

Management response to the 2018 annual report on Internal Audit and Investigations activities

1. UN-Women's management welcomes the establishment of the Internal Audit Service (IAS) within the Independent Evaluation and Audit Services and wishes to express its appreciation of its independent audit assurance. We thank the audit team for their independent and objective assurance and advisory services designed to add value and improve the effectiveness and efficiency of UN-Women's work.
2. UN-Women wishes to convey appreciation to the Office of Internal Oversight Services (OIOS) of the United Nations for its provision of investigation services to UN-Women.

INTERNAL AUDIT

3. UN-Women is pleased to receive the annual overall opinion stating: "based on the internal audit work performed in 2018, **no significant weaknesses were identified** in the Entity's governance, risk management, and control processes that would seriously compromise the achievement of UN-Women's strategic and operational objectives."
4. UN-Women acknowledges the audit coverage of \$61.3 million or 16.0 per cent of the total combined expenditures of \$379.6 million reported by UN-Women in its financial report for 2018. This marks an increase from last year's audit coverage percentage, which was 15.2 per cent. Informed by the independent risk assessment of IAS, the audit coverage complements the oversight coverage of the (i) United Nations Board of Audit; the (ii) 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 (iii) evaluations carried out by the Independent Evaluation Service in 2018.
5. Since 2018, IAS has adopted a new computation method of the implementation rate of audit recommendations according to which the rate is the cumulative number of recommendations implemented over total number of recommendations issued between 2013 and 2017. IAS has reported the implementation rate of internal audit recommendations prior to those made in 2018 at **99 per cent** in its annual report. This implementation rate remained above the corporate target and consistent with prior year's high implementation rates.
6. UN-Women acknowledges the key issues identified in Section VIII of the report, "Significant internal audit results" and wishes to highlight below the improvements to operations and the actions taken to address the recommendations. UN-Women endeavors to take the needed actions to implement all audit recommendations and improve operational effectiveness and efficiency.

High Priority issues and implementation of pertinent recommendations

Review and formalize the roles and responsibilities at the corporate level related to resource mobilization (noted in one section at Headquarters)

7. UN-Women has finalized the new corporate resource mobilization strategy including the private sector resource mobilization strategy. The Strategic Partnership Division has the responsibility for the mobilization of Regular (Core) Resources and supports fundraising for Other (Non-core) resources through policy, procedures, guidance and capacity building. The Strategic Partnership Division Director and the Chief of Resource Mobilization's job descriptions provide further clarity of their respective leadership roles. A review of all country representatives and head of liaison offices was also done to clarify their fundraising responsibilities. This recommendation has been implemented.

Process for development, monitoring and approval of the corporate resource mobilization strategy (noted in one section at Headquarters)

8. UN-Women has reviewed the existing processes, action plans and structures in place around the corporate resource mobilization strategy and launched the new framework guidance document which further clarifies relevant processes. This recommendation has been implemented.

Minimum performance standards in the UN Gender Scorecard rating (noted in one office in West and Central Africa Region)

9. The respective UN-Women office has conducted training on data collection, resource tracking and Monitoring and Evaluation related to gender equality issues for the gender focal points of the UN agencies in the country. The minimum performance standards have been met. In addition, the Programme Coordinator has completed the formal training on gender mainstreaming in development coordination. This recommendation has been implemented.

Compliance to safety and security requirements (noted in one office in West and Central Africa Region)

10. The respective UN-Women office has ensured that all staff have completed the mandatory training including the safety and security training. The office has updated the fire extinguishers and warden system and conveyed the emergency evacuation points to staff. The Business Continuity Plan and fire drills exercise will be completed with other UN agencies once the office is relocated to the shared location with other UN agencies.

Financial data linkage between Atlas and Results Management System (noted in one office in Americas and the Caribbean Region)

11. UN-Women has significantly improved the linkage between the Results Management System (RMS) and Atlas. Overall for 2018 data, 96.4 per cent of the financial information from Atlas was linked. UN-Women will continue to improve the linkages further in 2019 to ensure that financial information in RMS is up to date. UN-Women will make necessary enhancement to RMS to enable the effective planning, monitoring and reporting on results and help in decision making by management and other stakeholders.

