

## **Management response to the report of the Audit Advisory Committee for the period from 1 January to 31 December 2018**

1. The management of UN-Women welcomes the seventh report of the Audit Advisory Committee (AAC) and expresses its appreciation to the distinguished members of the Committee for their support and dedication to the organization's mandate.

### **Internal Audit, Evaluation, and Investigation**

2. UN-Women acknowledges the Committee's emphasis on realizing synergies between the evaluation and audit functions and appreciates the observation that the two functions are already working together to optimize oversight and assurance results. Independent evaluation and internal audit in UN-Women will continue to remain two distinct units with separate operational budgets.

3. In line with the Committee's recommendation, the Director of Independent Audit and Evaluation Service (IEAS) regularly meets with the Executive Director, the Executive Office, and attends UN-Women Senior Management Team meetings. These interactions provide the opportunity to brief senior management on emerging governance, risk management and internal control matters, and to keep apprised of priorities and key issues affecting UN-Women.

### **Internal Audit Function**

4. UN-Women is grateful to the Committee for its continued advice and support to the new in-house internal audit function. In particular, UN-Women appreciates the Committee's review and comments during the development of the internal audit plan for 2018 and its subsequent implementation.

5. UN-Women is pleased to receive the Committee's positive remarks on the transition of IEAS' internal audit approach from assurance focused primarily on financial coverage, to assurance and advice on improving the effectiveness and efficiency of UN-Women's governance, risk management and internal controls. This will also help to ensure even better use of oversight resources.

6. UN-Women takes note of the Committee's interest in ensuring that the Internal Audit Service (IAS) leverages the results of its Enterprise Risk Management (ERM) system. In this regard, ERM is a key component in IAS' annual risk assessment. An IAS advisory review of ERM in UN-Women has started and will be reported on in the context of its 2019 work plan.

7. IAS will champion an assurance mapping concept within UN-Women to further clarify roles and accountabilities around the Three Lines of Defense. This will help to establish a combined assurance framework, which will provide greater assurance over the management of risk and more efficient use of resources.

8. IAS has noted that some UN-Women functions are outsourced to UN system agencies or third-party providers. In the coming years, it will explore how such functions are independently audited.

9. IEAS is engaged in UN-Women change management as an observer and will continue to ensure that relevant information and changes are incorporated in its planning and activities.

10. IAS is pleased to confirm its open communication and exchange of information with the UN Board of Auditors. In this regard, the UN Board of Auditors is an important element in the Third Line of Defense of the UN-Women.

### **Evaluation function**

11. UN-Women welcomes the Committee's observations about the progress made on the implementation of the Independent Evaluation Service (IES) programme of work.

12. UN-Women acknowledges the importance of monitoring and evaluation. IES continues to raise awareness about these aspects as key building blocks of effective project management through its regional training and targeted recommendations of decentralized and corporate evaluations. In 2019, a joint internal audit and evaluation advisory service on the UN-Women project cycle will also help to reinforce these elements.

13. UN-Women is pleased to note the Committee's appreciation of its ongoing efforts to more effectively leverage its in-house capacity in the conduct of evaluation activities.

14. UN-Women acknowledges the Committee's concern, as expressed in this and previous reports, that 3 per cent of UN-Women programme expenditure be dedicated to evaluation, as recommended in the evaluation policy, may be too high. UN-Women also takes note of the Committee's advice that some of the set-aside resources could be dedicated to further strengthening management systems, such as programme monitoring or results measurement. As part of the planned review of the UN-Women Evaluation Policy in 2019, and in the context of ongoing change management activities, the target benchmark will be re-analyzed and considered accordingly.

### **Investigations Function**

15. UN-Women is pleased to note the Committee's observation that the Memorandum of Understanding with the UN Office of Internal Oversight Services has been updated to reflect the Director of IEAS as responsible official for coordinating the investigation function at UN-Women. UN-Women will give due consideration to ensuring that IEAS has sufficient resources to effectively discharge this function. Particular attention will be given to assist in the resolution of allegations which have been deemed not to warrant an investigation, and the monitoring of the implementation of measures to prevent the recurrence of identified issues.

### **Board of Auditors**

16. UN-Women appreciates the Committee's acknowledgment of its efforts to implement outstanding recommendations. UN-Women remains committed, within available resources, to take needed actions to timely implement all audit recommendations that lead to improved operational effectiveness and efficiency, as to cost reduction.

17. UN-Women has in place a corporate system to track and monitor the progress of implementing audit recommendations. The outcomes and results of implementing audit recommendations will be reported to the Committee.

## **Ethics**

18. UN-Women will continue to update the Committee on the implementation of the Policy on Protection from Retaliation and the Policy against harassment, sexual harassment, discrimination and abuse of authority, including training for managers and staff in this regard.

## **Organizational Challenges**

19. UN-Women appreciates the Committee's close attention and ongoing advice on its current change management process. The Committee has provided valuable insights based on their observations about Headquarters and country offices, especially on approaches to country typology and ways to maximize UN-Women's impact at country level. UN-Women will continue to update the Committee on the change management process and take on board the Committee's advice during its roll out.

