



# Executive Board of the United Nations Entity for Gender Equality and the Empowerment of Women

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Item 5 of the provisional agenda

**Audit matters**

## **Report on internal audit and investigation activities for the period from 1 January to 31 December 2017**

### *Summary*

This report presents information on the internal audit and investigation functions carried out for the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) for the period from 1 January to 31 December 2017. The UN-Women internal audit and investigation functions have been carried out under a Service Level Agreement between UN-Women and the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) since March of 2012. A new Service Level Agreement was signed on 18 December 2015, extending the provision of services for an additional two years. The internal audit function is performed by the dedicated UN-Women Audit Unit of OAI in accordance with the financial regulations and rules of UN-Women (UNW/2012/6, annex I). The investigation function is carried out by OAI's Investigations Section. Information on the actions taken and management's response to the present report are set out in the annex to this report, which is also available on the UN-Women website. As requested by the Executive Board in its decision UNW/2015/11, this report includes (a) an opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the organization's framework of governance, risk management and control; (b) a concise summary of work and the criteria that support the opinion; (c) a statement of conformance with the internal audit standards being adhered to; and (d) a view on whether the resourcing of the function is appropriate, sufficient and effectively deployed to achieve the desired internal audit coverage.

The Executive Board may wish to (a) take note of the present report, (b) express its continuing support for the strengthening of the capacity of the internal audit and investigations functions, and (c) take note of the report of the Audit Advisory Committee.

## **I. Introduction**

1. The present report provides a description of the internal audit and investigation functions in UN-Women and the related activities for the year ended 31 December 2017. It includes information regarding the main results of the audit reports issued in 2017 and the status of management's efforts to implement the audit recommendations made in the current and prior years' reports. Information is also presented relating to investigation activities in 2017.

## **II. Assurance**

2. To maximize the level of assurance provided with regard to governance, risk management and internal controls, with the resources available, the audits conducted by the UN-Women Audit Unit continue to be focused on those areas of governance, management and operations assessed as posing a high level of financial, reputational, legal and functional risk to UN-Women and to the achievement of its goals. In 2017, the UN-Women Audit Unit continued to expand its audit coverage through the inclusion of financial audits of projects implemented under the Direct Implementation Modality (DIM) in its audit portfolio. Subsequent to endorsement by the Audit Advisory Committee, the Under-Secretary-General/Executive Director approved the 2017 annual work plan.

3. Throughout 2017, OAI continued to be operationally independent of the management of UN-Women and exercised freedom in determining the scope of its audits and investigations in accordance with applicable international and generally accepted standards.

### **A. Mandate**

4. In response to the biennial Service Level Agreement between OAI and UN-Women, a dedicated UN-Women Audit Unit (the Unit) was created in March of 2012, as a unit within OAI. A new biennial Service Level Agreement for audit and investigations was signed on 18 December 2015. OAI continued to provide investigation services on a reimbursable basis.

5. OAI confirms to the Executive Board that audits are performed in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics established by the Institute of Internal Auditors. In keeping with those standards, the work of the UN-Women Audit Unit is subject to rigorous review by the Quality Assurance and Policy Unit of OAI. Further, the UN-Women Audit Unit was part of the OAI's External Quality Assessment (EQA) that was performed by the Institute of Internal Auditors (IIA) as required by the International Standards for the Professional Practice of Internal Auditing ("Standards"). The overall opinion indicated that OAI generally conforms to the Standards and the IIA Code of Ethics. This conformance demonstrates a clear intent and commitment to achieving the Core Principles for the Professional Practice of Internal Auditing ("Core Principles") and the Definition of Internal Auditing.

## **B. Independent external oversight**

6. In 2017, the Audit Advisory Committee reviewed the 2017 annual work plan for the UN-Women Audit Unit and monitored its implementation through quarterly progress reports and meetings with the Director of OAI and the Officer-In-Charge of the Unit. In addition, the Committee reviewed and provided comments on the draft annual report for 2017 (UNW/2017/3).

7. The UN-Women Audit Unit also communicated its annual work plan to the United Nations Board of Auditors to promote coordination and efficiency.

## **C. Risk-based audit planning and completion of annual work plan**

8. The 2017 audit plan was formulated after conducting UN-Women field offices risk assessment and after obtaining the input of senior management, divisions and other stakeholders. The planning process included the systematic analysis of both quantitative and qualitative data in order to assess the financial, reputational, legal and functional risks relating to each of the auditable offices and units.

9. The audit plan was reviewed by the Audit Advisory Committee on 16 November 2016 before its submission to and approval by the Under-Secretary-General/Executive Director, in December 2016.

10. The fieldwork for all audits included in the 2017 plan was completed as scheduled during 2017. The corresponding audit reports were also issued during 2017, except for the reports relating to the audit of the UN-Women country office in Iraq and Resource Mobilization. The field work for both the Iraq and Resource Mobilization audits were completed in November 2017 and the reports were issued in January and February 2018.