Include key factors in the risk register to ensure the achievement of the Strategic Notes/Annual Work Plans (noted in one office in East and Southern Africa Region)

12. The respective UN-Women office has reviewed the current risk register. In light of the recent events, risk scores for some risks were adjusted. Mitigation actions and their respective action due dates for all risks have been updated.

Establish strategy to enhance gender mainstreaming coordination leadership role (noted in one office in East and Southern Africa Region)

13. A strategy for leading the coordination of UN System work to promote gender equality and women's empowerment will be developed by the respective UN-Women office in line with the new UN Development Assistance Framework.

Conduct fraud risk assessment and establish mitigation actions (noted in one office in Europe and Central Asia Region)

14. The respective UN-Women office has completed the online mandatory anti-fraud training and the in-person fraud risk assessment training for all office staff. The office has finalized the fraud risk register on the corporate ERM system. This recommendation has been implemented.

Alignment of office structure with the Strategic Notes' priorities (noted in one office in East and Southern Africa Region)

15. The respective UN-Women office is reviewing the capacity and staffing structure and terms of reference for all personnel including appropriate contract modalities and costing to align to the new Strategic Notes. A Human Resources strategy and plan and an updated organigram will be submitted for review and approval. Recruitment of staff will commence when funding is secured.

Corporate issues and recommendations

Crisis response guidelines for effective and efficient programme delivery in crisis countries

16. UN-Women has drafted the Policy on Crisis Response in compliance with the new required corporate framework. Upon finalization of the Policy, UN-Women will complete a harmonized fast-tracking procedure including the Programme Fast Tracking Procedure.

Guidelines on NGOs competing with private firms

17. UN-Women is revising the Programme and Operations Manual which includes the finalization of the Partner Selection Due Diligence Procedure. This procedure will provide further clarity and guidance on cases where NGOs and private firms are able to deliver the same activities and outputs as responsible parties.

Liquidation of advances to Implementing Partners as a performance indicator

18. UN-Women has in place the Key Performance Goal Indicators (KPIs) for the Regional Directors, Deputy Regional Directors, Regional Operations Managers and Country Representatives. In

addition, UN-Women has issued the guidance on standard KPIs for Programme Specialists to be included in their performance documents. Among the KPIs, the timely management of issuance and liquidation of partner advances to implementing partners/responsible parties consistent with the Cash Advance Policy has now been added. The guidance of KPIs for key staff are in line with the corporate Development Results Framework and Operational Effectiveness and Efficiency Framework. This recommendation has been implemented.

Unique coding system for each implementing partners

19. UN-Women has launched the Implementing Agent Code unique to each implementing partner as part of the Chart of Accounts used in the corporate ERP system, i.e. Atlas. The use of the code is mandatory for all advances issued to implementing partners as of 1 January 2019. This recommendation has been implemented.

Implementing Partner cash advance management

20. UN-Women is in process of revising the Partner Cooperation Agreement template and providing further clarification on document retention requirements. Upon finalization of the Partner Cooperation Agreement template, the UN-Women Funding Authorization and Certificate of Expenditure form will also be aligned with the new agreement format.

Align Quarterly Monitoring Reports information with Annual Work Plan

21. Through the revision of the Programme and Operations Manual, the guidance and business process for monitoring and quality assurance of data and information included in the Quarterly Monitoring Reports will be strengthened.

Recurring issues and recommendations

Compliance with procurement policies and procedures, assets, travel and event management, and security (noted in one office in Arab States, two offices in Asia and Pacific, one office in Western and Central Africa, three offices in East and Southern Africa, one office in Europe and Central Asia and one office in Americas and the Caribbean Regions)

22. The respective UN-Women office has established a protocol for conducting reference checks of potential vendors where specific risks have been identified. This reference check may also be conducted upon recommendation by the procurement review body even if the contract amount is less than the required threshold. This recommendation has been implemented.
23. The respective UN-Women office has reinforced the Procurement Policy requirement of raising the purchase orders for the total contract value. For multi-year services required from the supplier, UN-Women will confirm the continuation of services for future years subject to the availability of funds. The contracts will be signed for the period for which the fund is confirmed available. This recommendation has been implemented.

