UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UN WOMEN REGIONAL OFFICE FOR ASIA AND THE PACIFIC

IN

THAILAND

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Report on the audit of UN Women Regional Office for Asia and the Pacific in Thailand
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UN Women Regional Office for Asia and the Pacific in Thailand (the Office) from 23 September to 13 October 2014. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

(a) governance and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, monitoring and reporting);

(b) programme activities (programme and project management, development services, programme oversight and support, technical advisory support, communication and advocacy support, partnerships and resource mobilization); and

(c) operations (human resources, finance, procurement, Regional Acquisition Management Review Committee, information and communication technology, general administration, safety and security, UNDP support to office, asset management, leave management).

The audit covered the activities of the Office from 1 January 2013 to 30 June 2014. The Office recorded programme and management expenditures totalling $6.1 million in 2013 and $3.1 million for the six months up to June 2014. This was the first audit of the Office.

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

Overall audit rating

OAI assessed the Office as **satisfactory**, which means, "Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity."

Good practices

General administration. The Office utilized support services from the UNDP Regional Centre in Bangkok, which were cost recovered on a quarterly basis. To support the General Ledger Journal Entry for the services provided, the Office attached the itemized listing of all support services received during the quarter with all the corresponding details. This expedited the process of approval of the General Ledger Journal Entry in Atlas (the enterprise resource planning system used by UNDP).

Programme and project management. The Office convened peer review meetings with staff and other UN Women personnel to critique/comment on the programme as formulated. The comments and suggestions provided were incorporated into the final document. The meetings provided opportunities to avoid duplication of efforts.

Key recommendations: Total = **4**, high priority = **1**

The four recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 1); (b) safeguarding of assets (Recommendation 4); and (c) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendations 2 and 3).

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendation is presented below:

Corporate issue: Deficiencies in corporate systems to support results-based management (Issue 1)	Although the Office adequately performed its role of monitoring and reporting on its activities as well as for UN Women offices under its purview, discussions with management and staff revealed that there was a lack of corporate tools to facilitate and support monitoring and reporting of programmatic, financial and advisory services activities.
	Recommendation: Integrate into the corporate systems under development, processes to support efficient documentation, monitoring and reporting of programmatic activities, financial and advisory services in a relevant and timely manner to support decision-making. The systems should include the ability to produce standardized reports on activities and outputs in the Strategic Notes/Annual Work Plans on an individual or aggregated basis.

Management comments and action plan

The Director of the Regional Office for Asia and the Pacific, and the Director – Programme, accepted all of the recommendations and are in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I.   About the Office

The Office was established in 2012 in Bangkok, Thailand to allow UN Women to work in close partnership with the Government and with civil society in the region. The Office oversees the operations of 2 Multi-Country Offices, 9 Country Offices, and 13 Programme Presence countries. The Office also has direct responsibility for five programme offices located in Thailand, China, Indonesia, Lao People's Democratic Republic, and the Philippines. Consistent with the functions and role of a regional office, as set out in the UN Women Regional Architecture (including strategic programme development, policy and technical advice, UN coordination, intergovernmental support, knowledge management and advocacy), the Office's Annual Work Plan focuses on a mix of regional initiatives, as well as the provision of sub-region/country specific support in the following areas:

- Improved livelihoods for women migrant workers and their communities, and ensuring women's voices are heard in key regional fora, including those of excluded groups.
- Laws, policies and strategies that respond to and prevent violence against women and girls. At the regional level, this includes the Secretary-General's UNITE Campaign and Partners for Prevention – a joint UN programme for the Asia and Pacific Region.
- Facilitating women's active participation in the peace and post-conflict development processes through capacity development at community and provincial levels.
- Support for gender responsive national planning and budgeting.
- Regional dialogues and normative frameworks that reflect the priorities and needs of women in Asia and the Pacific.

The audit covered the activities of the Office from 1 January 2013 to 30 June 2014. The Office recorded programme and management expenditures totalling $6.1 million in 2013 and $3.1 million for the six months up to June 2014. The Office had 12 international staff, 15 local staff and 12 service contract holders as at 30 June 2014.

