

**UN-Women**  
**Independent Evaluation and Audit Services (IEAS)**  
**Multi-year (2018-2021) Rolling Risk-based Audit Plan and Strategy**

**Introduction and Regulatory Framework**

The Executive Board of the UN Entity for Gender Equality and the Empowerment of Women (UN-Women) endorsed Financial Regulations and Rules to govern the management of UN-Women funds. The Internal Audit Service (IAS) is established by the Executive Director under Financial Regulation 23 to be responsible for the internal audit of UN-Women.

The mandate of the Internal Audit Service is to provide the Executive Director an independent, objective assurance and consulting services designed to add value and improve the effectiveness and efficiency of UN-Women's operations through the provision of internal audit and other advisory services; and to facilitate UN-Women's adoption and implementation of best practices.

Internal audit activities carried out by IAS staff, including its consultants, are performed in accordance with the applicable policies by which it has to abide - the financial regulations and rules, staff regulations and rules, International Standards for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics and the Core Principles established by the Institute of Internal Auditors as adopted by the United Nations Representatives of the Internal Audit Services (UN-RAIS), the Charter of the Internal Audit Service and policies, practices and procedures.

The above International Standards require a risk-based [audit] plan to determine the priorities of the internal audit activity, consistent with the organization's goals and based on a documented risk assessment, undertaken at least annually. The input of senior management and the advice from the Audit Advisory Committee (AAC) are considered in this process. Further, the standards require the Chief Audit Executive; in UN-Women's case, it is the Director, Independent Evaluation and Audit Services (IEAS), to communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and to the AAC for review and approval. The Director, IEAS must also communicate the impact of resource limitations.

**Level of Assurance**

The Three Lines of Defense model describes responsibilities for effective risk management and control as follows: management, primarily responsible for monitoring and controlling implemented processes, is in the first line of defense for risk management; the second line of defense consists of separately established risk, control, and compliance oversight functions that ensure the proper design of the processes and

controls are in place and operating effectively within the first line of defense; functions, such as internal audit, that provide independent assurance on the implementation and effectiveness of processes and controls are considered the third line of defense, as well as evaluation which provides information on performance.

An independent internal audit function will, through a risk-based approach to its work, provide assurance to the Executive Director and the Executive Board. This assurance will cover how effectively the UN-Women assesses and manages its risks and will include assurance on the effectiveness of the first and second lines of defense.

### **Audit Risk Assessment**

An audit risk assessment is a tool used by internal auditors in fulfilling their mission of providing reasonable assurance that the organization's objectives are achieved. It aims at identifying, in a systematic and analytical way while integrating professional judgments, high risk areas in the UN-Women audit universe in order to direct accordingly internal audit resources to best meet the needs of the organization.

UN-Women has set up the Enterprise Risk Management (ERM) process which includes risk appetite levels for the different activities or parts of the organization; identify risks; assess them in terms of impact and likelihood (probability of occurrence); and set in place effective risk management processes (e.g. avoid, mitigate (reduce), accept or transfer).

For UN-Women's Multi-year (2018-2021) Rolling Risk-based Audit Plan and Strategy, IAS used the 2017 audit risk assessment carried out on the UN-Women activities by UNDP/Office of Audit and Investigation (UNDP/OAI), which the exercise relied on the knowledge and expertise of the UNDP/OAI.

Thus, the Transitional Risk-based Audit Work Plan for 2018 is based on the 2017 audit risk assessment, which was carried out by the UNDP/OAI. It is the intention of IAS to perform its own risk assessment at the end of 2018 to be used as a base to establish the Risk-based Audit Work Plan for 2019. In addition, it will take high risks that have been identified through the ERM process into consideration in the formulation of its assessment for the internal audit risk-based annual plan.

### **Audit Strategy for 2018-2021**

The following will be the strategic direction and approaches followed by the Internal Audit Service for the period 2018-2021 and the related annual risk-based audit workplan.