24. The respective UN-Women office has introduced an additional control by assigning Operations Manager to review the procurement documents to ensure that correct procurement processes are followed. Further, the UN-Women office has established a generic email account dedicated for procurement communications with external parties. A training on procurement procedures will be provided to key staff.
25. The respective UN-Women office has ensured that staff report all leave requests including official business plans. The mission report template includes adequate details to demonstrate that travel outcomes were achieved as planned and contributed to UN-Women's mandate. The office also ensures that sufficient supporting documents are attached to the travel mission file. The compliance to the travel policy is monitoring as part of the month-end closure process.
26. The respective UN-Women office has introduced an event attendance sheet template for use at each organized events and workshops. The completed template is required for making a payment for workshop/meeting expenses. This recommendation has been implemented.
27. The respective UN-Women offices have provided training to staff performing asset management process. To ensure accurate recording and proper safeguarding of assets, tagging of asset at the time of receipt has been strengthened. Errors have been adjusted in the asset in-service report and assets with zero net book value are reviewed and assessed for disposal.
28. The respective UN-Women offices have organized an orientation on Crisis Response and Business Continuity Plan with all staff. The Business Continuity and Disaster Recovery Plans have been amended to include necessary updates. Accordingly, the plans have been tested. All staff have completed the needed training on safety and security.

Improve the effectiveness of risk management process, finance, resource mobilization, and monitoring and reporting (noted in two sections at Headquarters, three offices in West and Central Africa, one office in Europe and Central Asia, three offices in East and Southern Africa, and one office in Americas and the Caribbean Regions)

29. UN-Women has fulfilled the resource mobilization senior staff vacancies at the Headquarters, and the full capacity and roles assessment is underway. A resource mobilization toolkit is being piloted and rolled out in 2019. A customized three-day training in business development and partnerships was delivered to staff in over 75 offices. This contributed to an increase in UN-Women's non-core resources by 9.8 per cent in 2018 as compared to 2017.
30. UN-Women has led two working groups of the Financing for Gender Equality task force established by the UN Secretary-General. This task force's mandate is to review the budgets and expenditures in the UN System and make recommendations on increasing financing for gender equality. The work included a survey of all UN entities to assess the level of expenditures on gender equality. Recommendations resulted from this survey will be submitted for consideration by the UN Secretary-General in 2019.
31. UN-Women is launching a Client/Donor Relationship Management (CRM) System. The first phase includes developing a change management plan and policy that clarifies roles and

delegation of authority. The second phase focuses on direct marketing and mass communication capability.

32. The respective UN-Women office has completed the 2019 Annual Work Plan which highlights clusters related to Partnership and Resource Mobilization. The office has dedicated two additional personnel for resource mobilization and is in close link with the headquarters.
33. The respective UN-Women office has conducted capacity building of implementing partners on financial management and reporting. Programme staff of UN-Women have also been training on the required review of financial documents submitted by partners. Partner agreements and project implementation monitoring tool has been put in place to enable timely follow up on submission of required reports.
34. The respective UN-Women offices have reviewed the long outstanding advances and resolved them with implementing partners. The operational closure of the identified projects has been completed and the financial closure have been initiated.
35. The respective UN-Women office has implemented a monthly performance monitoring of the non-core projects. This monitoring process includes review of the expense reports for each project. FACE form and expenditure voucher review and monitoring of use of correct Chart of Accounts have been strengthened. In addition, the month end review and monitoring process is in place for monitoring staff advances.

Office capacity gaps and longer-term local HR strategies (noted in one section at Headquarters, one office in Arab States, two offices in East and Southern Africa, one office in Europe and Central Asia and one office in Americas and the Caribbean Regions)

36. The respective UN-Women offices have initiated the functional analysis of its current structure and capacities. The process includes identification of areas for improvements and issues related to staff contract modalities and levels. The process of aligning the staff roles, terms of reference and funding resources in line with the new organigramme has also been initiated. In other offices, recruitment process was completed after the needs assessment of the office and the identified candidates are onboarded.

