THEMATIC AUDIT

COMPLIANCE WITH

DONOR REQUIREMENTS

UN WOMEN

COMPLIANCE WITH DONOR REQUIREMENTS

INDEPENDENT EVALUATION AND AUDIT SERVICES (IEAS)
Internal Audit Service (IAS)
UN WOMEN

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EXECUTIVE SUMMARY

Audit objective and scope

The UN Women Internal Audit Service (IAS) of the Independent Audit and Evaluation Services (IEAS) conducted an internal audit of UN Women's compliance with donor requirements. The audit objective was to assess whether UN Women had **effective governance arrangements and processes in place** to ensure donor requirements were implemented effectively. The **audit scope** covered the following areas:

(a) **Effectiveness of governance and oversight** over donor agreements.

(b) **Adequacy of existing policies**, **procedures, tools and systems** for effective compliance and risk management.

(c) **Compliance with existing policies and procedures** (controls to address risks) for effective compliance and risk management.

The audit period covered donor agreements signed between 2018 and quarter one 2020, to enable a review of the whole donor agreement cycle. Reports generated by the Donor Agreement Management System (DAMS) were used to extract IAS' audit sample. Any related data quality issues were analysed and reported.

Scope limitations: This audit focused on compliance with donor agreements, leaving project management outside the scope of the audit. DAMS was the only corporate system recording detailed donor agreement data, and there were some indications that DAMS-generated data may be incomplete and/or inaccurate.

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

Audit opinion and overall audit rating

IAS assessed the state of governance, policy framework and risk management for UN Women's management of compliance with donor requirements as **Some Improvement Needed** meaning that *"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 area.* Several of the areas for improvement identified in this report had previously been highlighted by the United Nations Joint Inspection Unit (JIU) in its review of Donor Reporting Requirements across the United Nations system (JIU/REP/2017/7). One area which was assessed by IAS as **Major Improvement Needed** related to automation of the project reporting process which should be based on project results frameworks integrated into corporate Enterprise Resource Planning (ERP) as part of the project management module.

Main conclusions and recommendations

In 2018 and 2019, UN Women donors committed an estimated US$ 420 million, earmarked through 525 donor agreements as per DAMS data. As with many other UN organizations, UN Women's management of donor agreements was set in the context of decentralized field operations and the differing legal and reporting requirements of donors. The UN Women Legal Office has the authority to negotiate donor agreements, while field offices have broad authority to develop projects and conclude donor agreements up to US$ 3 million without prior clearance by headquarters based on the corporate delegation of authority framework. Therefore, it is essential that systems, policies and procedures are well established, clearly communicated, consistently complied with and enforced.

IAS observed the following progress related to UN Women's management of donor agreements:

- Two substantive Policy, Procedure, Guidance Framework (PPG) documents regulate and manage the main subprocesses, preparation of donor agreements and donor reporting. This was supported by a comprehensive suite of standard and donor-specific agreement legal templates, with French and Spanish language versions provided.

- The Virtual Global Service Centre (VGSC) was established to link regional offices with Financial Management Section to prepare all financial donor reports for UN Women and provide support and quality assurance for financial project closure. The VGSC has been acknowledged as good practice for network working between headquarters and field within UN Women. Financial donor reports (interim, provisional, final and annual certified) are generated mostly from data within the existing ERP system (Atlas) with manual interventions.

- UN Women developed a database, the Donor Agreement Management System (DAMS), which functions as a corporate document repository for all signed donor agreements, and a financial control mechanism to ensure funds are released to projects once the donor agreement is in place and approved. It is also used to record milestones with respect to donor reporting and revenue. However, DAMS is not part of the existing ERP, rather it is a repository for information on donor agreements.

- A secondary tool was developed to track the non-standard donor agreements clearance system (DACS).

- UN Women divided offices managing donor-funded projects into two broad tiers (T1 and T2). T1 offices have good capacity; a proven track record to produce high-quality and timely narrative donor reports; and have received positive donor feedback. Offices assessed to have weaker capacity; that do not have a proven track record; and received critical donor feedback are considered as T2. All headquarters units are considered to have all the necessary pre-requisites and are categorized as T1. T1 offices have the authority to submit donor reports directly to donors, whereas T2 offices need to go through another level of quality

assurance via their respective regional offices before submission to donors. Since decentralization in 2016, there has been an improvement in the timeliness of submission of donor reports.

IAS observed some examples of good practices which could be replicated, e.g. the Asia and the Pacific Regional Office (APRO) invested resources to ensure the timeliness and better quality of donor reports. APRO has a dedicated monitoring and reporting team led by a P4 specialist. In the past, APRO also had a dedicated budget to spend on donor reporting and capacity building initiatives; however this was not maintained in 2021 due to reduced core resources. The team developed Standard Operating Procedures for narrative donor reporting which were rolled out across the region. In addition, the team assessed the timeliness and quality of donor reports submitted in the region based on an objective criterion for both Tier 1 and Tier 2 offices. These measures could be scaled up to the other regions to help boost the capacity and efficiency of donor reporting at country and programme presence offices.

The overall assessment of **Some Improvement Needed** was mainly due to improvements needed in the following areas:

Effectiveness of governance and oversight arrangements

IAS identified several areas where governance could be improved, and human resource capacity strengthened:

- UN Women lacked an overarching policy framework and coordination function to ensure compliance with donor requirements.

- Better in-house cohesion/donor relations could be achieved if offices managing donor-funded projects involved headquarters Partner Focal Points regularly in communications with donors in a timelier manner.

- Capacity assessments/pillar assessments conducted by donors were not consolidated, analysed and deficiencies addressed to enhance risk management, internal controls, knowledge sharing and lessons learned.

- The office tier system needs to be reviewed to reflect the current state of country and headquarters offices' project management capacity to prepare narrative

reports and, where appropriate, to provide an additional layer of quality assurance in both field offices and headquarters.

- The capacity of monitoring and reporting focal points (for mainly narrative reporting and results versus cost monitoring) at the regional and field level varied across the organization. There was significant personnel turnover and some offices did not have designated monitoring and reporting officers. There was no structured training on results-based management leading to donor reports of varying quality.

Adequacy of existing policies, procedures, tools and systems

With over US$ 350 million per annum allocated to programme management and over 2,500 donor reports produced each year, UN Women is facing increasing demands from donors for tailored reporting, inclusion of donor-specific provisions in formal agreements and for reporting against the planned results and associated budget. This is a very significant issue where donors require UN Women to report against outcomes and outputs in a format determined by them. Although the Legal Office has prepared a comprehensive package of donor-specific agreements, one third of agreements executed during the audit review period (175) were non-standard. Donor-specific reporting requirements for results-based financial reporting at outcome and output level in accordance with the agreed project document and budget were a major contributor to additional workload. In 2017, the JIU recommended that UN Chief Executives should develop and adopt a common report template to accommodate donor requirements. *IAS recommends engagement with major donors to update and make available a standard agreement template to address most of their requirements*.

Without investing in systems which are able to generate results-based reports and monitor the results against a project document, UN Women will struggle with non-standard agreement requirements and timely donor reporting. UN Women's main accounting, donor agreement repository, non-standard donor agreement clearance and results-management systems (Atlas, DAMS, DACS and RMS) are not integrated and/or do not include project-level results to allow for the much-requested results-based financial and narrative donor reporting. **An Integrated IT Systems Project has been ongoing for 18 months, activating an enhanced grants module which integrated project-level results into Atlas allowing for the connection between results indicators, project budget and financial actuals (see Issue 3 for details). However, the Integrated IT Systems Project was halted in July 2020 when UN Women decided to join UNDP in migrating from Atlas to a new ERP system.**

The new ERP project may offer a timely opportunity to develop customized planning and resource management, project management and results-based narrative and financial donor reporting systems, where results at all levels are captured to provide the linkages to the results framework and associated budgets and financial actuals. Incorporation of DAMS and DACS functionalities into the new ERP would ensure integration of systems. However, at finalization of this report, it was not clear if the ERP scope would include a project management and reporting module, while Business Process Owners in UN Women continued to advocate for its inclusion as an integrated solution. As an immediate step, there is a need to maintain the completeness, accuracy and reliability of DAMS data.

Achievement of a fully integrated ERP system would action *Recommendation 6 of the recent IEAS/IES Independent Evaluation Report* "Effectiveness and Efficiency Assessment of UN Women Flagship Programme Initiatives and Thematic Priorities of the Strategic Plan 2018–2021" requesting that *UN Women **implement a full integration of its strategic planning, budgeting, results monitoring and financial systems** so that planning, resource mobilization, budgets and expenditure of SP initiatives are clearly reported through the ERP system*. Furthermore, IAS also reiterates the recommendation from the Project Cycle Gap Assessment to ***develop a comprehensive and accessible project management and monitoring system*** *to implement the final Project Cycle Framework and project principles that provides up-to-date information on the field programme to all UN Women staff and utilizes project-related definition reiterates the recommendation made in the Project Cycle Gap Assessment on the end-to-end supporting system*.