- Ensure robust risk assessment and annual planning process to focus on existing high-risk areas, e.g. strategic, technology and business risks and respond to them;
- Achieve complementarity between the multi-year audit plan and the annual audit work plans and other advisory services and align them with UN-Women's strategic goals, objectives and plans;

- Cooperate closely with other internal and the external oversight bodies, e.g., the Independent Evaluation Service and the UN Board of Auditors as the external auditors to better coordinate oversight activities with a view to provide effective audit coverage and minimize overlap or duplication;
- Expand the use of technology and data analytics tools for planning, execution and reporting as well as continuous auditing with a view to provide a more effective and efficient planning and execution and optimize coverage;
- Capitalize on the special skills of staff from the Independent Evaluation Services and other technical experts both within and outside UN-Women through co-sourcing to assist and/or carry out the programmatic and specialized audits;
- Provide additional audit coverage to the DIM project audits by covering both the financial audit and internal control and process review;
- Ensure quality assurance and sustain improvements while promoting continuing professional development that meets the requirements of the Internal Audit profession; and
- Communicate effectively with the Executive Director, Senior Management, Audit Advisory Committee, and Member States to receive feedback for continuous improvement and relevance of the preparation, reporting and implementation of audit work plans.

### **Multi-year (2018-2021) Rolling Risk-based Audit Plan**

2018 is a transitional year for the IAS, from outsourcing to in-housing of the internal audit function. IAS will carry out one high-risk headquarters audit and eight comprehensive audits of field offices based on a risk assessment.

#### Headquarters Offices and Processes

The multi-year (2018-2021) rolling risk-based audit plan will be concentrated, through cross-cutting engagements, of several business units and processes on: (i) Directorate – Executive Director’s Office; (ii) Civil Society Section; (iii) Management Business Support – Audit and Risk Management; (iv) Violence Against Women Trust Fund; (v) Programme Support Division – Programme Team; (vi) Management and Administration; and (vii) Multi Donor Trust Fund (FGE).

On the other hand, audit coverage for some high and medium risk processes, such as, Accounts Payable and payments, NEX assurance, Financial Management, Administrative Services, Asset Management, Facilities Management and Services, Grant Management, Security Management, and Travel Management, will be provided through audits of business units involved in programme delivery activities.

#### Field Offices

For the field offices, IAS plans to perform comprehensive audit, which will cover all applicable area of country offices operations that have been assessed, relative to other business units at UN-Women, as posing high risk during the period 2018-2021.

### Direct Implementation

The UN-Women approach to project delivery continues to be mainly through direct implementation, where UN-Women is fully responsible and accountable for the successful management and delivery of the project outputs.

For 2018, the IAS will have 20 projects audited. These are implemented in 15 countries, which will be the same number of projects as those audited in 2017. IAS will manage the process, contracting independent audit firms under long-term agreements for the conduct of the audits. IAS will draw on the long-term agreements that UNDP/Office of Audit and Investigation (UNDP/OAI) has with several independent audit firms.

The DIM project audits in the past were primarily financial audits. However, IAS will start to work with the independent audit firms on pilot basis to include an audit of internal controls, processes and systems in 2018. It is envisaged that by 2020, all the DIM project audits will cover both the financial audit and internal control and process review. This would assist in providing additional assurance to the organization in term of governance, risk and controls.

As part of the audit strategy, IAS will be developing the use the data analytic techniques along with development of continuous auditing techniques to augment the review of the medium and lower risk area and to assist in identifying weaknesses in implementing the established internal control or lack of internal control procedures.

The plan will have to be re-visited after completing the discussion on the trade-off between risk appetite, level of assurance, level of advisory services and the resources.

### Key Performance Indicators

- Compliance with the Charter;
- Plan Completion: percentage of high risk areas covered by audit;
- Number of audit reports per staff;
- Days to complete audit assignments vs baseline;
- Percentage of recommendations accepted;
- Client satisfaction rate; and
- All agreed Audit Advisory Committee action points addressed to IAS implemented.