THEMATIC AUDIT

INTERNAL AUDIT REPORT

THIRD-PARTY RISK MANAGEMENT

FOR OUTSOURCED SERVICES

UN WOMEN

THIRD-PARTY RISK MANAGEMENT FOR OUTSOURCED SERVICES

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

18 November 2021
IEAS/IAS/2021/008

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EXECUTIVE SUMMARY

Audit objective, scope and background

The UN Women Internal Audit Service (IAS) of the Independent Evaluation and Audit Services (IEAS) conducted an audit of Third-Party Risk Management for Outsourced Services. In this audit, IAS considered that outsourcing is the transfer of entire business processes or functions to third parties (rather than the regular procurement of services from third parties). Outsourcing to third parties has become a common modality in the private and public sectors. It offers various benefits but also presents various risks, which are categorized as third-party risks. In 2021, the Institute of Internal Auditors (IIA) rated 'Third-Party risk' as one of the top two global business risks, second only to 'Cybersecurity risk'. [1]

The audit objective was to assess whether UN Women had an effective governance, risk management and control framework for management of third-party risks for outsourced services. The audit scope covered the effectiveness of: (a) the governance, policies and strategies for systematic outsourcing of services to third parties, (b) risk management for outsourced services and (c) internal controls to obtain outsourced services with the best long-term value for money.

IAS observed that UN Women's current business model is based on global and local outsourcing of numerous administrative and operational business processes by engaging third-party service providers, primarily United Nations organizations but also commercial providers. The United Nations Development Programme (UNDP) is UN Women's primary third-party provider owing to its close historical link with the organization and the "dependency by design" of various services on Atlas, the shared Enterprise Resource Planning (ERP) system. It is expected that this will continue to be the case on the future shared ERP system. Services are also outsourced or paid to other United Nations organizations based on long-standing arrangements within the United

Nations system. In addition, "fourth parties", which are normally commercial providers contracted by third-party United Nations organizations, provide a significant share of outsourced services. Based on IAS inventory (see Table 1 of this report), **UN Women outsourced a broad scope and substantial volume of services. In 2019, these totalled approximately US\$163 million in transactions processed by third-party providers and approximately US\$26.7 million in service fees or costs paid to third-party providers (in total, 45 per cent of UN Women 2019 expenditure).**

Managing the business processes outsourced to United Nations organizations is very different from managing those outsourced to commercial providers. In the case of outsourcing to United Nations organizations, UN Women may have not the same degree of influence on the quality and timely delivery of services and may be subject to the "shared risk" principle between organizations. Sharing risks becomes difficult without a third-party risk management framework to guide business process owners on the minimum requirements for managing the performance of third parties. Unbalanced risk-sharing can impair the value for money of outsourced services and weaken the protection of UN Women's interests. Nevertheless, third-party risk management frameworks are not very common among United Nations organizations, either because they do not outsource much or because their frameworks are not yet developed. Some organizations have taken steps in this regard.

The audit primarily covered the state of existing governance, risk management and controls based on transactions in 2019 and 2020, as well as some earlier or later transactions related to outsourcing decisions. A full inventory of UN Women's outsourced services was undertaken for 2019.

IAS did not conduct a detailed cost–benefit study of each outsourced service, as this would usually be covered during a thematic audit of a particular area. Therefore, IAS cannot identify a full scope of potential cost-saving opportunities, not only in terms of

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[1] https://na.theiia.org/periodicals/OnRisk/Pages/default.aspx

service fees for outsourced services but also in terms of internal resources involved in business process oversight and contract management. When a third-party risk management framework is developed and implemented, value for money would be regularly measured and provide a basis for strategic management decisions.

IAS followed the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing[2] in conducting this audit. IAS also followed the IIA Practice Guide on Auditing of Third-Party Risk Management. [3]

Audit opinion and overall audit rating

IAS would like to recognize the following progress and **achievements** with regard to UN Women's third-party risk management for outsourced services:

- Some business process owners have in place business strategies that consider outsourcing, have undertaken some cost–benefit analyses for better decision-making on outsourcing of specific services, or have compiled inventories of their outsourced services in work documents, which varied in purpose and completeness.

- UN Women participated in the Efficiency Agenda of the United Nations Sustainable Development Group (UNSDG), including multiple initiatives promoting more efficient service delivery (and therefore outsourcing) among United Nations organizations. UN Women had prepared proposals to strengthen inter-agency accountability for shared common services at country level.

- Some business process owners have identified some third-party risks in their risk registers.

- In most business areas and sub-areas reviewed, UN Women had signed agreements with providers of outsourced services. Pricing principles and Service Level Agreements (SLAs) were also in place for most outsourced services.

- Service quality of commercial service providers was usually assessed as part of the standard contract management process. Some tools for managing the performance of United Nations organizations were in place in a number of areas, including SLAs, periodic updates or reports, joint meetings and participation in governance forums.

- The assurance arrangements of the internal and external audit service providers of United Nations organizations, in IAS view, covered most services outsourced to these organizations, with gaps in some areas. Some organizations showed good practices of assurance efforts for their provided services.

Overall, IAS rated UN Women's governance, risk management and control framework for third-party risk management for outsourced services 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 entity/area."*

However, while the audit found that identified issues currently did not significantly affect UN Women's objectives, **the governance, policy and strategy framework and risk management of third parties were not strongly established** and therefore were rated as **Major Improvement Needed,** meaning that *"the assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area."* These areas need greater attention to avoid affecting UN Women unfavourably in future.

Improvements were mainly needed in the following areas:

- **Governance, policy and strategy framework:** Need for a basic corporate governance framework for outsourcing, comprising a definition, policy, business strategy, including minimum requirements for all outsourced services, and an inventory mechanism.

- **Risk management:**

  (a) Need for a concept of third-party risk management. UN Women did not have guidance on third-party risk assessment, and the risk registers of business process owners did not separate or emphasize third-party risks.

  (b) Where not available, outsourcing decisions need to be better supported with business cases or cost–benefit analyses, including for resources required for in-house support functions.

  (c) In significant business areas without sufficient contractual and accountability mechanisms with third-party providers, related third-party risks have to be managed. Where necessary and feasible, formal agreements; transparent and fair pricing principles; SLAs for service quality or timelines, including complaint and incident management; and performance incentives, particularly for outstanding performance, should be explored.

  (d) Opportunities to enhance assurance arrangements for a number of significant outsourced services, as well as in high-risk areas such as data security, should be explored.

- **Internal controls:**

  In addition to the above improvements to mitigate risks, the following needs were identified:

  (a) Need to improve the performance management of third-party providers, including for United Nations organizations, to assess service quality and address complaints or incidents.

  (b) Need better transaction identification and reporting for the values and service fees of outsourced services (also to better permit UN Women estimating the total "cost of ownership" for each outsourced service).

IAS made five recommendations to address the areas requiring improvement. Two recommendations were ranked as High priority and three as Medium priority (see Annex 1 for the definition of priorities).

The two recommendations that are ranked as **High (Critical) priority** are as follows:

Recommendation 1: The Director, Management and Administration Division (DMA), in line with industry best practices in third-party risk management and the existing practices of United Nations organizations, and in consideration of the UNSDG Efficiency Agenda, should develop a basic corporate governance and policy framework for outsourcing of business processes and functions by UN Women to United Nations organizations or other providers. As agreed with DMA, such a framework should be investment-efficient and principle-based.

Recommendation 2: The Chief Risk Officer (Director, Strategy, Planning, Resources and Effectiveness Division, SPRED) should provide guidance to business process owners to undertake periodic risk assessments (e.g. during regular risk assessment workshops) of the third-party provider management cycle in each significant business area to identify, assess and mitigate key third-party risks.

The three **Medium (Important) priority** recommendations are summarized as follows:

Recommendation 3: As business process owners for key outsourced services, the Director, DMA and the Director, Human Resources (HR) should prepare an action plan to mitigate third-party risks where adequate contractual or accountability mechanisms with third-party providers are not available.

Recommendation 4: As business process owners for key outsourced services, the Director, DMA and the Director, HR should consider basic criteria and timelines for monitoring and periodic performance assessment of third-party providers and establish a basic corporate mechanism to collect feedback from service clients on organizational business processes and third-party providers.

Recommendation 5: The Director, DMA should explore the simplest options for comprehensive identification of transactions and service fees of outsourced services in the new ERP system.

IAS has reiterated some recommendations made in earlier audit reports and included several advisory notes to management in this report. These may not require formal follow-up by IAS but are intended for consideration by management of significant risk areas.

Management comments and action plans

Management conceptually accepted the above recommendations, and their comments have been taken into account in this report, where appropriate. However, **DMA indicated that the implementation of recommendations will be contingent upon adequate resources** to prepare methodology (e.g. by a consultant) on how best to implement them and, subsequently, for implementation and monitoring of action points from the recommendations, as part of a continuous work cycle. **HR also raised concerns about its lack of resources and capacity to ensure continuous implementation of recommendations**.

By the time of report issuance, DMA or HR did not prepare all of the action plans as they cited limited capacity. IAS believes that the current recommendations are reasonable and feasible to implement within two-to-three-year period (by end of 2023), subject to resource availability. Improvement in key areas is subject to sufficient resources being made available or reallocated to enact the changes; senior management leadership; and clear articulation of management's vision on managing outsourced services. Investment in this area would strengthen UN Women's governance, policy, strategy and decision-making for engagement of outsourced services, help to avert significant third-party risks, and increase assurance for the received services. IAS will continue to follow up on these recommendations. IAS recommends that DMA and HR develop action plans for the recommendations, accompanied with the resources required to implement them, noting the actions to be taken as part of existing workplans and responsibilities, as well as the actions which would require additional resources. These action plans with resource estimates should be presented as a part of work plans for 2022-2023.

