed to conduct procurement transactions above their delegation of authority, subject to their later review, in this case, by headquarters Procurement Review Committee and approval by the Chief Procurement Officer, contrary to practices of other United Nations organizations. In the case of Direct contracting, field offices or business units at headquarters seemed to have a free choice of the vendor they wished to engage, obtain single source quotation and present the case to the headquarters Procurement Review Committee and then to the Chief Procurement Officer. Fundamental separation of the Requester (field office or business unit) and Buyer (for example, Procurement Section or professionalized procurement hub) roles technically was not foreseen in the policy and not followed. The policy only required Direct Contracting cases above US\$ 50,000 to be submitted for review by the headquarters Procurement Review Committee and recommendation for the Chief Procurement Officer's approval.

- (b) Over time, it appeared that some large value procurement processes had developed into a "preferred vendor" mindset within certain headquarters business units and, increasingly, field offices, where contracts were awarded to vendors, with whom the business unit managers had experience or working relationship, rather than being based on a vendor's capability and pricing. While recognizing that past performance is an understandable and sometimes reasonable criterion to work with the same vendor, the described cases did not demonstrate compliance with three of the four procurement principles: best value for money, fairness, integrity and transparency, and effective competition.
- (c) For several of the Direct Contracting cases, business units also requested that selected vendors were awarded further additional work, either as an extension of the initial contract or as a completely fresh piece of work. For the 13 cases examined, at least nine further contract amendments were made, totalling US\$ 2-3 million.⁵⁸ One pattern observed was an initial request for a relatively modest Direct Contract value, approximately US\$ 100,000, to be followed by several amendments exceeding US\$ 500,000 in total. This could be due to various reasons: a lack of planning in the

business unit; potential "contract splitting" on purpose; or preferential treatment of a particular vendor. One example explanation was *"to make sure that we were satisfied with performance before awarding too big contract"*. However, this instead illustrates potentially weak planning of programme and associated procurement needs, and is not a good justification to avoid competition.

- (d) Value for money does not seem to have been a prime consideration of business unit managers when selecting sole source suppliers. In one case, a single competitive offer for US\$ 113,050, received from an LTA contract holder (based on a request to respond within **24 hours**), was rejected by the business unit. Instead, it decided to arrange a Direct Contract for US\$ 495,000 to another vendor (at a price higher for US\$ 381,950 or 338 per cent), which was recommended by the headquarters Procurement Review Committee for award. In this case, the role of the Procurement Section was minimal. The business unit conducted an evaluation of not utilizing the LTA contract holder but, as it was a call-off order, no written record was prepared. Instead, the business unit provided a written explanation to the headquarters Procurement Review Committee, which it accepted. This case further illustrates the methods by which the procurement process can be circumvented to permit business units to contract directly with a preferred vendor. It also undermines the principle of segregation of duties between Requester and Buyer.
- (e) With one exception, every case submitted to the headquarters Procurement Review Committee was recommended for approval, despite its own reservations included in the record. IAS understands that, despite the reservations, the Procurement Review Committee and the Chief Procurement Officer sometimes leaned towards solutions that were expected by business unit or senior managers and were under pressure to address strategic priorities. In some instances, the Procurement Review Committee recommended and the Chief Procurement Officer approved cases that were evidently non-compliant with the Financial Regulations and Rules and the Policy.
- (f) Rather than selecting competitive and thoroughly (both technically and financially) evaluating offers to follow the principle of Best Value for Money (in terms of both

⁵⁸ These additional Direct Contracts were awarded in 2019–2020. The audit was not extended to determine whether more awards were made in 2021.

quality and price), there was a preference by some managers to use well known consulting firms or those that they were familiar with. This approach was contrary to or not in the spirit of the principles of fairness, integrity and transparency, and effective competition.

The audit concluded that UN Women's corporate procurement environment, where deviation from principles and rules was sometimes accepted, the organization bore elevated risks of facing the inability to achieve or demonstrate value for money, or potential fraud, irregularities or other improprieties that could occur or might not be detected in a timely manner. This may also elevate reputational risk.

UN Women should have systematic monitoring of Direct Contracts by field offices

IAS could not ascertain the volume or value of Direct Contracts under US\$ 50,000, which may be approved locally by field offices without review or approval at a higher level. As such data is not readily available from the current ERP system, and because several Regional Offices did or could not manually compile and provide such data on Direct Contracts, as requested by IAS, the audit conclusions may be limited and not include a full assessment of potential issues. Consequently, the audit consisted of randomly selected transactions as well as Direct Contract transactions summarized by two Regional Offices.

