Background Note: Briefing to the Executive Board, Annual Session 2023

“Management response to the report of the Advisory Committee on Oversight for the period from 1 January to 31 December 2022”

Summary: The management of UN-Women welcomes the eleventh report of the Advisory Committee on Oversight (ACO) and expresses its gratitude to the distinguished members of the Committee for their ongoing support to the organization’s mandate.

I. Activities of the Special Representative

1. UN-Women appreciates and shares the ACO’s view that the Independent Evaluation and Audit Service (IEAS) continues to serve as a critical independent resource for strengthening the Entity’s internal governance, risk management and controls for both its programming and operations.

2. UN-Women remains committed to including representatives from IEAS into its internal governance bodies as well as the decision-making structures for corporate initiatives, noting that their independent contributions are vital in strengthening evidence-based decision-making and effective management.

3. UN-Women agrees with the Committee on the usefulness of IEAS’s advisory assignments and assessments of new programmatic efforts.

4. Overall, UN-Women remains deeply appreciative of the continuous support, technical advice and effective oversight provided by the ACO to both its independent evaluation and audit functions.

   A. Internal Audit: The Internal Audit Service (IAS)

5. UN-Women welcomes the ACO’s ongoing support to its internal audit function, including through its engagement with the annual report on Internal Audit and Investigation submitted to the Executive Board at its Annual Session.

6. UN-Women welcomes the ACO’s observation that IAS has consulted with the UN Board of Auditors to prevent duplication of effort and optimize assurance.

7. UN-Women is committed to ensuring that governance, risk and control issues identified from Internal Audit Service work are addressed in a timely manner. The corporate Quarterly Business Review (QBR) process and the Business Review Committee (BRC) provide forums where key issues from Internal Audit Service work are discussed.

8. UN-Women is pleased to report that the External Quality Assessment of the Internal Audit Service was completed in early 2023 and resulted in the highest possible rating.

9. UN-Women remains committed to addressing all audit recommendations in a timely fashion. This remains a priority for executive leadership and senior management. UN-Women recognizes that the complexity and cost implications of some recommendations has resulted in longer than expected delays in addressing long outstanding or partially completed recommendations.

   B. Evaluation
10. UN-Women appreciates the ACO’s close engagement with the internal evaluation function. UN-Women welcomes the ACO’s observation that IES increased its efforts to conduct independent strategic observations to assess and understand the impact of the Entity’s work.

11. UN-Women continues to draw upon the key findings and recommendations produced by IES and to synthesize these insights to strengthen its programmes.

12. UN-Women is pleased to note the increased number of IES-led regional, thematic and country portfolio evaluations. These evaluations are useful to support the development of future planning and strategies and provide insights beyond the evaluations conducted for individual programmes and projects.

13. UN-Women shares the ACO’s view on the value of IES’s synthesis of lessons from evaluations and values the country-level training provided by IES to enhance the Entity’s personnel and key stakeholders’ understanding of monitoring and evaluation principles and UN-Women’s evaluation practices.

14. UN-Women shares the ACO’s appreciation of IES’s promotion of and engagement in UN system-wide evaluation and appreciates IES’ efforts to communicate evaluation evidence through user-friendly and accessible knowledge products, learning partnerships and initiatives, webinars and online, and social media platforms.

15. UN-Women welcomes the ACO’s observation on having evaluation findings inform the Entity’s corporate planning and decision-making processes. The Entity’s values the contributions from the IES in its strategic planning processes. UN-Women appreciates the support of IES in ensuring a strong focus on using evaluation findings for planning and decision making. The use of evaluation findings as an evidence base to guide the strategic planning process is currently firmly established as a requirement in the Strategic Note Guidance Note. Country offices are advised to conduct Country Portfolio Evaluations before the end of the SN cycle to inform the new planning cycle. UN-Women will further advise country offices to engage in joint UNSDCF evaluations which is in line with our enhanced UN coordination focus and early engagement in the planning cycle with the CCA.

C. Investigation Function

16. UN-Women takes its corporate anti-fraud activities seriously and appreciates the initiative from IAS to further strengthen and promote integrity.

17. The Entity has continued to strengthen its fraud risk assessment activities. Collaborative efforts have been undertaken between UN-Women management and IAS to build capacities on fraud risk assessments through joint training to business process owners at headquarters that was carried out in June 2022, as a precursor to the HQ-level fraud risk assessment cycle. These efforts complement the regular training efforts on fraud risk assessments that are provided to country offices in order to enhance maturity in this area. Furthermore, UN-Women has taken on board the recommendation from IAS to formalize a quality assurance process and meta-analysis of fraud risk assessments based on activities undertaken by offices and regions; this process is now being piloted with a view of ensuring that this process formally embedded during the next cycle of fraud risk assessments. Moreover, IEAS presented to UN Women a hybrid model proposal for strengthening the investigation function that aims to enhance internal capacity to investigate low-profile allegations which UN Women has committed to resource.