SPRED action plan for Recommendation 2 and DMA action plan for Recommendation 5 were provided and included in the report.

Low-priority issues are not included in this report but were discussed directly with management, where appropriate.

Lisa Sutton

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ACRONYMS AND ABBREVIATIONS

BIG	United Nations Business Innovations Group
BRC	Business Review Committee
CEB	United Nations Chief Executives Board
DCO	United Nations Development Coordination Office
DMA	Division of Management and Administration
ERP	Enterprise Resource Planning
FMS	Financial Management Section
HR	Human Resources
HLCM	High-Level Committee on Management
IAS	Internal Audit Service
ICSC	International Civil Service Commission
ICT	information and communications technology
IEAS	Independent Evaluation and Audit Services
IIA	Institute of Internal Auditors
IST	Information Systems and Telecommunications Section
JIU	Joint Inspection Unit
JPO	Junior Professional Officer
KPI	key performance indicator
OAJ	United Nations Office of Administration of Justice
OIOS	United Nations Office of Internal Oversight Services
OLA	United Nations Office of Legal Affairs
PSMU	Programme Support Management Unit
SLA	Service Level Agreement
SPRED	Strategy, Planning, Resources and Effectiveness Division
UNAT	United Nations Appeals Tribunal
UNDP	United Nations Development Programme
UNDSS	United Nations Department of Safety and Security
UNDT	United Nations Dispute Tribunal
UNFPA	United Nations Population Fund

UNGM	United Nations Global Marketplace
UNICC	United Nations International Computing Centre
UNICEF	United Nations Children's Fund
UNJSPF	United Nations Joint Staff Pension Fund
UNOPS	United Nations Office for Project Services
UNRCS	United Nations Resident Coordinator System
UNSDG	United Nations Sustainable Development Group
UNV	United Nations Volunteers
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women

I. INTRODUCTION

UN Women outsources many of its administrative and operational business processes to both global and local third-party service providers. These are primarily United Nations organizations but also include commercial service providers. Outsourcing to United Nations organizations is often referred to as "common", "shared" or "support" services. Outsourcing may be guided by strategic decision-making, historical practice, a selection process or a combination of these. The United Nations Development Programme (UNDP) is UN Women's primary provider of global and local outsourced services as a result of the organizations' close historical link and the "dependency by design" of various services on Atlas, the shared Enterprise Resource Planning (ERP) system. This arrangement is expected to continue with the new, shared ERP system. Services are also outsourced or paid to United Nations organizations based on the membership principle and long-standing arrangements within the United Nations system.

Outsourcing generally offers various benefits, including services by specialized providers, economies of scale, a lowered administrative burden or common practices among United Nations organizations. **At the same time, UN Women's outsourced services** entail a broad scope, a substantial volume and reliance on third- (and sometimes fourth-) party services, which bear **various third-party risks inherent to outsourcing that should be mitigated.** While UN Women can outsource some of its business processes and functions and transfer the related burden and costs, it must maintain the ultimate accountability for managing its resources through outsourced services and related third-party risks. Such risks, if not adequately managed, could result in business process failures, unfair treatment by providers, limited value for money, fraud or negative impacts on programme results or the organization's reputation.

All representatives of the internal audit services of United Nations organizations follow the standards and guidelines of the Institute of Internal Auditors (IIA), an international professional association. IIA generates a report to demonstrate the top business risks for each reporting year. The *OnRisk 2021* report rates **'Third-Party risk' as the second top global business risk,** second only to 'Cybersecurity risk'.[4] Due to the inherent risks of third-party arrangements and the untransferable ultimate accountability of the entity using third-party services, effective management of outsourcing services is a must for both the private and public sectors. Recent cyberattacks in the supply chain of several private and public sector actors sparked concern over supply chain risk management, in particular where third parties are involved. It is only a matter of time until such risk management becomes a mandatory requirement in some countries.

In its annual reports on audit and investigation activities,[5] where the UN Women Internal Audit Service (IAS) provides an overall opinion on the adequacy and effectiveness of the governance, risk management and control processes of the organization, IAS usually scopes out from its audit opinion several outsourced services, for which it needs to rely on the internal audit services of the United Nations organizations providing the services. However, IAS assesses various third-party risks in other thematic or regular field audits or reviews, and it undertook a dedicated comprehensive Audit of Third-Party Risk Management for Outsourced Services to assess UN Women's management of third-party risks and increase the assurance level and performance in this significant area. IAS will use the audit and review results in its future annual audit opinions on the adequacy and effectiveness of UN Women's third-party framework of governance, risk management and control.

II. BACKGROUND

Outsourcing is defined in the UN Procurement Practitioner's Handbook[6] **as *"the process of contracting out a business process,* which an organization may have previously performed internally or which the organization deems necessary or important, to an independent company, supplier or contractor where the process is purchased as a service."** In this audit, **IAS** was guided by this definition and **considered**

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[4] https://na.theiia.org/periodicals/OnRisk/Pages/default.aspx .
[5] https://undocs.org/UNW/2021/4.
[6] https://www.ungm.org/Shared/KnowledgeCenter/Pages/PPH2.

that outsourcing is the transfer of entire business processes or functions to third parties (rather than regular procurements of services from third parties).

In 2020, the Joint Inspection Unit (JIU) "Review of contemporary practices in the external outsourcing of services to commercial service providers by United Nations system organizations",[7] similarly defined outsourcing as *"a business strategy resulting from a conscious and deliberate exercise of choice (right-sourcing). It determines the business imperatives to engage a service provider(s) on a long-term relationship, and as such, the service provider may become an integral part of the entity's operations, regardless of the engagement modalities."*

In its recommended guidance to internal auditors**, IIA defines[8]** the elements of **an effective third-party risk management framework** as follows:

- *"Policies, procedures and activities that support the framework, alignment with the organization's risk appetite, stakeholder expectations and industry standards.*

- *Governance structures supporting the policies, procedures and activities that support it.*

- *A structured support system comprising: (i) defined roles and responsibilities for each of the Three Lines of Defense and governing bodies; (ii) a third-party inventory, risk rating criteria, and risk assessment process; (iii) expectations related to third-party risk management controls; (iv) reporting requirements for third-party risk exposures including expectations of the Board; (v) a risk-based third-party review process on a regular basis; and (vi) processes for classification, escalation, and tracking of findings from third-party monitoring activities."*

Specifically, **IIA also defines the "fourth party" as "an organization engaged and contracted by the third party** to perform all or part of the outsourced activities that the third party was originally contracted to undertake." This is relevant to UN Women, as a significant share of its outsourced services is fully or partially provided by fourth parties (see Table 1 further below), practically all of which are commercial providers contracted by United Nations organizations providing services to UN Women.

According to the above-mentioned JIU review, none of 23 JIU participating United Nations organizations had a dedicated policy, conceptualization, reporting, evaluations or audits on outsourcing, conceived by each organization differently and mostly not distinguishing from procurement. JIU recommended that the organizations develop common definitions, guidelines and joint service standards on outsourcing; further mutual recognition and sharing of third-party risk management frameworks and market surveys; and develop a common repository of outsourcing contracts and a methodology of cost–benefit analyses for common services, among other improvements.

A related 2018 JIU "Review of opportunities to improve efficiency and effectiveness in administrative support services by enhancing inter-agency cooperation" [9] recommended enhancing systems to accurately identify resources devoted to administrative support services, deciding how efficiency should be defined and assessed, and developing and reporting on targets and performance indicators for improvements in administrative support services, among other improvements.

Work in the areas referred to in these JIU reviews was ongoing in the United Nations Business Innovations Group (BIG), under the leadership of the United Nations Development Coordination Office (DCO). Some of these areas are reviewed in this report.

Based on a preliminary inventory undertaken by IAS, **outsourcing of various services by UN Women represented approximately US$163 million in transactions processed by third-party providers and approximately US$26.7 million in service fees or costs. Together, this constituted 45 per cent of UN Women expenditure.** Furthermore, these estimates do not take into account that **UNDP or its third-party providers process 100 per cent of UN Women revenue and payment bank transactions** (either approved internally at UN Women or at third-party provider level) **and manage UN Women investments.** Table 1 provides an overview of the services outsourced by UN

[7] https://www.unjiu.org/sites/www.unjiu.org/files/jiu_rep_2019_9_english.pdf and https://www.un-jiu.org/sites/www.unjiu.org/files/jiu-rep-2019-9_review_highlights_final.pdf.

[8] https://na.theiia.org/standards-guidance/recommended-guidance/practice-guides/Pages/Auditing-Third-Party-Risk-Management-Practice-Guide.aspx.
[9] https://www.unjiu.org/sites/www.unjiu.org/files/jiu_rep_2018_5_english_0.pdf.

Women, including the principal outsourced services, the business process owners that subcontracted the services, third-party providers, and the approximate value of transactions, fees and costs.