Compliance with existing policies and procedures

In a decentralized and delegated operating environment with differing capacity, the risk of non-compliance with policies and procedures may be higher and a degree of central

oversight is required. UN Women faced challenges in ensuring compliance and enforcement of policies in two main areas: first, some donor reports were submitted late to donors, which may negatively impact future resource mobilization efforts. As of 12 September 2020, the DAMS dashboard showed that 26 per cent of donor reports were submitted with some delay. Second, there was some evidence that country offices did not always comply with the process for non-standard agreements, through the mandated clearance process which involves oversight by headquarters specialists.

Compliance with donor requirements is the responsibility of the head of office implementing the project ("offices managing donor-funded projects"). Central oversight from headquarters was limited in terms of compliance with donor requirements and focused on reporting on submission of donor reports, while regional offices' role varied depending on the type of field offices they support (Tier 1 or 2).

Compliance with donor requirements including timely and accurate reporting had not been identified as a risk in almost all UN Women offices at headquarters and in the field.

Recommendations

IAS made nine recommendations for actions by SPD, PAPDU, FMS, PSMU and Legal. Three recommendations were ranked as High priority and six as Medium priority.

The High priority recommendations mean that *"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."* These recommendations include:

- As part of the Flagship Programme Initiative and Project Cycle recommendations, in the area of donor reporting, the ERP Steering Committee and ERP Champion to advocate that the project results framework (outcome, output and activity) is captured to provide linkages to budgets, financial actuals, results, narratives and indicators to enable results-based financial and narrative donor reporting. This process should be accompanied by revision of off-system policies and procedures related to donor reporting, including the donor reporting template (Recommendation 2).

- Office heads are reminded of their obligations to ensure timely and effective

donor reporting. This obligation should be included in their performance management to ensure accountability (Recommendation 8).

- PAPDU, in consultation with regional monitoring and reporting specialists and SPU, to design training materials on results-based narrative reporting and roll out training across the organization (Recommendation 9).

The six Medium (Important) priority recommendations mean that *"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".* These recommendations address findings relating to the need to: enhance involvement of SPD Partner Focal Points in communication with donors; ensure better linkage between Atlas and DAMS data; better coordinate and consolidate the information requirements of various donors during donor pillar or assurance assessments; introduce an automated system for recording specific non-standard provisions; improve risk management practices for compliance with donor requirements; revisit the office tier system for clearance of narrative donor reporting; and strengthen the capacity of monitoring and reporting focal points at the regional and field level.

Management comments and action plan

Management comments have been considered in this report, where appropriate.

Management agrees to the recommendation and will provide its action plan during the regular follow up exercise on audit recommendations.

Lisa Sutton

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ACRONYMS AND ABBREVIATIONS

APRO	Asia and the Pacific Regional Office
COAT	Country Office Assessment Tool
DACS	Donor Agreement Clearance System
DAMS	Donor Agreement Management System
DMA	Division of Management and Administration
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
FMS	Financial Management Section
HR	Human Resources
IAS	Internal Audit Service
IEAS	Independent Evaluation and Audit Services
IST	Information Systems and Telecommunications Section
JIU	Joint Inspection Unit
PAPDU	Political Analysis and Programme Development Unit
PPID	Policy, Programme and Intergovernmental Division
PPG	Policy, Procedure and Guidance Framework
PSMU	Programme Support Management Unit
RMS	Results Management System
SPD	Strategic Planning Division
SPRED	Strategy, Planning, Resources, and Effectiveness Division
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
US$	United States Dollar
WCARO	West and Central Africa Regional Office

I.   INTRODUCTION

According to its Donor Agreement Procedure, UN Women may accept contributions from public sources such as governments, UN system organizations, inter-governmental organizations and government-owned companies, as well as from private sources such as non-governmental organizations (NGOs), foundations, private entities, charities, private individuals and privately owned or incorporated universities ("donors"), as 'core' or 'non-core' funding to manage its operations. As a result of this engagement, UN Women commits to a variety of different requirements and conditions in donor agreements. Many different donors (in number and typology) were engaged by UN Women at the headquarters and field level, which often required that non-standard clauses were included in their agreements.

During its risk assessment and identification of topics for its 2020 risk-based audit plan, the Internal Audit Service (IAS) identified compliance with donor requirements as a key risk area. The following risks were identified during discussions with key stakeholders:

- At the corporate level, oversight of donor agreements from conception of the partnership to closure of the agreement was shared between different units within headquarters, with no single point of accountability and authority for coordinating and monitoring the end-to-end process of negotiating and committing to donor requirements, and the subsequent implementation and monitoring of the requirements for compliance.

- There was no policy framework to consolidate the end-to-end process and to coordinate stand-alone detailed procedures and guidance on donor agreements and on preparation of donor reports.[1] Such a "holding" policy framework would

help to define the roles, authority and accountabilities of key contributing units aligned with the Three Lines of Defence model[2] and would help to enhance consistency between the detailed procedures and guidance.

- In general, donors should sign one of UN Women's standard donor agreements, but a number of donors required that UN Women sign donor-specific or non-standard agreements. Non-standard agreements must go for clearance by the Legal Office, Finance Management Section (FMS) and (if applicable) the Budget Section of the Strategy, Planning, Resources and Effectiveness Division (SPRED) or, if required, a management decision by the Director, Division of Management and Administration (DMA).

- Compliance with donor requirements is the responsibility of the head of office implementing the project ("offices managing donor-funded projects"). Central oversight from headquarters was limited in terms of compliance with donor requirements and focused on reporting on submission of donor reports, while regional offices' role varied depending on the type of field offices they support (Tier 1 or 2). At the same time, implementation of non-standard conditions in donor agreements did not always depend on offices managing donor-funded projects but on particular Business Process Owners, who might not always monitor all donor requirements.

- The Donor Agreement Management System (DAMS) is the repository of all donor agreements entered into by UN Women so that the Entity has visibility of all signed donor agreements and their terms and conditions. DAMS also supports monitoring of donor reporting; recording of receipt of revenue milestones against agreement terms; and FMS-required evidence of signed agreements in order to apply donor

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[1] Examples of current PPG related to donor agreements with different owners are: high-level guidance for UN Women to accept contributions and enter into donor agreements stems from UN Women Financial Regulations and Rules, particularly 'Section C. Resources'; Revenue Management Policy (11 Dec 2012) by FMS guides revenue recognition and accounting, and key roles and responsibilities in this regard; Delegation of Authority Framework Policy (21 Jan 2020) by the former Programme Division, details DoA levels for 1) authorizing non-standard agreements; and 2) approval of 'partnerships, contributions & other agreements'; The new Resource Mobilization Partnerships Policy (15 May 2020) by SPD details roles and responsibilities at various levels for resource mobilization, and refers further to

Donor Agreement Procedure and Guidance, as well as Preparation of Donor Reports Procedure. Finance Manual and Standard Operating Procedure (FMS) hosted on PPG containing section E.4 on Donor Agreements.

[2] As defined by the Institute of Internal Auditors, *"in the Three Lines of Defense model: management control is the first line of defense; risk management, the various risk control and compliance oversight functions established by management are the second line of defense; and independent assurance is the third. Each of these three "lines" plays a distinct role within the organization's wider governance framework."*

funds against specific projects. Data quality in DAMS was variable. UN Women's Enterprise Resource Planning (ERP) system (Atlas) and Results Management System (RMS) did not have adequate functionality to capture the project results framework (outcome, output and activity) and associated financial information required to generate detailed results-based financial reporting, as required in UN Women's key donor agreements and project documents. **To satisfy this information gap, field offices and other organizational units often used manual workarounds to share detailed reports with donors such as costs incurred versus results achieved, or versus budget lines agreed with the donor**. It was expected that a new enhanced Atlas Grants module and a 'Project Gateway' information system would help to resolve some of the issues linked to financial reporting (implementation of which had been suspended due to the roll-out of a new ERP system to replace Atlas).

- In 2017, the JIU conducted a study on donor reporting[3] across the UN system. While UN Women had implemented five of the seven recommendations arising from the JIU report, the actions might not be fully effective.

II.   BACKGROUND

PPG on donor agreement preparation and approval

UN Women has several policies, procedures and guidance (PPG) issued by different policy owners to regulate its contributions from donors. UN Women received contributions in accordance with its Financial Regulations and Rules (FMS, April 2012). Receipt of contributions was further regulated through its Revenue Management Policy (FMS, December 2012), Policy on Cost Recovery (Budget Unit, December 2015), Delegation of Authority Framework Policy (Office of Executive Director: January 2018, updated as of January 2020), Due Diligence Policy (SPD, July 2018) and Procedure (on potential contributions from the private partnership) (SPD, July 2018), Resource Mobilization Partnerships Policy (SPD, May 2020) and the annually updated Finance Manual and Standard Operating Procedure (FMS, December 2020) .

The Donor Agreement Procedure (DMA, December 2018) defined roles and responsibilities, and procedures for accepting earmarked (non-core) contributions to UN Women through standard and non-standard donor agreements. The Donor Agreement Guidance (Legal Office, December 2018, updated as of May 2020) provided further guidance, including on contributions to regular (core) resources.