One of the regions procured a total of US\$ 15.3 million of goods and services in 2019–2020.⁵⁹ The Regional Office reported that this included 72 Direct Contracts totalling US\$ 1,477,081.⁶⁰ Some of the reviewed cases appeared bona fide Direct Contracts, e.g. premises leases and micro-purchases. However, IAS found a significant proportion of Direct Contracts **non-compliant with Financial Regulations and Rules**. In IAS' view, in most cases no acceptable justifications for Direct Contracting were provided by the Country Offices, or those provided were not related to Financial Regulations and Rules Rule 2405.⁶¹ For example, a common explanation was that the vendor had "cooperated" with UN Women previously, which is not a sufficient justification in itself. A number, but

not all such Direct Contracting cases during 2019–2020 in this region could require **further enquiry, for example:**

- (a) Forty-five per cent of the Direct Contracts value in the region related to just one Country Office (39 contracts totalling US\$ 659,103). Its Direct Contracts represented 37 per cent of its total procurement expenditure, which appears excessive. In 31 of the cases, the Country Office's explanation was "*Urgent support in the context of the Covid 19 pandemic situation*", which was not a justification under the Financial Regulations and Rules. Such cases instead require application of the Rapid Response Procurement Procedures, which may generally permit informal methods of solicitation (Request For Quotation) for larger procurements and accelerated review of Direct Contracts (if permitted under the Financial Regulations and Rules) by the headquarters Procurement Review Committee. Also, three of the contracts, each above US\$ 50,000 and totalling US\$ 173,218, should have been forwarded for the headquarters Procurement Review Committee review but were not.
- (b) Seventeen per cent of the Direct Contracts value in the region related to another Country Office (eight contracts totalling US\$ 258,487). This included, for example: (i) contracts with two media agencies to support UN Women's media campaign, totalling US\$ 78,097; (ii) a contract to facilitate two women's congresses totalling US\$ 46,379; and (iii) a contract to organize theatre performances in six locations, addressing harmful gender stereotypes, totalling US\$ 33,369. In IAS' view, such procurements warrant a competitive selection process or, in the last case, possibly a competitive selection as a programme partner.
- (c) One Country Office issued three contracts totalling US\$ 102,111, described as "exigencies", including one for US\$ 62,743, which should have been forwarded for the headquarters Procurement Review Committee review but was not.

Another region procured a total of US\$ 17.6 million of goods and services in 2019–2020.⁶² The Regional Office's summary of Direct Contracts indicated 115 cases totalling

⁵⁹ Atlas data on issued POs and Procurement Dashboard data on non-PO vouchers, as at March 2021.

⁶⁰ IAS did not re-verify these estimates.

⁶¹ IAS sought further clarifications on the non-compliant cases, and any responses provided were taken into account.

⁶² Atlas data on issued POs and Procurement Dashboard data on non-PO vouchers, as at March 2021

US\$ 1,739,617.⁶³ However, the data provided was limited, permitting only a limited IAS review and audit conclusions. Thirty-two per cent of the Direct Contract value during 2019–2020 in the region (34 contracts totalling US\$ 557,746) related to just one Country Office, representing 41 per cent of its total procurement expenditure, which appears disproportionately high. IAS' initial review of the data provided noted that this total included three awards, each for US\$ 50,000 to the same vendor in 2019–2020, indicating potential order splitting to avoid review by the headquarters Procurement Review Committee. The Country Office's justification referred to Financial Regulations and Rules, Rule 2405 *"when offers for identical requirements have been obtained competitively within a reasonable period and the prices and conditions offered remain competitive."* IAS' further review of Atlas data showed that this Country Office, in fact, made 16 awards of US\$ 50,000 or less (totalling US\$ 336,314) to this vendor in 2019–2020 (for *'outsourcing of consultants and other personnel'*), suggesting that the Regional Office's summary was not complete. IAS is not aware that these contracts or any LTA with this vendor would have been submitted for headquarters Procurement Review Committee review. In IAS' view, these awards warrant **further review and enquiry**. Three other Country Offices in this region also showed high values of Direct Contract awards during 2019–2020, totalling US\$ 297,706, US\$ 169,664 and US\$ 130,139, respectively, based on the Regional Office's summary.

IAS' sample also included one Direct Contract for US\$ 48,750 by another Regional Office, for a consulting service to develop a corporate strategy document in a particular area. The Direct Contract had no valid justification under the Financial Regulations and Rules. The Regional Office confirmed that the vendor was selected based on the advice of two thematic advisers in UN Women, both of whom had prior knowledge of the vendor's work, principals and technical staff. A competitive solicitation was not sought, no market research was carried out and no value for money assessment was made. The contract was approved by the Regional HR Business Partner who was temporarily acting as the Regional Operations Manager but had no procurement training or authority to approve

⁶³ IAS did not re-verify these estimates.

an award of this size. IAS found this transaction **unjustified and not approved by an authorized official**. The Regional Office agreed with IAS' assessment.