Table 1: IAS summary inventory of services outsourced by UN Women

Principal outsourced services	Business process owners	Third-party providers	Approx. value of transactions processed by third-party providers in 2019, US$	Approx. service fees or costs paid to third-party providers in 2019, US$
HR related services: – *Global payroll, HR and benefit management services;* – *United States income tax support services;* – *Training services;* – *Other HR-related services;* – *Consultants and support personnel services provided through vendors (vendor-contracted consultants) - hired by individual offices*	HR, various	UNDP, United Nations Volunteers (UNV), United Nations Joint Staff Pension Fund (UNJSPF), United Nations Secretariat, other United Nations organizations, third-party and fourth-party vendors	145.2 million (payroll and personnel benefits, pension and insurance contributions, tax reimbursements to staff, remuneration of personnel sub-contracted by vendors for UN Women)	4.3 million
Financial services: – *Global bank account management, treasury and investment services, global and local payment services* – UN Women is largely in charge of the entire "procure to approve payment" cycle as well as records all revenue against donor agreements and projects, while UNDP is only in charge of the treasury function, managing bank accounts. To approximately illustrate the volume of services by UNDP and its third-party vendors, in 2019 UN Women's total revenue was US$527.4 million, its total expenditure was US$420.9 million, and its total balances of cash, cash equivalents and investments serviced at the end of the year were US$568.4 million; – *Various (non-personnel related) insurance services*	Financial Management Section (FMS), other offices of the Division of Management and Administration (DMA), field offices	UNDP, United Nations Secretariat, third-party vendors (fourth parties)	0.07 million (insurance contributions)	0.3 million
Local procurement services	Procurement, field offices	United Nations organizations	0.08 million (indirect procurements, do not include amounts paid directly to vendors)	included in the value of services
Travel (and transportation) services, including agent services (at headquarters and in the field)	Procurement (under reconsideration), field offices	UNDP, other United Nations organizations, third-party and fourth-party vendors	13.5 million (tickets and other services)	0.3 million
Local support services to facilitate training/conferences and cash distributions to participants	Field offices, also headquarters offices	UNDP, other United Nations organizations, third-party vendors	4.0 million (disbursements to participants and for sub-contracted services)	included in the value of services
Information and communications technology (ICT) services: – *ERP system (Atlas) hosting and management;* – *Other systems development and maintenance services, global and headquarters-level ICT infrastructure management and ICT services;* – *Local ICT infrastructure management and ICT services*	Information Systems and Telecommunications Section (IST), field offices	UNDP, United Nations International Computing Centre (UNICC), other United Nations organizations, third-party and fourth-party vendors		6.9 million

Principal outsourced services	Business process owners	Third-party providers	Approx. value of transactions processed by third-party providers in 2019, US$	Approx. service fees or costs paid to third-party providers in 2019, US$
(Safety and) security services: − *Global and local (safety and) security management;* − *Malicious acts insurance*	Security Services, field offices	United Nations Secretariat (United Nations Department of Safety and Security (UNDSS)), UNDP, other United Nations organizations	0.06 million (insurance contributions)	1.7 million
Rental of shared premises	Field offices, DMA	UNDP, other United Nations organizations		3.4 million
Various local common services (to support UN Women's local operations)	Field offices, DMA	UNDP, other United Nations organizations		2.4 million
Other local support services (not categorized further, due to limited details in Atlas, and may include additional values for services categorized elsewhere in this table)	Field offices	UNDP, other United Nations organizations		2.8 million
Conference management, interpretation and translation services at headquarters	Various	United Nations Secretariat		0.3 million
Other support services at headquarters (including access to systems and other facilities of the United Nations Secretariat)	Various, including DMA	United Nations Secretariat		0.3 million
Programme partner audit services	Programme Support Management Unit (PSMU) (previously – Audit Coordination)	UNICEF) third-party vendor (contracted directly by UN Women)		0.8 million
Investigation services	Independent Evaluation and Audit Services (IEAS)	United Nations Office of Internal Oversight Services (OIOS)		0.1 million
	DMA, Legal	UNDP (for previous periods)		0.04 million
Various global services by United Nations organizations and structures based on their United Nations-wide mandates (usually paid based on membership principle)	Various, including DMA	United Nations organizations and structures e.g.: - United Nations Chief Executives Board (CEB) and High-Level Committee on Management (HLCM); - DCO, United Nations Resident Coordinator System (UNRCS), United Nations Sustainable Development Group (UNSDG); - International Civil Service Commission (ICSC); - United Nations Board of Auditors; - JIU; - United Nations Office of the Administration of Justice (OAJ), United Nations Dispute Tribunal (UNDT), United Nations Appeals Tribunal (UNAT); - United Nations Office of Legal Affairs (OLA); - United Nations Office for Project Services (UNOPS) (United Nations Global Marketplace (UNGM) services); - Staff Council; - Others		2.5 million
Various programme or professional services by United Nations organizations, e.g. various studies, United Nations-wide initiatives, construction engineer services and others	Various, including field offices	UNDP, other United Nations organizations		0.5 million
Approximate total			**163.0 million**	**26.7 million**

III. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

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

The audit objective was to assess **whether UN Women had an effective governance, risk management and control framework for third-party risk management for outsourced services.** The audit scope covered the following areas:

- **Effectiveness of the governance, policies and strategies for systematic outsourcing of services to third parties** (definition and inventory of outsourced services, policy framework, business strategies, collaboration with United Nations organizations);

- **Effectiveness of risk management for outsourced services** (approaches to third-party risk management, cost–benefit analyses and selection of third-party providers, contractual arrangements and Service Level Agreements (SLAs), performance incentives, segregation of responsibilities, in-house support functions, oversight and assurance over outsourced services, engagement of third-party personnel[10]);

- **Effectiveness of internal controls to obtain the best outsourced services with the best long-term value for money** (checks and balances, procedures and transparency for service clients, [11] performance assessment of third-party providers, reconciliation, monitoring and reporting of the value and cost of outsourced services).

The audit primarily covered transactions in 2019 and 2020, as well as some earlier or later transactions where required, e.g. covering relevant outsourcing decisions prior to this period. A full inventory of UN Women's outsourced services in 2019 was undertaken, which also assisted in audit sampling of principal outsourced services. **Due to the absence of a full inventory of outsourced services by UN Women, IAS attempted to take stock of all principal outsourced services** using Atlas payment and other data, **categorizing the outsourced services by business process owners** (responsible for managing third-party service providers), **primary third-party providers, as well as estimating the values of outsourced services,** separating **the values of transactions processed by third-party providers** and **the service fees or costs** (where practicable), for one calendar year, i.e. 2019. Compiling the inventory for one year was very labour intensive and often based on individual Atlas transactions.

The audit intended to distinguish outsourcing of entire business processes or functions, and not to cover merely regular procurements of services. It did not cover the engagement of programme partners (not considered outsourcing). The audit also used and reiterated some findings of earlier thematic and field audits.

IAS followed the IIA International Standards for the Professional Practice of Internal Auditing[12] in conducting this audit. IAS also followed the available good practices in the relevant area, e.g. the IIA Practice Guide on Auditing of Third-Party Risk Management.[13]

Regarding the methodology used, the audit work commenced with a review of documents and systems, followed by interviews with UN Women personnel at headquarters and certain field offices, and with personnel of other United Nations organizations that were either providing outsourced services to UN Women or receiving such services from other organizations. Subsequently, the audit undertook

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[10] Audit findings on engagement of third-party personnel were also reported through the Audit of Consultant Management in UN Women (Report IEAS/IAS/2021/005: https://www.un-women.org/en/about-us/accountability/audit/internal-audit-reports).

[11] IAS considers "service clients" to be the organizational units of UN Women that order particular services (e.g. outsourced services) from the business process owners of such services.

[12] https://na.theiia.org/standards-guidance/mandatory-guidance/pages/standards.aspx.

[13] https://na.theiia.org/standards-guidance/recommended-guidance/practice-guides/Pages/Auditing-Third-Party-Risk-Management-Practice-Guide.aspx.

an inventory of all principal services outsourced by UN Women and conducted an analytical and compliance review of sample transactions of outsourced services, which were selected based on professional judgment, focusing on risks and any weaknesses in internal controls. The audit also walked through the business processes and principal controls of other United Nations organizations that were providing significant outsourced services to UN Women (although without a mandate to audit them) and benchmarked the best third-party risk management practices of other United Nations organizations.

IV. AUDIT RESULTS

Issue 1: Need for a basic corporate governance framework for outsourcing, comprising a definition, policy and business strategy, including the minimum requirements for all outsourced services and their inventory mechanism

As referenced above, IIA states that an *"effective [outsourcing and] third-party risk management framework includes governance structures, policies, procedures and activities that support the framework, and alignment with the organization's risk appetite, stakeholder expectations, and industry standards. It also includes a structured support system comprising: defined roles and responsibilities for each of the Three Lines of Defense and governing bodies; a third-party inventory […]; and expectations related to third-party risk management controls."*[14]

Although UN Women outsources many services globally and locally, **the concept of outsourcing is not yet defined in UN Women,** making it less clear what is or is not considered outsourcing. **UN Women's Policy, Procedure and Guidance Framework does not yet define the principles or procedures for the outsourcing of business processes and functions, including the minimum requirements for governance and risk management to be followed for all outsourced services.**

Since outsourcing has not been defined and has evolved organically based on historical ties, **UN Women and its business process owners have not yet established strategies for the outsourcing of most services,** often on the premise that outsourcing occurs by default. Most outsourced services originate from UN Women's historical link with UNDP and the dependency by design of various services on Atlas, the shared ERP system, or occur as a result of UN Women's business model or place within the United Nations system. Some business process owners have in place business strategies that consider outsourcing (e.g. IST) or may have undertaken some cost–benefit analyses for better decision-making on outsourcing of specific services, e.g. IST in various areas, HR

for some corporate systems, Procurement and FMS for cash distributions to participants, some headquarters units for translation services, and various field offices for local common services. Some analyses may be documented, and others may not. The establishment of in-house audit services (instead of continuing to use outsourced audit services) and changing the outsourced investigation service provider, as of 2018, followed business cases provided to UN Women's Executive Board. For outsourcing of business processes to commercial providers (e.g. ICT services or programme partner audit services), procurement procedures were also followed.[15]

In addition, **UN Women management does not have a complete inventory** of categories, volumes or service costs **of global or local outsourced services**. Some business process owners had inventoried their outsourced services in work documents, which varied in purpose and completeness. Examples included a scope of financial services provided to FMS by UNDP, an SLA template negotiated by the DMA Directorate that lists UNDP services available in the field, an IST tracker of information technology service providers in the field, a Facilities and Administrative Services (FAS) database of field-based leases and memoranda of understanding with United Nations organizations. The purpose of such individual inventories was not to quantify the outsourced services.

