

**Management Response to:
Annual Report on
Internal Audit & Investigations
&
Report of the Audit Advisory
Committee**

For the year ended 31 December 2014



United Nations Entity for Gender Equality
and the Empowerment of Women

Governance, structural and organizational challenges

- Need for further clarity regarding resource needs, mandate and/or responsibilities for oversight and training
 - Procurement Function, Fund for Gender Equality (FGE), UN Trust Fund to End Violence Against Women (EVAW), and UN-Women Training Center
- Procurement
 - Reviewed the organizational structure of the Procurement Function at HQ and strengthened its capacity; policies and procedures, tools and systems revamped

Governance, structural and organizational challenges (continued)

➤ Trust Funds

- Development of new strategic plan for 2015-2020 to guide its efforts in the coming years in consultation with stakeholders (EVAW)
- Review of Project Documents and finalization of new project document for 2014-2017 (FGE)

➤ In the area of training

- UN-Women has developed an interim strategy for training by the Training Center that is currently underconsideration by management

Governance, structural and organizational challenges (continued)

➤ Insufficiency of the Structure and Processes for Results Management, Monitoring, and Reporting

- Observation raised in relation to the audit of the Procurement Function and Training Center
- Procurement
 - ✓ At corporate level, Procurement Section enhanced the systematic oversight and monitoring of procurement activities
 - ✓ UN-Women performed a structural and functional review of the Procurement Function to ensure adequate segregation of duties, monitoring and oversight in a decentralized environment

Governance, structural and organizational challenges (continued)

➤ Training Center (Santo Domingo)

- Management plans to develop a facilitated training schedule and budget, as funding permits.
- Management notes the importance of being able to track and verify the improvement in operational efficiency

➤ Forthcoming evaluation of the Regional Architecture

- Independent review of the Regional Architecture will begin this year, the results of which will be reported to the Executive Board in 2016

Risk Management

- UN-Women formally adopted an enterprise risk management policy following its review and approval by the senior management team in November 2014.
- Activities carried out in line with the strategy for the implementation of enterprise risk management across UN-Women:
 - a] Enterprise Risk Management (ERM) workshops and training sessions at headquarters and field offices;*
 - b] introduction and roll-out to field offices the guidelines for completing the standardized UN-Women Risk Register template in conjunction with the preparation of their Country Office Strategic Note and Annual Work Plan.*

Resource Mobilization

- Resource mobilization is a top organizational priority;
- UN-Women updated its resource mobilization strategy in 2014 and, consequently, regional, multi-country and country offices have developed individual resource mobilization strategies and action plans;
- Headquarters provided tailored support to field offices through special training sessions, sharing of best practices and targeted information about donor priorities and decision-making process;
- UN Women significantly increased the mobilization of non-core funds to a historic high of \$158 million, mobilized largely at the regional and country levels;

Resource Mobilization (continued)

- Regional and country strategies reflect the overarching objectives of the corporate resource mobilization strategy but are tailored to the unique context of each country/region
- Trust funds (FGE & EVAW) have developed and implemented fundraising plans for 2014 to secure contributions from bilateral donors and to engage potential donors from other sectors, including the private sector and foundations
- UN-Women believes that its financing is a continuing joint responsibility of the Entity and the Executive Board.

Project Monitoring & Oversight Process

- UN-Women has taken action to strengthen the oversight and monitoring of project advances to implementing partners:

[a] Identifying specific challenges experienced with partners and long-outstanding advances and providing dedicated support to recover balances;

[b] Supporting countries by providing country-dedicated training to both staff and partners;

[c] In addition to the regular review through the month-end closure instructions and the country office assessment tool, providing oversight by regional offices of outstanding advances in relation to country offices;

[d] Revising relevant sections of the Programme and Operations Manual to further strengthen partner selection processes, especially with regard to capacity assessments of partners and appropriate payment modalities.