Headquarters Procurement Section should be involved in overseeing high-value Direct Contracting cases

According to the Contract and Procurement Management Policy, Direct Contracting transactions exceeding US\$ 50,000 should be referred to the headquarters Procurement Review Committee for review and recommendation for the Chief Procurement Officer's approval. In most other United Nations organizations, larger Direct Contracts are processed by the Chief of Procurement, including obtaining offers from a sole vendor, or equivalent, before onward transmission to the Procurement Review Committee (or award committee), for recommendation to the Chief Procurement Officer. However, according to the UN Women Policy, high-value Direct Contracts are initiated, negotiated, prepared and presented by a "Submitting Officer",⁶⁴ who is usually the budget holder or internal delegate. The policy does not foresee involvement by either the headquarters Procurement Section or another qualified procurement specialist. As confirmed by the Secretary to the headquarters Procurement Review Committee, the Procurement Section was not informed or invited to review Direct Contracting requests to ensure proper compliance with Financial Regulations and Rules, Rule 2405. The Procurement Review Committee Secretary did not see this as their responsibility. This elevates the risk of inappropriate use of Direct Contracting by business units. The audit confirmed that this risk materialized in several cases elaborated above (see the headquarters and field office case studies). In some instances, submitting officers were not fully aware of the policy, including inherent risks related to exceptions and deviations, and not complying with the procurement principles.

IAS notes that UNDP OAI previously recommended that the role of the Secretary to the headquarters Procurement Review Committee be clearly defined to ensure that (s)he is not in a position of conflict of interest (e.g. performing other roles in the Procurement Section). Possibly not in relation to this recommendation but, in 2019–2021, a part-time consultant was appointed as the Secretary to the headquarters Procurement Review

⁶⁴ The term "Submitting Officer" is not defined in the Contract and Procurement Management Policy. It is assumed to be the budget holder through the Secretary to the headquarters Procurement Review Committee.

Committee, with a direct reporting line to the Chief Procurement Officer. However, IAS notes that this arrangement limited the role of the Procurement Section (see earlier findings).

Observation 11: Need for reliable data source(s) on Direct Contracting to enable control, monitoring and accountability

Direct Contracting is a procurement process that omits competitive bidding and permits contract awards to sole-sourced vendors. The process and justification for Direct Contracting is common across the UN system. UN Women Financial Regulations and Rules Rule 2405 stipulates that the Chief Procurement Officer may determine that using formal methods of solicitation for a particular procurement is not in the best interest of UN Women. This rule sets out 10 reasons to justify Direct Contracting. When using Direct Contracting, personnel shall have a justified reason (conforming to Financial Regulations and Rules, Rule 2405) that it would not be feasible or reasonable to apply competitive bidding process. Proper justification should be included in the file.

No data had been collated in UN Women on the annual volume and value of Direct Contracting transactions. As mentioned in Observation 7, all requests for Direct Contracting should be processed through a portal in SharePoint. However, there was no dashboard to summarize and analyse this portal's data, or categorize Direct Contracting based on Atlas data. Given that Direct Contracting is a high-risk area, the absence of basic data contributes to elevated risk. IAS manually analysed all transactions submitted to the headquarters Procurement Review Committee in 2019–2020 (493 transactions) and established which of them were Direct Contract submissions exceeding US\$ 50,000. However, IAS could not estimate the value of Direct Contracts of less than US\$ 50,000, because of lack of such data: these smaller Direct Contracts are approved by business units or field offices without Procurement Review Committee review process. Based on manually compiled information provided by two Regional Offices, IAS estimated that Direct Contracts under US\$ 50,000 organization-wide may total between US\$ 5 million

and US\$ 10 million per annum. As mentioned above, some Regional and Country Offices did not respond to IAS' requests for information. IAS understands this may be due to their lack of easily accessible records to separate Direct Contracting transactions.

IAS assessed the audit area of Direct Contracts as high risk and high materiality, taking into account: (a) UN Women's decentralized organization structure, combined with; (b) the absence of monitoring of field procurement; (c) procurement staffing deficiencies in both field offices and at headquarters; and (d) the results of previous audits. The audit intended to focus on Direct Contracting in two streams: (i) high-value transactions over US\$ 50,000 originated (mostly) at headquarters; and (ii) lower-value transactions between US\$ 5,000 and US\$ 50,000 originated (mostly) in the field. However, as mentioned, IAS was not able to scope and properly identify these lower-value Direct Contracts. Consequently, the audit was restricted in part with a **scope limitation**.

Observation 12: Exceptional awards due to insufficient number of qualified vendors need to be recorded, monitored and, if needed, addressed by building office capacity and holding managers accountable

Open and effective international competition is one of the four general principles that must be given due consideration in carrying out procurement.⁶⁵ This principle is common throughout the United Nations. Its objective is to provide all eligible potential contractors with timely and adequate notification of procurement requirements and an equal opportunity to tender for the required goods, civil works or services. The policy requires Request For Quotation solicitations to be sent to a minimum of five potential vendors. Procurements exceeding US\$ 50,000 should be advertised on the UN Global Marketplace and UN Women websites. Generally, three fully compliant bids are regarded as acceptable evidence of effective competition.