IAS invested significant effort in attempting to compile a comprehensive corporate inventory of outsourced services (see Background section). This was quite challenging **due to difficulties to identify all transactions for such services and no dedicated reporting for this purpose,** also because the structure and details of the corporate financial records in Atlas or other systems were limited. No Atlas reports or data were readily available. While UNDP's annual invoices for its global reimbursable outsourced services could be used as a proxy for its services, as the invoices quantified the services by business sub-area and each service, such invoices did not cover UNDP's substantial global payroll, HR and benefit management services charged directly in Atlas (in the past, such services were also invoiced). UNDP's annual invoices for local common services also quantified each service, but they were tracked only at individual field

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[14] https://na.theiia.org/standards-guidance/recommended-guidance/practice-guides/Pages/Auditing-Third-Party-Risk-Management-Practice-Guide.aspx.

[15] A full review of procurement procedures was not in the scope of this audit.

office level and were not a complete representation of outsourced services, as they did not cover some services charged directly in Atlas.

A definition, basic policy and business strategy framework, with minimum requirements or principles for governance and risk management, and an inventory of UN Women's outsourced services are **pre-conditions** for a successful third-party risk management framework. Not having these pre-conditions in place creates certain unawareness of UN Women's complete outsourcing universe (i.e. lack of inventory), outsourcing by tradition without strategic decision-making and value for money approach in some cases (i.e. cost-benefit analyses were not always documented), and possible exposure to unknown or unmitigated third-party risks, such as business process failures, unfair treatment by third-party providers, limited financial or operational efficiency, reputational issues or fraud. **Although** this report recognizes that **UN Women has been mostly successful with its third-party providers, several examples of the high or materialized risks** mentioned above **are illustrated across this report.**

Corporate governance frameworks for outsourcing and management of third-party risks are not yet very common among United Nations organizations, either because larger organizations own most administrative and operational business processes in-house and do not outsource much, or because organizations that outsource more largely rely on the business processes and controls of third-party providers, based on the "mutual recognition" principle among United Nations organizations. Some organizations have defined policies in specific areas, e.g. the World Intellectual Property Organization has a third-party Service Provider Security Policy (issued following an internal audit of third-party risk), while UNOPS started developing a third-party risk management framework. Based on IAS analysis, there were not many United Nations organizations with a business model similar to UN Women, with similarly diverse and significant outsourcing. A comparable example was the United Nations Population Fund (UNFPA). In terms of specific third-party risk management efforts, UNFPA reimbursed and its Division for Management Services supervised a UNDP team

processing the UNFPA payroll (rather than paying payroll service fees to UNDP), while the UNFPA Office of Audit and Investigation Services obtained available third-party provider assurance reports to strengthen its annual audit opinions on UNFPA[16] and recognized the need to further strengthen third-party risk management in UNFPA.

It should be recognized that **UN Women** (represented globally by the DMA Directorate and primarily by field offices at operational level) **actively participated in the UNSDG Efficiency Agenda,** moderated by DCO and including multiple initiatives **promoting more efficient service delivery (and therefore outsourcing)** among United Nations organizations.[17] At global level, the DMA Directorate provided various inputs required from UN Women, acted on relevant Efficiency Agenda initiatives, implemented DCO recommendations, and prepared proposals and expressed concern around some initiatives. In 2018, it prepared UN Women's suggested criteria and attributes for Common Back Office operations at country level and shared services, aiming to strengthen inter-agency accountability in these areas. At local level, practically all field offices participated in some Efficiency Agenda initiatives, with various offices more actively participating in trending initiatives, such as Business Operations Strategies, Common Back Offices or Common Premises. In 2019, UN Women headquarters divisions participated in UNDP's Service Excellence Project through brainstorming sessions, and 19 field offices participated in a client satisfaction survey of UNDP services in the field.

Recommendation 1 (High):

The Director, DMA, in line with industry best practices in third-party risk management and the existing practices of United Nations organizations, and in consideration of the UNSDG Efficiency Agenda, should develop a basic corporate governance and policy framework for outsourcing of business processes and functions by UN Women to United Nations organizations or other providers. As agreed with DMA, such a framework should be investment-efficient and principle-

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[16] https://www.unfpa.org/sites/default/files/admin-resource/DP.FPA_.2021.6.Add_.1_-_GRC_Opinion_-_FINAL_-_30Mar21.pdf.

[17] UNSDG Efficiency Agenda initiatives included Mutual Recognition, Client Satisfaction Principles, Costing and Pricing Principles, Business Operations Strategies, Common Back Offices, Global Shared Service Centres, Common Premises and Efficiency Reporting.

based. Suggested elements of the framework include:

- Defining any governance structures (e.g. BRC, ICT Board) and mechanisms.

- Defining elements of the management cycle for third-party providers (e.g. strategy, sourcing, contracting, monitoring, performance management, assurance and inventory) to assist business process owners in managing third-party providers and third-party risks. (See also Issue 2).

- Defining minimum requirements for strategic decision-making by business process owners on outsourcing or "in-housing" of significant business processes and functions (e.g. above a set dollar threshold, and in particular for new or modified arrangements). Such requirements should include brief documented strategies or business cases with cost–benefit and feasibility analyses. For outsourcing, these should also cover resources spent or required for in-house support functions. (See also Issue 3).

- Establishing a basic mechanism to inventory existing and new outsourced services so that data is available for regular stocktaking of categories, volumes and service costs. This can be regularly reported to senior management or governing bodies to confirm value for money (e.g. at the contract expiration or once in three to five years if there is no contract expiration).

Issue 2: Need for a concept of third-party risk management

IIA states that *"effective third-party risk management framework's structured support system also comprises: […] risk rating criteria, risk assessment process; expectations related to third-party risk management controls; reporting requirements for third-party risk exposures including expectations of the Board; and a risk-based third-party review process on a regular basis.*

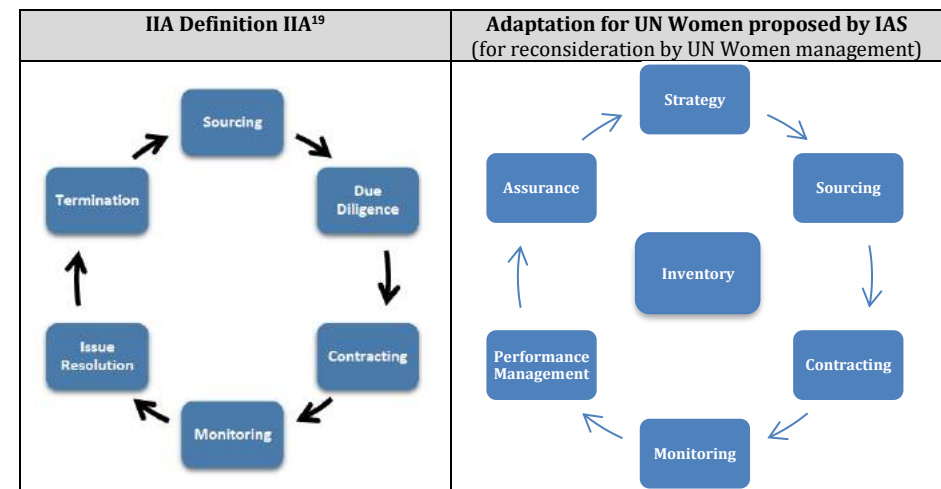*Whatever system is used to track risk information, dashboards and reports produced*

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should be supplied to senior management, the board, and appropriate committees [...] *to evaluate and ascertain changes to risk conditions and measures, and determine if action is needed to keep risk exposure consistent with the organization's risk appetite.*

Management must [...] *identify, assess, manage, and monitor the risks associated with each third-party relationship on an ongoing basis. Their level of sophistication in terms of familiarity and implementation of a third-party risk management framework may be key in this undertaking.* [...] *Third-party relationships* [...] *reduce the organization's control over their product or service, which makes the third-party risk management process that much more important.* [...] *Relationship owners should be conducting periodic risk assessments of third parties on a schedule commensurate with the risk exposure levels presented by the third party."*

IIA defines the elements of the Third-Party Provider Management Process [18] as illustrated in Figure 1.

Figure 1: Elements of Third-Party Provider Management Process

IIA Definition IIA[19]	Adaptation for UN Women proposed by IAS (for reconsideration by UN Women management)

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While third-party services are widely utilized, **UN Women has not yet adopted the concept of third-party risk management. The risk registers of business process owners do not yet separate or emphasize third-party risks.** Some business process owners (IST, FMS, HR, Procurement and Legal) have identified some risks in their registers that would qualify as third-party risks, in particular those related to ICT, the new ERP project and legal compliance. Noting that **UN Women does not yet have guidance on third-party risk identification and assessment,** the identification of such risks in the organization was not exhaustive. This could result in exposure to unknown or unmitigated third-party risks, specific to a particular outsourced business process or function, e.g. from the perspective of quality or availability of service, complaint or incident management and value for money.

