

Management response to the 2017 annual report on Internal Audit and Investigations activities

1. UN-Women management recognizes and wishes to express its appreciation to the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) for their support since 2012, to provide UN-Women their independent audit assurance and investigation services. We thank the audit team for their collective professionalism and astute advisory services. The groundwork on audit and investigation services they provided to the organization has been a major asset to UN-Women.
2. UN-Women is pleased to present its management response to the report of the Director of the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) on internal audit and investigation activities for the year ended 31 December 2017.
3. UN-Women is also pleased to receive in aggregate a **satisfactory opinion** from the Office of Audit and Investigations (OAI), which confirms that, based on the scope of work undertaken by OAI, UN-Women's governance, risk management and control in the audits conducted in 2017 were generally established and functioning well.
4. UN-Women noted that the audit coverage for 2017 was \$51.9 million or 15.2 per cent of the total combined expenditures of \$340.04 million reported by UN-Women. This audit coverage is in addition to the oversight coverage of the (i) United Nations Board of Audit, the (ii) UN-Women Global Auditors for the audit of UN-Women projects implemented by partners (such as non-governmental organizations, government agencies and non-UN intergovernmental organizations) and (iii) evaluations carried out by the Independent Evaluation Office in 2017.
5. UN-Women noted that OAI has reported the audit recommendation implementation rate of **99 per cent** in its annual report which has remained above the corporate target. The implementation rate is **103 per cent** as at 31 December 2017 when calculating the implementation rate using OAI's Comprehensive Audit and Recommendation Database System (CARDS). This calculation follows the methodology applied in OAI's past annual reports. The implementation rate above 100 per cent is due to the bonus points received by UN-Women for the accelerated implementation of recommendations within six months of issuance.
6. UN-Women acknowledges the key issues identified in Section V of the report, "Significant internal audit results" and wishes to highlight below the improvements to operations and actions taken to address the recommendations that were rated as high priority. UN-Women, irrespective of the priority level, endeavors to take the needed actions to implement all audit recommendations and improve operational effectiveness and efficiency.
7. UN-Women is also pleased to report that there are no long outstanding audit recommendations for more than 18 months as at 31 December 2017. Implementation actions have been taken on all audit recommendations issued in 2017.

Field office audits

Recurring issues and recommendations

8. UN-Women is pleased to report the implementation of all specific recommendations identified under the 2016 recurring areas of ICT management, travel management, programme monitoring and oversight and asset management. Significant progress has been made in the areas of ICT management and travel management. In response to Executive Board Decision 2017/4, the following impact of measures taken in implementing the audit recommendations were identified:

- (i) To reinforce information security, effectively support organization-wide business continuity and enable implementation of disaster recovery plans when necessary, UN-Women has:
- put in place a corporate strategy and environment to store data in a cloud platform, and;
 - established a formal process of periodic review and validation of user access rights to UN-Women information systems that automatically disable inactive user accounts.

Such initiatives satisfactorily minimized UN-Women's risks to information maintenance and security, especially in the event of a disaster. This facilitated cost-efficient and practical solution for data back-up and disaster recovery that are well-suited to UN-Women capacity and requirements.

- (ii) To increase the efficiency and value for money in travel management, UN-Women has revised the travel policy to:
- Reduce the amount paid by field offices for travel by more than 30%;
 - Increase travel time that entitles staff to business class travel;
 - Eliminate the overnight flight Daily Subsistence Allowance entitlements; and
 - Promote virtual or 'green' meeting options in lieu of the physical travel.
- As a result, air travel spending has decreased by over 30 per cent in 2017.

9. UN-Women continues to improve operational effectiveness and efficiency in areas of programme monitoring and oversight and asset management. UN-Women has put in place a programme oversight framework and strengthened staff capacity in asset management. We look forward to the positive impact of these measures.

10. For recurring issues noted in 2017 in the areas of resource mobilization, project monitoring and asset management, UN-Women has implemented the recommendations in a timely manner. Necessary corporate policies and guidance were issued to strengthen procedures where weaknesses were noted. The details of actions taken to address these issues are presented below.

Resource Mobilization strategy and implementation (1 office in East and South Africa Region)

11. UN-Women has updated the Country Office Resource Mobilization Strategy to incorporate recommendations from the auditors. Alternative ways of mobilizing funds, such as from regional

development banks, non-traditional donors, and private sector have been considered. The close monitoring of the updated Resource Mobilization Strategy put in place has already brought substantial additional funding during the first quarter of 2018. This recommendation is implemented.