IAS reviewed every international competitive tender exceeding US\$ 100,000 (19 in total) submitted to the headquarters Procurement Review Committee in 2019–2020.⁶⁶ From

⁶⁵ Financial Rules and Regulations, Regulation 24.2

⁶⁶ Regional Directors have delegated authority to award contracts up to US\$ 250,000 (Level 3) or US\$ 500,000 (if granted additional delegated authority at Level 4) on the basis of effective competition,

where at least three technically compliant bids have been received. As there is no centralized database of competitive contracts awarded, IAS was not able to confirm that these rules were always being

the review of the documents provided, competitive procurement procedures were followed for all these tenders. All were recommended by the Procurement Review Committee and approved by the Chief Procurement Officer. The total value of contracts awarded was US\$ 12,612,938. However, IAS observed that, in the majority of cases (63 per cent), less than three fully compliant bids were received (three or more compliant bids in seven cases, two compliant bids in seven cases and only one compliant bid in five cases). Insufficient bid responses could be caused by several factors:

- **Poor procurement planning and advertising.** This results in insufficient time allowed for potential bidders to respond, arising from poor planning or urgency. UN Women's minimum solicitation periods ⁶⁷ for Invitations to Bid (10 business days) and Requests for Proposal (10–20 business days) are considered somewhat short compared to other UN organizations. This potentially reduces vendor participation. Furthermore, the minimum solicitation lead times were sometimes not followed: in one Request for Proposal case, ⁶⁸ vendors were given **less than 24 hours** to respond to a request for consulting services, including preparation of a workplan and composition of a specialist team. This was unsatisfactory and only served to reduce competition between potential vendors. In this case, **a Direct Contract valued at US\$ 495,000** was subsequently awarded to a different vendor.
- **Insufficient or no market research.** In this regard, IAS often observed that field offices did not regularly undertake market research to expand their vendor base (and minimize risk of collusion), regularly contacting or engaging the same vendors. The policy does not require to follow up, at least with regularly unresponsive bidders, as to why they did not respond to tenders for recurring goods or services. IAS' field survey showed that 42 per cent of respondents did not conduct their market research within 24 months, or ever.

followed. Consequently, there may be further competitive international contracts awarded under the delegated ceilings, which have been recommended by the regional Procurement Review Committees.

⁶⁷ Contract and Procurement Management Policy, section 6.6, page 40. UN Secretariat's Invitations to Bid and Requests for Proposal standard lead times are 21 calendar days. UNFPA's standard lead times are three weeks for Invitations to Bid and four weeks for Requests for Proposals.

- **Many Requests for Proposal responses were rejected as not technically compliant.** This was prevalent in several solicitations for specialist consulting services. Bidders were deemed not technically qualified for a number of reasons: unacceptable or unrealistic workplans; insufficient staff time proposed by the bidder; dissatisfaction with the specific expertise; and background of proposed consultants. Procurement and programmatic staff acknowledged that further training and expertise is needed in UN Women to consistently prepare good Terms of Reference and proposal evaluation criteria that promote open and transparent procurement. Unrealistically high standards may have been set in some cases.
- Moreover, while other UN organizations have stricter controls over exceptional awards (meaning that the tender occurred but the award was an exception to standard provisions in the policy), **UN Women does not have specific provisions for exceptional awards** and does not have a record of these cases, for additional review or approval to ensure transparency and competitiveness.

Observation 13: Some invalid post-facto authorizations may need to be reported to the Executive Director

Although not identified as a major risk, the audit detected six post-facto authorizations, i.e. receipts of services without signature of contracts (two procurements and four individual consultant contracts), ⁶⁹ each exceeding US\$ 100,000 (i.e. the Chief Procurement Officer or the HR Director's level of authority for such authorizations) and totalling US\$ 1,378,103. According to the Delegation of Authority Policy, these transactions should have been reported to the Executive Director. These authorization errors for the two procurements arose due to a misunderstanding or misinterpretation by the Secretary to the headquarters Procurement Review Committee, who handled

⁶⁸ Headquarters Procurement Review Committee case No. 2314, dated December 2019, which indicated unplanned procurement of consulting / advisory services. The offer was assessed by the business unit to be "*lacking required details and information*" and allegedly also did not meet the minimum technical threshold. However, these were not asked for in the Requests for Proposal.

⁶⁹ Individual consultant contracts were not the focus of this audit; however, material post-facto cases for such contracts should also be reviewed by the headquarters Procurement Review Committee.

these cases. The errors for the four individual consultant contracts also seemed to have occurred through simple oversight.