UN Women adapted a number of standard donor agreements in addition to its standard template depending on donor and contribution type and value, and issued specific guidance in areas such as pro bono and in-kind contributions, and digital fundraising. The UN Women Legal Office intranet suggests there are at least 41 templates, plus Spanish and French language versions thereof.

Standard donor agreements can be signed by the relevant office according to the Delegation of Authority Framework Policy: field offices up to US$ 1 million; regional offices up to US$ 3 million; headquarters Directors (D1 level) up to US$ 1 million; headquarters Division Directors (D2 level) up to US$ 5 million; and Deputy Executive Directors above US$ 5 million. If there is any deviation from the standard conditions laid out in UN Women's donor agreement template, the agreement must be approved through the non-standard agreement clearance system.

- Legal Office ensures compliance with UN Women's regulations and rules or provides legal advice/clearance on any deviations.

- FMS ensures alignment of financial reporting commitments with UN Women standard reporting time frames, bank account details and consistency of payment tranches with programmatic continuance.

- Budget Section under SPRED ensures appropriate support costs are included in the budget or approves any waiver of standard support costs.

- Where requested by management, relevant technical experts ensure alignment of any requirements with their functional areas.

- There was no requirement to confirm the operational feasibility (capacity to comply with non-standard clauses) of donor agreements, implying that the office

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[3] https://www.unjiu.org/sites/www.unjiu.org/files/jiu_rep_2017_7_english.pdf

accepts it as feasible by signing the donor agreement.

If either the Legal, Finance or Budget offices do not clear the non-standard agreement, the final decision rests with the Director, DMA.

PPG on donor agreement reporting

The Preparation of Donor Reports Procedure (February 2017) elaborated the roles and responsibilities of relevant stakeholders; the procedure for preparation of (project implementation) narrative and financial donor reports; quality assurance of donor reports according to the office tier system; and provided templates for financial reports.

Donor reports comprise of two parts – financial and narrative. Each part has its relevant oversight and accountability. The FMS Virtual Global Service Centre is responsible for all financial donor reporting commitments, whereas narrative reporting is conducted in accordance with the donor reporting procedure and guidance and oversight is provided by PAPDU. The Deputy Director, FMS has responsibility for the financial donor reports and sole responsibility for certifying the Certified Financial Donor Reports on an annual basis. There has been an increase in submission of donor reports over time due to the increased number of projects and expansion of UN Women.

Donors expect UN Women to provide timely and high-quality donor reports focusing on the right level of results and impact. As of 12 September 2020, the DAMS dashboard showed that since DAMS was launched, 26 per cent of donor reports were submitted with some delay, while 21 reports were overdue.

Overview of donor agreements

According to the briefing on the UN Women 2019 Financial Statements prepared by FMS, UN Women entered into the following number of donor agreements by financial threshold between financial years 2016 and the first 11 months of 2020:

Table 1: Donor agreements signed by UN Women, 2016 – first 11 months of 2020

Total Agreements by threshold:	USD	2020 YTD	2019	2018	2017	2016
	$0 - $150k	63	68	87	81	125
	$150k - $500k	76	65	62	68	61
	$500k - $1m	39	44	43	38	26
	$1m -$2m	29	43	23	27	19
	$2m -$5m	20	26	23	15	17
	> $5m	6	15	12	13	5
		233	261	250	242	253

Source: Financial Management Section data

Based on the donor agreement information available in DAMS and revenue recorded at the time of the audit against the agreement IDs, UN Women signed various agreements for the following amounts in 2018–2019:

Table 2: Donor agreement types signed by UN Women, 2018–2019[4]

Type of agreement (DAMS categories)	Number of agreements		Agreements value in US$	
	Non-standard	Standard	Non-standard	Standard
Cost-sharing agreement	88	173	80,179,628	131,371,624
In kind cost-sharing agreement	1	-	25,104	-
Letter of Agreement	23	9	17,887,590	5,351,166
Memorandum of Understanding (MOU)	-	3	-	4,161,746
Joint Programme	4	108	14,734,820	101,543,985
National Committee contribution	-	1	-	50,000
Note verbale	23	2	26,485,099	3,750,000
Pledge (core funds only)	18	1	20,071,575	27,930
UN agency to UN agency agreement	18	53	6,145,642	8,020,659
Grand Total	175	350	165,529,458	254,277,109

Source: DAMS data

Systems used for donor agreements

DAMS is a repository and not part of the ERP. As DAMS is a stand-alone dashboard and not integrated with Atlas, the information between the two systems might contain discrepancies. In addition, DAMS agreement status changes frequently depending on the nature of amendments or changes to information captured in the system.

In July 2020, UN Women decided to join UNDP in moving from Atlas to a new ERP

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[4] Periods for signing agreements may differ from periods for receiving revenue from the agreements, which might have contributed to the difference between Table 1 and Table 2.

platform, Oracle Cloud solution. A decision was made to accept the new ERP as out-of-the-box minimizing the customization required. Currently, it is not yet clear if an integrated approach is possible between DAMS and the new ERP, but according to FMS it would be difficult to replace DAMS and its functionality. It is not yet clear if ERP can be expanded to the project management system.

III. AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

Objective

The main objective of the audit was to assess whether UN Women had **effective governance arrangements and processes in place** to ensure that the donor requirements to which UN Women is committed are managed and implemented in a timely manner.

The audit reviewed donor agreements and related controls over donor financial reporting and compliance with donor requirements from 1 January 2018 to September 2020.

Scope

The audit scope covered the following areas:

(a) **Effectiveness of governance and oversight** over donor agreements.

(b) **Adequacy of existing policies, procedures, tools and systems** for effective compliance and risk management.

(c) **Compliance with existing policies and procedures** (controls to address risks) to ensure that UN Women meets its commitments to donors.

Scope limitations

The audit focused on the systems and processes in place to ensure compliance with

donor agreements, leaving project management outside the scope of the audit. IAS covered project management in another advisory assignment in 2019. Moreover, the audit did not individually review the compliance of individual projects as these are normally covered during individual country and headquarters unit audits. There were some indications that DAMS-generated data in terms of donor agreements and donor reporting may be incomplete and/or inaccurate. However, it was used for this audit as the only system recording detailed donor agreement data.

Methodology

The audit work consisted of reviews of documents and systems, and interviews with UN Women staff at the headquarters, regional and country level. The audit also included review of relevant previous internal audit and evaluation reports; and review of samples of individual donor agreements from DAMS and DACS. Samples of agreements mainly focused on compliance with existing procedures, root causes of non-compliance and areas for improvement in the current state of internal controls.

After initial consultations with stakeholders, because of the COVID-19 pandemic, audit-related verifications and communications were managed remotely.

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

IV.   AUDIT RESULTS

Issue 1: Need for an overarching policy framework and a coordinating function to ensure coherence between stand-alone elements of existing PPG on donor agreements and donor requirements, and to oversee compliance

As mentioned in the Background section, UN Women established a range of different procedures and guidance, fully dedicated to managing donor agreements or contributing to the process. Procedures guide offices managing donor-funded projects on accepting earmarked contributions in the form of cash, goods or services from public and private sources, reporting to donors and other areas. For example, the Donor Agreement Procedure defined roles and responsibilities of the stakeholders involved and the process to be followed for entering into a donor agreement. The procedures and guidance were produced by different offices involved in managing donor agreements at different stages of the process, e.g. the Legal Office and FMS were responsible for the Donor Agreement Procedure, donor agreement guidance, revenue management policy and the policy on cost recovery. The Strategic Planning Division (SPD) was responsible for the Resource Mobilization Partnership Policy and Due Diligence Policy and procedure; the Political Analysis and Programme Development Unit (PAPDU) was responsible for donor reports procedure; and FMS was responsible for all financial donor reporting and annual certification.

As these procedures were scattered among different policy owners and it is important to ensure their coherence and to identify gaps in policies which are aimed at managing process risks, UN Women would benefit from an overarching policy framework on the end-to-end process, which embraces all existing PPGs; becomes a placeholder for new PPGs; covers missing provisions (see Issue 3); and identifies any inconsistencies or conflicting provisions.

The process to ensure that non-standard clauses are complied with was not fully embedded into existing processes and systems. UN Women did not have a

coordinating/liaison function with the authority and accountability to oversee all donor-specific requirements and to ensure they are being complied with, the exception being improvements in management oversight at the donor reporting level. In the absence of a process and responsible function, there is a risk that non-compliance with significant donor conditions might go undetected and the second line of defence is not effectively coordinated.

UN Women's PPG recommends using a standard template when entering into a donor agreement; however, it is not always accepted by donors who have their own legal and administrative requirements to follow. According to DAMS data from 01 January 2018 to 31 March 2020, **175 of 533 donor agreements (33 per cent)** were non-standard. In addition to the non-standard agreements entered into every year, the Legal Office has multiple templates of donor-specific agreements which helps offices choose the best and most up-to-date template when negotiating donor contracts.

While the Legal Office was responsible for negotiating non-standard agreements (with the involvement of FMS and Budget, and relevant functional areas as required) compliance with those agreements was the responsibility of offices managing donor-funded projects, which might not always be fully aware or have the resources and capacity to ensure that non-standard clauses are respected. This may hinder UN Women's ability to deliver on commitments and may put into question future funding opportunities.

