

## **Management Response to the 2016 Annual Report on Internal Audit and Investigation Activities**

1. The management of UN-Women recognizes and wishes to express its appreciation to the Office of Audit and Investigations of the United Nations Development Programme for their continued support to UN-Women through the independent audit assurance and investigation service they provide.
2. UN-Women is pleased to present its management response to the report of the Director of the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) on internal audit and investigation activities for the year ended 31 December 2016.
3. UN-Women also appreciates acknowledgement that UN-Women's audit recommendation implementation ratio of 98 percent as at 31 December 2016 has remained above the corporate target.
4. UN-Women acknowledges the key issues identified in Section V of the report, "Significant internal audit results". Of the seven (7) full-scope audits carried out in 2016, four (4) offices were assessed with satisfactory governance, risk management and control processes; one (1) office was rated partially satisfactory and two (2) offices rated unsatisfactory. We wish to highlight below how we have taken seriously the unsatisfactory audit rating received for the two offices by urgently mitigating high risk issues while consistently pursuing overall improvements to operations and actions to address all recommendations. UN-Women promptly took note of the audit issues that contributed to the unsatisfactory rating for two field offices and directly addressed corresponding recommendations.
5. UN-Women endeavours to ensure that all recommendations issued from any unsatisfactory audit report will be implemented and ready for assessment as such from the auditors during their follow-up audit. This is consistent with the result of the sole follow-up audit reported in 2016 where all the recommendations were assessed as implemented.
6. To date, of the combined total 27 recommendations from these two field office audits, 23 recommendations are fully implemented and only 4 still have the status of in-progress. Of the 4 outstanding recommendations, only 2 were assigned with high priority. These 2 high priority recommendations involved the creation or revision of policies requiring careful study to be aligned with UN-Women's maturing scalable operations and to be well suited for the effective exercise of mandate. OAI's system for computing the audit recommendation implementation rate posted for these two field office audits reports rates of 106% and 108% respectively. Due to the accelerated implementation of recommendations individual rates of more than 100% were received.
7. Further, UN-Women takes note of OAI's reported audit coverage of 13.5% of the 2015 expenditures of UN-Women. UN-Women, however, wishes to highlight that this oversight/audit coverage does not include the simultaneous oversight coverage UN-Women independently receives from the United Nations Board of Audit, the UN-Women Global Auditors for the audit of UN-Women projects implemented by partners (such as non-governmental organizations, government agencies and non-UN intergovernmental organizations) and the Independent Evaluation Office.

### **Field office audits**

#### ***Recurring issues and audit recommendations***

8. UN-Women's detailed analysis of the recurring issues noted by the auditors disclosed that the 2016 recurring issues classified under the same audit areas pertain to distinctively different recommendations from 2015. UN-Women clarifies and wishes to report that the noted specific recurring issues in 2015 under the areas of programme and project management and travel have been assessed as implemented.

*Inadequate programme, project or results monitoring and oversight processes and the lack of a monitoring framework or plans in three (3) offices have been addressed as follows:*

9. UN-Women has taken the following concrete actions to address issues on lack of monitoring and oversight framework or plan and processes:
- i. A Performance Monitoring Framework has been developed, made available and is presently being used by offices across the organization to track and report on results of programme reviews.
  - ii. Improved internal processes and financial monitoring have been put in place for project monitoring and donor reporting. This includes a checklist for compliance with donor reporting requirements.
  - iii. A Gender Mainstreaming Strategy and Action Plan in Egypt was developed and put in place in line with the formulation of the 2018-2021 UN-Women Strategic Note and the United Nations Development Assistance Framework. The Strategy was shared with other UN agencies for guidance in their Gender Mainstreaming activities.

*Inadequate management of assets in two (2) offices*

10. To address the weaknesses in asset management raised by audit, UN-Women carried out the following:
- i. UN-Women has commenced recruitment of an Asset Management Specialist in April 2017 to strengthen the capacity for corporate monitoring and oversight of its assets. The key results for assets are to enhance asset management and oversight of UN-Women's assets across the entity to ensure that regular monitoring and remedial actions are taken; training on policies is reiterated; early detection of issues to be addressed; and accurate and timely reconciliation of the asset module to the general ledger.
  - ii. Training of asset focal points at the field offices on detailed procedures relating to the conduct of comprehensive physical assets verification exercises, proper tagging of assets, reconciliation and update of asset records in Atlas on the physical verification.
  - iii. Reinforcement of the use of standard operating procedures on fuel and office vehicle management. Creation and dissemination of user-friendly templates for use by Drivers to ensure that the vehicle and fuel logs are properly maintained in each vehicle. Requirement of the monthly reconciliation of manual fuel consumption reports against vendor issued fuel statement.