UN Women and its business process owners could periodically benefit from dedicated risk assessments based on the management cycle of the third-party provider in each significant business area (e.g. adapting the third-party risk management framework and cycle defined by IIA; see Figure 1).

Recommendation 2 (High):

The Chief Risk Officer (the Director, SPRED) should provide guidance to business process owners to undertake periodic risk assessments (e.g. during regular risk assessment workshops) of the third-party provider management cycle in each significant business area to identify, assess and mitigate key third-party risks.

Issue 3: Outsourcing decisions need to be better supported with business cases or cost–benefit analyses (including for resources required for in-house support functions)

With regard to a business case selecting a third-party provider, IIA advises that *"before*

choosing to engage a third party, management should understand the business context and drivers that determine the risks associated with the effort. [...] *Engaging a third party should make business sense in the long term and create value based on reliable information and projections – risks should be understood."*[20]

Noting that UN Women outsourced the majority of services to UNDP or the United Nations Secretariat as a result of dependency by design, mandates within the United Nations system, or otherwise tradition, such **outsourcing was often not supported with documented business cases or cost–benefit analyses.** Examples were not provided in various areas, where inquired by IAS, although DMA indicated that business cases are prepared for new outsourcing decisions. As mentioned, outsourcing from commercial providers followed procurement procedures.

Outsourcing that is not supported originally or periodically by a cost–benefit analysis may result in inefficiency or hidden costs not being identified. Also, overreliance on the cost–benefit analysis of the original business case may overlook potential savings that emerge as a situation evolves. IAS identified some potential improvements in the current outsourcing of services:

- **HR may consider if savings could be achieved for the global HR and benefit management services provided by UNDP** (i.e. onboarding, contract management, administration of benefits and entitlements, and offboarding for international Professional staff globally and General Service staff in New York). In 2019, these services cost UN Women US$1.5 million to serve 549 staff on average. UNDP rates for these services were fixed at US$1,152, US$2,880 or US$3,444 per staff per annum, depending on staff category. However, the frequency of services provided for each staff varied. Each individual service usually constituted a 'personnel action'. Each staff received from only 2-3 to sometimes more than 10 'personnel actions' per year, depending on job changes and benefits and entitlements. In IAS view, the fixed rates were significant. As a comparison, about 10 staff at headquarters could be employed for US$1.5 million per year. However, HR indicated that it would not be feasible for UN Women to

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[20] https://na.theiia.org/standards-guidance/recommended-guidance/practice-guides/Pages/Auditing-Third-Party-Risk-Management-Practice-Guide.aspx.

invest in a structure for in-housing such services, requiring institutional knowledge, system support, long time to operationalize, and presenting implementation risks. Outsourcing to another organization using other ERP system would neither be feasible. However, HR could negotiate UNDP's rates and costing structure for these services. At the same time, IAS found that **global payroll services provided by UNDP** cost UN Women US$636,953 in 2019 to serve globally 1,835 staff and service contractors on average, which **seemed a cost-efficient arrangement.**

- As also highlighted in part in the 2019 Audit of Travel Management in UN Women,[21] **UN Women could potentially make savings by revising the provision of travel services at headquarters, which are currently outsourced to UNDP and its third-party vendor** and bear an inefficient fee structure that: (a) might encourage more expensive ticket options and (b) reflects fees payable to UNDP for a fully outsourced service, even though substantial travel management steps are performed internally by UN Women. In 2019, UN Women paid US$258,258 in such fees and US$2.5 million for tickets provided by this vendor. IAS did not estimate the possible losses resulting from the purchase of more expensive tickets but understands that these may represent a material percentage of the ticket value. Potential savings from partially reducing such fees and avoiding losses could be used to (fully or partially) fund a small in-house travel management function at headquarters and directly contract UN Women's own third-party travel agent. In 2020, DMA prepared two related proposals for senior management that were not approved. In IAS view, such proposals could be more successful if they emphasized and estimated the potential savings better and explained the (full or partial) self-financing mechanism (e.g. based on the number and value of tickets). UN Women could also consider ticket purchases by travellers, subject to validation of best-value tickets by the travel management function. It is noted that the feasibility of a new arrangement for travel services would depend on UN Women's return to more travel, which was not the case at

the time of the audit.

- **There are opportunities to optimize the process and high cost of vacancy announcements through UNDP** (US$150,811 in 2019). This approach was preferred because of the better visibility of the UNDP website, while UN Women simultaneously started maintaining its own recruitment website. HR indicated that this process will be reconsidered during implementation of the new ERP system.

- As indicated in the Audit of Consultant Management in UN Women,[22] UN Women may consider alternative arrangements to engage some of the support personnel at headquarters whose services (as vendor-contracted consultants) were contracted through third-party vendors without sufficient competition and resulting in high overhead fees to vendors (US$48,433 in 2019–2020 for hiring only four personnel).

Various business areas also showed partial outsourcing of services while still requiring larger or smaller in-house support functions in UN Women. Examples included: (a) the above-mentioned travel management at headquarters; (b) UNDSS security services while requiring UN Women's own network of regional security staff to provide oversight, organization-specific support services and fill gaps in UNDSS services; (c) ethics support services by the Ethics Office of the United Nations Secretariat, without an agreement or SLA and lack of clearly defined roles within the United Nations Secretariat and UN Women HR, which often results in the perception that UN Women does not need its own ethics function, even though HR frequently is required to address ethics issues without dedicated resources[23] and (d) investigation services by OIOS, which does not have direct access to UN Women's systems and therefore makes frequent requests for data, in addition to referring numerous allegations to UN Women management for action, which requires support from IEAS

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[21] Report IEAS/IAS/2019/011: https://www.unwomen.org/en/about-us/accountability/audit/internal-audit-reports.

[22] Report IEAS/IAS/2021/005: https://www.unwomen.org/en/about-us/accountability/audit/internal-audit-reports.
[23] As noted in the 2020 Benchmarking and Maturity Assessment of Ethics and Integrity in UN Women.

without dedicated resources.[24] **Such instances lead to potentially inefficient costs bearing on limited resources and diluted accountability.**

See Recommendation 1 as well as recommendations raised in the above-mentioned audit reports.

Advisory Note:

IAS also invites DMA and HR to consider in their outsourcing decisions the above-mentioned IAS findings.

Issue 4: In significant business areas that lack sufficient contractual and accountability mechanisms with third-party providers, related third-party risks have to be managed

With regard to contracting of third-party providers, the IIA emphasizes that it is *"an important control in the third-party risk management process because it is the organization's best resource to communicate its risk appetite and minimum standards of internal control to the third party and clearly state expected standards regarding the service or product.* [...]

If the third party's product or service cannot be easily replaced or if it is a sole-source provider, a high risk is presented to the organization (e.g. failure by the third party could result in significant damage to the organization). The contract should provide for a mutually beneficial relationship and protect the organization if there are disputes, complaints, or failures."[25]

In most business areas and sub-areas reviewed, UN Women had signed agreements with providers of outsourced services. However, **agreements often could not be made in several areas** where United Nations organizations provided services based on their system-wide mandates (e.g. global and local safety and security services by UNDSS, UNJSPF services, and health and life insurance services, medical services and

United States income tax support services by the United Nations Secretariat). These services were regulated by relevant United Nations regulations, rules, policies and procedures.

The UNSDG Efficiency Agenda defines cost recovery ("neither profit nor loss") and transparent cost disclosure in its Costing and Pricing Principles. **Pricing principles were defined for most outsourced services reviewed,** either in relevant agreements or regulations, either as pre-financing, on a cost-recovery basis (in both cases, often in proportion to recipient United Nations organization's personnel headcount or share of received services) or as price lists for the services rendered. **However:**

- **Pricing of some invoiced services lacked clarity** (e.g. for various small- or medium-value services invoiced without a sufficient breakdown by the United Nations Secretariat).

- In IAS view, **the rates of some** (particularly HR-related) **services set in** UNDP **price lists seemed high** (and more moderate for other services). In the 2019 UNDP client satisfaction survey, UN Women field offices also indicated that the pricing of various HR and financial services did not seem justified, transparent or competitive. UNDP price lists were revisited every year to reflect the actual costs; however, cost details were UNDP's internal matter, and service recipient organizations could not influence the rates.

- **There is a high inherent risk that some United Nations service providers would not be interested in improving process efficiencies,** as the costs could be transferred to the service recipient in the absence of competition and transparent pricing.

- For some services, UN Women and various other United Nations organizations believed they **did not receive the full scope of services for the price paid.** There were discussions in the Inter-Agency Security Management Network about the decreasing scope and increasing cost of UNDSS global safety and security services (pre-financing contributions by United Nations organizations to the UNDSS

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[24] As noted in the 2021 Audit of Anti-Fraud Programme in UN Women (Report IEAS/IAS/2021/006: https://www.unwomen.org/en/about-us/accountability/audit/internal-audit-reports).

[25] https://na.theiia.org/standards-guidance/recommended-guidance/practice-guides/Pages/Auditing-Third-Party-Risk-Management-Practice-Guide.aspx.

budget through the Joint Financing Arrangement) and the significant structure of UNDSS. UN Women contributed US$1.0 million in 2019 and US$1.4 million in 2020 for UNDSS global services. IAS understood that some organizations needed to engage alternative safety or security services that were no longer provided but were still part of the original UNDSS mandate, and that it was difficult for other United Nations organizations to influence the existing UNDSS financing arrangements, which were established by United Nations regulations and rules. In 2021, IAS also started an Audit of Safety and Security, which would provide more detailed analysis on this matter from UN Women's perspective.