Considering that one third of donor agreements in the last two years were non-standard, there is a need for a designated liaison/coordination function to have a centralized oversight over the end-to-end process, including negotiations and review of non-standard agreements and clauses, and further compliance with donor requirements. At the time of audit, this was fragmented between different offices at headquarters due to its technical nature.

IAS observed that different policy owners or contributing offices were involved in oversight during different stages of implementation of donor agreements as follows:

- Through the clearance system, non-standard agreements were reviewed and negotiated by the Legal Office (with the involvement of Finance and Budget or other functional areas as required) and, if necessary, if they cannot be legally

cleared, referred to the Director, DMA for management decision.

- The liaising or coordinating role was performed by the Partner Focal Points in the Resource Mobilization Unit in SPD; however, they mainly focused on organizational framework agreements. These focal points were not always included in correspondence for individual donor agreements prepared by the offices managing donor-funded projects, and it is not clear whether they had enough authority defined in the PPG to take on this responsibility.

- The reporting focal point in PAPDU oversaw the timeliness of submission of donor reports and regularly submitted the status of donor reporting commitments to the Deputy Executive Director for Normative Support and Programme Results.

- FMS oversaw and submitted all certified financial reports through its Virtual Global Service Centre.

- For certain global programmes, programme managers were designated to monitor compliance with donor requirements; however, a recent IAS audit of one of the headquarters sections with a global programme showed that the monitoring and reporting function within the section needed to be improved.

- Regional offices were also involved in oversight and providing quality assurance on narrative reports prepared by Tier 2 countries. Tier 2 offices are required to submit a copy of their draft reports to regional offices for clearance and quality assurance before they are submitted to donors. Regional offices also monitor reporting commitments and send reminders to implementing offices when the due date of submission is approaching.

In IAS' opinion, management oversight in this area needs to be assigned to either the Resource Mobilization Unit (as a liaison link); or PAPDU (given its involvement in overseeing narrative donor reporting). Having explicit confirmation and assigning accountability to offices managing donor-funded projects for operational feasibility would be a first step in raising awareness of non-standard requirements, which could be further monitored by a coordinating function with self-certification from the individual offices and exception reporting during project implementation.

Recommendation 1 (Medium):

Based on their involvement in the process, the Resource Mobilization Section of SPD and PAPDU, with the support and advice of the Legal Office and FMS (specifically on financial donor reporting and other financial management areas) as required, to agree on:

- Taking on the role of liaising/coordinating function at the corporate level, responsible for consolidating existing PPGs under an overarching policy framework; and overseeing exceptions from existing PPGs of non-standard donor agreements and further compliance with those clauses to ensure all significant donor-specific conditions are captured, complied with and monitored throughout the implementation period.

- Coordinating clarification of roles and authority to oversee compliance with donor requirements across UN Women, and ensuring accountability (see Issue 2).

Issue 2: Offices managing donor-funded projects need to involve headquarters Partner Focal Points regularly in communications with donors

Partner Focal Points in SPD led partnerships with donors and were UN Women's main corporate interface when liaising with the donor community. Ideally, Partner Focal Points should be kept informed of all significant communications with donors from conception to the end of a partnership to guide the relevant office on the most recently agreed donor agreement template and clauses (if the standard UN Women template is not being used); emerging issues during implementation; and latest donor reporting arrangements.

The recent Resource Mobilization Partnerships Policy defined roles and responsibilities at various levels in the organization, and SPD also regularly updated its Partner Focal Point contact list by donor. However, despite this, there did not seem to be a

standardized protocol for the escalation of issues with donors. It was observed that offices managing donor-funded projects (country offices, regional offices and headquarters units) often engaged directly with donors and negotiated and signed donor agreements according to the Delegation of Authority Framework Policy, but without the involvement of the Partner Focal Points in SPD.

Similarly, Partner Focal Points were not kept informed of the report submission process to donors, although it was implied during UN Women's decentralization of the donor reporting process that Partner Focal Points should be advised if donors raise any issues/concerns. This has not always occurred, and Partner Focal Points were often only involved when an issue was escalated to senior management, sometimes when it was too late to intervene.

UN Women would benefit from the mandatory assignment of a Partner Focal Point to each donor agreement in the system (for example DAMS) so the Partner Focal Point is part of a project task force and has oversight across the organization; is informed of non-standard clauses and other exceptions; and could participate in significant issue resolution with donors, as necessary.

While implementing Recommendation 1, SPD to operationalize the Resource Mobilization Partnerships Policy to ensure its compliance by:

- Establishing a framework of accountability clearly stating the roles, responsibilities and accountability of different sections involved in donor agreement negotiation, clearance of non-standard donor agreements and submission of donor reports.
- Enhancing standard protocols for working with donors and re-enforcing accountability for non-compliance, ensuring that the roles and responsibilities of the different functions involved in resource mobilization are effective.
- Ensuring that Partner Focal Points are engaged in significant donor conversations so they can direct offices to the standard agreement/donor-specific agreement and discourage non-standard agreements.

Issue 3: Need for a protocol and system to ensure compliance with non-standard and emerging requirements, particularly results-focused reporting and value for money

Several donor requirements exist for which UN Women does not have a dedicated policy at the corporate level, e.g. clauses on environmental sustainability and social safeguards, child protection and value for money. In the absence of corporate policy and oversight of implementation of these requirements, there is an inherent risk of non-compliance which could, among other things, result in reputational and future funding risks. UN Women should proactively develop policies on these key emerging requirements frequently requested by donors and include them in UN Women's standard donor agreements so that there is a corporate mechanism to ensure compliance. *This gap in PPG was noted by IAS in its audit of Policy Cycle Management (see Annex 1 for a brief summary), and a related recommendation was raised on identifying policy gaps including frequently emerging new requirements from donors and the legal environment.*

In addition, donors increasingly requested more detailed reporting, i.e. narrative and financial reports focused on results and corresponding budget versus actuals to demonstrate value for money in UN Women's programmes and projects. The increased demand for detailed reporting may indicate that UN Women standard reports might not fully meet donor requirements because UN Women does not capture the project document results framework in the ERP system and its standard reporting templates are not sufficiently detailed. Currently, donor narrative and financial reporting are two stand-alone processes. UN Women processes and systems are not fully integrated to run results-based reports where project results are linked and compared to the detailed budget and expenses incurred. Any results-based financial reporting is currently manually driven.

A European Union (EU) pillar assessment conducted in February 2015 recommended that manual manipulations to data generated from the Atlas report should be minimized and UN Women should move towards a system for automatic reporting. During 2019–2020, UN Women management developed a new Enhanced Atlas Grants Module and

piloted it for some of the Spotlight projects. This project also planned to include the project management gateway for project level results indicators, monitoring and reporting, currently performed manually due to the lack of a dedicated project management system. The enhanced grants module and the project gateway were designed to overcome the limited functionalities of existing systems such as Atlas or the Results Management System (RMS) to capture project results and indicators and associated budgetary and financial information required to generate detailed results-based financial and narrative reporting, as required in UN Women's key donor's agreements and project documents. However, these efforts were halted due to an executive leadership decision to migrate from Atlas to Oracle.

Moving to the new ERP platform represents a critical opportunity for UN Women to ensure that the project document results framework (outcome, output and activity) and associated budgets and financial rules and regulations are captured adequately in the ERP system. The ability to prepare automated results-based financial donor reporting will contribute to reducing the number of non-standard agreements signed and will free resources from manual tasks (all results-based financial reports need to be manually generated and prepared by the Virtual Global Service Centre team).

The need for enhanced and integrated donor reporting (both narrative and financial) has already been highlighted in the Project Cycle Gap Assessment as an important component of the end-to-end project cycle system. The reference group on donor reporting has made progress on enhancing policies and procedures, including the revised narrative templates; however, little progress has been made on the system front as the new ERP project scope has not yet been clearly defined in relation to the project management module. **IAS recommends that fully automated results-based financial donor reports be prioritized as a specific deliverable in the new Oracle Cloud ERP.**

IAS **reiterates Recommendation 6** of the recent IEAS/IES **Independent Evaluation Report "Effectiveness and Efficiency Assessment of UN Women Flagship Programme Initiatives and Thematic Priorities of the Strategic Plan 2018–2021"** that UN Women implement a full integration of its strategic planning, budgeting, results monitoring and financial systems so that planning, resource mobilization, budgets

and expenditure of Strategic Plan initiatives are clearly reported through the ERP system, in particular the integrated audited ERP system. Furthermore, IAS also **reiterates the recommendation from the Project Cycle Gap Assessment** to develop a comprehensive and accessible project management and monitoring system to implement the final Project Cycle Framework and project principles to provide up-to-date information on the field programme to all UN Women staff.

Recommendation 2 (High):

As part of the Flagship Programme Initiative and Project Cycle recommendations, in the area of donor reporting, the ERP Steering Committee and ERP Champion to advocate that the project results framework (outcome, output and activity) are captured to provide linkages to budgets, financial actuals, results narratives and indicators to enable results-based financial and narrative donor reporting. This process should be accompanied by revision of off-system policies and procedures related to donor reporting, including the donor reporting template.