D. Ethics Function

18. UN-Women takes ethics and integrity seriously and is pleased to have its first in-house Ethics Advisor on board as of 1 April 2023. The role of the Ethics Advisor is to assist the Executive Director in ensuring that UN-Women personnel observe and perform their functions with the highest standards of integrity through fostering a culture of ethics, transparency, accountability, and mutual respect.
19. The Ethics Advisor has operational independence and reports directly to the Executive Director. Further supporting independence, the Ethics Advisor will provide annual reports directly to the Executive Board on the activities of the ethics function and will engage regularly with the Advisory Committee on Oversight, the Joint Inspection Unit and any other entity having oversight or governance function in relation to UN-Women.

20. The Ethics Advisor advances the ethics programme across mandated areas and terms of reference outlined in ST/SGB/2007/11, as amended, consistent with ST/SGB/2005/22, as well as General Assembly resolutions 60/1 (paragraph 161(d)), 60/248 (part XIII), and 60/254 (para. 16). This includes providing advice and guidance to personnel on ethics and integrity issues (such as conflicts of interest, gifts, honours or awards and outside activities), outreach and training, administering UN-Women’s protection against retaliation policy, and policy development to support an effective ethical framework.

21. The Ethics Advisor will manage UN-Women’s Financial Disclosure Programme, in line with the agreement between UN-Women and the UN Ethics Office, in accordance with the Secretary-General's bulletin on Financial disclosure and declaration of interest statements (ST/SGB/2006/6).

E. Board of Auditors

22. UN-Women appreciates the Committee’s acknowledgement of its 11th unqualified audit opinion. It acknowledges this milestone as the United Nations newest Entity and appreciates the work of the Committee for its annual review of financial statements in support of this achievement.

23. UN-Women welcomes the Committee’s acknowledgement of good progress in the implementation of UNBoA recommendations and notes that it has no outstanding recommendations prior to 2020. The remaining in-progress recommendations are from the audit years 2020 and 2021. The Entity consistently promotes accountability among managers and staff over the resources entrusted to UN-Women through the continuous improvement in the policies and procedures promulgated to promote value-added effectiveness, efficiency, and economy in operations.

24. UN-Women management works to ensure it presents planned actions that are comprehensive, responsive to the totality of issues raised, broadly owned, and address the root cause of the audit issues raised. In this regard, UN-Women notes that the UNBoA has considered implemented one of their recommendations on Cybersecurity after assessing the measures put in place in evaluating and reviewing risks related to information security.

25. UN-Women is developing modalities to further strengthen second line of defense functions, including in the context of cost recovery, to facilitate acceleration of implementation of recommendations, including for programme partners. As UN-Women programme partners continue to grow in number and complexity, UN-Women has continued to strengthen risk-based selection, monitoring and management of programme partners, including increased focus on programme partner fraud prevention controls. UN-Women notes that the latest independent audit report on programme partners indicates significant improvement in performance of partners despite the significant growth in programme partners.

II. Advisory Committee Review and Advice: Governance, Risk Management and Control; Best Practices in Financial Management and Information Systems

A. Resource Level Risks

26. UN-Women notes that regular resources contributions have increased in previous years and that while 2022 saw a decrease in dollar terms, contributions increased in local currency terms, reflecting a very weak Euro during 2022. UN-Women benchmarks year-on-year changes in regular resources against a group of peers and has consistently been amongst the leaders in terms of year-on-year growth.
27. UN-Women agrees with and has taken note of the need for the continued need for the organization to calibrate its operations and presence in accordance with existing resources levels.

28. UN-Women relies on its robust Presence Governance Framework including policy, procedure and guidance, to bring strategic clarity to discussions around UN-Women’s organizational footprint. The Entity has a thorough management process including an annual review of its global footprint.

29. While UN-Women would like to see growth rates for Regular Resources match those for Other Resources, Other Resources grow significantly faster than Regular Resources. Therefore, complying with the QCPR Decision and Executive Board approved policy of core not to subsidize non-core, UN-Women is seeking to respond to this reality through emphasis on justified direct project costs (DPC) within the context of approved cost recovery policy. In tandem, UN-Women continues to work on innovations to the Entity’s business model in order to adapt to the realities of steady regular resources supporting a growing portfolio of non-core funding, and to advance this issue through its Quarterly Business Review process. In addition to seeking to increase core, the Entity also has an ambition to increase its share of flexible/loosely earmarked core, including by increasing direct funding to Strategic Notes and thematic funding windows.