*Weaknesses in the management of travel in two (2) offices*

11. Further improvements in travel management were put in place across the organization as follows:
- i. UN-Women revised the Duty Travel Chapter of POM to ensure travel policies are aligned with the operational realities and evolving needs for rapid, efficient, effective and sustainable travel services.
  - ii. Travel management focal points were appointed by each office to verify the travel entitlements, ensure timely submission of travel claims, and perform month-end reconciliations between travel manual records and Atlas data.
  - iii. A reminder on strict compliance with the travel policies and adherence to the travel entitlements has been issued to all personnel.
  - iv. A dedicated dashboard application has been built which compiles a list of outstanding travel transactions across the Organization. In addition to the oversight from HQ, the tool enables each office to monitor their outstanding travel claims in real time.

*Lack of compliance with minimum information and communication technology standards in five (5) offices*

12. UN-Women has issued a reminder to all offices on the importance of complying with the prescribed information and communication technology standards. Accordingly, the noted nonconformity by some offices to the prescribed standards has been immediately corrected as follows:

- i. Improved the physical control to the server rooms by installing fire suppression equipment, water condition alarm and air conditioners.
- ii. Put in place a system to control and limit access to the server room to authorized personnel only. Required for any visitors pre-authorized access card to enter the server room as well as log-in the purpose for the visit.
- iii. Established the system for daily incremental and weekly full local data-backup which is stored off-site with a UN sister agency. In addition, offices were strongly encouraged to regularly synchronize their local hard drive and store work in progress files in the OneDrive for Business cloud storage. The finished work products should also be ideally stored in the office's SharePoint site. Data stored in the UN-Women cloud storage system is corporately backed up in the data centre.
- iv. Successfully completed the disaster recovery plan testing.

***Non-recurring audit issues with high priority recommendations:***

*Lack of policy and guidance for Sub-National Office operations*

13. UN-Women has drafted the 'Policy for establishing UN-Women sub-office(s) outside the Country Office', which states functions, justifications, and workflow to establish them. The draft policy has been circulated in the relevant headquarters departments for review and finalization.

*Absence of a well-defined office structure and weaknesses in the senior management set-up in one (1) office*

14. The Regional Director and Deputy Regional Director for the UN-Women West and Central Africa Regional Office have assumed office since August 2016. Together with the support from the Office of Human Resources, the new regional senior management team carried out a re-organization activity for the regional office to clarify staff reporting lines and put in place a more effective and efficient operations.
15. The strengthened regional office management structure and oversight has contributed to the improved performance of the region. Some improvement indicators include increased resource mobilization portfolio and funding, increased delivery rate, and decreased long outstanding partner advances in the region.

*Lack of adherence to Delegation of Authority Framework in one (1) office*

16. UN-Women has initiated the revision of the current Internal Control Framework (ICF) and Delegation of Authority (DoA) targeted to be completed by 30 September 2017. Improvements to the ICF and DOA will be introduced considering UN-Women's continuously expanding operations and cognizant of the recommendations in the recent Regional Architecture Evaluation. The changes will be focused on improving established processes for monitoring and oversight of proper exercise of delegated authority.

*Outdated distribution criteria and inadequate communication of core funds allocation*

17. UN-Women is in a process of creating the necessary guidance on the criteria for the allocation of core programmable funds to the regions. The new guidance is developed in line with the Strategic Plan and Regional Architecture, and is expected to be applied from allocation of the 2018 core funds. As an interim measure, the Executive Director has issued an instruction memo to each Office on their core fund allocation for 2017.

*Non-compliance with investigation requirements to report alleged wrongdoing*

18. UN-Women has taken repeated action to remind all personnel of their obligation to report misconduct, most recently upon the issuance of the Anti-Fraud Policy Framework on 28 April 2017. This will be complemented by a UN-Women Global Training Programme on the Legal Framework, which will continue through 2017.

*Poor programme formulation and management*

19. A project module tool in the Results Management System (RMS) which facilitates the monitoring of project results will be launched in 2017. A programme monitoring table has been developed to standardize and guide project managers in their review of the programme related milestones. This will facilitate regular project performance reviews and expenditures analysis to support any needed calibration of project implementation modalities and budget.