Issue 4: Need to improve the completeness, accuracy and reliability of DAMS data

UN Women introduced its Donor Agreement Management System (DAMS) in 2016, a repository application that captures the terms and conditions and any specific non-standard clauses of donor agreements and associated amendments; and records revenue and reporting milestones. DAMS also hosts all donor reports submitted and uploaded in the database. UN Women relied significantly on DAMS to produce information on outstanding donor reports for senior management. DAMS is managed by FMS in collaboration with the Information Systems and Telecommunications Section (IST), Programme Support Management Unit (PSMU) and SPD. FMS was given the role of DAMS business owner as it co-led the project with IST, with other stakeholders part of the project team. At the time of roll-out, DAMS was fully tested through regional and headquarters pilots. PSMU provided regional training sessions for Level 1 Approvers at regional offices, country offices and headquarters sections, with Level 2 Approver training conducted within FMS.

Based on its review, IAS observed that the information captured by DAMS was not always accurate, reliable and up to date at a given point in time. Manual work was sometimes needed to ensure the information was useful and fit for purpose, particularly in the context of donor reporting.

IAS analysed DAMS data from January 2018 to March 2020 to review its accuracy, completeness and reliability. IAS observed that during this period, 659 agreements or amendments were uploaded in DAMS, of which 533 were approved. Almost 20 per cent of the agreements appeared to be in draft/pending approvals at different levels.

Table 3: Status of donor agreements 2018–March 2020 in DAMS

Agreement status	Number of agreements
Approved	533
Draft	51
Pending (Level 1)	24
Pending (Level 2)	9
Pending (Submission)	16
Rejected	26
Total	**659**

Source: DAMS data March 2020

IAS observed the following system data integrity issues:

- There was a data linkage issue between Atlas and DAMS for country-specific projects, and no interface between the corporate systems DACS, DAMS and Atlas. Based on the project sample, IAS noted that one agreement was approved in the system, but the DAMS report used by IAS showed the agreement as still pending at Level 2.
- Cases when DAMS automatically changed the date of reporting commitments by a day or two affecting the statistics on timely reporting. IST confirmed that this problem was resolved towards the end of 2020 by changing the DAMS source code.
- If run on different dates, the DAMS reporting dashboard provided inconsistent information regarding the number of donor reports submitted with a delay.

- The DAMS reporting commitments report downloaded on 27 August 2020 showed the status of multiple donor reports already submitted as "Overdue".

DAMS is the only repository system for donor agreements and for the overdue reporting statistics being presented on monthly basis to senior management, therefore it is vital to ensure the data quality is adequate and accurate.

While a DAMS user guide had been issued, field personnel interviewed by IAS noted that no recurrent training on DAMS and its functionality had been regularly provided. Personnel learned how to use DAMS on the job, and therefore made mistakes in populating data and reporting commitments. IAS was informed that FMS worked with the West and Central Africa Regional Office (WCARO) and the Americas and Caribbean Regional Office (ACRO) to deliver regional capacity training on DAMS but this had not been fully rolled out across UN Women.

Recommendation 3 (Medium):

FMS and PAPDU, with support from PSMU and IST, to assess the possibility of integrating DAMS functionality in the new ERP.

If integration is possible, existing tools and applications involving donor agreements and donor reports (DAMS, DACS, ERP etc.) should be integrated in one end-to-end solution.

If it is decided that DAMS should be kept, FMS, PAPDU, PSMU and regional offices need to ensure that:

- Any DAMS IT issues reported to FMS continue to be resolved in a timely manner with support from IST.
- Outstanding and pending agreements are monitored and resolved in a timely manner by regional offices with support from PAPDU and FMS.
- Users who have responsibilities for DAMS receive recurrent training from regional offices with support from PAPDU and FMS.

Issue 5: Capacity assessments/pillar assessments conducted by donors are not consolidated and analysed to strengthen policies, improve performance and enhance knowledge sharing

UN Women has been subject to a number of capacity assessments/pillar assessments by donors before funds are released to UN Women, for both core and non-core purposes. UN Women repeatedly provided similar information to different donors. These assessments had similar objectives regarding UN Women's capacity for future funding, for example:

- Pillar assessments by the EU included: (1) internal controls, (2) accounting system, (3) external audit, (4) grants, (5) procurement, (6) financial instruments, (7) exclusion from access to funding, (8) publication of information on recipients and (9) protection of personal data.

- The UK Department for International Development (DFID) also conducted regular Central Assurance Assessments of UN Women operations against the following five pillars: (1) governance and control, (2) ability to deliver, (3) financial stability, (4) downstream partners and (5) safeguarding.

- MOPAN performed regular assessments against its 12 pillars to measure effectiveness over strategic, operational, relationship, performance management and contribution to development, humanitarian and normative results.

UN Women invested considerable time and effort in providing information and arranging interviews for these assessments; however the Entity lacked a consolidated database or data bank where all such information could be stored and used in case of upcoming evaluations. Moreover, deficiencies highlighted from these assessments were not always consolidated into management actions to address them or to regularly monitor implementation progress of management actions to address the recommendations.

Some progress was observed in this area: PSMU has made attempts to collect frequently

asked questions and answers with standard documentation requirements on SharePoint so that information is readily available and accessible.

Recommendation 4 (Medium):

SPD to ensure that:

- A stocktake of all recently concluded assessments in headquarters and the field is conducted.

- In collaboration with PSMU, a dedicated SharePoint site is setup and used as a knowledge management platform for upcoming assessments.

- In collaboration with SPRED, deficiencies noted in assessments are analysed and addressed through management actions, the status of which is regularly monitored.

Issue 6: Need to standardize frequent non-standard donor requirements/clauses and enforce compliance with the approval process

According to its 2019–2020 Annual Report, UN Women derived 95 per cent of its total income from voluntary contributions (2019: US$ 500.4 million) of which US$ 143 million was designated regular resources (core) and US$ 357.4 million as other resources (non-core) funds. Approximately 78 per cent of voluntary contributions (US$ 390.5 million) was raised from UN Member States; 14.5 per cent (US$ 72.7 million) was transferred from other UN agencies; 1.5 per cent (US$ 7.3 million) from UN Women National Committees; and the remainder – 6.0 per cent – (US$ 29.8 million) from foundations and private donors. In total, 182 separate donors contributed in 2019.[5]

The existence of many donors combined with the decentralized nature of operations raised management challenges over the administration, accounting and reporting of

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[5] UN Women Annual Report 2019-2020.

donor contributions. Two main factors contributed to this complexity: first, there was no universally accepted standard legal agreement between UN Women and the donor community. Individual donors sought to negotiate inclusion of their own conditions in donor-specific agreements. Second, there was no commonly agreed reporting format for all UN agencies and the donor community. This latter issue was the subject of a UN Joint Inspection Unit (JIU) report in 2017 which made several recommendations intended to enhance transparency and accountability, and to strengthen coherence and harmonization. The JIU report recommended that the UN Secretary-General and Executive Heads should develop and adopt a common report template accommodating donors' information needs and requirements.

UN Women established a Donor Agreement Procedure to provide the framework for accepting earmarked contributions in the form of cash, goods or services from both public and private sources. Several standard donor agreement templates were developed and progressively updated by the Legal Office. In addition, several donor-specific agreement templates were concluded with bilateral and multilateral donors, as summarized below.[6]

Table 4: Number of donor agreement templates

Template/Guidance Notes	English	French/Spanish
Standard	11	15
Donor-specific including UN	29	6
Core	7	0
Total	47	21

Despite the number of legal templates, many donors still required their own conditions or variations to UN Women's standard conditions prior to funding approval. During the audit review period, approximately one third of donor agreements were non-standard. As a control measure, non-standard agreements were required to be cleared and With assistance of the Legal Office which summarised the nature and type of non-standard clauses negotiated by donors and associated risks, IAS examined several of the approved

deviations from the standard conditions as outlined below:

- **Adherence to the single audit principle** –There were instances that deviated from the single audit principle. In some other instances, UN Women's the standard audit clause was extended to accommodate donor requests, but these were not considered to deviate from the single audit principle.

- **Permitting donors to conduct their own evaluative activities**. One donor was able to initiate its own monitoring missions to any of its funded projects. This permission was extended to at least four other donors and incorporated in their donor-specific agreements. Other provisions included: donor participation in evaluations; donors' prior notification of evaluation terms of reference; and approval of evaluation terms of reference.

- **Agreeing to provide non-standard financial reports** which could not be prepared automatically. While FMS cleared the non-standard clauses, these reports have to be prepared manually with additional costs incurred by FMS.

- **Agreeing to specific requirements related to prevention of and reporting on sexual exploitation and abuse** other than the requirements in the UN system-wide established process.

- **Incorporating specific national legislation into donor agreements.**

Other requests or agreed deviations highlighted by the Legal Office included:

- **Application of law and resolution of disputes** – Donors request the application of their internal framework or may expect UN Women to comply with certain local or national laws or regulations, particularly if such donors are not Member States.

- **Project/programme implementation** – Donors request that UN Women follow their rules or processes for HR or procurement processes.