Observation 14: Inability to precisely estimate the population of non-PO payments in the current ERP system and the need to develop exception reporting and monitoring mechanism of non-PO payments in the new ERP system

According to the policy, a contract or PO shall always be issued for all procurement actions valued at US\$ 2,500 or above. Contracts shall be issued prior to any delivery of goods taking place, and/or the start-up of services or works. The delegated procurement authority may choose to issue a written contract for specific purchases below US\$ 2,500. A PO shall also be created for all assets with a value of more than US\$ 1,000, to ensure their proper recording in the Atlas Asset Management Module. To record attractive items with a value above US\$ 500, a PO may also be created.

In UN Women, non-PO transactions (processed by 'Finance Users' and not procurement personnel i.e. Buyers) consistently account for approximately 2 per cent of total procurement expenditure over the period 2015–2021 (US\$ 2.3 million to US\$ 4.1 million per annum). The Procurement Dashboard is the source for this data, but the Dashboard did not provide a listing of such transactions, restricting audit testing. Payment transactions, for any amount, if recorded in the ERP system bypassing the procurement process (and not issuing a PO), bear a greater risk of error (such as double payment) or potential fraud.

Monitoring of non-PO transactions was weak, beyond the availability of the Dashboard. Atlas did not have a dedicated or reliable report to accurately identify and monitor all payment vouchers issued without POs. The headquarters Financial Management Section (FMS) was not aware of such a report and did not know if the regional finance specialists performed any monitoring of non-PO payments by field offices in their regions, that was not part of their mandate. Finance specialists in Regional and Country Offices or at headquarters generally only reviewed vouchers during the procure-to-pay cycle, on a one-to-one basis, enquiring whether a PO is in place for the payment, where required. The headquarters Procurement Section used some Atlas reports to identify Accounts

Payable non-PO vouchers. However, IAS concluded that it was not possible to clearly separate all such vouchers in this report without error; also, this report did not include other (apart from Accounts Payable) voucher types, which can also include non-PO payments.

Consequently, IAS had to interrupt its testing of non-PO payments, as it was not possible to clearly and comprehensively identify all of them. IAS was therefore not able to provide assurance as to whether all non-PO payments complied with policy provisions (when payments can be issued bypassing procurement and a PO) or were valid payments without error. The process for such payments was open to greater risk of potential misuse, including for larger amounts.

IAS only tested a small sample of payments above US\$ 2,500 by Country Offices, and noted that the number and frequency of such larger non-PO transactions (processed by 'Finance Users') could be reduced significantly. For example, seven non-PO payments totalling US\$ 78,615 and among five Country Offices, included payments for newspaper advertising, fuel supply, security services, local cash disbursements, or were unexplained. Some of these cases may have required a simple procurement process, and all cases required raising POs to help to ensure that double payments were not made to vendors for the same services.

Furthermore, earlier IAS reviews have noted occasional use of corporate credit cards by some business units. The Credit Card Management Policy and Procedure permit their use for purchases of some goods and services below US\$ 2,500 (without raising a PO), within certain transactional limits and not for non-authorized goods or services (for example, consultant services, which require a selection process and a contract). Card issuance was monitored by FAS and transactions (equivalent to non-PO payments) were generally monitored by FMS. However, some business units occasionally used the cards for purchases above US\$ 2,500 (this threshold did not stop card use) or for non-authorized services (e.g. to pay a consultant without a signed contract). There was a room to strengthen preventive controls as well as monitoring for credit card use.

Observation 15: Lessons from the E-Procurement system to be used in implementation of a similar module in the new ERP system

An electronic bidding system, developed by a private provider and used by some other UN organizations, had been customized for UN Women since 2015 and progressively rolled out at headquarters and field offices during 2019–2020. Vendors can register in the system and submit their bids to UN Women solicitations electronically, for bid opening and evaluation by UN Women within the system, which also serves as the filing system for submitted bids. This is an excellent achievement for the small headquarters Procurement Section, involving notable investment and maintenance costs (US\$ 281,544 during 2015–2021) and dedicated personnel costs and commitment across UN Women. From April 2020, use of the system was mandatory for all business units and field offices, including for Requests for Expressions of Interest but generally excepting micro-purchases below US\$ 5,000, Direct Contracts and call-of orders against LTAs. However, some offices used the system for these procurements; the system was not integrated with Atlas; and there was no validation of whether the POs created in Atlas followed the mandatory E-Procurement process. Despite this, from the available data (see **Table 7**), IAS noted that E-Procurement use had increased progressively.