II.   Good practices

OAI identified good practices, as follows:

General administration. The Office utilized support services, such as human resources, general administrative, financial, procurement and information, communication and technology from the UNDP Regional Centre in Bangkok. These services were cost recovered on a quarterly basis. To support the General Ledger Journal Entry for the services provided, the Office attached itemized listings of all support services received during the quarter and indicated the nature and the details of the services provided. This expedited the process of approval of the General Ledger Journal Entry in Atlas.

Programme and project management. The Office convened peer review meetings in which staff and other UN Women personnel were requested to comment on the programme as formulated. The comments and suggestions provided were incorporated in to the final document to improve the quality and accuracy of the activities to be performed. In addition, the meetings provided opportunities to ensure that synergies between projects were created where possible to avoid duplication of efforts.

III. Audit results

Satisfactory performance was noted in the following areas:

(a) <u>Development services</u>. There was evidence of a collaborative process for developing the Strategic Note and Annual Work Plan for the Office. This included consultations with regional bodies, representatives in the region and internally, as well as a process for consideration and incorporation of the comments received.

(b) <u>Programme oversight and technical advisory support</u>. A review of documents and the analysis of the responses received from a regional survey conducted by OAI indicated adequate programme oversight and support of offices in the region. Some respondents (47 percent) to the survey indicated that support services were primarily provided in response to requests initiated by the Country Office. Furthermore, 12 respondents (25 percent) indicated that the support was forward-looking and pre-emptive. Management provided additional information on the services provided. No issues were raised except in regard to the lack of a corporate system for the receipt and tracking of advisory support services, which was included as part of Issue 1 of this report.

(c) <u>Partnerships and resource mobilization</u>. The Office had demonstrated a strong capacity to raise non-core funds from its partners in the region to support its Annual Work Plan initiatives. Discussions with two donors indicated satisfactory relationships.

(d) <u>Procurement and supply management/Regional Acquisition Management Review Committee</u>. The Office had maintained records of the deliberations of the Regional Acquisition Management Review Committee. Low risk concerns noted during the audit were discussed with management during the exit meeting.

(e) <u>Communication and advocacy support</u>. Although OAI noted a lack of corporate tools for recording the of advocacy work activities in a cohesive manner, the Office had developed sufficient knowledge management products to engage with its partners. Issue 1 on corporate tools includes the need to develop tools to record and report on knowledge products.

(f) <u>General administration (asset management, travel, operational support provided by UNDP Safety and Security)</u>. The Office had well-documented processes of accounting for the operational support provided by UNDP. In addition, the Office was located within the UN Secretariat Building in Bangkok, which met the Minimum Operating Security Standards.

(g) <u>Human resources management</u>. Adequate controls were established and functioning effectively in regard to recruitment, separations and leave management.

OAI made one recommendation ranked high (critical) priority and three recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

High priority recommendation:
  (a) Integrate into the corporate systems under development, processes to support efficient documentation, monitoring and reporting of programmatic activities, financial and advisory services in a relevant and timely manner to support decision-making (Recommendation 1).

Medium priority recommendations, arranged according to significance:
  (a) Comply with the 'Programme and Operations Manual' regarding the updating of project documents, commissioning of evaluations, and auditing of implementing partners (Recommendation 2).
  (b) Comply with the 'Programme and Operations Manual' on the reporting and liquidation of advances based on the level of risk assigned to the implementing partners (Recommendation 3).
  (c) Comply with the data centre/server room standards by ensuring that all critical data is backed up (Recommendation 4).

The detailed assessment is presented below, per audit area:

A. Governance and strategic management

1.   Risk management, monitoring and reporting

Issue 1   Corporate issue: Deficiencies in corporate systems to support results-based management

UN Women's 'Programme and Operations Manual' chapter on 'Monitoring, Reporting and Oversight' indicates that the expected goals, outcomes, outputs and planned activities of UN Women programmes are to be monitored and reported upon. This is further supported by UN Women's results-based management strategy, which is intended to ensure accountability for programmes by offering a process and structure for the formulation of results and management of their achievement.