- **Monitoring and provision of information** – Donors request increasingly detailed

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[6] There are no donor-specific templates for the EU, UN Women's largest donor. IAS was informed that EU agreements were negotiated individually.

information and seek to directly monitor programme/project activities.

- **Liability** – Donors seek to exclude or limit liability or impose liability directly on UN Women.

- **Implementing Partners** – Donors request that the obligations they impose on UN Women are imposed by UN Women on its partners.

- **Sanctions** – Donors seek to impose on UN Women compliance with their national or multi-lateral sanctions regimes.

- **Confidentiality** – Donors seek to impose on UN Women compliance with their transparency, disclosure or freedom of information regimes.

- **Procurement** – Several donors specified rules to be applied for the procurement of goods and services which were not consistent with UN Women policies.

The Legal Office confirmed that maintaining donor templates consumed considerable staff resources. The Legal Office performed a time keeping analysis exercise in December 2018/January 2019, which showed that approximately **37 per cent of legal resources were spent on donor agreements**. As of October 2020, the Legal Office estimated its input as equivalent to two full-time staff representing 50 per cent of legal resources, which could have been used in other important matters. Similarly, FMS staff time spent supporting negotiation of non-standard agreements and reviewing non-standard conditions in DAMS against signed agreements was approximately 30 per cent of two full-time equivalent professional staff.

In some cases, UN Women entered into non-standard donor agreements because of the existence of similar donor agreements with other UN entities. UN Women's size, resources and systems might not always facilitate the same level of compliance as other larger UN system entities.

During the audit, IAS observed some non-standard agreements where offices had not followed the required process of obtaining clearance through DACS: the agreements had also been overlooked during the approval process in DAMS.

Each donor agreement standard/non-standard must be uploaded in DAMS and undergoes two levels of approval. This is an additional control in terms of donor

agreements but as donor agreements are uploaded after they have already been signed with the donors UN Women may become liable for such clauses and requirements which it is not capable of implementing based on its operational capacities. This may result in UN Women needing to go back to the donor to revise and negotiate some of the non-standard clauses if identified after signature without having had the proper approval in DACS. There is a risk of reputational damage to UN Women if such instances are repeated frequently.

Recommendation 5 (Medium)

The Resource Mobilization Unit, FMS and PAPDU, with the support of the Legal Office as required, to consider enhancing the current system to record specific non-standard provisions where heads of offices should confirm understanding of their accountability in such situations, for example in the form of a certification signed by the head of office confirming that all necessary approvals have been obtained and the non-standard clearance process has been followed and uploaded to DAMS or the new ERP.

Managers should be reminded and held accountable for not complying with the delegation of authority if there is a failure to comply with requirements in the non-standard agreement clearance system.

Audit Advice:

For frequent non-standard clauses: As an efficiency measure to free up staff resources, the Legal Office, in consultation with the donor community, and with support from DMA, IEAS and SPD to explore ways to reduce the number of standard and specific donor agreements by identifying common criteria requested by donors and to consider revising standard donor agreement templates.

In terms of the Single Audit Principle: DMA, as the final approval authority, to avoid deviating from the wording of the standard donor template without the prior agreement of the Chief, Legal and consultation of the Director, IEAS. Legal and IEAS

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to review obligations concerning the conduct of investigations and reporting with several bilateral donors with a view to seeking to harmonize and recognize that investigation is the exclusive responsibility of the UN Office of Internal Oversight (OIOS).

Encourage donors to rely on existing evaluation mechanisms: As the default position, all requests in donor agreements to conduct or commission their own project evaluations (or determine the terms of reference of planned donor-driven project evaluations) should be consulted with, and not agreed to without prior consideration and approval of the Director, IEAS and Chief, IES.

Issue 7: Need to improve risk management across UN Women to manage the risks associated with donor-specific requirements/reporting

Review of UN Women's corporate risk register suggests that compliance with donor requirements had not been identified as a risk in almost all UN Women offices. Very few offices recorded a risk in this area, which suggests that it is a neglected area due to lack of awareness of the risk and its impact. For example, where submission of timely and accurate donor reports was a challenge, this had not been considered a risk or included in country office risk registers.

In addition, many donors had introduced new requirements (such as tailored financial and narrative reporting requirements, environmental sustainability of activities and mechanisms for child protection). Neglecting to have proper risk mitigating measures in place may result in breaches of agreement clauses and may affect resource mobilization efforts in the future.

As part of implementation of Recommendation 1, PAPDU and SPD, with the support of the corporate ERM and PSMU, to include in the ERM policy a requirement and accountability for proactive risk management to identify, manage or escalate risks pertaining to compliance with donor requirements (so-called fiduciary duties) in a timely manner, especially for non-standard or newly emerging donor requirements.

This should also be included in future project management training.

Issue 8: The office tier system needs to be reviewed to reflect the current state of offices managing donor-funded projects' capacity to prepare narrative donor reports

Narrative donor reporting was centralized in UN Women and managed by SPD until 2016, when it was decided to decentralize narrative donor reporting to the heads of offices managing donor-funded projects, while financial reports were still to be managed centrally through the Virtual Global Service Centre in FMS.

Based on predefined criteria, offices managing donor-funded projects were divided into two categories: Tier 1 and Tier 2. Field offices that were assessed to have capacity; a proven track record in producing high quality and timely narrative donor reports; and that had received positive donor feedback were listed as Tier 1; whereas offices assessed to have weaker capacity; that did not have a proven track record; and that had received negative narrative donor feedback were in Tier 2. For Tier 1 offices, the head of office is responsible for submission of donor reports to the donor. Tier 2 offices need to submit draft narrative donor reports to the regional office for quality assurance before submission to the donor. Based on the original classifications in 2016, 15 offices are in Tier 1 and 34 in Tier 2, excluding headquarters units. The rating and classifications have not been changed since then; all new programme presence offices are automatically classified as Tier 2.

Projects managed through headquarters were automatically placed under Tier 1 and therefore submitted their narrative reports directly to donors. There was no additional level of quality assurance. A recent internal audit of one of the headquarters policy sections revealed the need to improve monitoring and reporting processes at different levels for projects managed in headquarters. In the absence of a strong monitoring, reporting and evaluation framework for global programmes/projects, there is a risk that the narrative reports produced did not demonstrate evidence-based and result-based progress and impact. The risk profile of each donor-funded project implemented by headquarters units should be assessed, as well as units' monitoring and reporting

capacity so that the appropriate tier can be allocated. IAS was informed that risk profiling had been included in the updated donor narrative reporting procedure to be released in 2021.

A number of field offices were established and discontinued since decentralization of narrative donor reporting. Some offices have also changed in terms of the quality of their reporting due to staff turnover in the offices or transformation from programme presence offices to country offices. Therefore, some offices expressed a readiness to move from Tier 2 to Tier 1 based on agreed assessment criteria. Keeping a high number of offices in Tier 2 increases their dependency on regional offices and represents a significant workload for regional monitoring and reporting specialists (see Issue 9).

Recommendation 6 (Medium):

PAPDU, in collaboration with regional offices, to ensure that office capacity in terms of results-based narrative donor reporting, both at headquarters and field level, is reassessed periodically (e.g. annually) based on the risk profile of projects being implemented (taking lessons from the portfolio review exercise); and that office tiers are allocated according to the office's current risks and capacity to produce quality narrative donor reports in a timely manner.

Issue 9: Need to strengthen capacity of regional monitoring and reporting focal points

As narrative reporting is decentralized, and with the introduction of the office tier system in donor reporting, the role of regional monitoring and reporting officers became important in terms of quality assurance and ensuring reports submitted by Tier 2 offices are of the highest quality and are submitted in a timely manner.

It was noted that regional offices had varying structures and professional grades for regional monitoring and reporting personnel and that not all of the reporting focal points were at specialist level. There were varying capacities across the organization at the regional level, for instance, one regional office (APRO) had a P4 specialist supported by a team of four personnel, while the Arab States regional office had a monitoring focal point at the National Officer level and the West and Central Africa regional office was served by a National Officer and a General Service staff member. In addition, these focal points were positioned in different hierarchies within regional offices reporting to Regional Directors, Deputy Regional Directors and in some cases to programme specialists. In some regional offices, the regional monitoring and reporting specialists and their teams were also involved in approval of donor agreements and review of donor reporting commitments in DAMS. This allowed the specialists to oversee any non-standard reporting commitments entered in DAMS and to intervene at an earlier stage if necessary. However, this did not occur in all regional offices.

This degree of disparity in the structure and authority between regional offices may result in varying levels of support and quality assurance services provided to offices within regions. Furthermore, on joining UN Women, the monitoring and reporting focal points were not properly introduced/inducted in UN Women policies and procedures, and reporting requirements.

Good practice

APRO had a dedicated monitoring and narrative reporting team consisting of four members headed by a P4 specialist. In the past, the office also had a dedicated budget to spend on donor reporting and capacity building initiatives; however, this was reportedly not possible to maintain in 2021 due to reduced core resources. The team developed Standard Operating Procedures for narrative donor reporting which were rolled out across the region. In addition, the team assessed the timeliness and quality of donor reports submitted in the region based on an objective criterion for both Tier 1 and Tier 2 offices. These measures could be scaled up to other regions to help boost the capacity and cost-effectiveness of the reporting process in the field.