20. UN-Women shares the Committee's view about the importance of filling vacancies for senior positions in a timely manner. It is pleased to note that recruitments of key senior positions, including the second Deputy Executive Director/Assistant-Secretary-General post, are well advanced and should be completed soon.

21. UN-Women appreciates the Committee's recognition of its efforts in building trust in the organization's conflict mitigation procedures. UN-Women reiterates its commitment to proactively addressing management-related issues throughout the organization. At the same time, UN-Women also highlights the need for greater resources to fully address the Committee's recommendations in this area, especially in terms of core resources.

22. Regarding the UN-Women Oversight Framework in a Three Lines of Defense model, UN-Women incorporated the changes in the categorization of activities as recommended by the Committee.

23. UN-Women also acknowledges the Committee's advice to conduct partner audits as a management responsibility under the Second Line of Defense and confirms its continuous work in addressing these issues.

## **Programming activities**

24. UN-Women welcomes the Committee's observations in terms of partner selection and monitoring, as well as its advice on taking full advantage of the Flagship Programming Initiatives to reach scale in its programming efforts. UN-Women is making consistent efforts to address these issues.

25. A financial project closure dashboard has been implemented. A Systems Working Group is currently reviewing the linkages between the Results Management system and ATLAS to streamline the system further and provide more management information. UN-Women is also revising its due diligence procedure for selection of partners. In this regard, UN-Women will keep the Committee informed of progress.

### **Enterprise risk management**

26. UN-Women has continued its work on enhancing the risk management culture throughout the organization and institutionalizing the risk management framework. In addition to this work, the implementation and roll out of the Policy, Procedure and Guidance framework has served to strengthen linkages between risk management and internal control processes, both of which are central to the management's ability to make decisions that are driven by priorities, resource allocation, accountability and governance needs. As UN-Women focuses on putting in place measures to strengthen the organization's Second Line of Defense, it looks forward to the Committee's continued advice on these matters.

### **Funding framework and resource mobilization**

27. While UN-Women's overall income has been steadily increasing and reached a record level in 2018 of USD 392 million, it has largely been driven by increases in earmarked resources with a funding gap for regular resources in the range of USD 50 million. In the Structured Dialogue on Financing and the informal briefings leading up to it, UN-Women will engage with Members States on the Funding Compact and on the need to prioritize increases in regular resources.

28. UN-Women is committed to diversifying funding sources, while noting that the primacy of Member States contributions remains paramount, and is strengthening support to field offices and National Committees to broaden the funding base through individual giving, including high net-worth individuals. UN-Women has introduced a new governance framework for National Committees which paves the way for more effective fundraising.

29. UN-Women agrees with the Committee on the importance of partnerships with other UN agencies and the communication of results. UN-Women is continuously making efforts to better quantify and articulate results and strengthen the link between results and resources, including through annual reporting to the Executive Board. In 2018, UN-Women published its first report on the use of regular (core) resources, highlighting their impact. UN-Women is strongly committed to working with other UN entities in its programming and is one of the UN entities with the highest percentage of resources invested in joint programmes.

30. The revised portfolio of Deputy Executive Directors/Assistant-Secretary-Generals with clearer responsibility to one Deputy Executive Director for Resource Management, Sustainability and Partnership, reflects a recommendation of the Committee. It is expected that this revised portfolio will strengthen accountability and clarify responsibilities at the executive level for resource mobilization. In addition, as part of ongoing change management, a functional analysis of Headquarters and field capacity for resource mobilization is being

finalized. A review of terms of reference of Country Representatives and Heads of Liaison Offices was done in 2018 to clarify their responsibilities for resource mobilization.

31. As noted by the Committee, in 2018 UN-Women undertook major efforts to develop a comprehensive resource mobilization strategy. This strategy includes the development and roll-out of a digital system for customer relationship management.

32. UN-Women will continue to strengthen coordination and collaboration with Regional Offices, Country Offices and Liaison Offices, including through knowledge management and formal and informal networking.

33. Targets will continue to be set based on analysis and evidence, in consultations with regional and field offices and utilizing the LEADS management system.

34. A Resource Mobilization partnership policy and accompanying guidelines is being finalized and will be rolled out by the end of June 2019.

### **Financial statements**

35. UN Women appreciates the commendation from the Committee on its financial statements and is grateful for its continuous support and advice.

### **Information and Communication Technology**

36. UN-Women agrees that Information and Communications Technology (ICT) is central to the overall performance and success of the organization. UN-Women recognizes the importance of holistic and integrated systems, including the long-term plan for the Enterprise Resource Planning (ERP) system. UN-Women remains confident that this is best addressed through the strong ICT governance process already established, which ensures all ICT initiatives are driven by and prioritized by the relevant stakeholders. UN-Women looks forward to continuing to brief the AAC on these matters.