Table 7: Use of E-Procurement compared to total procurement volumes

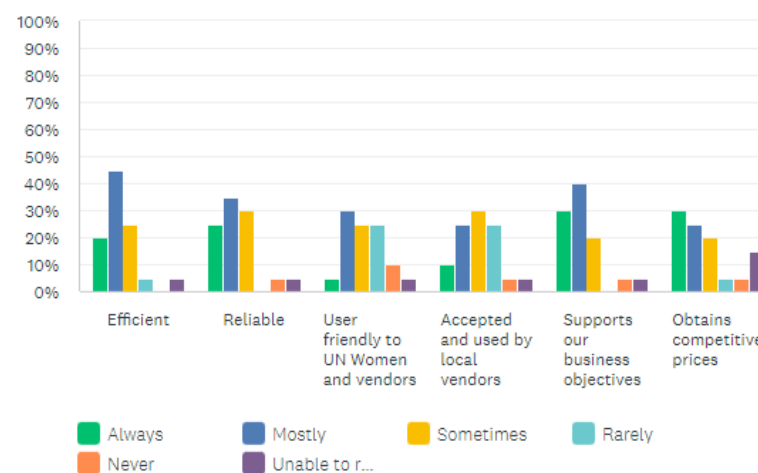
Year	2019	2020	2021
E-Procurement data:			
No. of business units using E-Procurement (including 'headquarters' as one business unit)	17	51	57
No. of micro-purchases (< US\$5,000) or Requests for Expressions of Interest processed	14	173	208
No. of competitive procurements processed			
US\$5,000-US\$50,000	111	506	841
> US\$50,000	38	168	176
No. of Direct Contracts processed			
US\$5,000-US\$50,000	7	86	64
> US\$50,000		8	8
No. of call-off orders against LTAs processed	146	481	965
Total No. of procurements processed	316	1,422	2,262
Atlas data on issued procurement POs:			
No. of POs processed			
US\$5,000-US\$50,000	1,983	1,878	2,218

> US\$50,000	193	217	277
Total No. of POs (> US\$5,000) processed	2,176	2,095	2,495

Source: E-Procurement data and Atlas data on issued procurement POs, as at March 2022. Notes: One procurement may sometimes result in issuance of more than one PO or vice versa. The use of E-Procurement was not mandatory for micro-purchases, Direct Contracts or call-of orders against LTAs.

Enquiries with all Regional Offices revealed that several field offices were not using E-Procurement. Some offices possibly did not yet have access to the system. One Regional Office noted that 80–90 per cent of its procurements were processed through the system, and the remaining were processed outside it. Another Regional Office stated that it used the system only for transactions over US\$ 50,000. IAS' survey of field offices about their experiences with E-Procurement revealed overall positive results as shown in Figure 1.

Figure 1. IAS procurement survey results on field offices' experience with, and the rating of, the E-Procurement system



Source: IAS procurement survey of field offices (based on 20 responses which may or may not be statistically representative)

During IAS' discussions with field offices, a number of issues were raised:

- (a) Internet connectivity varied and was poor in certain Country Office locations. Internet charges also varied considerably. In some locations, this significantly impacted the vendors' ability or willingness to use E-Procurement.
- (b) Vendors need to be trained in using E-Procurement. Several offices mentioned that vendors had difficulties in using the system, which was not always user friendly and was mostly accessible only in English.
- (c) In some locations, various vendors were not interested in using the system for small procurements (US\$ 5,000). Suggestions were made that a US\$ 10,000 threshold would be more appropriate.
- (d) A longer time frame was needed to train all personnel evaluating procurements on use of the system. Several Regional Offices had identified supplementary training needs which they attempted to provide.
- (e) Mandatory use of E-Procurement for vendors may run contrary to Financial Regulations and Rules, Regulation 24.3, that *"UN Women shall promote the procurement of goods, civil works or services from developing countries and countries with economies in transition and permit regional, local and small suppliers to participate."* Mandatory use might potentially impact the number of responses (competition).
- (f) Although there was timely support from headquarters, there were bugs in the system and it was sometimes slow. The procurement evaluation stage of the system was not stable. Several system patches had been made which had interrupted occasional work by external vendors.
- (g) In general, if the system is unreliable or inconsistent, there is some risk of losing a full audit trail.

The E-Procurement system will be phased out in the near future, as UN Women is implementing its new ERP system, which foresees an integrated electronic bidding ('shopping') module with similar and potentially broader functionalities. IAS advises

management to use the lessons from E-Procurement in implementation of the new ERP system.

For procurements in which E-Procurement was not used, IAS also reported in its Summary Report on Meta-synthesis of Results from Field Office Internal Audits⁷⁰ that some field offices did not use generic email addresses for procurement to reduce risks of potential fraud, collusion or inappropriate pressure being put on personnel. IAS recommended (Recommendation 15, d) that the Procurement Section *assess the costs and benefits, and take necessary action to automate procurement planning and contract management as part of the plan-procure-pay cycle, including receipt of bids in a dedicated centralized email account.*

Observation 16: Need for a vendor sanctioning mechanism to take timely actions against vendors involved in misconduct

In an illustrative case, UN Women received allegations of proscribed practices against one of its vendors, i.e. a hotel engaged by a Country Office, involving procurement fraud, misrepresentation, false certification and other failures to comply with obligations. One of the hotel's proprietors colluded with a UN Women staff member in an alleged procurement fraud and failure to comply with other obligations, involving proscribed practices.