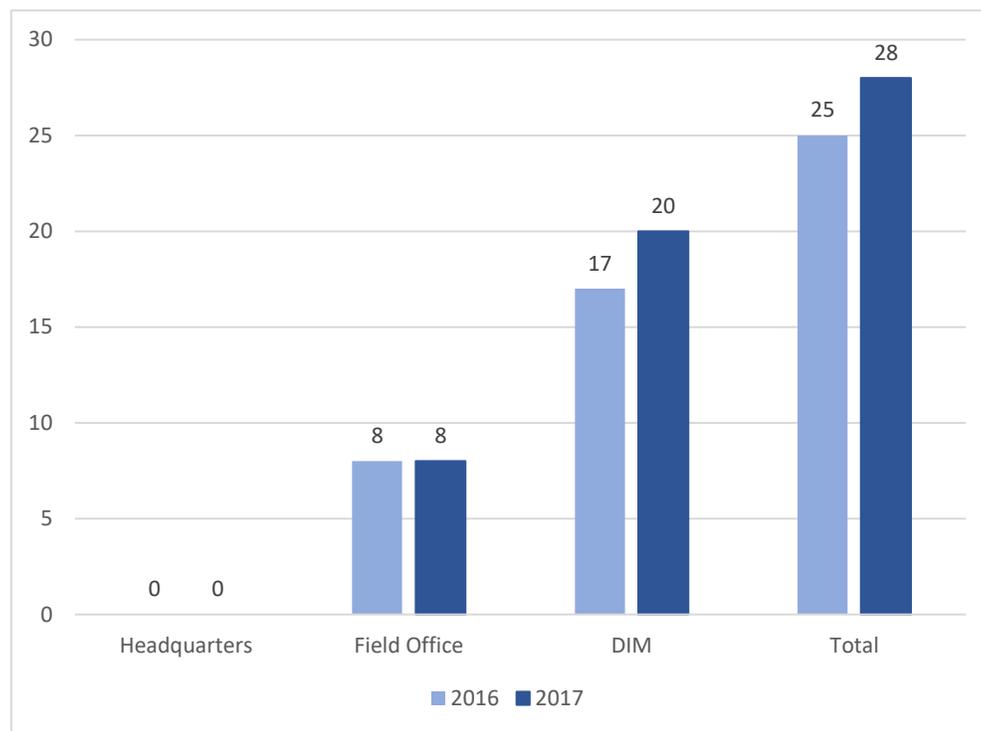
## **D. Audit reports issued**

11. Audit reports for eight field-based offices and 20 DIM projects were issued in 2017. In accordance with decision 2013/4, annex I presents the titles of all internal audit reports issued in 2017 and their ratings.

12. All UN-Women reports issued since 2012 are available on the UN-Women audit disclosure website at <http://audit-public-disclosure.unwomen.org>

13. The audit reports issued in 2017 generally covered programmatic and operational activities carried out by UN-Women in 2016, meaning that the results generally reflect the status of programmes and operations during 2016. The audits covered the programmatic and operational activities of the UN-Women offices or units and represented combined expenditures of approximately \$51.9 million, or 15.2 per cent of the total expenditure of \$340.04 million reported by UN-Women in its financial report for 2016 (A/72/5/Add.12). The reports issued during 2017 also included two follow-up audit reports.

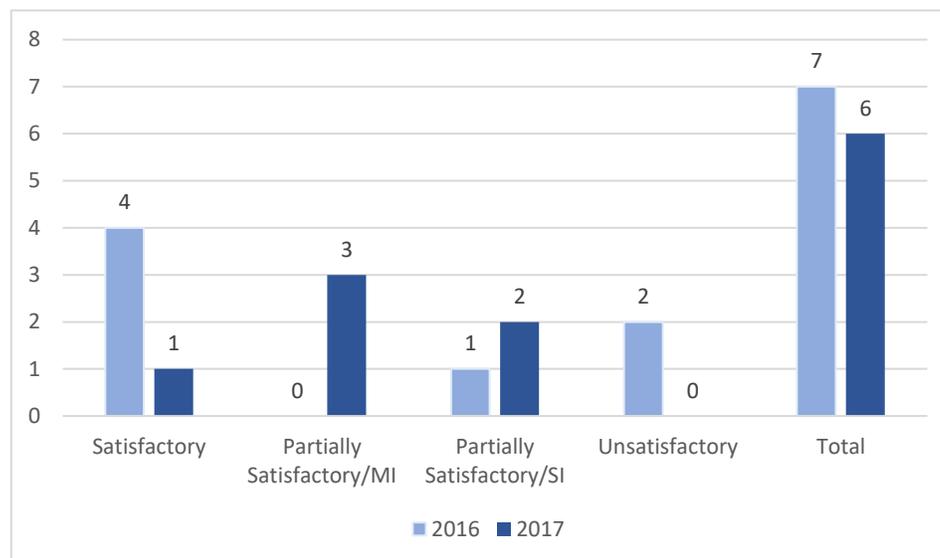
Figure I  
Number and type of audit reports issued in 2016–2017



### E. Audit ratings

14. For the full scope audits of offices, units and functions (excluding DIM project audits), the UN-Women Audit Unit assigned an overall audit rating of satisfactory, partially satisfactory/some improvements needed, partially satisfactory/major improvements needed or unsatisfactory based on its assessment of the governance, risk management and control processes. For the six full scope audits issued in 2017, three (50 per cent) were assessed as partially satisfactory/major improvement needed meaning that the assessed governance, risk management practices and controls needed major improvement. Two offices (33 per cent) were rated as partially satisfactory/some improvement needed, meaning that the assessed governance, risk management practices and controls were generally established and functioning but needed some improvement. The remaining office (17 per cent) was assessed as satisfactory, with no issues identified that might significantly affect the achievement of its objectives. Figure II provides a comparison of the audit ratings.