Implementing partners management (noted in one section at Headquarters, one office in West and Central Africa, one office in East and Southern Africa, one office in Europe and Central Asia and one office in Asia and Pacific Regions)

37. The respective UN-Women office has circulated an interoffice memorandum providing clarity on the different types of engagement the office can have with NGOs and for-profit entities depending on the nature of the activity. The memorandum also provided instructions and required documentation for each type of contract modality at sourcing and evaluation stages. This recommendation is implemented.
38. The respective UN-Women office has provided a training session to its staff on the assessment of implementing partners. For all new partners, an initial rating will be assigned which serves as a

basis of determining the duration of the activity and amount of the initial advance given. The office evaluates the partners based on the criteria defined in the policy and upon review of required documents subsequently submitted then update the risk ratings previously assigned. This recommendation is implemented.

39. The respective UN-Women offices have developed the implementing partner capacity development plan which states the gaps identified in the capacity assessment, actions to address the gaps, timeline, status and responsible person for each partner. The implementation of this development plan is incorporated into the monitoring plan and as part of the office's annual work plan. Regular spot checks of cash payments will be performed during the liquidation of advances. The office has developed a plan for programme and operations visits to partners' offices to conduct spot checks and provide needed support. A training session on results-based management, internal control, procurement and financial management and reporting for all partners will be held.

Project progress tracking, project risk management and monitoring (noted in one office in West and Central Africa and two offices in East and Southern Africa Regions)

40. The respective UN-Women office has developed a monthly tracking tool to report on the progress of project activity and results. This is to review actual expenditure by project activities against the plan. The office has also introduced a monitoring plan which indicate field monitoring missions for project implementation. The indicators for monitoring of project progress are also now monitored through a new tracking tool.
41. The respective UN-Women office will develop a document which includes roles and responsibilities of all parties involved in the project delivery. In this document, the level of capacity building, gender mainstreaming and institutional support to be provided to project beneficiaries will be clearly indicated.

Post-facto purchase orders (noted in two offices in West and Central Africa and one office in East and Southern Africa Regions)

42. The respective UN-Women office has introduced a Standard Operating Procedures ensuring that relevant Programme Manager raise the purchase orders in advance. It is required that requisition for purchase orders are raised at the time of submitting the procurement plan for approval. Further, an inter-office memorandum has been circulated to all office staff enforcing the compliance to the procurement process. It also required that post-facto cases to be reviewed and approved by the Regional Director and Headquarters Procurement Review Committee. The recommendations are implemented.

Long outstanding recommendation

43. UN-Women is in the final stage of promulgating the Small Grants Policy. The policy has undergone two rounds of consultation process which strengthened the risk mitigation aspect of the policy.

Response to the Executive Board Decision (2018/3)

44. UN-Women is pleased to report that the completion of the implementation of all specific recommendations received under the 2017 recurring areas of resource mobilization, project monitoring and implementing partners management, and asset management.
45. Through the implementation of the recurring recommendations, UN-Women was able to achieve the following:
 - i. Substantial additional funding received from donors including regional development banks, non-traditional donors, and private sectors;
 - ii. Improved and more rigorous guidelines for selection of implementing partners through the launch of the Call for Proposal process;
 - iii. Strengthened guidance on Joint Programming and enhanced familiarity in programmatic, financial monitoring and reporting practices by involved parties;
 - iv. Enhanced guideline that distinguishes infrastructure-related programmatic activities from office refurbishment activities and appropriate planning for each category of activities;
 - v. Strengthened monitoring and reporting of assets.
46. UN-Women establishes milestones and targets for each audit recommendation upon its issuance. Outstanding audit recommendations are closely monitored and followed up using corporate monitoring system.
47. UN-Women has in place the corporate Three Lines of Defense Model and oversight framework. This framework clearly identifies functions of each category and their respective processes that supports the corporate governance, risk management and compliance. UN-Women's Internal Control Framework and Delegation of Authority establish a mechanism for ensuring effective and efficient business processes and controls. UN-Women has obtained the license for a data-analytic tool, i.e., ACL Analytics for improved oversight and monitoring that addressed the request from the Executive Board's decision "*strengthens the analysis of the functioning of governance, risk management, internal control and accountability processes.*"
48. In line with the ongoing UN reforms, UN-Women is in the process of the change management to further clarify its operating model and adjust its country typology/presence and headquarters structure to strengthen its ability to deliver results.