Project monitoring and oversight related to selection of implementing partners, implementation of joint programmes and infrastructure related projects (1 office in West and Central Africa Region and 1 office in Asia and Pacific Region)

12. UN-Women has updated the Programme Operations Manual (POM) and introduced a Call for Proposal process for an improved and more rigorous selection of implementing partners. Training, webinars and guidance documents are provided to programme management staff on the new processes. This recommendation is implemented.
13. UN-Women has issued a Guidance on Joint Programmes as a supplement to the UNDG Guidance Note on Joint Programmes. This is to ensure that all personnel involved in the implementation of Joint Programmes with other UN Agencies are familiar with the programmatic, financial monitoring and reporting practices. This recommendation is implemented.
14. UN-Women has issued a guidance note to distinguish infrastructure-related programmatic activities from office renovation and refurbishment activities. The appropriate planning and review processes under each category of activities have been clearly specified in the guidance note that has been circulated to relevant staff. This recommendation is implemented.

Asset management (1 office in Europe and Central America Region, 1 office in West and Central Africa Region and 1 office in East and Southern Africa Region)

15. UN-Women has consistently complied with its established standard operational procedure to immediately report incidents of lost assets to the building security unit and UN Department of Safety and Security, as noted by the auditors. The lost assets with the net book value of US \$3,148 were also properly adjusted in the asset register. The field office was reminded to address their inadvertent failure to timely report to OAI these incidents of lost assets. This recommendation is implemented.
16. UN-Women has taken the necessary actions to adjust the errors noted in the asset register and provided relevant training to all asset focal points on the treatment and coding of assets and costs related to the acquisition of assets. This recommendation is implemented.

Corporate high priority recommendations

Process for internal structuring and management of global programmes (1 office in Latin America and Caribbean Region)

17. UN-Women has released a prescribed process for review and determination of structure, funding and management of the Global Programme on the Spotlight Initiative for Ending Violence Against

Women. The guidance document issued is used as the basis and template for setting up other Global Programmes. This recommendation is implemented.

Strategy for senior management vacancies (1 office in Europe and Central Asia Region and 1 office in East and Southern Africa Region)

18. UN-Women has an existing mechanism of designating officer-in-charge to cover gaps for vacated key posts and ensure business continuity and smooth office management. UN-Women has identified and addressed some of the root causes for the unusual delay in on-boarding recruits to senior management vacancies. UN-Women has Rotation Policy and Detailed Assignment Guidelines in place to deploy qualified candidates in a timely manner to serve in the transition period and minimize the duration of a gap in senior management within an office. This recommendation is implemented.

Non-recurring audit issues with high priority recommendations

Compliance with corporate procurement policy (1 office in East and South Africa Region and 1 office in Latin America and Caribbean Region)

19. UN-Women has reinforced controls for compliance and streamlined procurement operational procedures to promote efficiency through the issuance of comprehensive Standard Operating Procedures (SOP). The SOP includes a checklist of the necessary documents and templates. The SOP also provides clear steps and timelines for the sequence of actions to be taken to complete the procurement process. This recommendation is implemented.
20. To further enhance compliance to the corporate procurement policy, UN-Women has provided procurement training to staff who are involved in the processes. Oversight and review mechanisms have likewise been strengthened through the regular month-end and year-end closing processes. This recommendation is implemented.

Safety and security requirements of office premises (1 office in East and South Africa Region)

21. UN-Women has made appropriate upgrades to office premises in line with the Safety and Security requirements. The improvements include installing solar panels and generators, CCTV cameras, anti-shatter films on windows and emergency exit signs in the office premises. Medical evacuation procedures have been put in place, with a suitable location identified for staff assembly in case of emergency evacuation. This recommendation is implemented.

Gender mainstreaming in development coordination (1 office in Latin America and Caribbean Region)

22. UN-Women, as the lead agency for the Specialized Gender Group, has coordinated gender trainings and workshops for all United Nations Country Team (UNCT) members. Capacity building were effectively administered to different UN Agencies to support their efforts of incorporating gender perspectives in all their projects and programmes in line with their approved Gender Scorecard Action Plan. Technical advisers were similarly provided to relevant government

agencies and NGOs in the development of national policies and regulations in the context of gender equality. Following the proposal from UN-Women, the Monitoring and Evaluation manual of the UNCT was revised to include a gender perspective in all chapters. This recommendation is implemented.

Project planning, monitoring and review (1 office in Latin America and Caribbean Region)

23. UN-Women has conducted a comprehensive programme management training of staff to keep their expertise and capacity up-to-date on programme/project cycle processes for project formulation, planning, implementation, monitoring and reporting. Controls have been put in place to ensure that complete and quality project documentation are submitted to the established Local Programme Appraisal Committees for their review and approval of proposed projects. Once projects are approved, all documentation is uploaded in the Donor Agreement Management System. This recommendation is implemented.