SLAs (including key performance indicators (KPIs)) with providers of outsourced services were in place in most but not all business areas or sub-areas reviewed. SLAs were in place for global financial services (i.e. treasury and investment services), global payroll, HR and benefit management services, travel services at headquarters and, in most cases, local operational support services (local HR, general administration, procurement, financial and ICT services, based on a globally agreed standard SLA template) provided by UNDP. SLAs were occasionally in place for local operational support services provided by other United Nations organizations, for global ICT services provided by UNICC and some of the commercial providers, and for investigation services provided by OIOS. **No SLAs were available** for global and local safety and security services provided by UNDSS, and various global HR-related services provided by the United Nations Secretariat and UNV. Likewise, a 2007 agreement with UNDP for global ICT services foresaw an SLA; however, there was no up-to-date SLA in place to reflect current services. The various SLAs were absent due to the prolonged lack of such arrangements, the inability or refusal of service providers to provide an SLA, or difficulty in pre-defining SLAs for some services.

In most business areas reviewed, UN Women (and even larger United Nations organizations) **did not have leverage to impose performance incentives, i.e. penalties for sub-standard or late services, on third-party providers.** In most cases, this was owing to the principle of shared risk between United Nations organizations. For example:

- Recipient organizations (particularly smaller ones like UN Women) could

experience instances of mostly late and sometimes sub-standard services, particularly for local operational support services provided by UNDP or other United Nations organizations in field locations, where they have limited service capacity. In 2018, the DMA Directorate prepared the above-mentioned suggested criteria and attributes for Common Back Office operations at country level and shared services, including potential mechanisms for issue escalation and dispute resolution. The proposal was discussed in various forums among United Nations organizations but has not been adopted to date. On the basis of discussions with UN Women management, IAS understood that it was not feasible for service provider organizations to commit to greater accountability for shared risks among provider and recipient organizations. At the same time, these issues are being considered in BIG and as part of UNSDG Efficiency Agenda initiatives.

- The 2019 UNDP client satisfaction survey also reported issues, including turnaround times, inconsistent service delivery, quality management, ineffective escalation mechanisms and dispute resolution, and competing priorities between UNDP and its clients, among other issues. UNDP's Service Excellence Project projected solutions including a Customer Service Management System to manage turnaround times, customer relationship management structures and clustering of some services (e.g. into shared service centres), among other proposals. IAS notes that these solutions succeeded to varying extent. At the time of this audit, UN Women did not have access to UNDP's Customer Service Management System. UNDP's local capacity in field locations continued to vary, while UNDP had plans to cluster (globalize) some of the local HR-related services.

- On the contrary, one commercial global ICT services provider had contractual commitments and a mechanism to compensate UN Women (and other clients) for occasional sub-standard services.

At the same time, **UN Women did not have and could propose positive performance incentives (e.g. bonuses or sharing of savings) for outstanding services,** which could considerably stimulate improved performance (e.g. for travel agent services or other commercial contracts).

While understanding the challenge of implementing better contractual and accountability mechanisms with United Nations organizations as third-party providers, IAS notes that the absence of such mechanisms could lead to third-party providers not being accountable, raising prices unexpectedly and without a clear rationale or approval by the recipient organization, and lacking incentives to perform at their best.

> Recommendation 1 on minimum requirements, including for relationships with third parties, shall guide business process owners in their negotiations and ensure basic protection from third-party risks.
>
> ### Recommendation 3 (Medium):
>
> As business process owners for key outsourced services, the Director, DMA and the Director, HR should prepare an action plan for each significant business area of outsourced services to mitigate third-party risks where adequate contractual or accountability mechanisms with third-party providers are not available. For example, such action plan may be prepared as a result of the regular risk assessment workshops (see also Issue 2).
>
> Where feasible, the planned mitigation actions should continue to explore possibilities (including through the Executive Director, where required, or inter-agency forums, e.g. DCO and BIG) on deciding with third-party providers on formal agreements, transparent and fair pricing principles, SLAs for quality standards or timelines of services (including complaint and incident management), and performance incentives (particularly for outstanding performance).

Issue 5: Need to improve performance management of third-party providers

IIA states that *"effective third-party risk management framework's structured support system also comprises: […] a risk-based third-party review process on a regular basis;*

and processes for classification, escalation, and tracking of findings from third-party monitoring activities.

A key responsibility of third-party relationship owners is to monitor the third party to ensure compliance with the finalized contract and the requirements for the product or service within the SLA parameters. […] In addition to monitoring relevant KPIs, third-party relationship owners should complete or update periodic analyses of risks and exposures for each assigned third party and their products or services."[26]

The service quality of commercial service providers was usually assessed as part of the standard contract management process, including prior to payment.

However, **for most global services outsourced to United Nations organizations, there was no formal process to periodically assess service quality (as well as address complaints or incidents), and there were limited opportunities to use such assessments** in deciding on payments for further use of such services or enhancing their quality, as often there were no other options for such services. As mentioned above, any late or sub-standard services by United Nations organizations were often considered a shared risk between organizations, and the DMA Directorate had also attempted to establish mechanisms for issue escalation and dispute resolution with other United Nations organizations, without much success.

At the same time, UNDP's standard SLA template agreed globally (and used primarily for local operational support services at country level) as well as UNDP's SLA for global payroll, HR and benefit management services included provisions for performance monitoring and quality assurance. In the former, UNDP committed to annual client surveys (e.g. at country level), and in the latter it committed to informal annual reviews of client feedback. In some of the business sub-areas reviewed, United Nations organizations also provided periodic updates or reports on services or performance. This included global HR and benefit management services (periodic report based on KPIs included in the SLA) and global investment services by UNDP, global HR services by UNV, global ICT services by UNICC and investigation services by OIOS. In most but

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[26] https://na.theiia.org/standards-guidance/recommended-guidance/practice-guides/Pages/Auditing-Third-Party-Risk-Management-Practice-Guide.aspx.

not all business sub-areas reviewed, business process owners from UN Women attended periodic meetings with service provider organizations or were represented in governance forums such as the Atlas Change Control Board, new ERP project governance structures, the CEB Finance and Budget Network and the Inter-Agency Security Management Network.

Several business process owners indicated that overall performance by major providers of global outsourced services was satisfactory (apart from any above-mentioned performance issues), "part of their long-term mandates" and did not require formal performance assessments. It is understood that business process owners often had great reliance on such providers and sometimes did not have the leverage to monitor and assess performance. IAS observed a need for improvement in this area. Otherwise, the providers did not have the incentive to perform at their best, leaving UN Women's interests less protected. However, IAS understands that for some of the largest outsourced services (e.g. global payroll, HR and benefit management services), performance monitoring could require a substantial effort and resources, unless such processes were automated and embedded into regular transaction processing.

IAS also noted potential improvements in the following areas:

- HR could use the above-mentioned UNDP SLA for global payroll, HR and benefit management services as a performance monitoring tool. HR indicated that these services were of high quality and did not present performance issues overall. IAS agrees but noted occasional gaps in some services. E.g. some staff were separated without requesting timely clearances from UN Women central services. In another single instance of inattention to a fraudulent request in 2019, UN Women suffered a moderate financial loss. This issue remained to be addressed to recover the loss.

- **Complaints had been received about** unsuitable services by **UNDP's travel agent at UN Women headquarters,** such as late responses that resulted in higher ticket prices or offers of high-priced tickets by the travel agent when lower prices for suitable itineraries were available. There was no centralized mechanism within UNDP or UN Women to log or address such complaints, and travellers (or their

organizational units) had to escalate them directly with the travel agent, which addressed them in some instances.

- **There was no centralized mechanism** within UNDP or UN Women **to log and follow up on refunds from airlines and further use of credit notes provided by airlines.** Travellers (or their organizational units) had to follow up directly, and sometimes repeatedly, with the travel agent at headquarters. The number of refunds and credit notes increased as a result of travel cancellations due to COVID-19.

- **IAS received mixed feedback from several headquarters units** (service clients) **that commissioned system development, modification or maintenance services** (provided by IST and, indirectly, by its outsourced commercial third-party providers). Some service clients praised IST's professionalism and positive collaboration in numerous long-term ICT projects, while some other expressed concern about the provision of such services, particularly the management of third-party providers. IAS could interview only a limited number of service clients who raised issues on a limited number of ICT projects. During finalization of this report, IAS was approached also by other service clients. Therefore, IAS may review these matters more thoroughly in a future Audit of ICT Governance. Nevertheless, **there was a room to strengthen procedures for the provision of such services and better communicate the procedures to service clients, in relation to the roles and responsibilities of (a) the service client, (b) the contract manager (business process owner) for the outsourced services, i.e. IST, and (c) the provider of the outsourced services, as well as transparency and accountability. IST may also better measure service client satisfaction** for substantial services (this is already done for smaller services provided by the IST help desk).

Recommendation 4 (Medium):

As business process owners for key outsourced services, the Director, DMA, and the Director, HR, should:

- Consider, in each significant business area of outsourced services, basic criteria

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and timelines for monitoring and periodic performance assessment of third-party providers;

- Establish a basic corporate mechanism (e.g. a survey tool, categorized by each significant business area) to collect feedback from service clients (satisfaction, potential complaints) on organizational business processes and third-party providers; consider complaint resolution, where applicable; and use accumulated feedback in performance assessments and management decisions.

Advisory Note:

IAS invites the Director, DMA, guided by the Chief, IST, to consider strengthening and better communicating to service clients the procedures on ICT services by IST and its outsourced service providers by defining roles, responsibilities, engagement and communication among (i) service clients (possibly enhancing its role in ICT project implementation), (ii) IST and (iii) outsourced service providers, as well as standards for transparency and accountability around service solution, selection and performance management of service providers, and cost management.