INVESTIGATIONS

49. The intake of allegations registered by OIOS has significantly increased vis-a-vis 2017 (36 vs. 17), as well as the proportion of allegations of 'prohibited conduct' (i.e. harassment, sexual harassment, abuse of authority and discrimination) from 29.4% to 43% - with a total of 18 allegations registered in this category in 2018. It is noteworthy that a high number of allegations (all categories) have been closed after preliminary assessment and that none of the above-mentioned substantiated cases fall in this category.

50. The relative increase of cases in the category of harassment, sexual harassment, abuse of authority and discrimination could be a reflection of enhanced knowledge and awareness on reporting mechanisms, as well as trust in investigative services provided by OIOS. UN-Women has invested in the establishment of a dedicated workplace relations advisor position since 2017. Senior leadership has continuously worked on sustaining greater accountability, enhanced communication and awareness, and a strengthening of the policies.
51. For 2019, UN-Women has already initiated a comprehensive plan to ensure the consistent application throughout the organization of a harmonious and inclusive organizational culture, including an enhanced focus on people management in performance evaluations and multi-rater feedback mechanisms for senior staff; better planning and workload management; and enhanced training in leadership and management. In addition, in coordination with the joint ombudsman's office, efforts are underway to ensure consistent, across the board, practice of civility, along with use of the terminology/categorization of workplace related issues (for example, abuse of authority versus poor management), as well as ways to prevent issues and address them within the workplace through informal or formal channels.
52. Specific actions on preventing, addressing and reporting on sexual exploitation and Abuse and Sexual Harassment are highlighted in the Management Letter submitted to the Executive Board.
53. In relation to disciplinary measures and other actions taken in response to misconduct and wrongdoing, the Executive Director/Under-Secretary-General has issued the attached *Report on disciplinary measures and other actions taken in response to misconduct and wrongdoing by UN-Women staff members, other personnel or third parties and cases of possible criminal behaviour 2013 – 2018*. As the Executive Director has not had cause to take any disciplinary decisions or impose disciplinary measures until 2018, this is the first year such a Report is being published. For transparency purposes, UN-Women is reporting on disciplinary decisions in 2018 along with information on non-disciplinary cases, namely misconduct and wrongdoing which did not result in disciplinary measures. The Report therefore covers the period from 1 January 2013 to 31 December 2018 and highlights disciplinary measures taken with respect to personnel in 2018.
54. For 2018, as set out in the Report, UN-Women took prompt and appropriate action to implement its zero-tolerance policy in all five substantiated cases following an investigation including:
- i. dismissing two staff members,
 - ii. referring a matter for action to another UN Agency which the subject had transferred to; and
 - iii. referring two vendors to the UNDP vendor sanctions process.
55. In three of the substantiated cases, the investigation revealed credible evidence that a violation of law had occurred warranting the matters to be referred to the Secretary-General through the UN Office of Legal Affairs (OLA) for its review and appropriate action including referral to the law enforcement authorities of a Member State.

56. UN-Women has studied the experience of the case referred to in paragraphs 52 and 53 of the 2018 annual report on Internal Audit and Investigations activities. UN-Women is taking measures to strengthen further internal controls, policies and systems related to partner selection, implementation and monitoring. In addition, UN-Women notes that this case was not reported to UN-Women in 2018 and is thus not reflected in the *Report on disciplinary measures and other actions*. It is also noted that at the request of UN-Women, UNDP OAI subsequently clarified that, based on available evidence, the investigation was unable to conclude that the loss was a result of fraud.