*Weak management of Contribution Agreement in one (1) office*

20. A corporate tool, the Donor Agreement Management System (DAMS), has been launched to facilitate effective and efficient maintenance, management, and oversight of donor agreements. In addition, a formal template has been created for use by offices to clarify eligibility of expenditures, facilitate monitoring of project activities, and comply with donor visibility requirements. Improved processes have been put in place to monitor timely donor reporting, such as an online/live project and financial monitoring tool and reporting checklist.

*Weak assessment and monitoring of implementing partners/responsible parties noted in one (1) office*

21. The revised Programme and Operations Manual (POM) which strengthens the selection and assessment of implementing partners will be published in 2017. Capacity development of all programme and operations staff on assessment of partners have been conducted in country offices. The partners' risk rating system has also been implemented in line with the applicable guidelines.

*Insufficient supporting documentation for financial transactions in one (1) office*

22. UN-Women has conducted Financial Management Training for staff who are involved in daily finance activities. In addition, the training of key staff members has been carried out to strengthen their operational capacity. Periodic reminders from the Country Office Representative are issued to clarify the staff members' responsibility for compliance with the UN-Women Financial Regulations, Rules, Policies and Procedures and the use of note to file in accordance with the Programme and Operations Manual.

*Inadequate procurement management in one (1) office*

23. UN-Women has required procurement staff to pursue appropriate training courses offered by the Chartered Institute of Procurement and Supply. The Procurement Associates from the office audited were among the participants who have successfully completed the training. UN-Women delivered more than 25 procurement training courses (in person and online), including an Advanced Procurement Certification Programme in partnership with the Chartered Institute of Procurement and Supply (CIPS-UK), where over 116 personnel have been trained and externally certified by CIPS. The procurement dashboard has been implemented to facilitate the monthly review of the procurement activities by all offices, including the office audited. In addition, the vendor approval process with proper documentation and sufficient audit trail was strengthened. UN-Women also embarked on the first end-to-end e-procurement system. This system offers smart procurement planning, e-tendering, e-evaluation, e-review & award, e-contract management and reverse auction.

*Ineffective oversight of mandatory training course completion in two (2) offices*

24. UN-Women migrated to the new online Learning Management System where all mandatory courses are listed for ease of global access to all UN-Women staff. The site enables staff members to track and monitor the progress of mandatory courses completion as well as the required timelines. To further improve on the monitoring and maintenance of completion by staff of all mandatory training courses, an online system will be developed and maintained to host all completion records submitted by staff. In addition, recruitment is underway of Regional Human Resources Business Partners who, among other things, will be charged with performing oversight of staff training and development.

*Need to improve Special Service Agreement chapter of Programme and Operations Manual*

25. UN-Women has transferred the oversight of Special Service Agreements from the Procurement Section to the Office of Human Resources. This implements an audit recommendation to bring the administration of SSAs within the same business unit – the Office of Human Resources, rather than being divided between the Procurement Section and the Office of Human Resources. This move will also strengthen the administration of consultants together with other human resource and personnel management. The improved policy on SSA management will be finalized in the first quarter 2017.

*Delays in liquidation of advances made to implementing partners*

26. UN-Women initiated a working group to improve the process of liquidation of aged advances. Accordingly, a significant decrease in long outstanding advances has been observed in 2016. As at 31 December 2016, aged outstanding advances to partners older than 6 months were 34.8% lower than 2015 (2016 \$3.5m; 2015 \$5.4m). In addition, Webinars to all staff across the organization were provided on risk assessment, FACE form and liquidations, and the due diligence process for write-offs or unilateral liquidations in 2016. Corporate training material for training of partners was finalized in mid-December 2016.

*Lack of adherence to Delegation of Authority Framework in one (1) office*

27. The audit recommendation for this specific issue has been assessed as implemented by OAI since October 2016. A system has been put in place by the office to review and certify all contracts for compliance with the delegation of authority before signature. In addition, UN-Women required field offices to implement a mechanism to review all new staff contracts against their delegation of authority before the contracts are signed. This is to ensure that job functions are in line with the delegation of authority given to each staff.

**Project audits**

***High priority audit recommendations***

*Non-compliance with cut-off for project expenditure recording in one (1) project*

28. This has been corrected and guidance regularly reinforced. The pertinent UN-Women office has reviewed the accrual account and ensured the expenditures related to project activities are charged in the correct accounting period.

*Improper coding of assets to the project and non-adjustment of depreciation related to assets moved to another project noted in two (2) projects audited*

29. These isolated cases have been corrected by the pertinent UN-Women offices. Adjusting entries have been made on the identified asset and depreciation expense which were inadvertently posted in another project. UN-Women continues to provide training to staff to strengthen understanding of accounting of assets as well the importance of supervisory review of accounting entries prior to posting.