Issue 6: Opportunities to strengthen reconciliation of the values of transactions and service fees for global payroll, HR and benefit management services

See criteria referred to under Issue 5.

Business process owners normally assessed whether service fees invoiced by outsourced service providers were accurate. This was more practical for less complex, easily quantifiable services.

For certain outsourced services, and based on arrangements for Atlas-based United Nations organizations, UNDP (globally and locally) and UNV (globally) were also authorized to charge UN Women by posting expenditure transactions directly in Atlas (without UN Women approval). Some of these charges were subsequently reconciled

(verified) by UN Women business process owners or FMS (e.g. for travel service costs at headquarters). Likewise, FMS regularly reconciled "inter-fund" transactions with UNDP for all payments by UNDP (globally and locally) from UN Women accounts. However, **UN Women HR highlighted that it did not have any resources or capacity to reconcile charges for global payroll, HR and benefit management services** (expenditure transactions posted by UNDP and UNV), as such services were too broad and had a complex costing structure. **In 2019, their total value** (transactions, also including pension and health insurance contributions, and service fees) **totalled US$142 million, or 34 per cent of UN Women expenditure.** HR only launched monthly reports on significant variances in monthly payrolls, which could be reviewed by relevant organizational units but not by HR. **FMS also indicated that it was not in charge of and did not have access to the Atlas payroll module.** Respectively, these services were outsourced entirely, with full reliance on their specialized providers to verify the accuracy of charges. This implied a risk that UN Women could bear inappropriate charges in an uncontrolled manner. Nevertheless, as indicated in Issue 8, such services were covered in audits by the UN Board of Auditors. IAS also performed limited consistency tests to assess the accuracy of the total charges for such services by UNDP and UNV (for the values of transactions as well as for service fees) in 2019 and did not identify material deviations from the costing principles established in relevant agreements or procedures.

Advisory Note:

Resources permitting, IAS invites FMS and HR to explore the possibility of periodic and risk-based reconciliation of the values of transactions and service fees for the global payroll, HR and benefit management services by UNDP and UNV.

For instance, in UNFPA, the Division for Management Services supervises a dedicated UNDP team processing the UNFPA payroll.

Issue 7: Need for better transaction identification and reporting for the values and service fees of outsourced services

IIA states that an *"effective third-party risk management framework's structured support system also comprises:* [...] *a third-party inventory* [...] *and a risk-based third-party review process on a regular basis."*[27]

As mentioned above, UN Women did not have a complete inventory of outsourced services, owing to **difficulties to identify all transactions for such services** (and a lack of practices and tools for this purpose), also due to the limited structure and level of detail of corporate financial records in Atlas or other systems. This also made it more **difficult to compile and report,** where necessary, **the values of diverse outsourced services** to senior management or governing or oversight bodies. This was also indicated by some of the interviewed counterparts. As mentioned above, IAS needed to invest significant effort in attempting the first inventory of outsourced services (based on Atlas payment data in 2019). IAS also observed that:

- Expenditure categorization by vendor accounts, general ledger accounts and department codes helped but did not always inform how to categorize expenditures in sub-groups of outsourced services. Introduction of additional general ledger accounts for specific services in the new ERP system could help. FMS suggested this could be feasible in the new system.

- Some general ledger accounts, e.g. Reimbursements to UN for Support Services, comprised various outsourced services (especially for field offices), which IAS could not always "unpack" further.

- Costs for the same outsourced services were, at times, recorded by different offices in a different manner (e.g. using different transaction types, inaccurate general ledger accounts or multiple vendor accounts for the same vendor). However, FMS periodically reconciled general ledger transactions. As indicated by FMS, the general ledger was also regularly audited by United Nations Board of

Auditors. The Procurement Section also indicated that in 2021 UNDP undertook a "clean-up" of duplicative vendor accounts. (IAS did not verify this "clean-up" exercise).

- Many transactions annually, especially general ledger journal transactions, could be categorized in sub-groups of outsourced services only manually, based on transaction description fields. However, description fields sometimes only contained limited details (such as invoice numbers) that would not explain the type or purpose of the expenses. General ledger journal transactions were mostly used for internal adjustments; however, in many cases, they were also used for external payments to UNDP (or other Atlas agencies). However, the Atlas report on such transactions did not indicate the vendors; thus, who received many payments every year could not be determined without consulting each transaction in detail. FMS explained that this approach is a common practice Atlas agencies use to minimize bank payments to other agencies and that it is expected to continue under the new ERP system; however, recipient agencies may be better visible for general ledger journal transactions in the new system. IAS also noted that some United Nations organizations with the same type of ERP system, e.g. the Food and Agriculture Organization, used inter-agency vouchers to process such transactions.

- Online search capabilities in Atlas were very limited, with searches mostly possible within downloaded Atlas reports.

In addition, the difficulties to identify all transactions for outsourced services **did not permit UN Women to estimate the total cost of ownership for each outsourced service,** taking into account also the cost of related in-house support functions. Consequently, UN Women did not always know the exact cost of each outsourced service.

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[27] https://na.theiia.org/standards-guidance/recommended-guidance/practice-guides/Pages/Auditing-Third-Party-Risk-Management-Practice-Guide.aspx.

Recommendation 5 (Medium):

The Director, DMA, guided by the Deputy Director, Financial Management (and, where applicable, in collaboration with the Chief, Budget, and the Chief, PSMU), should:

- Explore the simplest options for comprehensive identification of transactions and service fees of outsourced services in the new ERP system, e.g. use of additional general ledger accounts for specific services, and indication of recipient UN organizations for all expenditure transactions with them (also reflecting such accounting data in relevant ERP reports);

- Instruct finance users of the ERP system to ensure accurate and categorized posting of transactions for outsourced services, including clear transaction descriptions;

- Where applicable, coordinate with PSMU and the Budget Section to ensure that such guidance on posting of transactions for outsourced services is also followed organization-wide in project budgets and budget allocation instructions;

- Consider periodic estimates of cost of ownership for significant outsourced services (also to assist in strategic decisions and business cases on outsourcing or in-housing of services). (See Recommendation 1).

Issue 8: Opportunities to enhance assurance arrangements for some of the significant outsourced services

IIA advises that *"third-party relationship owners should:* [...] *obtain the third party's required attestation, audits, and financial reports (if applicable); ensure reports are reviewed by relevant subject matter experts; obtain and review relevant third-party policies, compliance programs, and data security programs to ensure they are operating within contracted/required parameters; obtain and review reports specified in the contract of the third party's activities on behalf of the organization; and conduct any on-site monitoring visits as agreed in the contract, which may include unannounced visits where necessary."*[28]

UN Women outsources most services to **United Nations organizations,** and their **internal and external audit service providers are primarily in charge of providing assurance** in relation to such services as part of wider audits of the business processes, structural entities and financial statements of these organizations. Such assurance arrangements were not stipulated in any of the agreements with United Nations organizations as service providers. Nevertheless, in accordance with the "single audit principle", IAS generally needs to rely on **such arrangements**, which, in IAS view, **covered most of the business areas and sub-areas reviewed,** with gaps in some areas:

- As also indicated by UN Women HR and FMS and UNDP, the United Nations Board of Auditors focused a significant part of its external audit work (tests of underlying controls and samples of transactions during annual audits of financial statement) on global financial services and global payroll, HR and benefit management services provided by UNDP, as well as UNJSPF services, which together were by all means the largest services outsourced by UN Women, in terms of the volume of funds serviced or payments made.

- **UNDP indirectly provided assurance through the following reviews:**

  – In 2017, internal audits of the Atlas system and of Staff Payroll, Allowances and Benefits.

  – In 2018, – of the UNV Programme and of the Clustering Process (with a follow-up audit in 2020). The audit of the UNV Programme specifically reported areas for improvement in services to other United Nations organizations.

  – In 2019, – of ICT Governance, of Outsourced ICT Services, of Treasury

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[28] https://na.theiia.org/standards-guidance/recommended-guidance/practice-guides/Pages/Auditing-Third-Party-Risk-Management-Practice-Guide.aspx.

Management and of Travel Management.

- — In 2020, – of Electronic Funds Transfer and E-Banking.

- — In July 2021, of Enterprise Risk Management.

- — In addition, UNDP undertook periodic internal audits of its field offices, which also often provided local operational support services (including security services) to UN Women field offices.

- — **Importantly, in 2018 UNDP also completed a comprehensive evaluation of UNDP Inter-Agency Operational Services.** In response to this evaluation, UNDP also worked on the above-mentioned Service Excellence Project.

- — UNDP's Chief Finance Officer also issued annual Management Assertions for the (global and local) financial services provided to UN Women.

However, and based on exchanges with **UNDP,** IAS notes that its **internal audits are risk-based and may not always focus on services provided to other United Nations organizations, including UN Women. UNDP had not undertaken a recent audit of the medical insurance plan for local field staff (which covered UN Women).** UNDP's third-party administrator for this plan was a specialized major commercial provider, with its own internal control and assurance frameworks. UNDP offered to IAS to contact the administrator directly (also to confirm that there were no reports of medical insurance fraud by UN Women staff in recent years).

- Between 2017 and August 2021, the **United Nations Secretariat** completed 23 thematic internal audits of the UNJSPF (whose services were uniform for different United Nations organizations) and, in 2019, one thematic internal audit of the United Nations Ethics Office. It **had not undertaken any recent comprehensive audit of UNDSS,** apart from a thematic audit of the Training Mechanism for the United Nations Security Management System, completed in 2021, and periodical field audits of safety and security, among which one audit in 2018 was for a location with a UN Women presence. **It completed the last internal audit of its major health insurance plans (which covered UN Women) only in 2015.** The United Nations Secretariat's third-party administrators for these plans were specialized major commercial providers, with their own internal

control and assurance frameworks. However, despite requests, IAS **was not provided direct access** to the administrators by the United Nations Secretariat. This would have been important, e.g. to confirm that there were no reports of medical insurance fraud by UN Women staff in recent years.