The review of reports, emails, PowerPoint presentations and discussions with management and staff of the Office provided evidence that the Office was performing activities in accordance with its Strategic Note/Annual Work Plan. However, OAI noted that corporate systems to support the level of monitoring and reporting on development, advisory and other services performed by the Regional Office were lacking. The reporting process was manual and thus inefficient and time consuming. It was difficult to easily obtain comprehensive information on the individual activities by project, outputs, and outcomes for each Country Office under the purview of the Office in a systematic manner and against each of the goals/objectives indicated in the respective Annual Work Plans. Also, obtaining up-to-date information on the results being achieved by the Office, Country Offices and the region could not be easily achieved without requesting the information from individual offices and then manually aggregating the information.

The following deficiencies were noted in the existing monitoring and reporting systems and their use by the Office:

  ▪ The existing corporate Online Tracking System was not linked to Atlas by design, and as such, financial data reflected in the System was not up to date. Moreover, information was only updated in the Online Tracking System twice a year: at the beginning of the year to record the goals in the individual Annual Work Plans, and at the end of the year when a corporate report was required, making it an ineffective system for monitoring and decision-making.

- The Office used Microsoft Excel and Word to compile, analyse and report on programme and financial activities for the region because no corporate system existed to permit the Office to easily produce a comprehensive report on all activities within the Office and region and to track performance against the planned activities in a standardized and structured manner. As an example, OAI noted that due to human error related to the manual process of compiling information, Project 00040467 had been omitted from the project listings provided for audit purposes. However, information on funds mobilized for Project 00040467 had been included in another audit document. Providing the relevant information to OAI on projects and project activities required the additional efforts of first compiling the information and then to reconciling it to ensure accuracy. Discussions with management and staff revealed that it took considerable effort to prepare and maintain reliable information. Also, because various types of information was located in locally maintained applications such as Microsoft Excel and Microsoft Word, it was necessary for OAI to engage Programme Managers to obtain a clear picture of the results being achieved and the status of each project.

In addition to the above deficiencies, no corporate systems or dashboards existed to provide financial and programmatic data to all offices on all activities relating to programme/policy (technical) advice, capacity development and quality assurance services. The Office provided such advocacy and advisory services to two Multi-Country Offices (Fiji and India), 9 Country Offices (Afghanistan, Bangladesh, Cambodia, Nepal, Pakistan, Papua New Guinea, Thailand, Timor-Leste, Viet Nam) and 4 Programme Presence countries (China, Indonesia, Lao People's Democratic Republic, and the Philippines). However, because no comprehensive systems existed, OAI was limited to reviewing only examples of knowledge products, webinars and specific trainings that had been provided during the fieldwork. The Office indicated that the existing system of gathering and collating information was manual and therefore time consuming.

The deficiencies in the corporate systems may be attributable to inadequate human and financial resources to quickly provide systems that would meet the complex programmatic, normative and operational needs of UN Women, which was only established in July 2010.

The lack of corporate systems to support results-based monitoring, reporting and management, increases the risk that financial, programmatic and operational activities will not be adequately managed for the achievement of the intended results. Further, it makes accountability for activities and decision-making at various levels difficult.

In their response to the draft report, management acknowledged the importance of corporate monitoring and reporting systems and of the need for improvements, but also noted that some progress had been made. Specifically, management highlighted that improving results management and integrating it with core Atlas expenditure and budget tracking was a corporate priority in line with UN Women's Strategic Plan, which states that UN Women will "ensure a fully integrated information system for results-based management is in place, improving linkages to financial information system and document management system across all stages of programming, monitoring and reporting."

Priority	High (Critical)

Recommendation 1:

Integrate into the corporate systems under development, processes to support efficient documentation, monitoring and reporting of programmatic activities, financial and advisory services in a relevant and timely manner to support decision-making. The systems should include the ability to produce standardized reports on activities and outputs in the Strategic Notes/Annual Work Plans on an individual or aggregated basis.