30. UN-Women continues to seek ways to grow its ratio of core to non-core resources while also recognizing the Secretary-General’s analysis of overall funding trends for the United Nations (and in particular the trend over the last decade) of bilateral donors growing non-core resources markedly more rapidly than core. This trajectory means that UN-Women, similarly to the rest of the UN System, must identify options to counter tendencies for imbalance in the core/non-core ratio. UN-Women believes that growth of individual giving revenue and the recruitment of monthly givers remain the most promising approaches to grow core resources in the future.

31. Aligned with the principal guiding UN-Women’s cost recovery policy that core should not subsidize non-core, the organisation notes that the growth in non-core is not matched with a corresponding increase in DPC to fund the critical second line of defense functions. Focus in pursuing DPC, as justified through support directly linked to project implementation, is expected to fill some of the gaps in second line of defense functions. This will ensure that non-core funded projects charge associated costs appropriately and avoid the risk of core subsidizing non-core in contravention on the principles laid out in the 2020 Quadrennial Comprehensive Policy Review (A/RES/75/233).

32. Finally, UN-Women is seeking, as championed by the Executive Director, to ensure a corporate pivot to the field and bolstering of UN-Women’s integrated triple mandate, in the pursuit of enhanced results at country level. As part of this initiative, the organization is investing additional resources in critical field level functions, to enable offices to better deliver for women and girls.

B. Accountability Culture, Systems and Resourcing for Basic Governance and Delivery

1. New Programming: Generation Equality

33. UN-Women thanks the ACO for the attention and advice they have provided on the follow up to the Generation Equality Forum. UN-Women takes note of the recommendations of the ACO which are in line with the recommendations of the IAS Advisory Review of Generation Equality.

34. UN-Women has established a Generation Equality Coordination Hub with the responsibility to coordinate the timely and quality delivery of project results, which focuses on UN-Women’s convenor role, through effective and efficient management and oversight of the project. In line with IEAS recommendations, the Executive Director has also announced a senior colleague as interim Project Executive with accountability for the success of the initiative, and TORs for the Project Steering Committee are in place.

35. The internal communications capacity in place as part of the Coordination Hub will be strengthened to ensure effective communications across the organization. The Hub will continue to design, coordinate and facilitate regular communications with internal UN-Women personnel and with different Generation Equality stakeholder groups. By June 2023, UN-Women’s Communications Team will have dedicated capacity in place to further strengthen its external communications, including to review and update the external communications strategy and to expand the
pipeline of results stories. The Midpoint Moment in September 2023 is a significant opportunity to showcase these results, sustain momentum of GEF and to encourage wider adoption of the initiative. Furthermore, a UN engagement strategy will be developed to ensure a systematic and effective engagement by the UN System with Generation Equality, leveraging UN-Women’s coordination mandate.

36. UN-Women will undertake an initial formative evaluation of the Generation Equality Phase II Pro Doc during Q2 2025.

2. Human Resources (HR) Systems

37. UN-Women takes note of the recommendation of the need for a coherent and adequately resourced HR function. It is undertaking a benchmarking assessment of the HR function through an independent consultant to review the gaps and resource requirements for HR based on best practice and by benchmarking against other UN agencies and other international organizations of a comparable size, mandate and global footprint. The recommendations from this objective assessment will form the basis for additional resource allocation to ensure a well-staffed HR function within the organization.

3. Anti-Fraud and Accountability Systems/Strengthening Governance and Contingent Responses to Anti-Fraud Audit Recommendations

38. UN-Women welcomes follow up from the ACO on developments and initiatives, to prevent, detect and respond to any fraudulent acts and corruption. In its capacity as the Risk Management Committee (RMC), the BRC is tasked with overseeing the anti-fraud programme and receives regular briefings from management as well as IEAS regarding the implementation of the anti-fraud programme.

39. UN-Women has engaged an expert to revise the Entity’s Anti-Fraud Policy. More specifically, UN-Women has requested the expert to propose a further distribution of anti-fraud responsibilities among Divisions, noting that DMA is the overall BPO; to update the Anti-fraud Policy, to recommend actions to implement based on the IAS report on the Anti-Fraud programme, to develop an action plan, accompanied with the estimated resources required for implementation; to support the business process owners to develop an anti-fraud monitoring mechanism to assess the effectiveness of the Anti-Fraud Policy within their respective areas; to suggest a set of actions to further improve UN-Women’s anti-fraud culture, awareness, training and communications in the anti-fraud programme action plan and provide recommendations to DMA as the Policy owner on the consideration to expand definitions in the Anti-Fraud Policy to include topics such as corruption and other unethical practices. The intention is that the action plan produced will outline a phased approach with respect to ensuring gradual organizational maturity. It is expected that UN-Women will have a first revised draft by end June, by which time the draft Policy will then undergo the internal review process.