Between June 2015 and November 2017, the hotel received US\$ 38,180 for services procured by the Country Office, of which US\$ 4,100 amounted to a financial loss. While allegations against the vendor surfaced as early as 2015, funds continued to be transferred to the vendor for services rendered. In March 2018, a UNDP OAI investigation report was provided to the UN Women Legal Service for further action, in collaboration with the UNDP Vendor Sanctions Committee. UN Women did not have its own Vendor Sanction Policy or Procedure in place and therefore relied on UNDP for its services at that time. However, such action was not taken on time due to an oversight, and sanctions were not imposed on the vendor in a timely manner. DMA, in collaboration with the

⁷⁰ Report IEAS/IAS/2021/002: <https://www.unwomen.org/en/about-us/accountability/audit/internal-audit-reports>

UNDP Vendor Sanctions Committee, revisited this issue and sanctioned the vendor at the end of 2021.

At the end of 2021, UN Women had received UN OIOS investigation reports on irregularities by other vendors, recommending their sanctioning. UN Women DMA, in collaboration with the Legal Service and with advice from IEAS, intended to address the

absence of a Vendor Sanction Procedure in UN Women, potentially continuing its collaboration with the UNDP Vendor Sanctions Committee.

V. RECOMMENDATIONS

Recommendation 1 (High):

- a) To comply with UN Women's procurement principles and ensure process efficiencies, the Chief Procurement Officer to present a plan (business case) to the Executive Leadership Team (revisiting policies, where necessary) to enhance the corporate procurement process vis-à-vis capacity and funding structure, considering: (i) decentralization of procurement responsibilities in Regional and Country Offices vs. the business process owner (Procurement Section), aligning delegation of authority with capacities and risks; (ii) cost-effective proposals for potential off-shoring of some jobs and/or professionalized procurement hub(s); (iii) enhancing capacity of the procurement function at headquarters and in the regions to perform responsibilities delegated to a Chief of Procurement, conduct high-value and complex procurement actions, and perform the role of Second Line of Defence, including monitoring procurements by field offices; (iv) regularizing a dedicated staff position for the headquarters Procurement Review Committee; and (v) **most importantly**, outlining interim and long-term funding mechanisms for every position, to ensure that transactional procurement services to non-core projects are not subsidized from UN Women core or Institutional Budget funds.
- b) Following this plan (business case), the Executive Leadership Team to make a decision on strengthening the procurement function both at headquarters and in the field, including a cost-effective business model considering business needs, risk-profile and sufficient budget (Institutional Budget funds and recovery of Direct Project Management Costs).

It should be noted that the implementation of some other recommendations may be contingent upon implementation of Recommendation 1.

Recommendation 2 (High):

The Chief Procurement Officer to revisit corporate procurement strategy for 2022–2025, either as part of the Strategic Note for DMA, or a corporate procurement strategy document (for review by Business Review Committee and approval by Executive Leadership Team), to identify key business objectives for the procurement function aligned with corporate objectives and associated risks (that can realistically be delivered with allocated resources or a future funding mechanism).

The strategy should be accompanied by appropriate performance evaluation mechanisms for the procurement function, covering headquarters and field offices, introducing a fifth procurement principle of client centricity, KPIs,⁷¹ internal service level agreements (or time frames), and a reporting mechanism on strategy implementation, for example through an annual procurement report, in Quarterly Business Reviews or to Business Review Committee.

Recommendation 3 (High):

Using the opportunity of migrating to a new ERP system, the Chief Procurement Officer and the Deputy Director of Operations to introduce a comprehensive framework for monitoring procurement transactions at headquarters and in field offices, and tools supporting its implementation (e.g. automation of exceptions reporting, accurate dashboards of disaggregated data, reporting to senior management, and acting on trends of non-compliance).

The ERP system should normally ensure the P2P cycle automated controls for delegation of authority limits (also including separation of procurement case manager and general Buyer roles), approval of non-PO payments within authorized limits, other key controls, and reporting by exceptions (e.g. exceptional awards, Direct Contracts, non-PO payments and credit card use). Procurement case manager role should be assigned to qualified procurement personnel.

Recommendation 4 (Medium):

⁷¹ IAS had shared with DMA a proposed outline for potential KPIs.

The Chief Procurement Officer, in cooperation with Regional Directors, to create a mechanism to:

- a) Monitor that all business units and field offices upload procurement plans in a timely manner, and revise them regularly based on changed needs.
- b) Identify which business units and field offices may need further assistance, guidance or training.
- c) Hold managers accountable for not complying with the requirements and unexplained major differences between planned and actual procurements.