Project Monitoring & Oversight Process (Continued)

- Specific training sessions have also been developed to ensure that implementing partners have a good understanding of the management, monitoring and reporting procedures for resources in order to achieve the intended results;
- Further, as at 31 April 2015 there has been a reduction in outstanding advances of about \$38 million (or 83%) compared with 31 December 2013;
- Senior-level meetings are held to drive action to liquidate advances that have been outstanding for more than six months and to improve compliance with partner management policies.

Internal Audit Function

- Benefits and costs of outsourcing the internal audit function to UNDP or of having the function move in-house (potential costs additional \$1 million/year for staff costs only)
- UN-Women management is committed to ensuring that adequate oversight is in place to address any potential conflict for outsourced services with UNDP (Internal Audit and Treasury)
- Committee's support for the ongoing strengthening of internal audit services to ensure sufficient audit coverage in audit plans.

Internal Audit Function (*continued*)

- UN Women will further discuss the communication strategy referred to by the Committee at the senior management level and, if required, additional guidance will be sought from the Committee
- UN-Women has also established an internal working group on audit issues that takes action on the Committee's recommendation, among other considerations

Investigations

- Senior Management is committed to following through all investigation cases and to ensuring timely and decisive action in that regard.
- Senior management will continue to work closely with the Office of Audit and Investigations to ensure timely reports and relevant management action in all cases.

Implementation Status of Audit Recommendations

- Women is committed to the full implementation of the recommendations and will continually ensure that follow-up is diligent (implementation rate 75% for internal audit recommendations and 79% for external audit recommendations)
- Reduction in the number of audit recommendations
 - In 2014 internal audit issued 59 recommendations compared to 70 in 2013
 - External audit recommendations decreased from 28 in 2011, to 17 in 2012 and to 12 in 2013 (2014 final recommendations expected in July 2015)

Vendor Due Diligence and Management

- UN Women's vendor database was reviewed and updated by the Procurement Section in 2014
- During the review process, in total, over 5000 vendor profiles were either archived, inactivated or updated
- All vendors created in 2014 have already been checked against banned vendor lists.

Management of Capital and Information Assets

- UN-Women is continuously reinforcing its controls over the management of assets;
- Those controls are regularly monitored from headquarters through the monthly closure procedures, in line with the International Public Sector Accounting Standards;
- Consequently, UN-Women has seen a reduction in the scope of asset adjustments from \$745,000 (166 assets) in 2013 to \$15,000 (49 assets) in 2014. A reduction of 78 per cent in the number of assets without serial numbers and tag numbers in the register
- Information and communication assets
 - Observations made by internal audit in 3 Offices (Fiji, Mali, Pakistan)
 - The offices have taken action to respond to the recommendations

Pre-financing of non-core projects

- Observation raised in Mali Country Office and Fiji Multi-Country Office
- Mali:
 - Addressed by clarifying the accountability lines for compliance with the Programme and Operations Manual and through special training for staff, in particular new staff;
 - Similar interventions were made to ensure compliance with the Harmonized Approach to Cash Transfers.
- Fiji:
 - Issues relating to expenditure limits and accurate recording of expenses were tackled by clarifying accountability lines; and
 - Establishing a requirement to seek headquarters approval in such scenarios, as well as through staff training.

Financial Statements

- Unqualified audit opinion on the financial statements for the year ended 31 December 2013 and the continued improvements in financial reporting

Relationship with UNDP

- For key functions undertaken by UNDP on behalf of UN-Women, the Division of Management and Administration has reinforced its controls to ensure that outsourced functions are performed appropriately in the following areas:
 - Treasury
 - Payments and bank reconciliations
 - Human resources/payroll validation
 - Information technology services

- UN-Women received a certification letter from the Deputy Assistant Administrator of UNDP for all transactions undertaken on behalf of UN-Women for the year ended 31 December 2014

Strategic Plan, 2014-2017

- UN-Women values the Committee's support for the strategic plan, 2014-17, and will continue to keep the Committee updated on its implementation
- UN Women management also welcomes the support provided by the Committee for the Entity's continued collaboration with partners both within and outside the United Nations system to achieve its strategic objectives in advancing gender equality, promoting the empowerment of women and girls and ending violence against women

Thank You!

Q&A