Responsible: UN Women Programme Division and Division of Management and Administration

Management action plan:

A corporate results-based management system is being developed and the first module (annual results reporting) was launched in December 2014. Further, the following key actions are being taken to ensure that the 2014 results will be reported without undertaking manual Microsoft Excel processes:

- The old activity types have been deactivated from the system.
- Offices have been requested to adjust their 2014 budgets to ensure that all projects are appropriately reflecting the correct 2014-2017 Strategic Plan activity types.
- The Programme Division and Division of Management and Administration will continue to closely monitor the correct usage of the activity types until the new results management system has been finalized.

The new corporate results-based management system will address the results-tracking issues raised by the audit. In addition, the new system will have a built-in capacity to draw financial data from Atlas and the launch of this feature will be prioritized as soon as data issues in Atlas are remedied. In early 2015, Phase 2 will be launched, which will include a monitoring module and a corporate dashboard. It is planned that the corporate dashboard will include:

- HR Dashboard (completed and pending review by the Human Resources Team before it can be made available to senior management).
- Procurement Dashboard being developed in two phases. Phase 1 to focus on purchase orders and voucher data from Atlas (intended completion date of end of January 2015) and Phase 2 to focus on planning, requisition and e-tendering data.
- Programme Dashboard (to be initiated in quarter 1 of 2015).
- Finance Dashboard.

Estimated completion date: December 2015

B.	**Programme activities**

1.	**Programme and project management**

Issue 2   Non-compliance with programme and project management procedures for Project 00040467

The 'Programme and Operations Manual' requires the following: that all UN Women activities be approved as part of the Strategic Plan/Annual Work Plan process; programmes over $1 million be evaluated at least once in their lifetime and that those over $3 million should have a mid-term evaluation; and activities implemented by non-governmental organizations, governments and intergovernmental organizations be included in the Non-Governmental Organization/National Implementation Modality (NGO/NIM) audit strategy.

The China Gender Fund for Research and Advocacy (China Gender Fund), Atlas Project 00040467, was created in June 2004 to promote advocacy and social dialogue on gender equality in the development of policies and laws in China. The project was to expire in 2007; however, as of the conclusion of the audit fieldwork, the project was still ongoing with a new end date of 2017. In addition, OAI noted the following:

- although the project document had expired, no new project document had been developed or approved to extend its implementing period or mandate;
- the project budget had been increased from the original $0.6 million to approximately $6.5 million with funding from six donors and should have been redesigned, appraised and approved given the significant increase in planned expenditures;
- while the project document required annual evaluations, none had been commissioned or conducted; and
- the project had never been audited even though it was mainly implemented by national partners.

This issue may have been caused by an oversight that occurred during the transition of the project from UNIFEM to UN Women.

In the absence of a valid project document, the non-performance of audits of implementing partners, and the absence of project evaluations, there are increased risks that: (a) the project activities may not be aligned with UN Women's strategic objectives; (b) funds may not be used by implementing partners as approved; and (c) inefficiencies and lessons learned may not evaluated and used to improve the project.

Priority	Medium (Important)

Recommendation 2:

Comply with the 'Programme and Operations Manual' by:

(a) reviewing, updating and obtaining approval of a new project document that would provide the strategic direction and operating framework for the China Gender Fund.
(b) commissioning an independent evaluation of Project 00040467; and
(c) communicating with the headquarters-based NIM/NGO Focal Point on including the implementing partners for Project 00040467 in the 2015 audit cycle.

Management action plan:

Management indicated that an independent evaluation for the China Gender Fund will be commissioned and completed by April 2015 and that the results and findings of the evaluation will be used for the review/approval of a new project document by June 2015. Also, management recommended Project 00040647 - China Gender Fund for Advocacy and Research to headquarters for inclusion in the NIM/NGO Audit Plan for 2015.