*Incomplete asset register for one (1) project audited*

30. The noted error on the asset register has been adjusted. UN-Women continues to closely monitor and provide necessary guidance to ensure that fixed assets costs with the manual asset register are reconciled with Atlas records on a monthly basis.

**Follow-up on corporate long outstanding audit recommendations – (more than 18 months):**

*Lack of a strategy and guidance of UN-Women Training Centre in the Dominican Republic*

31. UN-Women has completed an analysis of the Training Centre's ability to deliver within the existing context and this analysis will be used by the Senior Management Team to determine the Centre's mandate, mission, role and location. This recommendation was implemented in January 2017.

*Inadequate funding to sustain operations of the Training Centre*

32. The Training Centre has implemented its resource mobilization and cost recovery strategies with the support of Resource Mobilization and Finance Units. A detailed pricing list for products and services provided by the Centre has been developed. This recommendation has been assessed by OAI as implemented as of May 2017.

*Inefficient and ineffective operations of one regional office*

33. UN-Women has undertaken the study of standard job profiles of the regional office and the standardized job descriptions are in the process of final review for inclusion to the Job Description Dictionary. A detailed 'Regional Support Service' document, which states the functions of the regional office and its monitoring and oversight mechanisms, has been finalized and disseminated.

*Lack of policies and procedures for urgent projects*

34. UN-Women has adopted a prioritized phased approach to developing needed policies and procedures for working in crisis settings. To-date, we have completed the rapid response procurement procedure, proposal for fast track HR procedures, and draft finance fast track procedures. The finalization of all the initial phase is expected to be completed in 2017.

*Lack of policies and procedures for reporting on greenhouse gas emissions*

35. UN-Women has an organization specific chapter in the policy on sustainable travel which leads the organization towards becoming a climate neutral organization through a reduction in its Greenhouse Gas emissions. This chapter along with the new Duty Travel Chapter of the Programme and Operations Manual has been finalized and is expected to come into effect in early 2017.

*Absence of agreement between one UN-Women office and the host country*

36. UN-Women has been consistently negotiating with the host country to apply the Standard Basic Assistance Agreement. The delays in accreditation of the Country Office Representative in the country in question caused the setback of finalizing the agreement. UN-Women has appointed the Head of Office, which will now facilitate the engagement with the Government in 2017.

*Inefficient process of approving non-standard clauses in contribution agreements*

37. UN-Women developed and launched a non-standard donor agreement clearance system, which complements the Donor Agreement Handbook, to:
- i. Automate the clearance process for non-standard donor agreements, thereby increasing the efficiency and transparency of the process; and
  - ii. Ensure that appropriate clearances are received and proper delegation of authority is exercised.

This recommendation has been implemented as of 31 March 2017.

*Inadequate management of knowledge products, advisory and support services in the regional office audited*

38. UN-Women has recruited a Knowledge Management Specialist and developed the knowledge management strategy and plans. An internal business communication plan for development and dissemination of different knowledge management products was issued, which also covers the support and advisory role of the regional office.

## Investigations

39. UN-Women notes the increase in the number of investigation cases in 2016 and recalls that this was after significant efforts to increase awareness about reporting wrongdoing. These efforts included the global training programme for managers, staff and personnel which inter alia covered:
  - i. The UN-Women Legal Framework for Addressing Non-Compliance with UN Standards of Conduct (“the Legal Framework”);
  - ii. The responsibility of staff members, non-staff personnel, vendors, implementing partners and responsible parties to prevent and report fraud and corruption;
  - iii. The responsibility of managers for raising awareness and reiterating the duty of all staff members to report instances of fraud and corruption.
40. The programme also reminded staff members to complete the mandatory training courses which address issues including fraud. UN-Women also improved the visibility of the internal reporting mechanism. UN-Women notes that these proactive measures have had a direct impact on increased awareness and therefore reporting, which may have an impact on the number of cases.
41. In relation to paragraph 41, regarding the two investigation reports issued during 2016, UN-Women would note that (i) one report concerned a service contractor whose employment with UN-Women was terminated following receipt and assessment of the Investigation Report. The financial loss to a third party was repaid directly by the former service contractor and there was no direct financial loss suffered by UN-Women; (ii) one report involved a staff member who resigned during the investigation.
42. UN-Women took administrative action, and in relation to the noted financial loss, UN-Women has at the time of this response recovered approximately 75% of the amount and is in the process of recovering the balance. UN-Women also took steps to refer the matter to the appropriate national authorities of the Member State in accordance with General Assembly resolution 62/63.