4. Continued Commitment Accountability Framework

40. UN-Women remains committed to promoting the organization’s accountability framework and agrees with the need to invest additional resources to strengthen second line of defence functions and support internal governance. UN-Women welcomes the ACO’s recommendation to invest resources to expedite development and implementation of the Statement of Internal Controls, prioritizing high risk areas and assigning responsibility and accountability to a high-level manager. The latter needs to be coupled with adequate resourcing.

41. UN-Women is in the process of completing or has completed a number of pre-requisite activities to prepare the Entity for the Statement of Internal Control. These include: i) Review and update the Internal Control Framework and Delegation of Authority Framework; ii) Continue to increase UN-Women’s risk maturity through the development of the Risk Management Assurance Framework and annual reporting, as well as enhancements to the fraud risk assessment process and outputs; iii) Drive organizational performance management through the corporate and regional Quarterly Business Review (QBR); iv) Complete the business process mapping and assurance mapping of key processes, leading to a formalized combined assurance model; v) Continue strengthening the First and Second Lines of Defence, drawing on independent audit and assessment findings; and, vi) Formalize the UN-Women’s Accountability Framework through a stand-alone public document.
42. UN-Women has prepared a roadmap and resourcing proposal for the implementation of the Statement of Internal Control. The roadmap incorporates feedback provided by the ACO as well as a review of lessons learned from the ‘early adopters’ of the Statement of Internal Controls in the UN system to inform UN-Women’s process and approach.

43. While UN-Women concurs with the ACO’s views on the need for greater investment on the second line of defense, the Entity also believes that there is sufficient ownership performed by the first and second lines of defense through the certification of Month-End Closure instructions by Heads of Offices and Sections, the Quarterly Business Review (QBR) and the regular organizational performance management discussions at country, regional, HQ Technical (TMG) and HQ Leadership (BRC) level. However, UN-Women agrees with the ACO’s assessment that sufficient resources will be needed to train and develop staff capacity to complete the annual exercise.

C. Financial Statements and Financial Systems

44. UN-Women would like to thank the Committee for its acknowledgement of positive feedback from the UNBoA on the cooperation they received from UN-Women in the process of reviewing financial statements. UN-Women will continue to provide the ACO with updates on financial issues. UN-Women will sustain the effort to earn unqualified audit opinions. The advent of Quantum in 2023 poses relevant risks which UN-Women is working to mitigate.

D. Information and Communications Technology

45. UN-Women agrees with the ACO observations of the constraints of the new ERP system, and would suggest that two additional constraints further impacted the quality and scope of the implementation: i) The necessity to follow externally set timelines and the resulting reduced delivery of critical functions and reports, and the lack of sufficient testing time prior to go-live; and ii) the exclusion from scope in the system of several critical strategic functions, and many significant opportunities for business transformation.

46. UN-Women agrees with the assessment that a dedicated ERP Board and Project Manager were able to significantly improve the UN-Women internal management of the project, bring the necessary momentum to bear and reduced internal project risks. The go-live of the ERP was in January 2023, as expected. The concerns of the Committee on missing functionalities have in part materialized, and the Project Team is creating a second phase of the ERP Project to address these shortcomings, in coordination with UNDP, which is also in the process of collecting requirements for the next wave of Quantum. Reporting was promised by UNDP to be delivered in Q1 of 2023, but only a few of reports have materialized to date. UN-Women is planning to fill the gap using the Quantum Datawarehouse but will require additional funds to support the development of the Automated Financial Statements and other critical corporate reports.

III. Conclusion

47. UN-Women puts its integrated normative, operational and coordination mandate to full use to work towards the outcomes envisioned in the Strategic Plan. The Entity collaborates and coordinates normative and operational work with internal and external stakeholders and partners and influences their work to reach impact at scale. The Entity will continue to advance organisational excellence and business transformation in the context of its 2022-2025 Strategic Plan.

48. To this end, UN-Women continues to appreciate the advice and support received from the Committee in 2022 as in previous years.

49. In addition, UN-Women appreciates the Committee’s willingness to undertake ad-hoc meetings throughout the year in order to accommodate discussions on key topical issues for the organization.