Recommendation 5 (High):

Recognizing the accountability borne by the Executive Director, the Chief Procurement Officer to:

- a) Establish a regular practice to brief senior management on significant risks of potential fraud, irregularities and non-compliance with Financial Regulations and Rules in the area of Direct Contracts and limited competition, and present an effective risk mitigation and compliance monitoring plan for the entire organization, for senior management's approval.
- b) Revisit the Procurement Section's risk register, including risk response and mitigation (e.g. mitigating actions may include monitoring based on automated exceptions reporting).
- c) Clarify or revisit policies, if necessary, to ensure the delegation of authority to the Procurement Section (or professionalized procurement hub(s)) to validate that all requests of significant Direct Contracts (e.g. above US\$ 50,000) are justified under the Financial Regulations and Rules and be their submitting authority to headquarters Procurement Review Committee, or otherwise mandating competitive procurements.
- d) Clarify or revisit policies, if necessary, to ensure that Direct Contracts between US\$ 5,000 and US\$ 50,000 are issued only by Regional Directors (or after non-

objection of a regional Procurement Review Committee), the Chief Procurement Officer or the Chief of Procurement.

- e) Enhance accountability and limit potential conflict of interest or pressure exerted on the Chief Procurement Officer, consider for inclusion in the Financial Rules (for approval by the Executive Director) or Procurement and Contract Management Policy an "exceptional" basis for Direct (or other) Contract awards and the higher delegation of authority for their approval.

Recommendation 6 (Medium):

The Chief Procurement Officer to strengthen accountability of managers (including for Direct Contracts, as well as disclosure of any conflicts of interest) as follows:

- a) Introduce an induction briefing for newly appointed senior officials (budget holders) at headquarters and in field on their procurement roles and responsibilities, prior to assuming them and receiving related access rights in ERP.
- b) After such briefing, the official's delegation of authority letter should clearly document that the official with procurement responsibilities will be held accountable, in accordance with the Delegation of Authority Framework Policy and through their performance management mechanism, for non-compliance with the Procurement and Contract Management Policy and, particularly, repeated non-compliance. In this regard, the Chief Procurement Officer, Procurement Section, all Procurement Review Committees and IAS are responsible for signalling known non-compliance for action by the Chief Procurement Officer and the relevant official's supervisor.
- c) Raise awareness of Directors and other senior officials that they should not conduct direct discussions and negotiations with prospective vendors, other than that permitted in the Procurement and Contract Management Policy. Procurement should be controlled and regulated by the Procurement Section (or a delegated and qualified procurement specialist).

Recommendation 7 (Medium):

The Chief Procurement Officer to revise procurement procedures by:

- a) (After consulting the practices of other UN organizations) Reinstating UN Women's minimum solicitation periods for Invitations to Bid and Requests for Proposals to at least 20 days, to foster greater interest and competition between potential vendors.
- b) Requesting that business units and field offices: (i) conduct periodical market surveys, where applicable, to strengthen a competitive vendor base, or use market surveys and vendor databases of UN Country Teams; and (ii) if the tender (e.g. for recurring goods or services) is not a public one, follow up with regularly unresponsive bidders to identify reasons.

Recommendation 8 (Medium):

The Procurement Section to use lessons from challenges in the E-Procurement system in implementation of the electronic bidding module in the new ERP system. For instance:

- a) Reasons why some field offices did not use E-Procurement, either partially or entirely.
- b) Training required for field offices, headquarters business units and external vendors.
- c) E-Procurement deficiencies and issues to be avoided or addressed in the new ERP system.

Recommendation 9 (Medium):

The Chief Procurement Officer, with advice of the Legal Service as required, based on a simple process and cost effectiveness assessment of available options (e.g. an internal Vendor Sanctions Committee versus one outsourced from another UN organization), to adopt a Vendor Sanctions Policy (or procedure), including a clear time frame for taking decisions, communicating sanctions to vendors and relevant UN Women business units or field offices, and posting such information in the UN Global Marketplace.

Annex 1: DEFINITIONS OF AUDIT TERMS, RATINGS AND PRIORITIES

1. 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.
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.
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.

2. 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 management of the audited entity/area, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.

UN WOMEN IS THE UN ORGANIZATION
DEDICATED TO GENDER EQUALITY AND THE
EMPOWERMENT OF WOMEN.
A GLOBAL CHAMPION FOR WOMEN AND GIRLS,
UN WOMEN WAS ESTABLISHED TO ACCELERATE
PROGRESS ON MEETING THEIR NEEDS
WORLDWIDE.

UN Women supports UN Member States as they set global standards for achieving gender equality, and works with governments and civil society to design laws, policies, programmes and services needed to ensure that the standards are effectively implemented and truly benefit women and girls worldwide. It works globally to make the vision of the Sustainable Development Goals a reality for women and girls and stands behind women's equal participation in all aspects of life, focusing on four strategic priorities: Women lead, participate in and benefit equally from governance systems; Women have income security, decent work and economic autonomy; All women and girls live a life free from all forms of violence; Women and girls contribute to and have greater influence in building sustainable peace and resilience, and benefit equally from the prevention of natural disasters and conflicts and humanitarian action. UN Women also coordinates and promotes the UN system's work in advancing gender equality.



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