Figure II  
**Comparison of audit ratings for 2016 and 2017<sup>1</sup>**



### III. Disclosure of internal audit reports

15. All audit reports issued in 2017 were publicly disclosed in accordance with Executive Board decision 2012/10 (see UNW/2012/16). All reports are subject to OAI's internal due diligence and quality assurance processes prior to issuance to management and the Member States concerned. Thirty days after issuance, all internal audit reports are publicly disclosed through posting to the UN-Women public website at <http://audit-public-disclosure.unwomen.org>. Of the 28 reports issued in 2017, OAI partially redacted four audit reports as they contained sensitive information regarding either the country office's safety security readiness or its information and communications technology infrastructure. No requests were received from any organization or Member State requesting redaction of audit reports.

### IV. Staffing and budget

16. In 2017, UN-Women Audit Unit resources remained fully funded with four approved posts: one P-5 (Chief), two P-4, and one P-3.

17. The UN-Women Audit Unit had an overall budget of \$2.08 million, representing an increase of approximately \$0.38 (22 per cent) million compared with the 2016 budget. The increase also includes \$0.28 million relating to the cost of investigation services. In an effort to minimize the cost of investigations services, a P3 Investigator post had been included, bringing the investigations services total budget to \$291,059 (staff and GOE). The audit and investigations expenditure amounted to \$1.48 million, which indicates under-utilization of funding made available by 29 per cent, which

<sup>1</sup> A four-tier audit rating was introduced in January 2017 that resulted in the splitting of the partially satisfactory rating into two categories of partially satisfactory/MI and partially satisfactory/SI.

was mainly attributable to the reduction in expenditure on hiring of consultants for both the resource mobilization and headquarters risk assessment exercises and the postponed hiring for the P3 Investigator post.

*Decision 2015/4 implications on audit and investigations resources*

18. The Executive Board's decision No. 2015/4 requires OAI to indicate whether, in its view, the resourcing of the internal audit and investigation function is appropriate, sufficient, and effectively deployed to achieve the desired audit coverage. The audit coverage in 2017 was 15.2 per cent and was below what OAI considers a suitable level of coverage. During the course of 2017, OAI and UN-Women management mutually agreed to discontinue the Service Level Agreement with the intent of UN-Women establishing its own internal audit and investigations function from 1 January 2018. The Service Level Agreement came to an end on 17 December 2017 and an addendum was signed extending the agreement by three months ending on 31 March 2018. The addendum was done to support and oversee the completion of remaining tasks from the 2017 Annual Work Plan as well as to support smooth transition of the internal audit function to UN-Women.

## **V. Significant internal audit results**

### **A. Field office audits**

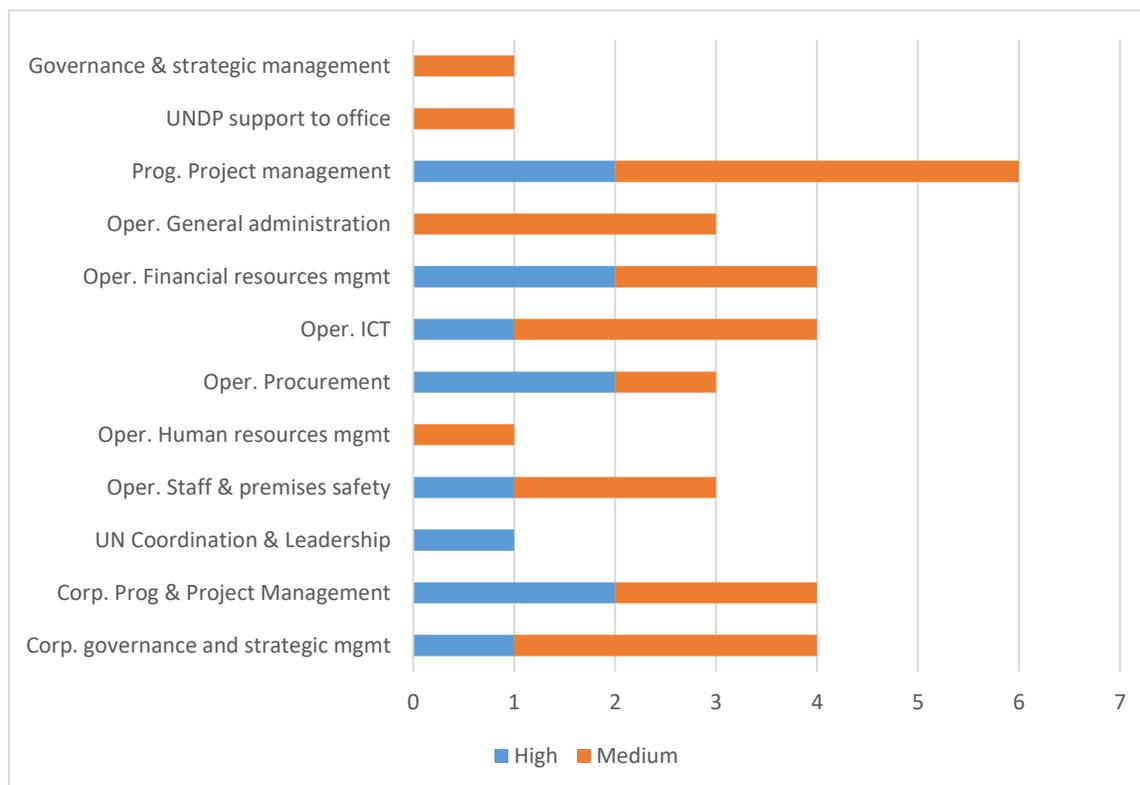
19. In 2017, OAI issued eight reports corresponding to the field office audits of five country offices, one regional office and two follow-up audits of one country office and one regional office. In total, those audits resulted in 36 recommendations, of which 9 (25 per cent) were corporate in nature, and related to:

- policy and guidance on managing micro-grants.
- processes for internal structuring and management.
- the oversight role of regional offices.
- criteria related to diversions from regional architecture.
- strategy for managing senior management vacancies.
- criteria and guidance on implementation of infrastructure projects.
- communicating procedures, policies and rules on joint programming.

20. As in previous years, the UN-Women Audit Unit noted recurring issues in some areas. Specifically delays in strategizing and initiating mobilization of funds (one office), inadequate project monitoring and oversight (two offices) and weaknesses in asset management (three offices).

21. Of the 36 field office audit recommendations issued in 2017, 12 were rated as high priority, requiring prompt action from management to ensure that UN-Women was not exposed to high risks. Figure III indicates the distribution and prioritization of all field office recommendations issued in 2017.

Figure III  
Distribution and prioritization of field office audit recommendations



Note: Figure III does not include one audit recommendation that was withdrawn.

## B. Project audits

22. In 2017, OAI continued the process initiated in 2015 for conducting financial audits of projects implemented directly by UN-Women, which are referred to as the Direct Implementation Modality, or DIM, project audits.

23. According to OAI's mandate, DIM projects may be reviewed as part of the audit of a country office or other business unit or may be audited separately through an external supplier managed by the unit.

24. In 2017, reports were issued for 20 DIM audits. For the 20 DIM audits included in the 2017 work plan, all reports were issued prior to 30 September 2017. The combined audited expenditure for the 20 reports issued in 2017 was \$23.4 million.

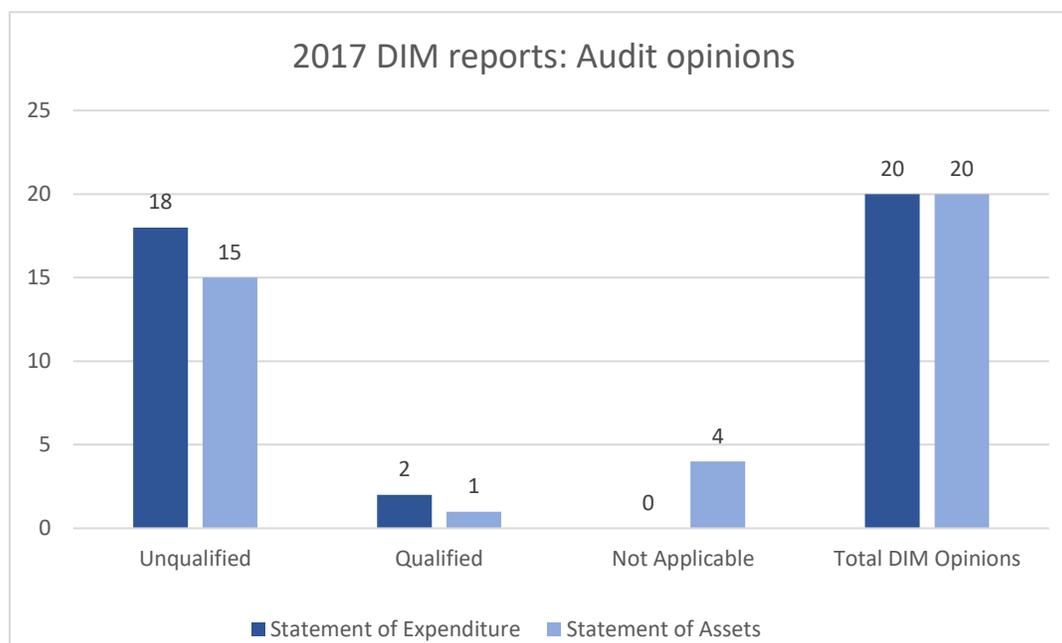
25. Deficiencies in the procurement processes and practices were noted in 16 recommendations (80 per cent) of the 2017 DIM project audit recommendations.