Estimated completion date: June 2015

C. Operations

1. Finance

Issue 3   Non- compliance with procedures for liquidation of partners' advances

The UN Women 'Programme and Operations Manual' chapter on 'Cash Advances and other Cash Transfers to Partners' requires Offices to: (a) review a either 100 percent or a sample of supporting documentation, such as invoices and receipts to validate expenditures on Funds Accountability and Certification of Expenditures (FACE) forms, depending on the level of risk attached to each implementing partner; and (b) retain photocopies or preferably scanned copies of the sampled originals with the FACE form as evidence of sample selection and results.

The Office had not complied with the guidance on the determination of the sample size and selection criteria for supporting expenditure documentation, and instead, the Office had opted to review 100 percent of implementing partners' FACE forms, receipts and supporting documentation without considering the risk level of the implementing partner.

Moreover, for the FACE forms selected for review, there was no evidence that copies of the original receipts/ supporting documentation had been retained or stamped by the Office to ensure that they had been marked as having been processed. After the audit fieldwork, the Office provided supporting documentation for OAI's sample of FACE forms, however, some of these documents had been stamped after the end of the audit fieldwork period.

This issue may have been attributable to timing delays in the release, training on, and implementation of the new procedures by the Office.

Non-compliance with UN Women's procedures for liquidating partner's advances increases the risks that staff resources may not be optimally used and evidence of work performed to validate partners' may not be available as an audit trail.

Priority	Medium (Important)

Recommendation 3:

Comply with the 'Programme and Operations Manual' procedures relating to the liquidation of partners' advances by:

(a) determining the sample size and selection criteria for the supporting expenditure documentation from the implementing partners based on the risk level assigned to the implementing partner; and
(b) reporting and liquidating advances by stamping supporting individual receipts and invoices to ensure they are marked as having been processed and retaining copies of the documents as evidence of the review and results.

Management action plan:

(a) Headquarters guidelines on sample-based FACE form liquidations have been implemented fully as of December 2014. Additionally, programme managers are required to certify that the FACE liquidation is based on sample-checking. The risk rating of the implementing partners /responsible parties also takes into account the previous end of the year performance on aging advances and audit ratings, if any.
(b) Reporting and liquidating advances by stamping supporting documents has been implemented since December 2014.

Estimated completion date: December 2014

OAI Response:

OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

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2. Information and communication technology

Issue 4   Weaknesses in performance and management of back-up data

The 'Minimum Standards for Information and Communication Technology Infrastructure and Telecommunications' section in the UN Women 'Programme and Operations Manual' provides that back-up tapes should be stored at an off-site location and properly catalogued. Moreover, the data centre/server room standards require that back-ups be performed regularly; tapes be catalogued accordingly; retention policies be met; and back-up tapes be stored off-site, keeping recent ones in the server room for easy recovery.

During the review of the Office data-back up of two servers located in the UNDP Regional Centre's server rooms, OAI confirmed that the Office backed up its data on tapes. However, OAI determined that:

- The data back-up tapes were neither catalogued nor stored in an alternative site/location.
- The back-up data was not tested for full restoration to ensure that the Office could recover it in case of a disaster.

- The uploading of files from personal computers and/or laptops of each staff into the local file servers for back-up was manually initiated by individual users, hence it was not possible to verify if all data was backed up.
- There were several instances of back-up errors as indicated in the back-up logs.

This issue may have been attributed to the inadequate monitoring of risks related to information technology processes.

The lack of adequate data back-ups could negatively impact the ability of the Office to quickly resume operations in case of a business disruption or disaster.

Priority	Medium (Important)
Recommendation 4: Comply with the data centre/server room standards by ensuring that all critical data is backed up.	
Management action plan: The Office is in the process of implementing the recommendations with the procurement of back-up tapes. **Estimated completion date:** February 2015	

Definitions of audit terms - ratings and priorities

A.　　AUDIT RATINGS

- **Satisfactory**　　　　Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.

- **Partially Satisfactory**　　Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.

- **Unsatisfactory**　　　Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

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 that are considered moderate. Failure to take action could contribute to negative consequences for UN Women.

- **Low**　　　　　　　Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.