Events and meetings planning and vendor contracts (1 office in Latin America and Caribbean Region)

24. UN-Women has strengthened controls for compliance and promoted procurement efficiencies in engaging services for events and meetings through the issuance of Standard Operating Procedures (SOPs) that details the steps and timelines of procurement actions to be taken. This includes a clear definition of roles and assignment of the responsibilities of programme personnel to ensure proper segregation of duties, effective oversight, verification, reconciliation and documentation of events and meetings initiated. The guidance also clarifies the necessary terms and conditions that should be included in the contracts with vendors. This recommendation is implemented.

Information data back-up policy and management (1 office in Latin America and Caribbean Region)

25. UN-Women has in place a corporate strategy and environment to store data in a cloud platform to facilitate and promote field office compliance to minimum ICT standards requirement for periodic data back-up. The configuration by UN-Women offices and the use of the prescribed OneDrive to save data by all staff and ICT users allow for a daily automatic synchronization of data to the cloud that is regularly backed-up. As part of ongoing efforts to ensure the correct use of the cloud data back-up facility, some field offices conduct spot checks each month to test existing configuration. This recommendation is implemented.

Implementing partner advances management (1 office in East and Southern Africa Region)

26. UN-Women has achieved a significant reduction in the overall amount of long outstanding partner advances. Strengthened capacity through increased staffing and proper delegation of authority further reinforced the implementation and proper monitoring of programmatic activities and improved timely liquidation of partner advances. This recommendation is implemented.

Project audits

High priority audit recommendations

Improper classification of expenditures (1 recommendation at 1 office in Arab States Region)

27. UN-Women has addressed the issues noted through the update of the ERP system, i.e. Atlas, where each of the procurement catalogue items are automatically linked to the correct General Ledger expenditure account. In addition, UN-Women has included in the monthly closure activity checklist the review and verification of the correctness of account codes used. Refresher training sessions on procurement and finance processes have been provided to staff to improve their understanding of the policy and procedures. This recommendation is implemented.

Proper recording of Value Added Tax (2 recommendations at 1 office in Latin America and Caribbean Region)

28. UN-Women's accounting practice is to account for the Value Added Tax amount separately from the total cost of asset purchased. The audited office has ensured strict compliance to this for all prospective asset purchases and has maintained a record of all the invoices submitted to UNDP for VAT reimbursement processing. This recommendation is implemented.

Insufficient supporting documentation for liquidation of Responsible Party advances (2 recommendations at 1 office in Latin America and Caribbean Region)

29. The audited field office has conducted a training of programme staff, developed a checklist of required documents and put in place a layer of quality assurance to improve the review and processing of supporting documents for the liquidation of Responsible Party's advances in compliance with established policies and procedures. This recommendation is implemented.

Investigations

30. UN Women notes the decrease in investigation cases in 2017, which correlates to increased efforts to address issues of workplace harassment at the management level. UN Women continued to implement its global training programme for all personnel which inter alia covered:
- a. The UN-Women Legal Framework for Addressing Non-Compliance with UN Standards of Conduct;
 - b. The responsibility of staff members, non-staff personnel, vendors, implementing partners and responsible parties to prevent and report fraud and corruption;
 - c. The responsibility of managers for raising awareness and reiterating the duty of all staff members to report instances of fraud and corruption.
31. UN Women also developed mandatory e-learning courses on the prevention of sexual exploitation and abuse (PSEA) and Anti-fraud in conjunction with other UN Agencies. Both e-learning courses are mandatory for all UN Women personnel and will be available in English, French, Spanish and

Arabic (the latter only for the PSEA training). The courses are also accessible to implementing partners, vendors and other personnel and entities with which UN Women engages.

32. In relation to paragraph 32, it is noted that 5 of the 17 cases carried over from 2016 were reported in 2015. In relation to paragraph 41 (Financial Loss), UN Women notes that the loss of \$6,300 which was recovered was incurred by Cigna, and therefore, as indicated in the footnote to Annex 3, should not be considered as a financial loss to UN Women.
33. UN Women took prompt and appropriate action to implement its zero-tolerance policy in all seven substantiated cases including terminating the service contracts of the subjects or placing notes in the files of the staff members and service contractors who had resigned or whose contracts expired while the investigations were ongoing. In relation to the financial loss recorded in 2016, UN Women has fully recovered the balance.