26. Five (25 per cent) of the 20 recommendations were rated high priority, and the remaining 15 (75 per cent) were rated medium priority.

27. DIM audits are financial in nature, providing assurance on the expenditures charged to the project over a defined period and on assets recorded against the project at a defined point in time. The external supplier provides an "opinion" on the

statement of expenditures and a separate opinion on the statement of assets for the project, if applicable. The auditor shall express an adverse opinion when, having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements. Two DIM projects had received qualified opinions on the project expenditures while one other DIM project had received a qualified opinion on the project assets.

Figure IV

**Audit opinions, DIM reports issued in 2017****VI. Follow-up on audit recommendations**

23. The overall implementation rate of audit recommendations was 99 per cent as at 31 December 2017, which was 9 per cent higher than the performance target of 90 per cent set by UN-Women. This indicated substantive action by management on the audit issues raised and recommendations made. This calculation is based on the analysis of all reports issued by OAI from 1 January 2015 to 30 November 2017. There were no recommendations that had not been fully implemented for more than 18 months.

24. As at 31 December 2017, 30 of the 56 recommendations made in 2017 had been fully implemented, 19 were in the process of being implemented, six were not implemented and one recommendation was withdrawn. Of the 25 outstanding recommendations, six (24 per cent) were rated high priority.

**VII. Advisory services**

25. The UN-Women Audit Unit continued to respond to requests for advice, information and detailed inputs received from UN-Women managers at headquarters

and field offices. The advice covered a range of topics, including engagement and selection of civil society organizations, structure and operations of the Civil Society Advisory Group that works closely with a field office, review of the Travel Chapter of the UN-Women Programme and Operations Manual, donor requests for information, changes to donor agreements and donor reporting requirements and retrieving project status/management data from Atlas. Advisory services were also provided to headquarters with respect to the establishment of the in-house internal audit function of UN-Women.

## VIII. Investigations

26. In accordance with a service-level agreement, OAI provides investigation services covering allegations of fraud, corruption and other wrongdoing, including workplace harassment, abuse of authority and retaliation against whistle-blowers, allegedly committed by UN-Women staff members, non-staff personnel and contractors.

### A. Caseload

27. In 2017, OAI opened 17 new cases for UN-Women compared with 41 in 2016. OAI also carried over 26 cases from 2016, bringing the total caseload in 2017 to 43, a 16 per cent decrease over the total caseload in 2016 (51 cases), as shown in Figure V.

Figure V

**Caseload in 2016 and 2017**

<b>Caseload</b>	<b>2016</b>	<b>2017</b>
Carry-over as at 1 January	10	26
Intake during the year	41	17
<b>Total</b>	<b>51</b>	<b>43</b>
Closed (from cases carried over)	5	21
Closed (from intake)	20	12
<b>Total</b>	<b>25</b>	<b>33</b>
Carried over as at 31 December	26	10

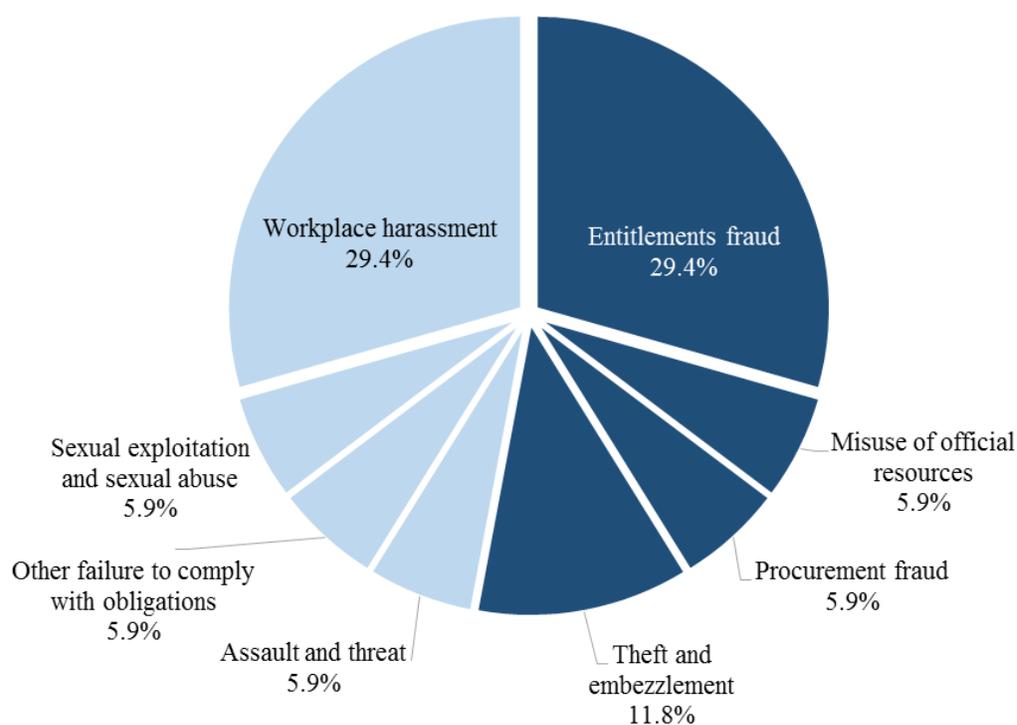
### B. Types of complaint

28. The 17 complaints received during 2017 are detailed in Figure V. Complaints relating to entitlements fraud and workplace harassment formed the highest categories of complaints received in 2017, with 29.4 per cent each.