Recommendation 7 (Medium):

PAPDU, with the support of SPRED, Human Resources Division and the Change Management Team, to:

- Consider conducting a job classification exercise in all regional offices to establish an optimal monitoring and results-based narrative donor reporting team for each regional office, depending on the workload and number of Tier 2 offices in the region.

- Ensure that newly joining monitoring and reporting staff are trained/briefed on UN Women reporting requirements and results-based management approach.

Issue 10: Need to ensure timely submission of donor reports

Compliance with donor requirements is an important part of the project cycle and needs to be prioritized by management, including timely and results-based reporting.

Since decentralization in 2016, there has been a continuous improvement in reporting in terms of the timeliness of submission of donor reports; however, there is still a need to provide more emphasis on the timeliness and quality of narrative donor reporting through automation of processes across UN Women. It was noted that in 2020 almost 27 per cent of reports due were submitted with delays. [7]

Table 5: Donor reports submitted with delays

Year	Submitted with delay	Submitted after 10 days	Total number of reports	% of late submission
2016	271	217	435	62
2017	229	155	582	39
2018	197	121	618	32
2019	240	127	801	30
11 months of 2020	254	99	930	27
	Note: Reports due for submission to donors between 1 January 2016 and 2 December 2020.			

Source: DAMS data, Report extracted on 2 December 2020

Analysis of data also revealed that 449 reports from January 2016 to December 2020 were submitted with a delay of more than 30 days. It is pertinent to note that 75 of 449 reports submitted with a delay of over one month related to different headquarters divisions.

Most donor agreements allow an average period of around six months from the end of a financial year, or the operational date of completion of a project, for annual certified or provisional reports respectively to be submitted. IAS considers this provides adequate time to prepare and review the required reports.

Possible causes of late submissions include overstretched staff capacity in offices; limited accountability of head of offices; staff turnover in these offices; insufficient monitoring and reporting staff in offices; dependency on programme partners to deliver and report on results; and ineffective corporate monitoring. Delayed donor reporting may impair UN Women's perceived credibility and potentially result in lost or reduced donor commitments in the future.

PAPDU recommended that donor reporting indicators be included in the Country Office Assessment Tool (COAT[8]), a decision on which was still pending at the time of audit.

Heads of offices had responsibility for timely and accurate financial and narrative reporting to donors. A common theme emerging during IAS' discussions with some stakeholders was that heads of offices were not taking sufficient responsibility for timely donor reporting. It was stated that some Tier 2 office reports were submitted to regional offices for quality assurance, apparently without proper review and validation from the heads of offices. This resulted in a protracted process and delays in report submission.

DMA highlights the problem of delayed donor reporting in its monthly reports to the Executive Director and the Senior Management Team. This is a good practice which could be extended to include accumulated trends. For example, as of November 2020 DMA reported that 11 reporting commitments were overdue according to the DAMS dashboard, while the accumulated statistics for six months would be higher (see Table 4) and useful to identify the year-to-date trends and offices needing support, etc.

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[7] Annual Certified financial reports and the Other Non-standard reports which do not form part of DAMS data are excluded from these statistics.

[8] COAT is UN Women's performance assessment tool used to assess country office performance against specific performance indicators both in operations and programme management.

PAPDU/DMA needs to extend the report to cover all delayed reports, and not just those still outstanding as of the reporting date.

Offices also reported technical bugs in DAMS which affected statistics, e.g. in several cases the date of report was modified by the system resulting in higher numbers to be reported as "submitted with delay" (see Issue 4). IAS was informed that IST has subsequently managed to fix the issue with automatic changes of reporting commitment dates.

Recommendation 8 (High):

PAPDU to ensure that heads of offices are reminded of their obligations to ensure timely and effective donor reporting and that Key Performance Indicators are included in heads of offices' performance reviews, e.g. compliance with all donor requirements including non-standard requirements and timely submission of good quality narrative donor reports.

Accumulated trends over time and a snapshot status on donor reports should be added in the set of indicators for the Business Review Committee to review and monitor.

Issue 11: Need to invest in project managers/monitoring and reporting focal points, and the quality of narrative donor reports

Reporting according to the results-based management approach was a challenge, highlighted by the internal and external stakeholders interviewed by IAS. Donors expressed concerns about the quality and detail of the reports shared by UN Women, especially results-based narrative reporting and the level of detail provided in financial reports. Feedback from donors suggests that donor reports presented more of an account of the activities performed during the reporting period rather than achievement of results.

During its review of projects, IAS observed a lack of results-based narrative reporting, although explicitly required in donor agreements. Some reports focused more on the list of activities carried out during the reporting period rather than on results achieved

and their impact. The main reason for this was that UN Women does not capture the project document results framework in the ERP system (see Issue 3).

IAS' review of documents and interviews with stakeholders revealed the following main causes:

- The significant turnover of monitoring and reporting focal points within offices managing donor-funded projects, many offices did not have a designated monitoring and reporting officer. Offices without a dedicated monitoring and reporting focal point relied on project managers to complete narrative donor reporting.

- Regional monitoring and reporting focal points expressed concern over budget availability for capacity building initiatives for country-based staff in their regions on results-based monitoring, meaning they were unable to plan and coordinate such initiatives.

- Lack of structured, well designed training and induction programmes for both monitoring and reporting focal points and project managers on results-based management, data collection and validation.

- The management survey shared with donors for feedback on UN Women's donor reports was not completed to a great extent by the donor community. From 1 January to December 2019, only eight responses from donors were received and most of these related to two country offices in the Asia and Pacific region. Reportedly, some changes have already been incorporated in the survey to address the low feedback response from donors following the submission of reports: (a) the current donor satisfaction survey was revamped in October 2020 with updated questions that better prompt donors to elaborate on their experience and findings with UN Women; and (b) the donor satisfaction survey is currently sent with the email message that accompanies the submission of donor report and a link to the survey is embedded in the new donor reporting template. This will ensure that the individual who reads the actual report is immediately reminded to take the survey. The updated donor report template is currently under review by the Legal Office and pending approval by the Director, PPID.

There is a risk of producing reports of varying quality and that submissions to regional

offices for quality assurance are made too close to deadlines. Regional offices had to spend considerable amounts of time aligning reports to results-based management methodology and correcting errors, resulting in the late submission of reports to donors. In terms of financial reporting, donors expect UN Women to provide more detailed results-based outcome and outputs reports, while UN Women standard reports only provided high-level accounts of financial information.

In some cases, donors requested that UN Women offices in the field provide financial information other than the UN Women certified financial reports, because these reports did not include details such as costs incurred versus results achieved, or versus budget lines agreed with the donor. When such financial information was shared, it was informal, unauthorized and uncertified, and may change towards the end of the reporting period due to adjustments/reclassifications or errors in informal preparation outside of the Virtual Global Service Centre expertise and quality assurance. Where disclosures on the unofficial nature of such financial information were made to donors, its submission may conflict with official information being relayed to donors at a later point during the project period.

Recommendation 9 (High):

PAPDU to:

- In consultation with the Strategic Planning Unit, FMS, PSMU and regional monitoring and reporting specialists, design training materials on results-based narrative and financial reporting and roll out training across the organization (the training could be a mandatory certification programme before personnel are assigned project management responsibilities).

- Monitor the progress of the new initiative of enhanced feedback from donors and use that feedback for further improvements in enhancing the quality and timeliness of donor reports.

FMS, in consultation with PAPDU, to issue guidance to offices managing donor-funded projects on the nature of requests which can be accepted and implemented in terms of financial donor reporting. This guidance to be included in programme training across the organization.

V. RECOMMENDATIONS AND MANAGEMENT ACTION PLAN

Issue	Recommendation	Responsible Unit	Priority	Action Plan	Suggested Implementation date
Issue 1: Need for an overarching policy framework and a coordinating function to ensure coherence between stand-alone elements of existing PPG on donor agreements and donor requirements, and to oversee compliance	Recommendation 1. Based on their involvement in the process, the Resource Mobilization Section of SPD and PAPDU, with the support and advice of the Legal Office and FMS (specifically on financial donor reporting and other financial management areas) as required, to agree on: Taking on the role of liaising/coordinating function at the corporate level, responsible for consolidating existing PPGs under an overarching policy framework; and overseeing exceptions from existing PPGs of non-standard donor agreements and further compliance with those clauses to ensure all significant donor-specific conditions are captured, complied with and monitored throughout the implementation period. Coordinating clarification of roles and authority to oversee compliance with donor requirements across UN Women, and ensuring accountability (see Issue 2).	SPD, FMS and PAPDU	Medium	Management agrees to the recommendation and will provide its action plan during the regular follow up exercise on audit recommendations.	30 June 2021
Issue 3: Need for a protocol and system to ensure compliance with non-standard and emerging requirements, particularly results-based reporting and value for money	IAS reiterates Recommendation 6 of the recent IEAS/IES Independent Evaluation report "Effectiveness and Efficiency Assessment of UN Women Flagship Programme Initiatives and Thematic Priorities of the Strategic Plan 2018–2021" that UN Women implement a full integration of its strategic planning, budgeting, results monitoring and financial systems so that planning, resource mobilization, budgets and expenditure of Strategic Plan initiatives are clearly reported through the ERP system, in particular the integrated audited ERP system. Furthermore, IAS also reiterates the recommendation from the Project Cycle Gap Assessment to develop a comprehensive and accessible project management and monitoring system to implement the final Project Cycle Framework and project principles to provide up-to-date information on the field programme to all UN Women staff. Recommendation 2 As part of the Flagship Programme Initiative and Project Cycle recommendations, in the area of donor reporting, the ERP Steering Committee and ERP Champion to advocate that the project results framework (outcome, output and activity) are captured to provide linkages to budgets, financial actuals, results narratives and indicators to enable results-based financial and narrative donor reporting. This process should be accompanied by revision of off-system policies and procedures related to donor reporting, including the donor reporting template.	PSMU, FMS, and PSMU	High	Management agrees to the recommendation and will provide its action plan during the regular follow up exercise on audit recommendations.	30 August 2021
Issue 4: Need to improve the completeness, accuracy and reliability of DAMS data	Recommendation 3: FMS and PAPDU, with support from PSMU and IST, to assess the possibility of integrating DAMS functionality in the new ERP. If integration is possible, existing tools and applications involving donor agreements and donor reports (DAMS, NACS,	FMS, PSMU and PAPDU	Medium	Management agrees to the recommendation and will provide its action plan during the regular	31 March 2022