- UNICC, one of UN Women's global ICT service providers, was covered by the internal and external audit frameworks of its host organization, the World Health Organization. Importantly, in relation to ICT services provided by UNICC, it complied with various technical audit requirements based on the standards of the International Organization for Standardization and the International Electrotechnical Commission. UNICC provided to UN Women its biennial reports and financial statements and monthly reports and shared its external value for money maturity assessment done in 2017. **IAS recognizes these assurance efforts as good practices.**

- UN Women engaged a number of global and local commercial ICT service providers and was also exposed to fourth-party global and local commercial ICT service providers engaged by other United Nations organizations. The internal control, assurance and ICT service quality frameworks of such providers could vary greatly, from global excellence (e.g. compliance with international service standards and publicly accessible technical audit reports) to the minimal arrangements of a local provider. Provider qualifications would be reviewed during the selection process, and ICT service quality requirements would be included in the terms of reference for services. However, **the contractual arrangements of UN Women (or other United Nations organizations) with commercial providers normally were not specific about assurance arrangements** (beyond the organization's right to audit the providers' invoices and to investigate the award or performance of the contract), **including in high-risk areas such as data security.** As part of its global information security compliance programme (and considering recent global data security incidents in the public sector), *IST plans to strengthen its control mechanisms and contractual arrangements with commercial ICT service providers regarding data access and data security (including incident management), and also aims to address these issues with other United Nations organizations that engage such providers that*

serve UN Women.

Insufficient assurance for the quantity and quality of outsourced services received from third- and fourth-party providers in certain business areas could affect UN Women's overall assurance framework and the ability of IAS to provide a complete audit opinion on UN Women's operations, where such providers do not avert or report their high operational risks to UN Women, including in high-risk areas such as data security.

Advisory Notes:

IAS invites DMA:

- In significant business areas of outsourced services, and in collaboration with third-party providers (and United Nations organizations engaging fourth-party providers serving UN Women), to further strengthen assurance arrangements (and related provisions in agreements with providers) where such arrangements are limited for UN Women, especially where UN Women does not have direct access to fourth-party providers; and

- Guided by the Chief, IST to continue strengthening control mechanisms and contractual arrangements with commercial ICT service providers (and United Nations organizations engaging such fourth-party providers serving UN Women) regarding data security and incident management.

IAS invites the Director, IEAS:

- To continue focusing the risk-based assurance efforts of IEAS, within its available resources and in collaboration with the United Nations Board of Auditors and the internal oversight offices of other United Nations organizations, in significant business areas of outsourced services with limited assurance arrangements; and

- To regularly discuss the quality of outsourced services with the internal oversight offices of United Nations organizations providing such services, as a scope for internal audits or other assurance reviews by these offices.

V. RECOMMENDATIONS AND MANAGEMENT ACTION PLANS

Issue	Recommendation	Responsi-ble Unit	Priority	Action Plan	Imple-menta-tion date
1. Need for a basic corporate governance framework for outsourcing, comprising a definition, policy and business strategy, including the minimum requirements for all outsourced services, and their inventory mechanism 3. Outsourcing decisions need to be better supported with business cases or cost–benefit analyses (including for resources required for in-house support functions)	1. The Director, DMA, in line with industry best practices in third-party risk management and the existing practices of United Nations organizations, and in consideration of the UNSDG Efficiency Agenda, should develop a basic corporate governance and policy framework for outsourcing of business processes and functions by UN Women to United Nations organizations or other providers. As agreed with DMA, such a framework should be investment-efficient and principle-based. Suggested elements of the framework include: • Defining any governance structures (e.g. BRC, ICT Board) and mechanisms. • Defining elements of the management cycle for third-party providers (e.g. strategy, sourcing, contracting, monitoring, performance management, assurance and inventory) to assist business process owners in managing third-party providers and third-party risks. (See also Issue 2). • Defining minimum requirements for strategic decision-making by business process owners on outsourcing or "in-housing" of significant business processes and functions (e.g. above a set dollar threshold, and in particular for new or modified arrangements). Such requirements should include brief documented strategies or business cases with cost–benefit and feasibility analyses. For outsourcing, these should also cover resources spent or required for in-house support functions. (See also Issue 3). • Establishing a basic mechanism to inventory existing and new outsourced services so that data is available for regular stocktaking of categories, volumes and service costs. This can be regularly reported to senior management or governing bodies to confirm value for money (e.g. at the contract expiration or once in three to five years if there is no contract expiration).	DMA	High	DMA indicated that the implementation will be contingent upon adequate resources to prepare methodology (e.g. by a consultant) on how best to implement the recommendations and, subsequently, for implementation and monitoring of action points, as part of a continuous work cycle. By the time of report issuance, DMA did not prepare an action plan. This shall be presented as a part of work plan for 2022-2023.	31 De-cember 2023
2. Need for a concept of third-party risk management	2. The Chief Risk Officer (Director, SPRED) should provide guidance to business process owners to undertake periodic risk assessments (e.g. during regular risk assessment workshops) of the third-party provider management cycle in each significant business area to identify, assess and mitigate key third-party risks.	SPRED	High	SPRED: During the last revision of the Risk Management Procedure, a new risk label for "third party risks" was included. This risk label was also included in the Standardized Risk Register and the ERM OneApp platform. As with all risk labels, risk units are required to assess all risks for applicability. As part of the 2022 workplan, the ERM Function will develop guidance to business process owners on undertaking periodic risk assessments for third parties.	30 Sep-tember 2022
4. In significant business areas that lack sufficient	3. As business process owners for key outsourced services, the Director, DMA and the Director, HR should prepare an action plan for each significant business area of outsourced	DMA, HR	Medium	DMA indicated that the implementation will be contingent upon adequate resources to prepare methodology (e.g. by a	31 De-cember

Issue	Recommendation	Responsi-ble Unit	Priority	Action Plan	Imple-menta-tion date
contractual and accountability mechanisms with third-party providers, related third-party risks have to be managed	services to mitigate third-party risks where adequate contractual or accountability mechanisms with third-party providers are not available. For example, such action plan may be prepared as a result of the regular risk assessment workshops (see also Issue 2). Where feasible, the planned mitigation actions should continue to explore possibilities (including through the Executive Director, where required, or inter-agency forums, e.g. DCO and BIG) on deciding with third-party providers on formal agreements, transparent and fair pricing principles, SLAs for quality standards or timelines of services (including complaint and incident management), and performance incentives (particularly for outstanding performance).			consultant) on how best to implement the recommendations and, subsequently, for implementation and monitoring of action points, as part of a continuous work cycle. HR also raised concerns about its lack of resources and capacity to ensure continuous implementation of recommendations. By the time of report issuance, DMA or HR did not prepare an action plan. This shall be presented as a part of work plan for 2022-2023.	2023
5. Need to improve performance management of third-party providers	4. As business process owners for key outsourced services, the Director, DMA and the Director, HR should: • Consider, in each significant business area of outsourced services, basic criteria and timelines for monitoring and periodic performance assessment of third-party providers; • Establish a basic corporate mechanism (e.g. a survey tool, categorized by each significant business area) to collect feedback from service clients (satisfaction, potential complaints) on organizational business processes and third-party providers; consider complaint resolution, where applicable; and use accumulated feedback in performance assessments and management decisions.	DMA, HR	Medium	DMA indicated that the implementation will be contingent upon adequate resources to prepare methodology (e.g. by a consultant) on how best to implement the recommendations and, subsequently, for implementation and monitoring of action points, as part of a continuous work cycle. HR also raised concerns about its lack of resources and capacity to ensure continuous implementation of recommendations. By the time of report issuance, DMA or HR did not prepare an action plan. This shall be presented as a part of work plan for 2022-2023.	31 De-cember 2023
7. Need better transaction identification and reporting for the values and service fees of outsourced services	5. The Director, DMA, guided by the Deputy Director, Financial Management (and, where applicable, in collaboration with the Chief, Budget, and the Chief, PSMU), should: • Explore the simplest options for comprehensive identification of transactions and service fees of outsourced services in the new ERP system, e.g. use of additional general ledger accounts for specific services, and indication of recipient UN organizations for all expenditure transactions with them (also reflecting such accounting data in relevant ERP reports); • Instruct finance users of the ERP system to ensure accurate and categorized posting of transactions for outsourced services, including clear transaction descriptions; • Where applicable, coordinate with PSMU and the Budget Section to ensure that such guidance on posting of transactions for outsourced services is also followed organization-wide in project budgets and budget allocation instructions; • Consider periodic estimates of cost of ownership for significant outsourced services (also to assist in strategic decisions and business cases on outsourcing or in-housing of services. (See Recommendation 1).	DMA	Medium	DMA: DMA agrees with this recommendation. DMA will re-view possibilities within the new ERP system for Inter-fund segment and new GL account codes to better categorize out-sourced services. Instructions can be provided for budgetary setup to use new budgetary codes by Chief of Budget and Chief of PSMU. Instructions for the use of the associated new general ledger account codes can then be provided by Deputy Director of Financial Management as these will follow budgetary setup.	31 July 2022

Annex 1: 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 management, either during the exit meeting or through a separate memorandum subsequent to the fieldwork. Therefore, low-priority recommendations are not included in this report.

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

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