29. Complaints relating to financial irregularities comprised of entitlements fraud (5); theft and embezzlement (2); procurement fraud (1); and misuse of official resources (1) constituted 53 per cent of all cases received by OAI in 2017. This was a 14-percentage point increase compared to the percentage of complaints received in the same categories in 2016 (39 per cent).

Figure VI

**Case intake by category 2017**



30. Geographically, the 17 cases received in 2017 were from Sub Saharan Africa (8) [comprised of - Eastern and Southern Africa (4), Western and Central Africa (4)]; Europe and Central Asia (5); Headquarters (3); and Americas and the Caribbean (1).

### C. Cases resolved/closed

31. OAI closed 33 cases in 2017, 16 after a preliminary assessment (compared to 15 in 2016) owing to insufficient evidence of wrongdoing to justify an investigation or because an investigation was not warranted and 17 after investigation (compared to 10 in 2016).

32. Of the 17 cases closed after investigation, seven cases resulted in an investigation report, five cases resulted in a closure note, three cases resulted in a closure report and two cases resulted in a management letter.

33. Six cases that resulted in an investigation report were transmitted to the Division of Management and Administration pursuant to the requirements of the UN-Women Legal Framework for addressing Non-Compliance with United Nations Standards of Conduct. One case was submitted to the relevant business unit for review and consideration of disciplinary or administrative proceedings.

34. The seven substantiated cases involved five contractors (service contract holders) and two staff members. The two staff members resigned while the investigation was still ongoing.

35. Figure VII sets out the disposition of cases in 2016 and 2017.

Figure VII

#### **Disposition of cases in 2016 and 2017**

Action taken	Cases in 2016	Cases in 2017
<b>After preliminary assessment</b>		
Closed (investigation not warranted)	15	16
<b>Subtotal</b>	<b>15</b>	<b>16</b>
<b>After investigation</b>		
Closed (not substantiated)	8	10
Closed (substantiated – submitted to UN-Women management)	2	7
<b>Subtotal</b>	<b>10</b>	<b>17</b>
<b>Total</b>	<b>25</b>	<b>33</b>
Investigation reports issued	2	7

#### D. Financial loss

36. OAI identified a financial loss of \$6,300 to UN-Women in relation to one case reported and investigated in 2017. This amount was recovered in full.

#### E. Cases carried forward

37. At the end of 2017, OAI had 10 open cases for UN-Women, of which four were at the assessment stage and six were under investigation.

### IX. Opinion (*decision 2015/4*)

38. The management of UN-Women is responsible for maintaining the adequacy and effectiveness of UN-Women's governance, risk management and control. In accordance with UN-Women's oversight policy as part of UN-Women's accountability framework and Financial Rules and Regulations (UNW/2012/6), the United Nations Board of Auditors provides independent external oversight through, among other things, audits of UN-Women's financial statements and related financial procedures, the accounting system, internal financial controls and administration and management of UN-Women in general. The primary objective of the work performed by the United Nations Board of Auditors is to express an opinion on UN-Women's financial statements and is different from the objective of the work carried out by OAI.

39. OAI provides, under a Service Level Agreement, independent internal oversight through investigations and internal audits on the adequacy and effectiveness of UN-Women's governance, risk management and control framework. OAI's opinion is based on the audit reports issued between 1 January and 31 December 2017. A concise summary of the audit work that supports the opinion is included in section V of this report and the supporting criteria is described in annex III.

40. The audit recommendation implementation ratio as at 31 December 2017 of 99 per cent, which is above the corporate target set by UN-Women, demonstrates management's commitment to reducing and managing risk and provides assurance that appropriate and timely action is taken, as and when improvements in the governance, risk and control are necessary.

41. In OAI's opinion, based on the scope of work undertaken, the adequacy and effectiveness of the governance, risk management and control in the audits issued in

2017 were in aggregate satisfactory, which means that they were generally established and functioning well. OAI would like to add the following: (a) the Executive Board should note that the opinion is based on audit coverage of 15.2 per cent of the 2016 expenditures of UN-Women; and (b) 16 per cent of all audit recommendations were corporate in nature relating to UN-Women policy guidance and corporate support.