Issue	Recommendation	Responsible Unit	Priority	Action Plan	Suggested Implementation date
	ERP etc.) should be integrated in one end-to-end solution. If it is decided that DAMS should be kept, FMS, PAPDU, PSMU and regional offices need to ensure that: • Any DAMS IT issues reported to FMS continue to be resolved in a timely manner with support from IST. • Outstanding and pending agreements are monitored and resolved in a timely manner by regional offices with support from PAPDU and FMS. ● Users who have responsibilities for DAMS receive recurrent training from regional offices with support from PAPDU and FMS.			follow up exercise on audit recommendations.	
Issue 5: Capacity assessments/pillar assessments conducted by donors are not consolidated and analysed to strengthen policies, improve performance and enhance knowledge sharing	Recommendation 4: SPD to ensure that: • A stocktake of all recently concluded assessments in headquarters and the field is conducted. • In collaboration with PSMU, a dedicated SharePoint site is setup and used as a knowledge management platform for upcoming assessments. • In collaboration with SPRED, deficiencies noted in assessments are analysed and addressed through management actions, the status of which is regularly monitored.	SPD	Medium	Management agrees to the recommendation and will provide its action plan during the regular follow up exercise on audit recommendations.	30 June 2021
Issue 6: Need to standardize frequent non-standard donor requirements / clauses and enforce compliance with the approval process	Recommendation 5: The Resource Mobilization Unit, FMS and PAPDU, with the support of the Legal Office as required, to consider enhancing the current system to record specific non-standard provisions where heads of offices should confirm understanding of their accountability in such situations, for example in the form of a certification signed by the head of office confirming that all necessary approvals have been obtained and the non-standard clearance process has been followed and uploaded to DAMS or the new ERP. Managers should be reminded and held accountable for not complying with the delegation of authority if there is a failure to comply with requirements in the non-standard agreement clearance system.	RM, FMS and PAPDU	Medium	Management agrees to the recommendation and will provide its action plan during the regular follow up exercise on audit recommendations.	30 June 2021
Issue 8: The office tier system needs to be reviewed to reflect the current state of offices managing donor-funded projects' capacity to prepare narrative donor reports	Recommendation 6: PAPDU, in collaboration with regional offices, to ensure that office capacity in terms of results-based narrative donor reporting, both at headquarters and field level, is reassessed periodically (e.g. annually) based on the risk profile of projects being implemented (taking lessons from the portfolio review exercise); and that office tiers are allocated according to the office's current risks and capacity to produce quality narrative donor reports in a timely manner.	PAPDU	Medium	Management agrees to the recommendation and will provide its action plan during the regular follow up exercise on audit recommendations.	30 June 2021

Issue	Recommendation	Responsible Unit	Priority	Action Plan	Suggested Implementation date
Issue 9: Need to strengthen capacity of regional monitoring and reporting focal points	Recommendation 7: PAPDU, with the support of SPRED, Human Resources Division and the Change Management Team, to: • Consider conducting a job classification exercise in all regional offices to establish an optimal monitoring and results-based narrative donor reporting team for each regional office, depending on the workload and number of Tier 2 offices in the region. • Ensure that newly joining monitoring and reporting staff are trained/briefed on UN Women reporting requirements and results-based management approach.	PAPDU	Medium	Management agrees to the recommendation and will provide its action plan during the regular follow up exercise on audit recommendations.	30 June 2021
Issue 10: Need to ensure timely submission of donor reports	Recommendation 8: PAPDU to ensure that heads of offices are reminded of their obligations to ensure timely and effective donor reporting and that Key Performance Indicators are included in heads of offices' performance reviews, e.g. compliance with all donor requirements including non-standard requirements and timely submission of good quality narrative donor reports. Accumulated trends over time and a snapshot status on donor reports should be added in the set of indicators for the Business Review Committee to review and monitor.	PAPDU	High	Management agrees to the recommendation and will provide its action plan during the regular follow up exercise on audit recommendations.	30 June 2021
Issue 11: Need to invest in project managers/monitoring and reporting focal points, and the quality of narrative donor reports	Recommendation 9: PAPDU to: • In consultation with the Strategic Planning Unit, FMS, PSMU and regional monitoring and reporting specialists, design training materials on results-based narrative and financial reporting and roll out training across the organization (the training could be a mandatory certification programme before personnel are assigned project management responsibilities). • Monitor the progress of the new initiative of enhanced feedback from donors and use that feedback for further improvements in enhancing the quality and timeliness of donor reports. FMS, in consultation with PAPDU, to issue guidance to offices managing donor-funded projects on the nature of requests which can be accepted and implemented in terms of financial donor reporting. This guidance to be included in programme training across the organization.	PAPDU	High	Management agrees to the recommendation and will provide its action plan during the regular follow up exercise on audit recommendations.	31 December 2021

ANNEX 1: PROJECT LIFE CYCLE GAP ASSESSMENT

The main objectives of this advisory assignment were to: identify the gaps between UN Women's current Project Cycle/management approach and internationally accepted project management principles and best practices; and propose actions that address the identified gaps to advance the Entity to a higher level of maturity. Overall, IEAS assessed that the UN Women Project Cycle discipline and framework was between Level 1 (awareness of the process) and Level 2 (repeatable process) of the Portfolio, Programme, Project Management Maturity Model (P3M3). The mid-term goal for UN Women should be to achieve Level 3 (defined process) of the P3M3 uniformly across all components of the Project Cycle. This will ensure that the organization has its own centrally controlled programme and project processes.

Management had already made positive progress in several areas. For example, PSMU was drafting a business case for considering Project Cycle development as a stand-alone, properly resourced corporate project, and had started to establish its own project management principles. Risk management was embedded in the Project Cycle to some extent, but further work is needed on risk profiling of projects.

IEAS identified five key areas for improvement. These relate to strengthening:

- Governance of the Project Cycle – establishing clear definitions; clarifying roles and responsibilities of key stakeholders responsible for quality assurance during project design, formulation and implementation of project results; as well as standardizing requirements for project implementation and monitoring.

- Project Design and Formulation – ensuring a solid Theory of Change and Business Case (Concept Note) based on a beneficiary needs assessment, expected benefits and risks; and ensuring a Project Document with clear arrangements for monitoring, an exit strategy for sustainability, and environmental and social safeguarding.

- Project Appraisal and Approval – ensuring process and workflows for appraisal and approval are based on clearly defined criteria for confirming a project's technical, operational, legal and financial feasibilities, relevance and sustainability of results.

- Project Implementation and Monitoring – developing an integrated system that captures implementation progress in terms of programmatic and financial delivery compared to plans and that supports a cost-effective monitoring framework which validates the reported results through different assurance providers.

- Project Closure, Monitoring and Knowledge Management – ensuring project results are sustainable and that benefits have been achieved through ex-post monitoring and evaluation. This provides good opportunities to collect best practices from both challenging and successful projects for corporate knowledge management.

IEAS proposed an action plan which was well received by management with key actions to address the gaps identified and to advance the Entity to Level 3 maturity.

ANNEX 2: DEFINITIONS OF AUDIT TERMS, RATINGS AND PRIORITIES

A. AUDIT RATINGS

Satisfactory	The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
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.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

High (Critical)	Prompt action is required to ensure that UN Women is not exposed to high risks. Failure to take action could result in major negative consequences for UN Women.
Medium (Important)	Action is required to ensure that UN Women is not exposed to risks. Failure to take action could result in negative consequences for UN Women.
Low	Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.

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 implement these standards. It stands behind women's equal participation in all aspects of life, focusing on five priority areas: increasing women's leadership and participation; ending violence against women; engaging women in all aspects of peace and security processes; enhancing women's economic empowerment; and making gender equality central to national development planning and budgeting. UN Women also coordinates and promotes the UN system's work in advancing gender equality.