## Annex I

### Office of Audit and Investigations audit reports issued in 2017 pertaining to UN-Women

	Audit Type	Report No.	Audit Subjects	Rating <sup>2</sup>
<b>Field-based Regional and Country Offices</b>				
<b>East and South Africa</b>				
1	General scope	1781	UN-Women Country Office in Burundi	Partially satisfactory
2	DIM projects	1869	UNW South Sudan Project 81114 – Promoting Women’s Participation	N/A
3		1870	UNW South Sudan Project 94751 - Responding to Emergency Needs	N/A
<b>Western and Central Africa</b>				
4	General scope	1614	UN-Women Country Office in Liberia	Partially satisfactory
5	Follow up	1778	UNW Regional Office for West and Central Africa	N/A
6	DIM project	1873	UNW Mali Project 84608 – Femmes et Consolidation	N/A
7		1874	UNW Mali Project 88743 – Prise en Charge des Femmes	N/A
8		1875	UNW DRC Project 96312 – Appui aux Droits et Participation	N/A
9		1876	UNW DRC Project 99819 – Multisectoral Emergency	N/A
<b>Europe and Central Asia</b>				
10	General scope	1774	UN-Women Country Office in Moldova	Satisfactory
11		1779	UNW Regional Office for Europe and Central Asia	Partially satisfactory
<b>Asia and the Pacific</b>				
12	General scope	1776	UN-Women Country Office in Bangladesh	Partially satisfactory
13	Follow up	1777	UN-Women Country Office in Papua New Guinea	Unsatisfactory
14	DIM projects	1857	UNW Fiji MCO Project 70261 – Pacific EAW Facility Fund	N/A
15		1858	UNW Fiji MCO Project 89127 – Markets for Change	N/A
16		1859	UNW Afghanistan Project 89140 – ACO EAW Italy	N/A
17		1860	UNW Afghanistan Project 89141 – EAW Korea	N/A
18		1861	UNW Afghanistan Project 91949 – ACO EAW	N/A
19		1862	UNW Afghanistan Project 91906 – PEEP Economic Empowerment	N/A

<sup>2</sup> In view of the nature of the audit or the limited audit scope, the following audits do not have an audit rating: DIM financial audits and follow-up audits.

	<b>Audit Type</b>	<b>Report No.</b>	<b>Audit Subjects</b>	<b>Rating<sup>2</sup></b>
<b>Arab States</b>				
20	DIM projects	1863	UNW Jordan Project 93655 – Eid by Eid	N/A
21		1864	UNW Jordan Project 96450 – Promoting Social Cohesion	N/A
22		1865	UNW Regional Office of the Arab States Project 84413 – EC Regional Programme	N/A
23		1866	UNW Regional Office of the Arab States Project 93314 – Women for Women & Men for Women	N/A
24		1867	UNW OPT Project 84416 – EC Regional Programme OPT WP	N/A
25		1868	UNW OPT Project 91096 – Strengthening Rule of Law	N/A
<b>Latin America and Caribbean</b>				
26	General scope	1775	UN-Women Country Office in Guatemala	Partially satisfactory
27	DIM projects	1871	UNW Colombia Project 91845 – Women’s Citizenship for Peace	N/A
28		1872	UNW Colombia Project 93258 – Overcoming GBV to Ensure Women’s Full Enjoyment of Rights	N/A

DIM=directly-implemented projects

## Annex II

### Description of criteria that support OAI's opinion

1. In accordance with Executive Board decisions 2015/4 of June 2015, the Office of Audit and Investigations (OAI) provided an opinion in this Annual Report, based on the scope of work undertaken, on the adequacy and effectiveness of the audited framework of governance, risk management and control (GRC). The summary of the audit work performed is provided in the body of the audit report, under section V. This annex is to provide a brief description of the criteria used to support OAI's opinion.
2. The implementation rate of internal audit recommendations is taken into consideration and compared to the UN-Women target of 90 per cent overall implementation rate. The actual implementation rate of internal audit recommendations at the end of 2017 is 99 per cent and is therefore satisfactory when compared to the UN-Women target.
3. The results of the following audits are also taken into account to support OAI's opinion:
  - a) Audits of UN-Women country offices
  - b) Audits of UN-Women headquarters functions or units; and
  - c) Audits of UN-Women DIM projects
  - d) The implementation rate for internal audit recommendations, including long outstanding recommendations; and
  - e) Management Letters relating to investigations
4. The distribution of 2017 audit results regarding the adequacy and effectiveness of the governance, risk management and control at the audited entity level is shown in Figures I and II in document 2018/3, which shows the distribution of the number of audit reports that were issued by OAI in 2017 by type of audit rating: 'satisfactory', 'partially satisfactory/some improvement needed' 'partially satisfactory/major improvement needed' and 'unsatisfactory'.
5. In addition, the audit results are aggregated using the amount of expenditure covered by the audits undertaken in 2017. The result of this aggregation is then grouped by the four levels of audit rating mentioned above.

Table 1

#### Distribution of ratings per audited expenditure (excluding DIMs)

Rating	Audited expenditure \$	Distribution %
Satisfactory	2,052,772	8.46
Partially satisfactory/Some improvement needed	10,246,039	42.25
Partially satisfactory/Major improvement needed	11,952,705	49.29
Unsatisfactory	Nil	Nil
<b>Total</b>	<b>24,251,516</b>	<b>100</b>

6. Adjustments were made in the aggregation of expenditure for the directly implemented projects (DIM) because the scope of the DIM financial audits focuses on a financial certification of expenditure and, therefore, these audits do not directly

assess the governance risk management and control (GRC) aspects of a project in UN-Women. Nonetheless, they do provide indirect comfort about the UN-Women GRC. OAI converted the audit opinions rendered into OAI ratings using defined criteria<sup>3</sup> and estimated the results of the DIM financial audits give a 50 per cent assurance about UN-Women GRC.

Table 2:

**Distribution of ratings per DIM audited expenditure (weighted at 50 per cent)**

Rating	DIM audited expenditure \$	Distribution (%)
Satisfactory	10,428,115	89.14
Partially satisfactory/Some improvement needed <sup>2</sup>	Nil	Nil
Partially satisfactory/Major improvement needed <sup>2</sup>	1,270,119	10.86
Unsatisfactory	Nil	0
<b>Total</b>	<b>11,698,234</b>	<b>100</b>

7. This leads to two different distributions by audit rating, one presented by number of audit reports issued and the second by the amount of expenditure covered by the audits.

8. The distribution of audit ratings for 2017 is as follows:

Table 3:

**Comparison of distribution of audit ratings by audited expenditure and by number of audit reports issued in 2017**

Rating	By Audited expenditure (combined CO, RO, HQ, DIM)	By number of Audit Reports issued (Rated by OAI) *
	(a)	(b)
Satisfactory	34.7%	67.9%
Partially satisfactory/ Some improvement needed	28.5%	7.1%
Partially satisfactory/ Major improvement needed	36.8%	17.9%
Unsatisfactory	0%	0%
Follow-up Audits (unrated)	N/a	7.1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

<sup>3</sup> Net Financial Misstatement (NFM) (%) converted to OAI Rating:

- Unqualified or Qualified and NFM is less < 1% = Satisfactory
- Qualified and NFM is from 1% - 1.5% = Partially satisfactory/Some improvement needed
- Qualified and NFM is from 1.6% - 2% = Partially satisfactory/Major improvement needed
- Qualified and NFM is > 2% or Adverse/Disclaimer Opinion = Unsatisfactory

9. OAI has split the ‘partially satisfactory’ rating level into two categories so that it is fully aligned with the four levels of ratings that OAI implemented in 2017. For the distribution based on audited expenditure, the combined share of ‘satisfactory’ and ‘partially satisfactory/some improvement needed’, account for 63.2 per cent of the audited expenditures. There were no audit reports that were issued with ‘unsatisfactory’ rating in 2017.

10. Consequently, based on the scope of work undertaken in 2017, in OAI’s opinion, the adequacy and effectiveness of the Entity’s framework of governance, risk management and control (GRC) were ‘satisfactory’, which means that in the majority of entities audited in 2017, they were adequately established and functioning well and identified issues, if any, will not significantly affect the business unit’s or project’s ability to achieve its targets.

## Annex III

### Summary of substantiated investigation cases in 2017, by type of allegation

	Location	Allegation	Estimated loss to UN-Women <sup>4</sup>	Report sent to	Status
<b><i>Entitlements Fraud</i></b>					
1	Africa	Service contractor submitted fraudulent claims for reimbursement of medical expenses.	No financial loss to the organization.	DMA	Subject's contract was terminated.
2	Europe and the CIS	Staff member submitted fraudulent claims for reimbursement of medical expenses.	\$6,300 (recovered)	DMA	Staff member resigned.
3		Service contractor submitted fraudulent claims for reimbursement of medical expenses.	No financial loss to the organization.	DMA	Subject's contract was terminated.
<b><i>Misrepresentation, Forgery, and False Certification</i></b>					
4	Africa	Staff member misrepresented education qualifications in their CV and P-11 application form.	No financial loss to the organization.	DMA	Staff member resigned.
5	Europe and the CIS	Service contractor forged the signature of a supervisor.	No financial loss to the organization.	DMA	Subject's contract expired before the investigation was complete. Subject has been informed that they can no longer be considered for a position with UN-Women.
<b><i>Procurement Fraud</i></b>					
6	Europe and the CIS	Service contractor failed to disclose conflict of interest whilst repeatedly awarding to a relative.	No financial loss to the organization.	DMA	Subject's contract was terminated.
<b><i>Workplace Harassment</i></b>					

<sup>4</sup> Only losses to UN-Women have been added to this Annex. Losses to other UN agencies in cases of staff members and non-staff personnel from other agencies administered by UN-Women as well as losses to other entities such as CIGNA are not considered financial losses to UN-Women.

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	<b>Location</b>	<b>Allegation</b>	<b>Estimated loss to UN-Women<sup>4</sup></b>	<b>Report sent to</b>	<b>Status</b>
7	Africa	Service contractor sexually harassed his supervisee.	No financial loss to the organization.	CO	Subject's contract was terminated.